



Oxford Instruments plc, a leading provider of high technology products and systems for industry and research

...enabling a greener economy

Read about how we are helping improve the performance capabilities of alternative energy sources

[Find out more on page 8](#)

...increasing connectivity

Read about our role in helping meet the surge in demand for data and connectivity

[Find out more on page 9](#)

...improving health

Read about how we are helping improve diagnostics for a growing and ageing population

[Find out more on page 10](#)

...making leaps in scientific understanding

Read about how we are helping to make the science of today the technology of tomorrow

[Find out more on page 11](#)

Contents

Strategic Report

Highlights	1
Making a Material Difference	2
Chair's Statement	12
Chief Executive's Review	14
Market Context	20
Business Model	22
Our Strategy	24
Engaging with Stakeholders	26
Key Performance Indicators	34
Operations Review	36
Sustainability	48
TCFD Report	57
Finance Review	67
Risk Management	77
Viability Statement	85

Governance

Chair's Governance Overview	88
Board of Directors	90
Board Leadership and Company Purpose	92
Corporate Governance Statement	92
Division of Responsibilities	93
Composition, Succession and Evaluation	98
Nomination Committee Report	106
Audit and Risk Committee Report	110
Sustainability Committee Report	117
Directors' Remuneration Report	120
Shareholder Information	142
Directors' Report	143

Financial Statements

Directors' Responsibilities	148
Independent Auditor's Report	149
Consolidated Statement of Income	156
Consolidated Statement of Comprehensive Income	157
Consolidated Statement of Financial Position	158
Consolidated Statement of Changes in Equity	159
Consolidated Statement of Cash Flows	160
Accounting Policies	161
Notes to the Financial Statements	167
Parent Company Statement of Financial Position	198
Parent Company Statement of Changes in Equity	199
Notes to the Parent Company Financial Statements	200
Historical Financial Summary	208



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

Highlights

Adjusted¹

Revenue	£367.3m	
(2021: £318.5m)		+15.3%
% change organic constant currency ⁴		+14.5%
Adjusted operating profit	£66.3m	
(2021: £56.7m)		+16.9%
% change organic constant currency ⁴		+15.2%
Cash conversion²	84%	
(2021: 102%)		
Adjusted operating profit margin	18.1%	
(2021: 17.8%)		+30bps
Adjusted profit before taxation	£65.9m	
(2021: £55.9m)		+17.9%
Adjusted basic earnings per share	94.3p	
(2021: 78.6p)		+20.0%
Net cash³	£85.9m	
(2021: £97.6m)		

Statutory

Revenue	£367.3m	
(2021: £318.5m)		+15.3%
Operating profit	£48.3m	
(2021: £53.0m)		(8.9%)
Operating profit margin	13.2%	
(2021: 16.6%)		
Profit before taxation	£47.6m	
(2021: £52.2m)		(8.8%)
Basic earnings per share	67.1p	
(2021: 72.8p)		(7.8%)
Dividend per share for the year	18.1p	
(2021: 17.0p)		+6.5%

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

Financial highlights

- Organic revenue growth of 14.5%, partially constrained by supply chain disruption. Reported revenue growth bolstered by WITec acquisition
- Strong growth in orders of 19.9% at organic constant currency
- Reported order book of £260.2m, growth of 26.6% at organic constant currency
- Strong growth in adjusted operating profit of 16.9%, with margin rising to 18.1%
- Statutory profit measures include a £6.4m charge as a result of the unwind of the brought forward £6.1m financial derivative asset
- Growth and phasing of orders and revenue led to an increase in working capital, resulting in normalised cash conversion of 84%
- Growth in total dividend for the year of 6.5%

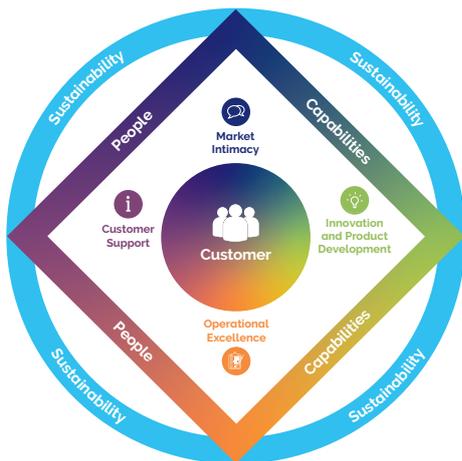
Operational highlights

- Resilience of our business model and product strength underpinned improved financial performance despite significant inflationary pressures
- Strong order growth across each of our end markets supported by long-term structural growth drivers and global sustainability agenda
- Investment in semiconductor markets drives strong growth across our materials analysis and etch and deposition portfolio
- Research and development of advanced materials supports strong demand for our range of analysis and imaging systems
- Launch of advanced benchtop microscopy system complements our imaging technology, increasing our product reach and capability into Healthcare & Lifescience
- Quantum computing research and evolving commercial market drive demand for our cryogenic systems and scientific cameras
- Strong performance from WITec acquisition in first year with key applications across advanced materials and life science research

Making a Material Difference

Our purpose, strategy, values and culture

We want our employees to feel proud to work for a company that is recognised as a leader in its field.



For over 60 years we have been making a positive difference to the world through our products and services and over this time we have developed a unique culture.

Through our Horizon strategy, we place our customers at the centre of everything we do. We have a shared responsibility across the business to earn the trust of our colleagues, customers, shareholders and other key stakeholders, taking responsibility for solving problems and ensuring that we do what we say we will do.

For more information on how we engage with our key stakeholders, please see pages 26 to 33.

We continue to focus on ensuring that everyone who works here feels included and valued. We actively seek out different perspectives, helping to create a strong sense of belonging and encouraging everyone to contribute and to feel that they can bring their whole self to work.

Our ability to innovate continues to make this a great place to work and to partner with. Everyone can challenge the status quo and question why we do something a certain way in order to help drive improvements.

Our core purpose is to support our customers in addressing some of the world’s most pressing challenges, enabling a greener, healthier, more connected, advanced society for all. Delivery against our strategy is aligned with our purpose and is also underpinned by our values, culture and how we do business.

Our values are:



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.

Our culture



Being Oxford Instruments



Employee Pride

in working for us and making a difference



Health and Safety

ensuring everyone is safe



Care

we care about our employees, our customers and our impact on the world



Reputation

for positive contribution to society



Sustainable

taking our role seriously as we progress our environmental, social and governance agendas



Respect

being inclusive and valuing our employees



Trust

our people to deliver



Accountability

for our actions

Our cultural KPIs

We monitor our culture by assessing, amongst other things, feedback received from our global employee engagement surveys. This year we have also instigated CEO Townhalls that all employees are invited to and where they are encouraged to ask questions and comment on what they believe. Carefully considering employee feedback and views helps us to identify the areas in which we may need to take action to ensure that we enhance or preserve our culture.

During the year, we monitored progress across a range of cultural KPIs:

98%

of new starters say we're friendly and welcoming

25%

female workforce

43%

of staff work outside the UK

92%

of employees feel trusted to do a good job

8,308

online training courses completed

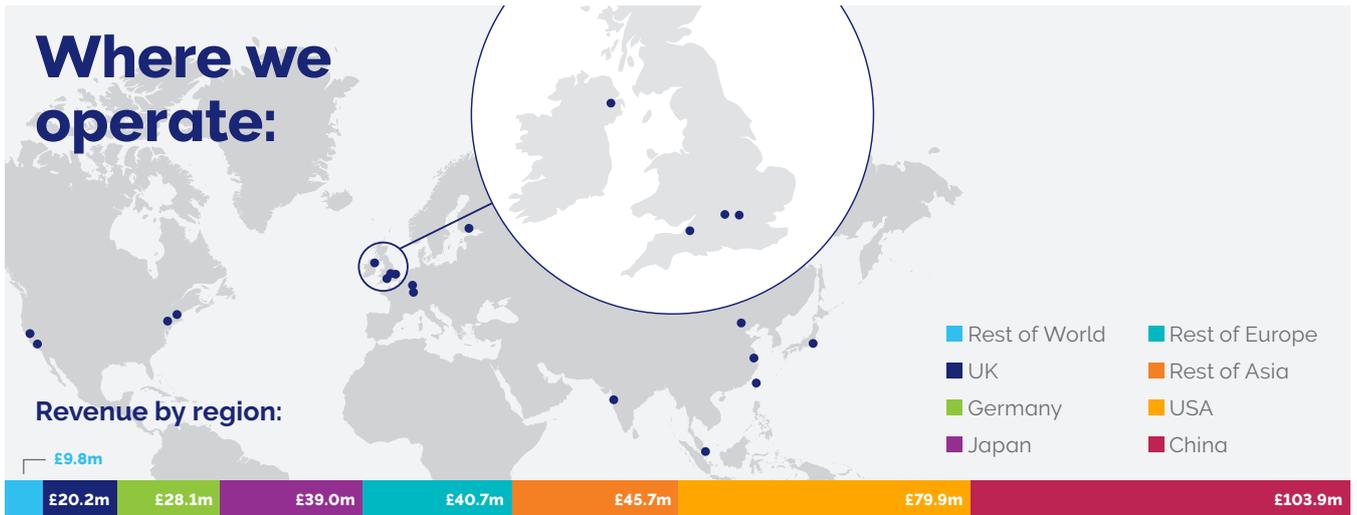
85%

of employees proud to work at Oxford Instruments

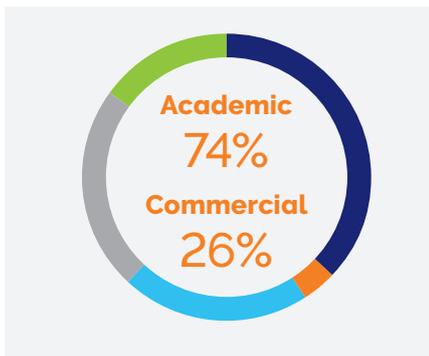
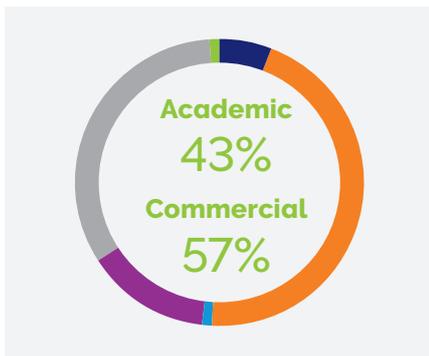
Understanding Oxford Instruments

What we do:

 <p>Materials & Characterisation 50% of Group revenue</p>	<p>Products and solutions that enable the fabrication and characterisation of materials and devices down to the atomic scale, predominantly supporting customers across applied R&D as well as the production and manufacture of high technology products and devices.</p>	<p>Revenue £185.5m +24.8%</p> <p>Adjusted operating profit £26.1m +28.6%</p>
 <p>Research & Discovery 33% of Group revenue</p>	<p>Provides advanced solutions that create unique environments and enable imaging and analytical measurements down to the molecular and atomic level, predominantly used in scientific research and applied R&D.</p>	<p>Revenue £120.3m +6.1%</p> <p>Adjusted operating profit £21.3m +9.2%</p>
 <p>Service & Healthcare 17% of Group revenue</p>	<p>Provides customer service and support for our own products.</p>	<p>Revenue £61.5m +8.8%</p> <p>Adjusted operating profit £18.9m +11.8%</p>



Who we work with:



Healthcare & Lifescience

Increasing and ageing populations are driving the need for more affordable and effective therapies and treatments, with the more detailed understanding regarding fundamental disease mechanisms enabling a new paradigm in the speed and efficacy of drug development.

Semiconductor & Communications

The push for more power-efficient devices, increased connectivity and the increased demand for semiconductor chips across consumer electronics is creating opportunities for growth.

Quantum Technology

Increased national programmes and associated funding as researchers continue to make significant advances with quantum technology and the promise of practical commercial quantum technology.

Energy & Environment

Revitalisation and global recognition of dramatic changes to energy requirements and the global urgency regarding carbon emissions are accelerating the move to new energy and environmental solutions.

Advanced Materials

Where there is increased investment into new materials to enable higher and often disruptive performance, as well as demand for more sustainable use of valuable and finite natural resources.

Research & Fundamental Science

Where we help customers develop breakthrough applications, gaining previously unknown insights.

Reasons to invest



Confidence in strategy

> [See pages 24 and 25](#)

Horizon is delivering tangible financial benefits and our continued execution of it has provided the capabilities needed to deliver continued progress in the face of exceptional challenges over the past few years. Our strategy has transformed the Group into a customer-centric, applications focused business, creating value through accelerating our customers' outcomes and building positive futures for all our stakeholders. We believe that our focus on diverse global niche markets, each with long-term underlying growth drivers, provides resilience to our business model and positions us well to deliver sustainable growth and margin expansion.



Strong financial position

> [See pages 67 to 76](#)

Our aim is to generate sustainable revenue growth and improved profitability, underpinned by strong cash conversion. These aims are supported by continued progress in commercial practices across the Group and gains from our operational excellence programme. We have a strong balance sheet that will further support business growth and the achievement of our strategy and deliver considerable long-term benefits.



World-class brand reputation

> [See pages 36 to 47](#)

We are a globally recognised premium brand with a reputation for innovation, world-class product performance, unprecedented ease of use and excellence in service and support. Through our market intimacy we continue to strengthen our relationships with customers, developing more efficient and effective ways of increasing the value of our support offering. We continue to add value to existing customers, as well as creating growth opportunities in new market segments, through application-specific solutions with improved workflows, bespoke analytics, data interpretation and associated support services.



Cocoon Nebula
Image: Bill Snyder



Access to attractive markets

> See pages 20 and 21

The Group continues to focus on attractive markets where our key enabling technologies and services drive long-term growth for customers and where we can maintain leadership positions. Our access to diverse end markets alongside a responsive and targeted portfolio that supports all stages of the technology cycle, including academic, commercial R&D and high-tech manufacturing, allows us to present an integrated offering that has the potential to create significant barriers to entry for competitors. Our performance in the year reflected the underlying strength and breadth of our chosen end markets and their fundamental growth drivers.



Focus on sustainability

> See pages 48 to 66

Sustainability is the cornerstone of our strategy to drive stakeholder value and as a Group we recognise the important role we play and the impact we have on the environment and society. We remain committed to reducing the impact of our operations and encouraging engagement from our suppliers also. Through our products and services, we make a significant positive impact on the world by enabling a greener, healthier, more connected advanced society and as such we are well positioned to drive positive change in the world. As well as being a technical leader, Oxford Instruments is on the path to becoming a green leader in the marketplace.

Making a Material Difference **continued**

Enabling a greener economy

▶ Find out more on page 41

The World Health Organization has said climate change is the greatest threat to global health in the 21st Century. Since the 1800s, human activities have been the main driver of climate change, predominantly through the burning of fossil fuels. We have all seen or experienced the impact this is having on the world: increased flooding, extreme heat, and food and water scarcity. With a global commitment to achieve net zero, reducing carbon emissions to the lowest level possible, by 2050, there is increasing pressure on everyone to phase out the use of and reliance on fossil fuels.

The challenge, however, is finding alternative energy sources that offer the same performance capabilities, and while fossil fuels remain plentiful and inexpensive it can be difficult for many to make the transition. One widely available alternative is solar energy, with the level of solar energy reaching habitable land being 1,000 times the amount of fossil fuel energy extracted globally per year. The problem is finding a way to capture, convert, store and distribute this energy efficiently and affordably.

Solar panels offer the solution, with researchers looking at how to make these more efficient and cost effective. Our enabling technologies, including our material analysis tools, are helping manufacturers and researchers image and analyse solar cells to understand how composition impacts performance, allowing them to design enhanced capabilities into the cells. Our products offer users unique insight as their sensitivity provides visualisation with minimal damage to the sample, letting them analyse solar cell details that were previously impossible to capture.

Batteries offer a further alternative to fossil fuels and can facilitate more sustainable travel, as well as providing efficient and affordable storage for renewable energy. Batteries require less maintenance and run cleaner than traditional fuel convertors, however they must overcome a few challenges before they can fully permeate the transport market. This includes making them lighter, more cost effective and more energy efficient in regard to discharge and recharge times.

Our atomic force microscopes (AFM), nuclear magnetic resonance (NMR) and material characterisation solutions are being used by many battery manufacturers to help them understand more about the properties of batteries at the nanoscale and how these change over the lifetime of a battery. This is helping researchers find new battery materials and structures that could translate into lower cost, higher performing, more environmentally friendly solutions. By being close to our customers we have been able to stand out in the market with a tailored portfolio of solutions dedicated to the specific needs of the battery market.

We continue to look for further opportunities to offer solutions that can help those working to accelerate our transition to a low-carbon economy.



Increasing connectivity

▶ Find out more on page 39

One thing that has become clear in recent years is that being connected to the internet is no longer just a nice-to-have option, but a necessity that is becoming increasingly vital for everyday activities. The essential nature of connectivity and communication is such that many can no longer imagine life without it; it has become an integral part of working, retail, healthcare, logistics and education.

In line with this, we currently find ourselves in the middle of a technology boom, considered by many to be the next industrial revolution. As technology advances, connectivity is driving personal, social and economic development and the UN has gone so far as to propose having access to internet services should be a part of our human rights. This industrial transformation is being powered by constant connectivity, which demands 24/7 access to high-speed internet, changing how we live, learn, work and play.

Together, the advancement of technology and the drive for connectivity is driving an unprecedented increase in demand for semiconductor chips, to enhance electronics and provide faster, more accessible bandwidth to ensure ultimate performance from the products.

The range of semiconductor applications is poised to expand dramatically with the spread of 5G, advances in the Internet of Things (IoT), autonomous driving and neural sensors. Devices themselves range from phones and tablets through to washing machines and cars. It is expected that the number of devices that can connect through the IoT will reach 22 billion by 2025. The world is increasingly mobile, as we consume and generate more data every year.

The result of more people trying to connect at once and the increasing amount of data being transferred is a need for faster, more stable and secure networks. The onus is on data centres to meet these requirements as well as on device manufacturers to make products that can help people shape their activities to improve their quality of life.

The huge demand for connectivity is driving demand for our specialised analysis solutions and our compound semiconductor processing systems. As silicon semiconductor chips become smaller, analysis becomes more challenging and the ever more important our tools become. The precision and resolution of our products are clear differentiators for us, making us the supplier of choice for many leading electronic device manufacturers.

Our defect review tools are helping manufacturers during the quality assurance and quality control stage, providing insights into possible performance enhancements for next generation devices. Customers choose us as we ensure their processes deliver the required performance, as well as driving manufacturing efficiency and reducing costs.

Thanks to the relationships we build with our customers, we understand the challenges they face, including increased demand for compound semiconductors which needs improved manufacturing capabilities and higher production yields. Here our specialised processing systems and critical layer solutions are making a positive impact on end device performance, driving down costs and increasing yields. Our solutions are being used to produce high performance indium phosphide devices to help build reliable and fast fibre optic networks supporting the rise in 5G and cloud applications, and the resulting amount of data being produced. Customers choose our products as we can offer significant advantages for them, such as delivering more devices per wafer, improved yield, and enhanced device performance for the end user.

Making a Material Difference **continued**

Improving health

► Find out more on page 44

By 2050 it is estimated that the global population will have reached nearly 10 billion, with 16% being aged over 65. Growth in age and population in turn increases the number of people living with chronic health conditions, which results in greater pressures on the healthcare system. One way to ease the pressure is by transforming the efficacy of medicines and treatments through developing a better understanding of health and disease at a cellular and molecular level.

Our microscopy solutions are often chosen by researchers working to garner a fundamental understanding of diseases such as cancer, Alzheimer's, diabetes and cystic fibrosis. Building on our market intimacy we have enhanced our offerings to better meet the specific needs of researchers in this field. For example, we offer imaging capabilities for larger samples in an easy-to-use platform, which was previously unavailable in the market. The sensitivity of our systems is also revealing previously unseen details that show cellular response to stimuli, such as difficult treatment options.

Using these unique insights to build a fuller picture of disease mechanisms, we can help accelerate the speed of drug development. Measuring indications can guide what treatments may, or may not, work, improving the efficacy of medicines and reduce development costs.

Currently it costs around £1.5 billion to bring a single drug to market, and only one drug in 5,000 gets there. The huge development costs result in prohibitively expensive medications or even barriers to their developments for some illnesses. A disease can also vary between patients with the same condition and medications also have a different success rate across patients as well. Currently all patients with a certain condition receive the same initial treatment, even though it may only be 30%-60% effective. This means patients require medical assistance for longer periods of time, putting pressure on healthcare providers, or they are suffering more with a condition than others, impacting their quality of life.

Personalised medicine will help address these issues and is becoming more of a reality. Building on the insights researchers have gathered, the use of gene sequencing is helping unlock insight regarding the individual patient, allowing doctors to develop a treatment plan that will work best for them. The ability of our cameras to capture fine details very quickly is helping researchers use gene sequencing to reveal more about likely responses to different treatment options. This will enable doctors to treat patients more successfully and help reduce spend on ineffective medications.

Making leaps in scientific understanding

▶ Find out more on page 45

Edward Teller famously stated that the science of today is the technology of tomorrow. Another way to think of this is that today's curiosity is tomorrow's cure. Many of our everyday essentials would have been considered impossible even a decade ago, but through fundamental science researchers have been able to solve some of the most important challenges the world has faced.

Over the past 200 years there has been a huge rate of change, driven largely by the application of fundamental science to aid economic, social and technological progress. By exploring the limits of what's possible, researchers have created new understanding and pushed boundaries to explore ideas, test them and expand them, helping to generate the solutions for everyday life, as well as provide answers to some of the great mysteries of the universe. As scientific understanding drives advances in technological capabilities, this in turn can help facilitate new scientific breakthrough and discoveries, a truly virtuous circle.

Our products are helping researchers make these step-change advances, helping to progress a broad range of application areas. It is through the use of our cryogenic refrigerators that we have aided the continued development of quantum technology, helping researchers build quantum computers and supporting the commercialisation of this field. By working closely with our customers to understand their changing needs, we can ensure our products can best support them and anticipate their requirements.

Our advanced solutions are helping researchers to explore and understand the realms of nuclear fusion, which has the potential to influence next generation materials and provide abundant carbon-free electricity. Thanks to the heightened speed of our products, we can capture what happens in minute fractions of a second, which is key to unlocking nuclear fusion.

Astronomers often choose our high sensitivity scientific cameras to aid their understanding of the world around us, as well as the universe at large. Our cameras are favoured because of their unrivalled speed, extra large field of view and excellent sensitivity. One recent project is helping facilitate optimal alignment of the mirrors within the Extremely Large Telescope in Chile, which will help reveal details of the birth of the earliest stars and galaxies. This will help answer many of the most pressing, unsolved questions about our universe, which will help us understand more about the earth, the probability of other life-sustaining planets, and possible approaches that could help us address the climate change crisis.

Chair's Statement



I am proud of the role we play in making a positive impact on the world around us, driven by our core purpose to enable a greener, healthier, more connected, advanced society.

Neil Carson
Chair

This is further enhanced by the deep insights we gain through the value-driven relationships we have with our customers. By nurturing these relationships, and through strategic collaborations, we build a unique understanding of our customers' current and future needs, informing our development efforts and enabling us to sustain our leadership positions, and allowing our customers to deliver on their goals.

Impressive performance against a challenging backdrop

The strength of our end markets, the quality of our market-leading portfolio and the resilience of our business model are demonstrated by the Group's strong performance in the year, which has been delivered despite global supply chain shortages and inflationary pressures.

The unprovoked attack on Ukraine by Russia has shocked the world and, as a global company committed to upholding our values, the Board strongly condemns this abhorrent action and fully supports the decision to cease trading in the territories of the Russian Federation and Belarus.

Throughout the ongoing covid-related disruptions, with regional lockdowns intermittently in place across some of our territories, we have remained committed to protecting the health, safety and wellbeing of all our employees and for the Group to provide additional support where required.

We have further developed our hybrid workplace model, driving efficiencies across the Group, maintaining business continuity throughout, and providing improved support for our customers.

Clear opportunities ahead with execution of Horizon strategy

The successful execution of our strategy to date has driven a track record of improved financial performance by keeping our focus on attractive end markets with strong growth drivers, many of which are further strengthened by the global sustainability agenda, alongside driving operational efficiency improvements and the transformation of our service offering.

The Board remains fully supportive of the ongoing delivery and evolution of Horizon and is excited by the expansive opportunities ahead as we build scale and enhance the capabilities across our well-established platform. We believe the investments being made in the business will continue to drive future growth, including our growing, commercially driven R&D programme, our new facilities, and the successful execution of selective acquisitions, as demonstrated by the acquisition of Wissenschaftliche Instrumente und Technologie GmbH (WITec).

We can also see the clear benefits of the investment that has been made in enhancing the talent and capabilities within the Group, including commercial, technical and service, as well as in the transformation of our customer services' infrastructure.

As per the announcements made in February and March 2022, we note the unsolicited proposal from Spectris plc which was withdrawn. The Board remains highly confident that the Group has a clear and compelling strategy to achieve growth and create value for Shareholders over the medium term.

Advancing our sustainability agenda

The establishment of the Board's Sustainability Committee has elevated the oversight and leadership of the Group's sustainability agenda and re-emphasises our view that embedding sustainability throughout the Group creates long-term value for all our stakeholders and will secure our long-term success.

This year, the Group has focused on developing our frameworks and processes to adopt and align with the various reporting frameworks. We are delighted to be publishing our first Task Force on Climate-Related Financial Disclosures (TCFD) Statement in our Report and Financial Statements and our first standalone Sustainability Report this year.



Diversity throughout the organisation

The Board and executive team have spent considerable time this year looking at ways to build on the culture of diversity that is already strong within the Group. With inclusivity being a key value, the Group encourages all employees to bring their authentic self to work, recognising how mutually beneficial diversity is to us and our employees.

We are committed to promoting diversity, equality, and inclusion, both on the Board and throughout the Group. We also have a clear action plan which will help us to reach gender and diversity representation recommendations at Board level, as proposed by the FTSE Women Leaders Review and the Parker Review. In the immediate-term, we are aiming to exceed 33% female representation on the Board by July 2022, with the appointment of a further female Director with specific capabilities and experiences which meet the needs of the Board now and in the future.

Board changes

During the year Thomas Geitner and Steve Blair stepped down from the Board. I thank them for their valued service to the Group. Alison Wood has also taken up the role of Senior Independent Director and has already made a much-valued contribution in this position. We also welcomed Nigel Sheinwald in September as a Non-Executive Director and Chair of the newly formed Sustainability Committee.

Sir Martin Wood: 1927-2021

The Board and I were saddened to learn of the passing of the Oxford Instruments founder, Sir Martin Wood, in November 2021. Martin's brilliance, innovations and enthusiasm provided the foundation for ground-breaking developments that have saved millions of lives and transformed our understanding of chemistry. As a company we were fortunate to benefit from his vision and consider him one of the great minds in scientific advancement. We again offer our sincere condolences to his wife, Lady Audrey Wood, and their extended family.

Our employees

The Board and I are extremely grateful for the commitment and innovation of our employees in their approach to maintaining and growing the business despite the many challenges we have all faced. We thank them for embracing new approaches to working and for adapting quickly to new ways of supporting our customers. In recognition of the impact the rising cost of living has had, we fully support the action the executive team have taken to help our employees, implementing a notable pay rise ahead of the usual time to do so.

During the year, we took the opportunity to engage further with employees, gathering their feedback to ensure we can best consider their interests as part of our decision-making process. The Board looks forward to continuing this programme in the year ahead, by visiting sites and meeting employees in person.

Dividend

In line with our progressive dividend policy and robust trading performance in the year, the Board is proposing a final dividend of 13.7p per share (2021: 12.9p per share), which is subject to shareholder approval at our Annual General Meeting on 28 July 2022.

Looking ahead

Over the last five years, we have delivered a compound annual growth rate for revenue and adjusted profit before tax of 6% and 16% respectively. Our operating margin has grown from 13.6% in 2017 to 18.1% in 2022, along with sustained high cash conversion year on year.

Despite the challenges during the past two years, the Group has delivered significant progress, emerging even stronger and further aligned with structurally growing end markets. This reflects the excellent execution of Horizon, the highly talented employees we have around the world, our high-quality products and services, and our brand leadership. The Board remains confident in the Group's strategic direction as a platform to deliver sustainable growth and further margin enhancement.

Neil Carson
Chair

13 June 2022

Chief Executive's Review



As I look back on the past twelve months, I am extremely proud of the Group's performance and am even more excited about the future growth and margin expansion opportunities that lie ahead.

Ian Barkshire
Chief Executive

CEO's message

As I look back on the past twelve months, I am extremely proud of the Group's performance and am even more excited about the future growth and margin expansion opportunities that lie ahead.

We have successfully navigated the turbulence of the last two years, and, thanks to the dedication of our talented global team and the successful execution of our Horizon strategy, we have emerged as a stronger, more focused business. We are now even better aligned to meet the needs of our customers in attractive end markets with long-term structural growth drivers.

As a global provider of high technology products and services we are aware of the critical role we play in the overall advancement of society by enabling leading industrial companies and scientific research institutes to tackle some of the world's most complex challenges and growth opportunities.

From healthcare to climate change to digital communications and quantum computing, we work with our customers to create the products they need to generate meaningful change and market growth. This fuels our mission to enable a greener, healthier, more connected, and advanced world – and puts us at the heart of creating a more sustainable future.

During the year we delivered strong order, revenue and profit growth with further improvement in operating margin despite inflationary pressures, supply chain challenges and ongoing covid-related disruptions. This is testament to the resilience of our business model, the quality of our product portfolio, the strength of our end markets and our commitment to continuous improvement. The results also represent considerable growth relative to the 2020 pre-covid year.

Our resilience and commitment have been demonstrated throughout the year, including through the way in which our employees embraced new ways of working, how we have optimised our internal operations in response to supply chain challenges, and the transformation of our sales, marketing and customer service approaches to support the shifting needs of our customers.

At the end of August 2021, we completed the acquisition of Wissenschaftliche Instrumente und Technologie GmbH, (WITec), a leading Raman and optical imaging business, further enhancing our materials analysis product portfolio. The business has performed in line with our expectations, and I have been delighted with its integration into the Group. Their additional capabilities are already benefiting our existing customers as well as allowing us to expand into adjacent markets.

Orders

£423m

(2021: £353.7m)

Revenue

£367m

(2021: £318.5m)

Adjusted operating profit

£66.3m

(2021: £56.7m)

Operating margin

18.1%

(2021: 17.8%)



We have also made significant investments to support our future growth, including in talent, product R&D, business systems and remote digital support capabilities, as well as building a new state-of-the-art facility in Bristol, UK for our compound semiconductor systems business.

I am particularly pleased with the progress across the Group in our multi-faceted approach to sustainability, including the further development of our roadmaps across environmental, social and governance aspects of our agenda, not least as it is a topic that I am personally very passionate about.

Our holistic approach to building a stronger business has helped us to make significant improvements not only in our financial performance, but also in how we support our customers, key markets, employees, communities, and strategic partners. These will all strengthen our position for future growth.

Bringing higher value to markets with long-term structural growth drivers

The health and resilience of our chosen end markets has played a critical role in our improved performance. The global economic recovery and increasing sustainability agenda have reinforced their structural drivers in both the academic and commercial sectors.

This has stimulated increased funding within our target markets, accelerating our customers' roadmaps, and increasing demand for our solutions and services across each of our end markets. To meet the evolving needs and expand our global leadership, we are building scale and capability in each of our chosen markets, increasing the value we bring through a more targeted portfolio of higher performing, easier-to-use solutions.

- Within **Semiconductor & Communications** the exponential increases in digital data and connectivity, the requirement for more energy-efficient power devices and the increased deployment of human-machine interfaces (e.g. facial recognition) is driving strong demand for our specialised analysis solutions as well as our compound semiconductor processing systems.
- Within **Healthcare & Lifescience**, an understanding of the fundamental disease mechanisms and the efficacy of treatments at the cellular and molecular levels is helping accelerate the creation of new medicines and therapies at a fraction of the cost, driving growth across our portfolio of optical microscopy systems and scientific cameras.

- The deployment of and search for new **Advanced Materials**, which serve as the building blocks for modern society, are driving improved performance and more sustainable use of valuable and finite resources in nearly all end markets and continues to drive demand across our materials analysis portfolio.
- In the **Quantum Technology** market, we are working with the leaders in the field as the market continues its evolution from earlier stage research into applied R&D and the rapidly evolving commercial market. We are well positioned to power this growing market and take advantage of its growth, as it remains poised to disrupt applications from drug discovery to logistics and financial services across government and commercial entities alike.
- In the **Energy & Environment** market, the transition away from fossil fuels is accelerating the investment in batteries, solar cells and more energy-efficient devices, where our systems provide invaluable insights for research and applied R&D, as well as the critical quality assurance measurements needed for high-volume manufacturing.

As we look to the future, we believe our strong position in these end markets – and their structural growth drivers – will continue to create value for our customers and present significant opportunities for sustainable economic growth.

Chief Executive's Review **continued**

Strong order, revenue and profit growth

We delivered continued financial progress with strong order, revenue and operating profit growth and further improvement in operating margin despite the challenging external operating environment. The results also reflect significant growth for each of these key metrics relative to the financial year ended 31 March 2020, highlighting the underlying health of our end markets and the strength of our portfolio. The enhanced performance was delivered across our portfolio with an improved performance in each of the Materials & Characterisation, Research & Discovery and Service & Healthcare sectors.

Group	FY22	Constant currency Growth vs 2021	Constant currency Growth vs 2020
Orders	£423m	24%	32%
Revenue	£367m	19%	21%
Adjusted operating profit	£66.3m	20%	35%
Operating margin	18.1%	30bps	220bps

Reported orders increased by 19.6% to £423.1m (2021: £353.7m), representing growth of 24.0% on a constant currency basis with strong increased global demand resulting in high double-digit growth in North America, Europe and Asia. We had strong growth across all of our target markets apart from Research & Fundamental Science, which reduced in the period due in part to lower external investment in these projects and our own increased focus on our other, higher-value end markets.

The superior performance of our products and the notable funding into our target markets supported high double-digit growth to academic customers. Our heightened market intimacy focus on commercial applications, combined with the launch of new targeted products and services for high-volume manufacturing, Quality Assurance (QA) & Quality Control (QC), as well as corporate R&D, drove even stronger growth with commercial customers, which grew to account for 50% of orders in the year (2021: 46%).

Reported revenue grew 15.3% to £367.3m, representing growth of 19.2% at constant currency despite the global supply chain challenges for materials and electronic components which hindered conversion of the growing order book throughout the period.

Revenue grew in each of our sectors, up 28.9% in Materials & Characterisation, 9.3% in Research & Discovery and 13.5% in Service & Healthcare on a constant currency basis. There was strong growth to both commercial and academic customers, with the proportion of revenue to commercial customers increasing to 47% (2021: 45%) in the year.

From an end markets perspective, we had particularly strong growth in the Semiconductor & Communications, Advanced Materials and Quantum Technology markets. Revenue in both Energy & Environment and Healthcare & Lifescience markets grew strongly, ending the year ahead of their 2020 levels after a subdued 2021. Revenue in Research & Fundamental Science declined in line with reduced customer activity and our own decreased focus in this area.

Group revenue by segment

Market segment	2022 segment revenue growth	2022 proportion of revenue	2021 proportion of revenue
Healthcare & Lifescience	5.4%	20%	22%
Semiconductor & Communications	21.4%	29%	28%
Quantum Technology	36.2%	9%	7%
Energy & Environment	13.9%	8%	8%
Advanced Materials	21.9%	28%	27%
Research & Fundamental Science	(20.0)%	6%	8%

Revenue profiles were distorted by region relative to demand due to the staggered timing and extent of easing of covid-related restrictions. This resulted in strong revenue growth in Asia and North America and good growth in Europe, strengthened by an improving situation through the second half of the year.

Our continued focus on driving operational efficiencies and a policy of proactive offsetting of inflationary pressures through price management supported growth in reported adjusted operating profit, up 16.9% to £66.3m and further margin enhancement to 18.1%, an increase of 30 basis points, notwithstanding our continued investment to fuel future growth.

The strength of our end markets and continued positive order momentum resulted in a book-to-bill ratio of 1.15 and order book growth of 31.5% to £260.3m (2021: £197.9m). Continued focus on quality of profits resulted in strong cash conversion of 84% (excluding the investment in our new facility for our semiconductor systems business) and a net cash position of £85.9m at year end after the acquisition of WITec GmbH at the end of August 2021.

Horizon: our strategy for creating value

Our financial success is underpinned by our Horizon strategy, launched in 2017 to drive sustainable growth and the margins commensurate with a high technology company and the value we create for our customers.

The key elements of our strategy are:

- The transformation of the business into a customer-centric, market driven Group, whereby we deliberately focus on building scale and capability in specific end markets, with long-term structural growth drivers where we can sustain leadership positions for technologies and products that create high value for customers.
- Proactive engagement with customers across the full technology cycle, from research to applied R&D to high-volume manufacturing, to maximise the returns from our core technologies whilst positioning us to benefit from rapid growth and each wave of technology disruption.
- Our own unique operating framework which creates expertise and balance across the four pillars of Market Intimacy, Innovation & Product Development, Operational Excellence and Customer Service & Support.
- A relentless dedication to continuous improvement driving ongoing synergies, efficiencies, and strong commercial processes across the Group.
- Drive above-market growth through organic investments further augmented by synergistic acquisitions.

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

- Through our commitment to **market intimacy**, we have developed stronger, more personalised relationships with our target customers, deepened our understanding of core markets, and opened opportunities for expansion into new and adjacent markets. By establishing an intimate knowledge of our customers' worlds, anticipating their challenges, and responding with a portfolio of products and solutions that helps them achieve their goals, we have grown our business in all our major markets.

In addition to nurturing these relationships, we have used our market knowledge to expand into adjacent markets, driving new and incremental sales. This expansion supports our growth objectives and is currently being applied with great success in larger, faster growth commercial markets. In the year, we built on our market intimacy strength, bringing in new talent with specific domain knowledge to augment our existing team.

• Innovation and product development

is central to our business strategy and our heritage of innovation. We invest in creating differentiated products and key enabling technologies, informed by our customer and market intimacy. By understanding not just customer requirements, but also the challenges and opportunities they face – near and long-term – we have been able to invest in the development of more strategic solutions that deliver greater value and returns on investment. These are the products and solutions that shift the paradigm of what is possible for our customers, transforming their capabilities and fuelling their growth and ours. In the year, we have increased our investment in strategic R&D, with a dual focus on new products and solutions that not only create maximum value for our existing customers but also enable us to expand into new or adjacent markets and support future growth, such as our new optical microscopy system, BC43, which offers research-level performance in a revolutionary ease of use benchtop system, with a significantly more accessible price point.

Our R&D spend increased 9.7% to £31.7m (2021: £28.9m), growing broadly in line with sales and representing 8.6% of revenue. To underpin our barriers to entry, we are more focused on protecting and expanding our intellectual property portfolio across our core markets. Our vitality index, representing the revenue from products launched in the last three years, was a healthy 34% of increased Group revenues (2021: 38%).

- Our **operational excellence** programme has enabled us to drive efficiencies and synergies across the Group which directly impact performance and growth. This includes strengthening our supply chain through executing a procurement strategy focused on leveraging our scale and building long-term strategic relationships with fewer suppliers, which has enabled us to mitigate the industry-wide supply chain challenges. In addition, we embedded improved manufacturing processes and created centres of excellence to promote delivery across the wider Group. As we emerge from the pandemic, these investments in operational excellence will continue to support our performance this year and beyond.
- The covid-related travel restrictions of the past two years have heightened the importance of service continuity and the expectations from global customers. Through our **customer service** transformation programme, we are exploiting our market intimacy to provide service offerings tailored to the specific needs and goals of our customers for their usage, application and region, throughout the lifetime use of our products. We have increased our investment in our regional service teams and have embedded remote digital support capabilities across our portfolio, ensuring we can deliver our global expertise locally, enhancing customer capabilities and productivity, with improved operational efficiency.

Through Horizon, we have delivered substantial tangible gains across the Group, leading to improved financial performance. In the year, we undertook a comprehensive review of our strategy, capabilities and opportunities for further improvement in order to deliver our full potential. This confirmed the compelling opportunities that still lie ahead to extract further value as we continue with our strategy, driving sustainable growth and margin enhancement, while uncovering efficiency opportunities Company wide.

Chief Executive's Review **continued**

Shaping a sustainable future

Sustainability is a cornerstone of our long-term strategy to drive stakeholder value. We recognise the role we, and our technologies, can play to create a positive impact on the environment and society and, in line with our values and purpose, we are passionate about being a positive influence on the world. By taking a holistic approach to sustainability, led by myself and the executive team, with enhanced oversight at Board level through our newly established Sustainability Committee, we review all aspects of our business to drive positive change and believe that embedding sustainability throughout the Group is the best way to secure our long-term success.

I am delighted with the progress we have made in the development and execution of our sustainability initiatives as well as the enthusiasm across the business for a progressive and ambitious sustainability agenda.

Since its establishment during the financial year, our Board-level Sustainability Committee has embraced the importance of its role in driving the Group's sustainability agenda at Board level and overseeing activity within the Company. Upon his appointment to the Board in September 2021, Nigel Sheinwald has chaired this committee and brings a wealth of experience to our organisation from his previous role as chair of Shell's sustainability committee.

Environment

We have embraced the adoption of the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and reporting framework to help to expand the environmental aspects of our sustainability agenda and effectively communicate our work in this area. We are delighted to be publishing our first TCFD Statement as well as our first standalone Sustainability Report.

Whilst the impact our facilities have on the environment is relatively small, we have made great strides in reducing our carbon footprint and waste products from our manufacturing processes and facilities (Scope 1 and 2 emissions) and are committed to building on this progress. To accurately assess our overall environmental impact, and in support of the TCFD reporting framework, we have engaged with the specialist advisers EcoAct. Working together we have confirmed our Scope 1 and 2 emissions and have made good progress in mapping the contribution through our supply chain, distribution, and customer use of our products (Scope 3). Once this phase is completed, we will set our targets in line with the best practice guidance, validated by the Science Based Targets initiative. We also recognise our role in supporting our customers in achieving their sustainability ambitions, as well as encouraging similar commitments from our supply chain. We have created ethical and environmental standards for our suppliers and partners to follow and are building broad sustainability considerations into our product development guidelines.

Social and governance

Whilst our environmental focus is extremely important, it is only one part of our overarching sustainability agenda. We believe how we do business is as important as what we do. This is embedded within our approach to the social and governance aspects of business too.

Being inclusive, and creating a diverse workplace where difference is valued and people are recognised for what they bring to the team, is a core Company value and a key element in delivering business excellence. Through our recruitment, employment policies and a Company culture based on respect and creating a sense of belonging, we look to attract and retain an incredibly talented, diverse workforce.

Communication has also been critical to our overall success. We have invested in increasing connectivity and communication between our teams and have embraced our hybrid workplace model, focused on an outcomes-based approach to work and management. This shift, along with additional investments in technology, has enabled us to create a more rewarding and collaborative working environment for our people, where employees can build successful careers, make a personal impact on the world and enjoy a healthy work-life balance. At the same time, this increases efficiencies across our teams and unlocks new synergies across business units and regions. It has also led to accelerated innovation and cross-business product developments which further enhance our market intimacy and improve the way in which we reach, work with, and support our customers.

In line with our values, after the unprovoked attack on Ukraine by Russia, we decided to cease trading in the territories of the Russian Federation and Belarus (this represents less than 1% of Group revenue). In addition, the Board approved a charitable donation of £30,000 (with £10,000 of this dedicated to matching employee donations) to the International Red Cross or UNICEF, to support those displaced or otherwise in need, because of the conflict.

Sustainability, in its broadest sense, is one of the most transformative opportunities in our lifetimes, and one that brings us closer to realising our mission of "changing the art of the possible". It is with this mindset that we are committed to making even greater progress this year and beyond.

Investing in building our capabilities

The capabilities and dedication of our employees are critical to our success and the delivery of our strategy, which is underpinned by the combination of our technical, market and commercial expertise. To support our growth, we have continued to invest in our existing team to build on their skills and experience as well as providing the development opportunities to enable them to reach their full potential. This has included the launch of a Group-wide project aiming to better facilitate and promote employee mobility within the organisation and throughout their careers. During the past year, we have been delighted to see over 11% of our employees being promoted or taking on new responsibilities to augment their development. In addition, we have continued to build on our team with the recruitment of individuals with specific knowledge or capabilities. Our goal for all our employees is simple: to create a safe and vibrant workplace environment where employees can build successful careers, make a personal impact on the world, and enjoy a healthy work-life balance.

I am extremely proud of how our employees and leadership team have navigated through the ongoing challenges caused by the external operating environment to deliver our improved performance. By embracing alternative ways of working, which provide additional flexibility, we have been able to better meet the needs of our customers as well as increase the essential connectivity needed between teams to drive and foster innovation.

I would like to thank all our employees for their continued support, commitment, and resilience during the year, and for their ongoing investment in a culture that helps underpin our success.

Summary and outlook

We have successfully navigated the turbulence of the last two years, and, through the dedication of our talented global team and the successful execution of our Horizon strategy, we have emerged as a stronger, more focused business, even better aligned to meet the needs of our customers in attractive end markets with long-term structural growth drivers.

The business has performed strongly this year, despite supply chain disruption impacting the conversion of orders into revenue and cost inflation holding back margin progression. Looking ahead, we do not foresee short-term relief from the current economic headwinds and ongoing supply chain constraints. However, our diverse end-markets remain resilient, and we enter the year with good visibility due to a strong order book and continued order growth. This supports full year outlook in line with our expectations.

Our products play a critical role for our customers in enabling a greener, healthier, more connected, and advanced society which puts us at the heart of creating a more sustainable future. Our leading product portfolio, the strength of our brand and our relentless drive for continuous operational improvement provide the foundation for sustainable organic growth and continued margin expansion over the medium term, while our strong financial position supports augmenting growth through synergistic acquisitions.

Ian Barkshire

Chief Executive

13 June 2022

Market Context

We are well positioned to meet the needs of our customers in attractive end markets with long-term, structural growth drivers. By building strong relationships with our customers, we can understand more about the changing drivers in our end markets, anticipating customer needs and helping to address them.

Healthcare & Lifescience

An increasing and ageing population is placing the healthcare system under great strain due to the increased number of people living with medical conditions that impact their daily lives. Building an understanding of fundamental disease mechanisms at the cellular and molecular level is helping to accelerate the development of new medicines, with enhanced efficacy and at a reduced cost.

Market drivers:

- The quest to find a cure for life-threatening illnesses is driving further research into the pathology of disease states to aid understanding about their origins and progression.
- The need to develop more affordable treatments with improved efficacy rates, recognising individual responses to therapy vary, is driving the demand for advanced and personalised treatment plans.

Our response:

- Our advanced imaging and analysis solutions, including our scientific cameras, microscopy systems and AFMs, are helping to reveal sub-cellular detail, while allowing observation of real-time interactions to help understand our immune response to foreign organisms.
- Our cameras are being used in gene sequencing, helping researchers learn more about how genetics influence response to therapies to enhance success rates of treatment.
- Through our MRI service team in Japan, we continue to ensure these vital hospital diagnostic systems are running efficiently and effectively.

Semiconductor & Communications

The ongoing proliferation of semiconductor chips within consumer electronics and the exponential increases in digital data and connectivity is driving the need for more semiconductor chips and devices. The higher focus that is being placed on minimising environmental impact is increasing emphasis on higher performing and more energy-efficient devices. This is driving demand for more compact devices, better energy efficiency, faster access to ever-increasing data volumes and improved connectivity. These are all essential to meet the needs of IOT, AI, autonomous vehicles and high-speed 5G networks. It is also vital for those that are producing these new and demanding solutions that they can do so repeatedly and to the required volumes and quality.

Market drivers:

- Increased demand for more efficient and faster power devices to support a green economy, e.g. enabling greater electric vehicle range, faster charging times and reduced energy wastage.
- Increased investment supporting the drive for improved connectivity and the increased deployment of human-machine interfaces (e.g. facial recognition), resulting in the need for enhanced bandwidth, capacity and speed.
- Buoyant compound semiconductor market and strong ramp-up in demand for mainstream silicon semiconductor chips and devices, driven largely by the transition to hybrid working.

Our response:

- Our etch and deposition process solutions are used across a range of semiconductor, device and materials applications to help develop next generation disruptive technology.
- Our leading expertise in the processing of compound semiconductors is helping deliver the speed, capacity and energy efficiencies demanded from increasing device connectivity.
- We have further optimised our image and analysis solutions to enable the development of next generation devices with ever-decreasing dimensions and the quality control and yield management supporting the efficient production of current devices.

Quantum Technology

The market continues its evolution from earlier stage research into applied R&D and the rapidly evolving commercial market. Quantum computing remains highly disruptive, with the ability to revolutionise end markets from drug discovery, climate change, logistics and financial services by helping solve complex problems beyond the capability of current computers.

Market drivers:

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

Our response:

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

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

Energy & Environment

Ever-increasing environmental demands are being placed on energy generation, which is leading to diversification of energy sources, such as batteries and solar cells, that will help the transition towards a low carbon economy, moving away from fossil fuels. With the growing population there is more focus on sustainable food production, increasing requirements for food safety and the characterisation of food composition. Another key area in this market is the need for accurate and traceable testing within forensic investigations.

Market drivers:

- Drive for improved battery technology with less reliance on finite and expensive components, and more efficient and effective alternative energy sources, such as wind and solar.
- Sustainable supply of goods and foods to enable an advanced society.
- Increasing importance being placed on accurate and rapid forensic testing.

Our response:

- Our imaging and analysis solutions are helping improve the performance and storage capability of batteries and solar cells by helping researchers understand their structure at the nanoscale.
- Our benchtop analysers are playing an increasing role in the quality control and assurance undertaken within the food industry, helping establish nutritional values and the oil and fat content.
- Our specialist GSR software is used in the leading forensic laboratories around the world as it offers accurate and validated results.

Advanced Materials

As the building blocks of society, the demand for lighter, stronger, higher functioning materials, as well as the more sustainable use of valuable and finite resources, is present in a wide range of markets, from those designing safer cars, developing more efficient battery storage to those creating new materials for medical implants. Accurately measuring the composition and structure of materials down to the nanoscale is helping develop the next generation of materials and in quality control for high volume manufacturing.

Market drivers:

- Need to develop, control and repeatedly manufacture new materials such as superalloys, whilst continuing with the QC and QA of existing products.
- Increasing awareness of environmental impact, driving need for improved fuel consumption in cars and reduction in raw material usage and wastage in manufacturing.
- Move towards higher-performing materials and super alloys in the automotive and aerospace industry.

Our response:

- Our advanced solutions are enabling the mechanical properties, performance and reliability of advanced materials to be determined through the design and precise control of the composition micro-structure and thin films coatings, faster and more accurately.
- Our ability to measure a range of critical properties is helping manufacturers assess the performance and quality of their processes; for example, by detecting nanoscale impurities which can degrade performance, they are able to avoid catastrophic failures.

Research & Fundamental Science

The fundamental shifts in technology and capability are driving increased research and applied development as we continue to understand the world around us. In the global race for technical leadership, investment is made to help advance societies and support sustainable economic growth. This is helping make advances in new material and device development as well as fundamental research in the physical sciences, including astrophysics.

Market drivers:

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

Our response:

- Our scientific platforms create extreme and controlled environments that allow researchers to make ground-breaking discoveries of new materials and novel phenomena, furthering our understanding of the structure, properties and performance of these materials.
- Our dedicated scientific cameras are helping astronomers see more detail than ever before, allowing them to discover new exoplanets, safely operate satellites around space debris and help predict interruptions caused by solar flares.

Business Model

We recognise our responsibility and role in the advancement of society, helping to create a more sustainable future.

Driven by

Our purpose

Our core purpose is to support our customers in addressing some of the world's most pressing challenges, enabling a greener economy, increased connectivity, improved health and leaps in scientific understanding.

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 improved 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 risk management

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.

Underpinned by our financial model

Our financial model

Cash generated from operations £58.4m	Cash generated from disposals nil	Proceeds from issue of share capital nil
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How we add value

Our core activities

Fundamental research

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

Find out more on pages 20 and 21

Applied R&D

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

Find out more on pages 20 and 21

High tech manufacturing

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

Find out more on pages 20 and 21

Within our chosen end markets, our products, solutions and services are helping customers accelerate their applied R&D, increase productivity and make ground-breaking discoveries.

Driven by our strategic objectives	Our operations	Outcomes
<p>01. To create competitive advantage through our customer-centric, market driven approach</p> <p>Find out more on pages 24 and 25</p> <p>02. To deliver outstanding product solutions supported by innovation and technical leadership</p> <p>Find out more on pages 24 and 25</p> <p>03. To offer value-driven customer service and an unrivalled customer experience</p> <p>Find out more on pages 24 and 25</p> <p>04. To support our performance and our customers by being a highly efficient and synergistic Group</p> <p>Find out more on pages 24 and 25</p> <p>05. To continue investment in building our capabilities and creating a culture for success</p> <p>Find out more on pages 24 and 25</p>	<p>Supported by our sectors</p> <div data-bbox="608 705 1007 1019"> <p>Materials & Characterisation</p> <p>Find out more on pages 36 to 41</p> </div> <div data-bbox="608 1041 1007 1355"> <p>Research & Discovery</p> <p>Find out more on pages 42 to 45</p> </div> <div data-bbox="608 1377 1007 1691"> <p>Service & Healthcare</p> <p>Find out more on pages 46 and 47</p> </div>	<p>Adjusted basic earnings per share</p> <p>94.3p</p> <p>Revenue</p> <p>£367.3m</p> <p>Dividend per share</p> <p>18.1p</p> <p>Group gender split</p> <p>75% male 25% female</p> <p>Reduction in carbon emissions 2019-22</p> <p>48%</p>

How we use this capital

Growing the business organically:

- Cash spent on R&D: £31.7m
- Capital expenditure: £13.9m

Growing the business inorganically:

- Acquisition of WITec: £30.6m

Returning surplus capital to shareholders:

- Dividend payments in the year: £12.3m

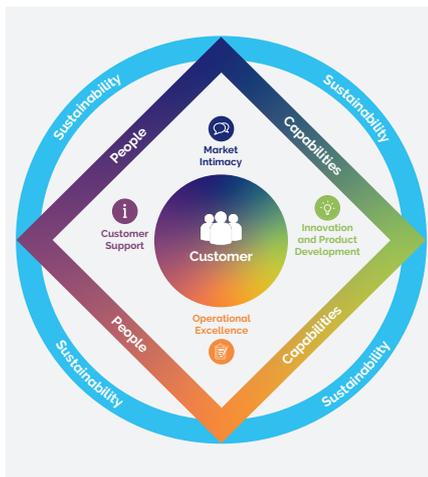
Our Strategy

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

Our financial success is underpinned by our Horizon strategy, which drives sustainable growth and margin enhancement, while offering increased value for our customers. Built around our purpose to enable a greener, healthier, more connected advanced society, through Horizon, we have positioned ourselves in attractive, global niche markets that have strong, structural growth drivers.

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

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



Strategic goals	Description
1. To create competitive advantage through our customer-centric, market driven approach	Our in-depth knowledge and competitive insights about our customers' world allow us to better meet their needs, delivering products and support that will delight our customers, providing added value throughout the relationship.
2. To deliver outstanding product solutions supported by innovation and technical leadership	Focusing our R&D investment on creating differentiated products and key enabling technologies for higher-growth markets, prioritising and aligning product roadmaps with market developments and customer needs.
3. To offer value-driven customer service and an unrivalled customer experience	Providing high quality and high value customer services, with a compelling portfolio of tailored service products that improve our customers' productivity and the delivery of their outcomes throughout the lifetime use of our products.
4. To support our performance and our customers by being a highly efficient and synergistic Group	Investing in operational excellence to drive the continuous improvements across the organisation in procurement, operational efficiency and logistics that will support our performance now and in the future.
5. To continue investment in building our capabilities and creating a culture for success	Identifying and developing the skills and experience that will help us continue to grow and be successful, whilst also offering staff opportunities that will help them reach their full potential and feel empowered to own the challenge and the solution.

There are still many compelling opportunities that lie ahead to extract further value as we continue with our strategy, driving sustainable growth and margin enhancement.

In the year	Year ahead
<p>Through our commitment to market intimacy, we have strengthened our customer relationships and deepened our understanding of our core markets and the opportunities therein. We have grown our business by anticipating our customers' challenges and responding with a portfolio that helps them achieve their goals. We have also used our enhanced insight to help us grow in adjacent markets and to strengthen our commercial offering.</p>	<p>We will continue to grow our presence in adjacent markets and build our share of commercial customers, while maintaining our position in the academic market. By strengthening our market intimacy capabilities with new talent with specific domain knowledge, we can continue to build more targeted and relevant communications and solutions for our different end markets.</p>
<p>We have continued to integrate our market insight into our product development roadmaps. We have increased our R&D investment to develop new products that will create maximum value for our customers and enable our expansion into adjacent markets. We have maintained our focus on protecting and expanding our intellectual property portfolio to strengthen our barriers to entry.</p>	<p>We will use our understanding of the challenges and opportunities our customers and markets face to steer our investment into the development of solutions that will deliver greater value and returns on our investment. We remain committed to enabling our customers to achieve long-term success and will support them with their environmental agenda by ensuring our products have sustainability designed into them.</p>
<p>In the year we have delivered more service offerings that are tailored to the specific needs of our customers, applications and regions. We have enhanced our regional services to help us deliver our global expertise, locally. We have further strengthened our digital offerings, including our remote support capabilities to ensure maximum uptime for our customers.</p>	<p>We will continue to build our service portfolio to offer solutions for our customers throughout the lifetime use of our products. We will further enhance our digital offering to provide our customers with an increasing level of real-time insights to enhance their capabilities and productivity.</p>
<p>The work we have undertaken in previous years to strengthen our supply chain and develop long-term partnerships with fewer suppliers has helped us mitigate the industry-wide supply chain challenges this year. We have also embedded and improved manufacturing processes and created centres of excellence to help us achieve the delivery of operational excellence across the Group.</p>	<p>With supply chain challenges likely to persist in the year, we will continue to nurture relationships with our suppliers to help us minimise any ongoing impact from this disruption. We will also continue our investment in operational excellence as it continues to support our performance now and in the future.</p>
<p>We have continued to invest in our existing team to further enhance their skills and experience, especially those capabilities that underpin our technical, market and commercial expertise. In the year we also launched our programme to help employees move within the Group as part of their career development to help build their experience in different business units.</p>	<p>We will continue to enrich our employees' experience of working for Oxford Instruments, creating a safe and vibrant environment. This will include further opportunities to build a successful career here, making a personal, positive impact on the world around us.</p>

Engaging with Stakeholders

Section 172(1) Statement

During the year to 31 March 2022, the Board of Directors has acted to promote the long-term success of the Company for the benefit of its shareholders, whilst having due regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006, being:

- The likely consequences of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.
- The need to act fairly between members of the Company.

Further information which demonstrates how the Board has had regard to these matters can be found in the following section on Engaging with our stakeholders on pages 28 to 33 and in our Governance Report on page 96.

Engaging with our stakeholders Promoting the success of the Company for the benefit of all stakeholders

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

Additional information on how the Board has had regard to the s172 factors

Matters per Section 172(1)(a) to (f) of the Companies Act 2006	Key example(s)	Page number
Consequences of any decision in the long term	<ul style="list-style-type: none"> Our culture and purpose Our strategy Risk management 	<ul style="list-style-type: none"> 2 and 3 24 and 25 77 to 84
Interests of employees	<ul style="list-style-type: none"> Employee engagement Our culture and purpose Sustainability 	<ul style="list-style-type: none"> 29 and 30 2 and 3 48 to 66
Fostering business relationships with suppliers, customers and others	<ul style="list-style-type: none"> Engagement with suppliers Engagement with customers Supply chain practices 	<ul style="list-style-type: none"> 32 28 56
Impact of operations on the community and the environment	<ul style="list-style-type: none"> Sustainability 	<ul style="list-style-type: none"> 48 to 66
Maintaining a reputation for high standards of business conduct	<ul style="list-style-type: none"> Our culture and purpose Compliance Anti-bribery and anti-corruption Human rights and modern slavery Privacy and data protection Data security Whistle-blowing Export Control Policy 	<ul style="list-style-type: none"> 2 and 3 55 56 56 56 56 114 55
Acting fairly between members	<ul style="list-style-type: none"> Shareholder engagement Shareholder information 	<ul style="list-style-type: none"> 31 and 96 142

Inspiring the next generation of researchers

"The number of students that have been introduced to the possibilities of working with high-technology scientific instrumentation in such a short period of time, and the enthusiasm with which they have embraced the experience, is remarkable and this can only be a positive influence on inspiring the next generation of young scientists and engineers."

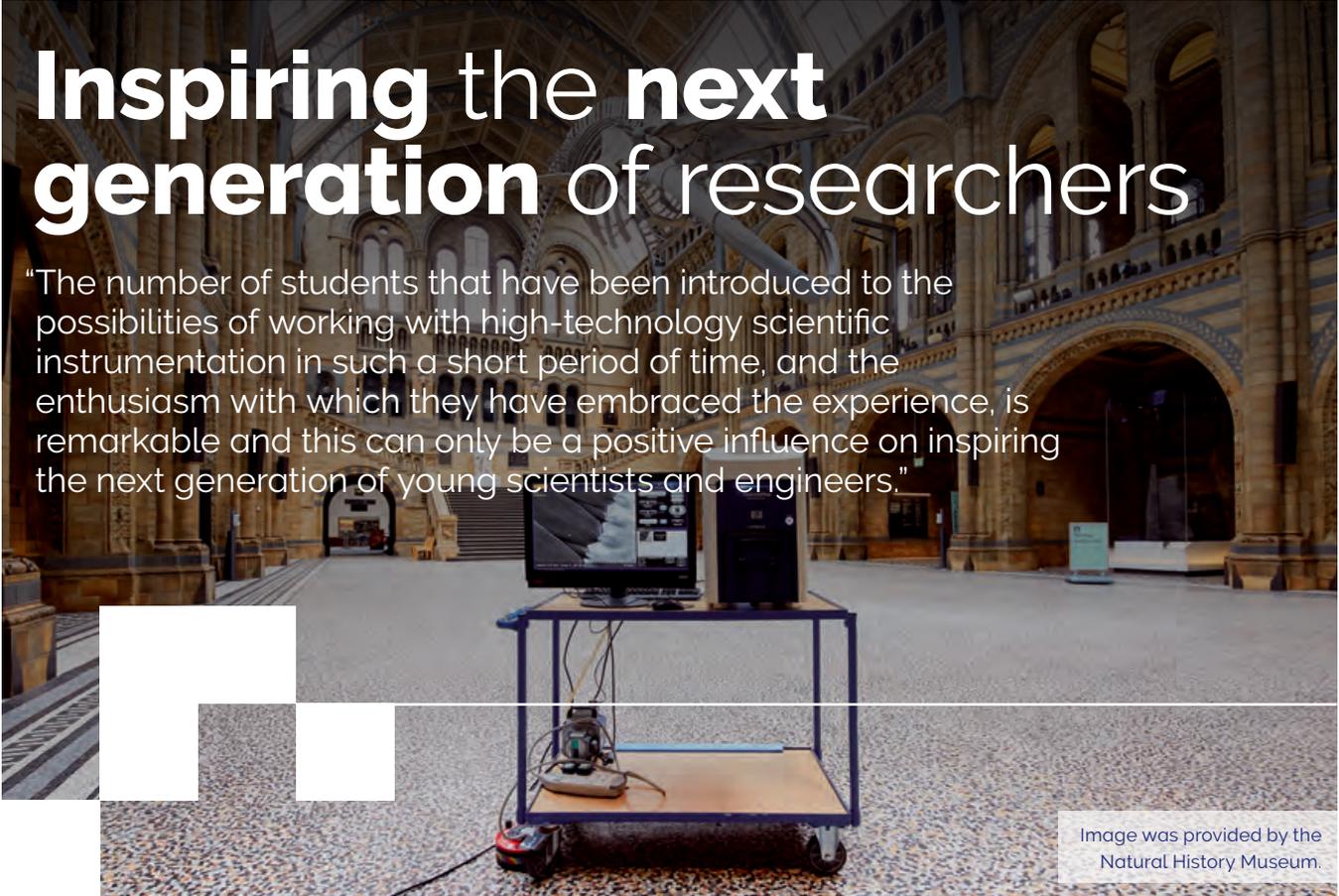


Image was provided by the Natural History Museum.

Case study:

STEM education project gives students unique opportunity to experience scientific research

What did we do?

As part of the Hitachi High-Tech America Inspire STEM Education Outreach Programme in the UK and in conjunction with the Natural History Museum, London and the Institute for Research in Schools, a collaborative STEM outreach project saw over 6,000 students from 46 schools given the chance to use high-level scientific instruments to carry out their own experiments.

In support of this collaborative project, we provided AZtecLive One Xplore energy dispersive X-ray systems (EDS) for use with Hitachi TM4000 scanning electron microscopes (SEM) for use in scientific demonstrations and experiments. Teacher training was delivered to allow staff to train students and carry out basic maintenance.

Technical support was also provided on the analytical software to ensure the schools could use the features to their full potential and to give the students an in-depth experience of STEM research. The SEMs and remote training were provided by Hitachi High-Tech America Inspire STEM Education Outreach Programme.

Why did we do it?

The project aimed to instil an interest in STEM in the students taking part by allowing them direct access to real scientific instrumentation. A total of 46 schools were involved in the project, either directly as SEM hosts, or indirectly through visiting other institutions to use the equipment.

We are committed to helping young people at all stages of their education, so were delighted to get involved with this important project.

What was the impact?

The project was an overwhelming success, with resoundingly positive feedback from all who took part. The level of engagement from the students, teachers and technical staff proves just how exciting and important this experience was. Projects such as this can help to break down the barriers to STEM that young people often experience and give them the opportunity to practically engage with STEM subjects at an earlier age outside of a classroom setting. The project not only gave the participants a new set of skills and the ability to think more analytically, but it also gave them an insight to just how exciting science can be.

Engaging with Stakeholders **continued**

Engaging with our stakeholders **continued**

The section below sets out our key stakeholder groups, the value of each group to the Company, the issues that matter most to them and how we engage with them, focusing on our activity over the past year.

Customers

Why we value them

Our Horizon strategy places our customers at the centre of everything we do. Customer intimacy is key to helping us not only identify additional opportunities to deliver increased value to our customers, but to the long-term growth of our business.

Our core purpose is to support our customers in addressing some of the world's most pressing challenges, enabling a greener, healthier, more connected, advanced society for all.

What matters to them and how we engage

Excellent ongoing customer support and appropriate engagement and assistance throughout the buying cycle

- The Executive Directors and senior management frequently host direct meetings with major customers from around the world, both virtually and in person at our sites. These meetings provide meaningful opportunities to understand first hand, at a senior level of the organisation, how we can enhance the customer support we provide by shaping our understanding of customers' current and future needs.
- The Board considers periodic updates regarding feedback from these meetings and regarding, for example, outputs from our heightened customer intimacy such as customer trends. This helps the Board to more meaningfully consider the interests of customers as part of their decision-making processes.

High quality products and technical expertise

- We continue to invest in R&D so that we can deliver cutting-edge products and services and the insights gained from our customer intimacy is instrumental in helping us to determine where such investment can most meaningfully be made.
- The Board recognises that continued investment in high quality products and technical expertise is key to the long-term growth of the business and is in firm alignment with the Company's strategy, which they set and support.

Products which deliver value and help them to meet their own objectives

- By being customer-centric and market driven, we continuously seek to increase our depth of understanding of customer needs. Through a deeper knowledge of our target market segments and the diverse challenges faced by our customers, we have changed the way we communicate and reach our prospective and existing customers, more clearly identifying the value our products can add.
- Our portfolio focuses on those areas where our key enabling technologies are driving long-term success for our customers. This has allowed us to help our customers to accelerate their applied R&D, increase productivity in high tech manufacturing and make ground-breaking discoveries.
- Insights from our customer relationships are informing and aligning our innovation and product development initiatives to customers' strategic roadmaps, to allow us to create differentiated products and solutions that will provide significant value for our customers.

Remote access and continuity of timely supply and support during disruption

- We have accelerated the transformation of our service offering with digital connectivity helping to maintain productivity through remote access and service. The digitisation of our product portfolio has allowed us to offer an increasing level of real time insights that are enhancing customer capabilities and productivity.
- We are changing the way in which we support our customers, embracing remote service and support approaches, combined with increased delivery through our regional teams supported by our global expertise. Utilising cross-business capabilities also helps us to deliver quicker response times and increased local support for installations.
- The investment in our regional service teams and the embedding of remote digital support capabilities ensures we can deliver our global expertise locally, providing increased customer response times and reduced travel.

Employees

Why we value them

A high capability, diverse workforce enables us to better understand our customers and markets. Building an organisation with a broad range of perspectives and experiences increases our ability to innovate, to make the right decisions and to exceed our customers' expectations.

What matters to them and how we engage

Understanding how they contribute to our strategy and success

- We have re-energised and restructured our approach to connecting with our employees this year. Approaching this in a methodical way, we first hosted a series of sessions focused on "building our future", attended by over 250 employees. These sessions generated meaningful feedback on the employee experience across the Group which was used to help develop our engagement plan.
- An internal SharePoint site, accessible by all employees, was implemented to communicate news, events and stories from around the Group. Data analytics show that this has been successful in reaching the majority of our colleagues, with one recent news story on the site attracting over 2,000 individual views.
- We hosted communication events, aiming to reach all employees in all roles and levels across the Group. In March 2022, our Chief Executive and Chief HR Officer hosted a series of townhall sessions regarding sustainability and Company strategy. Importantly, these sessions provided a two-way communication channel.
- The Board has been delighted to take a number of opportunities to engage directly with employees. This has included Neil Carson visiting our Bristol, UK site and meeting with a broad range of employees; Richard Friend becoming a standing attendee at meetings of the Oxford Instruments Fellows Group and each of Alison Wood, Mary Waldner and Nigel Sheinwald hosting sessions with employees in the US, Asia and Europe, respectively. Post each of these events, the Board has discussed, as a specific agenda item, the insights gained and determined any appropriate actions, including providing feedback to the Management Board. These sessions have strengthened the Board's understanding of employees' perspectives, which in turn has shaped more meaningful consideration of employees as a key stakeholder, for example during Board discussions relating to a terminated potential offer for the Company during the year.
- The Board has also agreed a comprehensive programme of engagement activity for the year ahead. For further information regarding the Board's engagement with our workforce, please see the Governance Report on page 96.

Development and progression opportunities

- We launched a Group-wide project aiming to better facilitate and promote employee mobility within the organisation and throughout their careers. In alignment with this, we have made a dedicated effort to present development and progression opportunities to colleagues as we restructure certain teams and to embed the right structures to ensure that such opportunities will be available going forward too.
- During the past year, we have been delighted to see over 11% of our employees being promoted or taking on new responsibilities to augment their development. With restructuring activity leading to the creation of our Materials Analysis Group, we were particularly pleased to see two senior colleagues promoted to key leadership roles within this new group.

Health, safety and wellbeing

- As part of our ongoing "Push for Zero" health and safety practices improvement programme, we launched a "Safety is the choice you make" campaign, aiming to increase awareness of key hazard messages using both digital and poster formats.
- We have worked to increase the number of safety observations reported by employees, so that remedial actions can be implemented to prevent issues escalating into accidents. The Shield health and safety software platform was successfully rolled out at all sites, leading to a 38% increase in reported observations.
- We have continued to ensure that covid health and safety precautions are in place at all sites in order to protect employees and maintain production activities in a safe environment.
- As part of our continued focus on mental health, in March 2021, we provided all employees in the UK with access to Unmind, a workplace mental health app which aims to empower employees to proactively measure, understand, and improve their mental wellbeing. So far we have had 24% employee uptake and 15% using the app on at least a monthly basis, which benchmarks favourably. In addition, we have implemented employee assistance programmes with a mental health focus in most of the countries in which we operate.

Engaging with Stakeholders **continued**

Employees continued

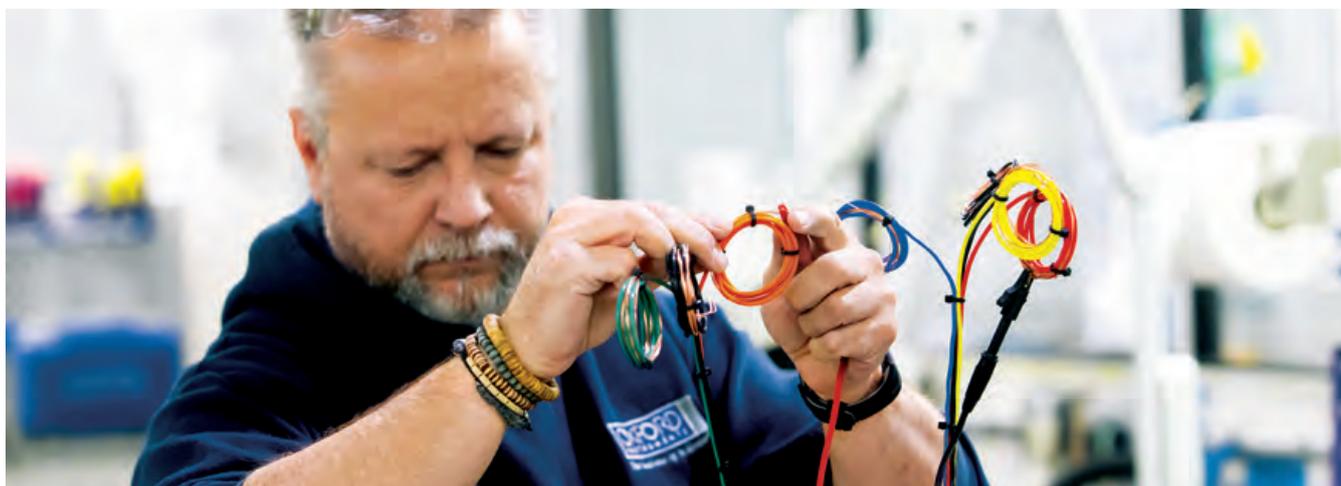
What matters to them and how we engage continued

Equality, diversity and inclusion

- We have made significant progress in developing and implementing our equality, diversity and inclusion agenda, with our Management Board reviewing and outwardly re-emphasising their commitment to encourage a supportive and collaborative working environment so all our people feel able to be open about their own unique identity, and they have a strong sense of belonging within Oxford Instruments.
- We have become an active partner with external organisations advocating on various elements of diversity. We recognise that this helps us to continually improve our awareness and understanding of research and best practice in diversity and inclusion for businesses. We have also aimed to learn from the lived experience of those with diverse characteristics and at our annual internal HR conference, were delighted to hear from a range of individuals about the workplace adaptations they felt would make a meaningful difference.
- The Board, through the Sustainability Committee, considered our planned approach and approved our internal targets and measures relating to this topic as well as a range of other social matters relevant to the Company's sustainability agenda. For more information please see our Sustainability report on pages 48 to 66.

Clarity of expectation on how recognition and remuneration structures align with accountabilities

- The Remuneration Committee has a duty to review wider workforce remuneration and related policies to ensure they are aligned to the long-term strategic goals of the Company and support its values and desired culture and takes these into account when setting Executive Director and Management Board remuneration each year.
- As part of its annual HR review, the Board considered the wider workforce remuneration landscape, noting the challenges posed by the ongoing talent war and the range of actions which management were implementing in order to attract and retain the capabilities which are critical to the growth and continued success of the business.
- Recognising the impact of inflation rates on the cost of living, we awarded higher than normal pay review percentages and accelerated the annual pay review from July to April, so employees would feel the benefit of their pay increase three months earlier than planned. In addition, we have offered a range of enhanced benefits across the Group including improved healthcare and paid-time-off provision in the US and improved insurances and healthcare options across Asia.
- We have scheduled a session for July 2022 in which Alison Wood, Chair of the Remuneration Committee, will meet with employees to discuss and explain the different components of executive remuneration and how they are measured, as well as the alignment of executive remuneration and Company reward policy with delivery of the growth strategy.



Shareholders

Why we value them

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

Our goal is to deliver shareholder returns through profitable, sustainable growth with strong cash conversion and efficient use of capital.

What matters to them and how we engage

Current and future financial performance

- We actively engage with shareholders throughout the year to ensure they understand the performance of the business.
- Our ongoing programme of dialogue includes numerous shareholder meetings and roadshows, which are facilitated alongside the publication of the Report and Financial Statements and full-year and half-year results announcements.

Communication and engagement

- The Board recognises the importance of engaging with shareholders in order to best understand their views on, amongst other things, governance-related matters and the Company's performance against its strategy.
- During the year, the Chair, Senior Independent Director, Remuneration Committee Chair and Executive Directors all directly engaged with a range of shareholders, including both virtual and in-person meetings at our sites. All current Directors attended the 2021 AGM, which also provided an opportunity to meet with shareholders.
- Topics discussed with shareholders during the year included the Company's full and half-year financial results, strategy, Board diversity, implementation of the Directors' Remuneration Policy and the terminated potential offer for the Company during the year.
- The Board as a whole receives updates regarding the nature and outcome of meetings and engagement by certain Directors with the Company's shareholders.

Sustainability

- Through the establishment of the Board Sustainability Committee, we readily demonstrate the top-level oversight and ownership of our sustainability agenda.
- We have a dedicated sustainability section on our website, which makes information regarding our approach to sustainability easily accessible by shareholders.
- We are delighted to have published our first Task Force on Climate-Related Financial Disclosures Statement as set out on pages 57 to 66, our enhanced, dedicated Sustainability report which is available on pages 48 to 66 and our first standalone Sustainability Report which can be found on our website in our sustainability section: oxinst.com/sustainability



Engaging with Stakeholders **continued**

Suppliers

Why we value them

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

Particularly as we outsource many sub-assemblies and purchase a wide variety of raw materials, it is imperative that we attain the highest quality and service for our customers, whilst also striving to enhance the efficiency of the business and to reduce risk.

What matters to them and how we engage

Long-term partnerships

- As part of our operational excellence programme, we have continued to work to strengthen our supply chain through executing a procurement strategy focused on leveraging our scale and building long-term strategic relationships with fewer suppliers, which has enabled us to mitigate the industry-wide supply chain challenges, for example, despite the well-publicised global shortages of semiconductors and electronics, the Materials & Characterisation sector delivered strong revenue growth through positive engagement with our strategic suppliers.
- Throughout the year the Board received regular updates regarding the industry-wide supply chain challenges and the ongoing work with our strategic suppliers to mitigate the impacts of these challenges.

Visibility of the wider supply chain, so that they can best forecast future requirements

- The Group outsources many sub-assemblies and we also purchase a wide variety of raw materials. It is essential to ensure we attain the highest quality and service for our customers whilst we enhance the efficiency of our business and reduce risk. As a result, we develop strong working partnerships with our suppliers, providing them with the visibility to extend our supply chain through their supply base too, in order to create added value.
- It is crucial to provide our suppliers accurate forward visibility in order to align our customers' requirements with our total supply capabilities. We share the output from our sales and operations planning process with them, and we have dedicated Category Managers to help reduce risk and improve efficiency. We must ensure our extended supply chain adheres to our strict environmental compliance, whilst challenging them to provide improvements to quality. Our key suppliers are also encouraged to become part of our new product introduction process, to allow them to add value to our process.

Strong relationships built on trust and respect

- We recognise that relationships built on trust and respect with our business partners establish mutually beneficial relations. During the year we made a particular effort to live out our Company values and to support our suppliers, bearing in mind their various, different needs, in light of supply chain challenges and ongoing covid-related disruptions.
- We have reviewed and improved our supplier due diligence and audit procedures. We have a zero-tolerance approach to all forms of modern slavery, including servitude, forced, bonded and compulsory labour and human trafficking and we expect our suppliers to adopt the same approach.

Local communities

Why we value them

We recognise that making a meaningful contribution to wider society enables us to support the development of stronger communities and have a positive environmental and social impact.

What matters to them and how we engage

Environment

- We actively engage in locally focused activities that make our communities and environments a better place to live and work. Encouraged by a strong level of employee engagement, we have established a "Go Green" committee on many of our sites to deliver a local environment agenda and promote positive behaviours amongst peers. They are focused on finding innovative ways to improve our environmental impact, including energy reduction initiatives, wildflower seed gifts, removing single-use plastic from our sites, installing electric vehicle charging points and reducing our food miles by offering seasonal food in our canteens.

Local small businesses

- When we arrange gifts, celebrations, events and activities for our teams we aim to support the small, independent businesses near our sites.
- During the covid pandemic, our Belfast site made a dedicated effort to support local small businesses in the hospitality sector by engaging them to supply food to the site.
- Our Boston site also provides a pack to all new joiners which includes products sourced from local small businesses, previously including soap produced by the Potager Soap Company, a women-owned business based in West Concord.

Schools and colleges within their region

- We are committed to empowering students with an understanding of the working world and the range of career opportunities that choosing STEM subjects could open up. To support this, we facilitate school visits, work experience programmes and industrial postdoctoral placements.
- During the year we were delighted to support a STEM education project aiming to inspire the next generation of researchers by providing students with a unique opportunity to experience scientific research. See our case study, "Inspiring the next generation of researchers" on page 27 for more information on this exciting project.

Volunteering opportunities

- Many of our people are keen to share their expertise and to make a difference to the people and organisations that are close by and we encourage them to get involved through volunteering schemes. We operate a "Volunteer time off" programme for eligible employees, which enables them to take two days' paid time off to volunteer each year and believe that operating such a scheme generates a range of benefits, including increasing the positive impact we have in our communities, boosting employee morale and enhancing team bonding.

Charitable donations and response to the conflict in Ukraine

- We encourage our employees to support their local communities through charitable donations. This has included collections of contributions to local food banks and fundraising activity for local charities, with, for example, our Belfast site supporting a nominated charity each year, including Aware NI for 2020 and 2021 and Helping Hand (charity to the Royal Belfast Hospital for Sick Children) for 2022, and our Tubney Woods site supporting Aspire Oxfordshire (which supports people facing homelessness, poverty and disadvantage).
- In response to the conflict in Ukraine, the reaction of our employees in wanting to support those displaced or otherwise in need as a result of the conflict in Ukraine was simply overwhelming. The Board was keen to recognise this and, on an ad hoc basis, approved a charitable donation of up to £30,000 (with £10,000 of this dedicated to matching employee donations) to the International Red Cross or UNICEF.

The appearance and tangible impact of our sites and operations

- We aim to be considerate neighbours in all aspects of how we operate, but in particular recognise the importance of the appearance and tangible impact of our sites and operations. We take active steps to minimise traffic noise and congestion and are committed to minimising emissions. Our sites and grounds are also well maintained and sensitive to the local environment and wildlife.

Key Performance Indicators

The Group uses a range of measures to monitor progress against its strategic plans. The key performance indicators are presented below:

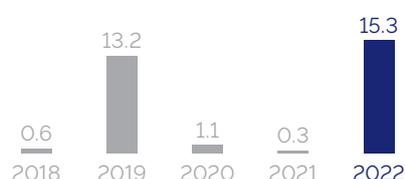
Measuring our performance

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 (%)



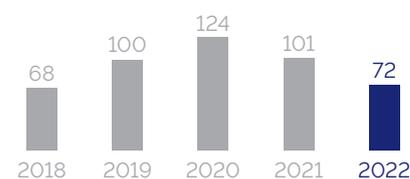
Why we measure:

To drive profitable, sustainable growth through the implementation of our strategy

Link to strategy:



Cash flow conversion (%)



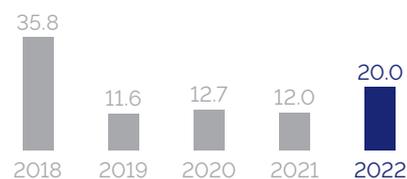
Why we measure:

To maintain a strong operating cash conversion ratio and high level of free cash flow

Link to strategy:



Adjusted earnings per share (EPS) growth (%)



Why we measure:

To achieve long-term growth in EPS

Link to strategy:



Adjusted operating profit margin (%)



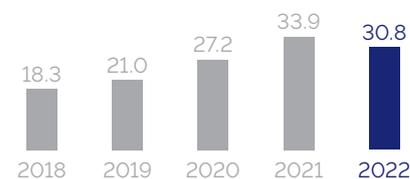
Why we measure:

To consistently maintain underlying operating margins

Link to strategy:



Return on capital employed (ROCE) (%)



Why we measure:

To deliver ROCE in excess of our cost of capital

Link to strategy:



Strategic goals



Market Intimacy



Customer Support



Operational Excellence



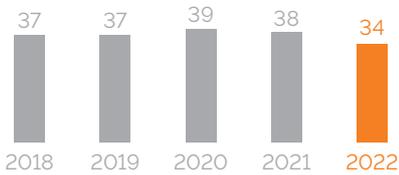
Innovation and Product Development



Sustainable culture

Strategic KPIs

Inventing the future (%)



What we measure:

Proportion of revenue coming from products launched in the previous three years

Why we measure:

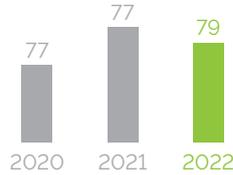
To measure the effectiveness of our R&D programmes

Link to strategy:



Non-Financial KPIs

Employee engagement (%)



What we measure:

Engagement across a number of areas for feelings of inclusion, value and respect

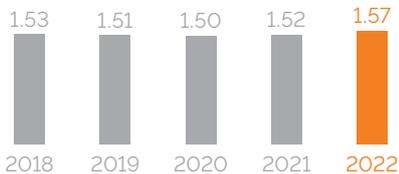
Why we measure:

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

Link to strategy:



Adding personal value (#)



What we measure:

"Value Add" = (adjusted operating profit + employment costs)/ employment costs

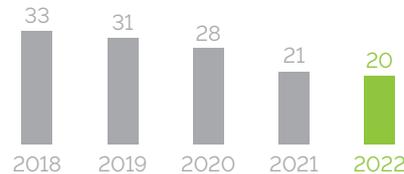
Why we measure:

To measure efficiency

Link to strategy:



Accident rates (#)



What we measure:

Five-year view of accidents/1,000 employees for ongoing businesses. Accident/1,000 employees

Why we measure:

To measure the impact of our safety drive, Push for Zero, to reduce accidents

Link to strategy:



Materials & Characterisation

Key highlights

Orders

£219.2m

+25.3% (2021: £175.0m)

Constant currency growth¹

vs 2021: 29.8% (vs 2020: 48.4%)

Revenue

£185.5m

+24.8% (2021: £148.6m)

Constant currency growth¹

vs 2021: 28.9% (vs 2020: 32.7%)

Adjusted² operating profit

£26.1m

+28.6% (2021: £20.3m)

Constant currency growth¹

vs 2021: 30.4% (vs 2020: 26.1%)

Adjusted² operating margin

14.1%

(2021: 13.7%)

Statutory operating profit

£20.8m

(2021: £16.6m)

1. For definition refer to note on page 1.

2. Details of adjusting items can be found in Note 1 to the Financial Statements.



The Materials & Characterisation sector delivered strong growth, underpinned by the strength of our portfolio and increased demand across all our target end markets.

Materials & Characterisation overview

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

- the imaging and analysis of materials down to the atomic level where our leading product performance, ease of use and advanced analytics enhance our customers' capabilities, provide actionable insights and increase their productivity. Our portfolio of systems (across Asylum Research, NanoAnalysis, Magnetic Resonance and newly acquired WITec) include our range of market-leading X-ray and electron analysis systems, used in conjunction with electron microscopes, and our performance-leading atomic force and Raman microscopes, and magnetic resonance; and

- the fabrication of semiconductor devices and structures, where our portfolio of advanced semiconductor etch and deposition process systems (Plasma Technology) provide our customers with the ability to create and manipulate materials with atomic scale accuracy to fabricate advanced compound semiconductor devices.

The sector has a strong focus on accelerating our customers' applied R&D, enabling the development of new devices and next generation higher performing materials, and enhancing productivity in advanced manufacturing, quality assurance (QA) and quality control (QC).

Operational and strategic progress

During the year, we broadened the capabilities that we offer our existing customers through the acquisition of WITec, which brought complementary leading Raman microscopy solutions to our portfolio and can be used in conjunction with our existing characterisation solutions. The acquisition, which completed on 31 August 2021, enables the further exploitation of synergies across the sales, marketing and service teams, and increases the role we can play in supporting our customers, and provides access into new adjacent markets.

In line with our Horizon strategy, we have enhanced our market-leading semiconductor etch and deposition processing systems for R&D and now also provide a suite of dedicated systems for use in high-volume manufacturing. Construction on our new state-of-the-art facility for the business has progressed well, with completion expected later in 2022.



Materials & Characterisation

A strong performance in the year

The Materials & Characterisation sector delivered strong growth, underpinned by the strength of our portfolio and increased demand across all our target end markets, with particularly strong growth from semiconductor, electronics, and advanced materials. Strong order growth reflected significant uplift in demand across North America and Asia as well as strong growth in Europe. Order growth was also supported by our increased market focus and the launch of new products tailored for specific end applications and customers workflows, for example our portfolio semiconductor processing systems dedicated for high-volume manufacturing. Our market intimacy approach and end application focus supported strong double-digit growth to academic customers with twice the growth into commercial customers as we continued to nurture existing accounts and expand into new adjacent opportunities.

Despite the well-publicised global shortages of semiconductors and electronics, the sector delivered strong revenue growth through positive engagement with our strategic suppliers. The phasing of the easing of travel and access restrictions to customers' sites strongly influenced the regional delivery of the growing order book, resulting in strong revenue growth into Asia with good growth into North America and Europe as the situation improved in these regions through the second half of the year. In line with orders, we had strong double-digit revenue growth to academic customers with even stronger growth to commercial organisations, resulting in the proportion of revenue to commercial customers increasing slightly to 57% in the year (2021: 56%). The continued growth of the sector over the past two years reflects the resilience of the end market drivers and the positive positioning of our products within them. The order book for future deliveries increased by more than 50% in the year to £116.0m (2021: £74.3m).

From an end market perspective, the sector had strong double-digit order growth into each of our target end markets, with a similar pattern for revenue growth apart from the Quantum Technologies segment, which remained in line with the previous year due to the phasing of shipments. Revenue in the sector is dominated by the Semiconductor & Communications and Advanced Materials markets, representing 46% and 33% of revenue, respectively. Energy & Environment and Healthcare & Lifescience both grew strongly to represent 14% and 6% of revenue, with Quantum Technology and Research & Fundamental Science each representing 1%.

The book-to-bill of 1.18 led to a 56.1% increase in the order book for future deliveries to £116.0m (2021: £74.3m).

Profitability for the sector was further enhanced in the period with reported profit increasing to £26.1m (2021: £20.3m), representing an adjusted operating margin of 14.1% (2021: 13.7%).

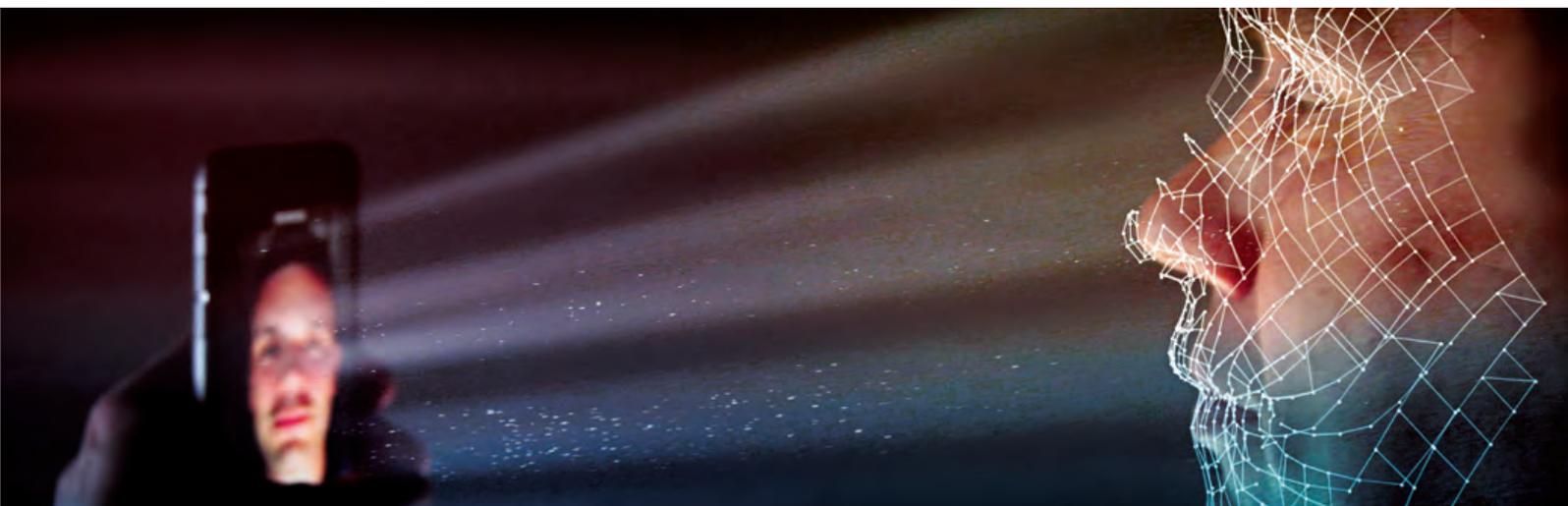


Semiconductor & Communications

This market is a key focus for us, in which we delivered strong double-digit order and revenue growth across both our imaging and analysis portfolio and semiconductor processing systems. Growth was aided by the long-term structural drivers within this market, including the ramp up in global demand due to their burgeoning use into everyday consumer products such as cars and computers, as well as commercial products. This is leading to an increase in production capacity as well as the development of the next generation of devices with the relentless drive to reduce feature sizes to drive manufacturing efficiency, increased processing power and reduced costs. Our imaging and analysis solutions are used to measure the composition and structure of the devices down to the nanoscale which, as dimensions shrink in size, becomes ever more critical in the development of next generation devices, their successful transfer to manufacturing, and for quality control in high volume production. The leading precision and resolution of our solutions is a core differentiator and allows us to support our customers to deliver their demanding roadmaps and increase their productivity.

In addition to the mainstream silicon market, exponential increases in digital data flow, driven by surging demand for connectivity, the requirement for more energy-efficient devices, and the increased deployment of human-machine interfaces (e.g. facial recognition), are all driving strong demand for compound semiconductors with improved performance and higher manufacturing yields. This is leading to strong orders for our compound semiconductor processing systems, specifically designed for commercial R&D and high-volume production. Within these applications, our market intimacy has helped us to focus on developing solutions for the critical layers within devices that have the biggest impact on end device performance, cost, and yield. For example, we have seen strong growth in demand for our indium phosphide (InP) solutions which are used to manufacture the optical devices with the fibre optic networks that are supporting 5G and cloud-based systems. Furthermore, infrastructure with improved connectivity is a critical enabler to the introduction of electric vehicles and expansion of the Internet of Things. For example, a moving, connected electric vehicle produces 25GB of data per hour (more than 5x the average person's monthly usage) and this is forecast to rise to between 1TB and 19TB per hour with the introduction of autonomous vehicles.

We have also seen strong growth in demand for our gallium nitride (GaN) solutions which enable manufacturers to produce more efficient power devices for consumer electronics products, and our silicon carbide (SiC) solutions are enabling the production of faster charging and enhanced power management to improve the range and reliability of electric vehicles. In addition, the expansion of human-device interaction, such as virtual reality and facial recognition on mobile phones and within autonomous driving vehicles, is driving growth into vertical cavity lasers (VCSELs) and 3D sensing devices where our proprietary processes offer significant performance and yield advantages.



Materials & Characterisation

Advanced Materials

Double-digit order and revenue growth into advanced materials applications were underpinned by them being the building blocks of modern society, enabling everything from the screens we watch and the cars we drive to the batteries that power our world. Of increasing importance is the pivotal role that advanced materials will play in enabling a sustainable, net zero future through their ability to transform product performance and providing a roadmap to the more sustainable use of our valuable and finite resources. All materials and products undergo some form of analysis, driving increasing demand for our market-leading product portfolio of imaging and analysis systems, which allows our customers to measure down to the nanoscale, optimising the performance and the subsequent economic production of these lighter, stronger and higher functioning materials across a diverse range of end applications.

The automotive industry is a good example of a market undertaking transformational change due to increasingly stringent emissions regulations and customer demand for higher electric vehicle range and improved safety. This drives the need for dramatic reductions in weight whilst also improving structural integrity, which is particularly relevant for electric and hybrid vehicles where lighter and stronger materials must offset the additional weight of the batteries. This is driving the increased use of carbon fibre composites and lightweight alloys, and new advanced steels. As such, there is significant investment into the understanding and control of composition and structure at the nanoscale, which enables the design of materials with performance tailored for the end application, such as stronger car safety cages or crash absorption crumple sections. Steel manufacturers are also investing in transforming their highly emission-intensive manufacturing processes, which contribute about 8% of global CO₂ emissions.

This is leading to further investment in the characterisation of nanostructures and precise composition of their products, supporting increased demand for our imaging and analysis systems. Our growth has been further supported by our new products which provide the ability to observe even smaller features, with dramatically faster throughput and ease of use, making them ideal for both research and development as well as QA and QC.

Another area of increasing focus is additive manufacturing, which is gaining both government and commercial impetus. The approach requires the creation of complex, strong and lightweight structures with optimised production methods which dramatically reduce material usage and waste.



Our electron microscopy products are helping researchers unlock the full potential of 3D printing, allowing them to quickly understand the microstructure impact of key properties ensuring they deliver the same performance as traditional materials, for example checking the risk of corrosion damage or the potential for a reduced lifetime of new products.

Our products are also used in the research and development of exotic new materials such as graphene-like structures, with the long-term goal of transforming the performance of next generation semiconductors and batteries.

Energy & Environment

Strong growth in the Energy & Environment segment for our analysis products has been underpinned by sustained investment within the global battery market and the continued recovery of markets such as forensics and environmental science, after reduced customer activity during the peak of the covid-related lockdowns.

Batteries play a key role in the transition from fossil fuels, enabling sustainable travel and providing efficient and affordable storage to complement renewable energy generation. This is driving continued investment into new, improved materials and battery structures in the pursuit of lower cost, higher performing, more environmentally friendly solutions.

As is the case for steels, battery performance is determined by the material properties at the nanoscale and how these change through the lifetime of charging cycles. This has led to strong growth across our Materials & Characterisation portfolio and investment into development and production control applications. Over the past few years, as a result of our market intimacy, we have supported this growing market by launching a tailored portfolio of solutions dedicated to the nuances of the battery market, from our new "Feature Express" product that reduces the time to identify contaminants by a factor of four, to our benchtop NMR and newly acquired Raman systems which characterise the performance of the analyte which enables the flow of charge across the battery. Our portfolio supports our customers' roadmaps, providing insights to give them a competitive edge and eliminating defects that compromise safety and performance.

In addition to the environmental impacts of global warming, reducing pollution remains a key part of a sustainable future. We have started to develop analysis solutions for this critical market, including our benchtop NMR systems which can measure the fats, oils and grease in wastewater, providing a cost-effective solution for environmental authorities and industries to monitor pollution releases into river and sewer systems as well as preventing harmful blockages.

Healthcare & Lifescience

We have continued to see strong growth in this segment, with dedicated solutions for the pharmaceutical industry. Our Raman imaging techniques are used to assess and ensure the safety and therapeutic effect of medications. This is further supported by our dedicated, regulatory-approved pharmaceutical software for our electron microscopy products, which screens for foreign body contamination within and on tablet surfaces. Our material characterisation tools are also being used to develop and monitor the performance of the increasing range and complexity of medical implants such as micro-sized stents and joint replacements, to understand the size and distribution of nanoscale precipitates that can cause a reaction.

Quantum Technology

We continue to see opportunities in quantum technology markets. Through the combination of our expertise in semiconductor processing and characterisation, and our intimacy with customers within the quantum market, we are providing compound semiconductor processing systems for the fabrication of high performing qubits and their subsequent characterisation.



Research & Discovery

Key highlights

Orders

£133.9m

+15.7% (2021: £115.7m)

Constant currency growth¹

vs 2021: 19.6% (vs 2020: 13.0%)

Revenue

£120.3m

+6.1% (2021: £113.4m)

Constant currency growth¹

vs 2021: 9.3% (vs 2020: 6.9%)

Adjusted² operating profit

£21.3m

+9.2% (2021: £19.5m)

Constant currency growth¹

vs 2021: 10.5% (vs 2020: 48.7%)

Adjusted² operating margin

17.7%

(2021: 17.2%)

Statutory operating profit

£15.0m

(2021: £13.1m)

1. For definition refer to note on page 1.

2. Details of adjusting items can be found in Note 1 to the Financial Statements.



The sector, which comprises Andor Technology, NanoScience and X-Ray Technology, provides advanced solutions and technologies that enable imaging and analytical measurements down to the atomic and molecular level, as well as ultra-low temperature and high magnetic field environments, used across scientific research, applied R&D, and commercial applications.

Research & Discovery overview

There are a higher proportion of sales to academia and a growing proportion to commercial customers as we develop application-specific, easy-to-use solutions based on our high-end research orientated platforms.

Our imaging and analytical systems portfolio includes market-leading scientific cameras, confocal microscopes, spectrometers, lasers and X-ray tubes. Our ultra-low temperature cryogenic and high magnetic field platforms provide both versatile research platforms as well as dedicated systems for more applied and increasingly routine use. In addition to selling directly to end customers, where we have a strong brand presence, we also exploit our position across a broad range of additional end markets by providing our key enabling technologies to strategic OEM partners.

The sector's products play a key role across a broad range of life, material and physical science applications, with a critical role in the development and advancement of quantum technologies.

A positive performance

The Research & Discovery sector delivered a good performance with double-digit order growth, good growth in revenue and improved profitability.

Positive market drivers led to increased demand, which, combined with our leading product portfolio and targeted product launches, have led to strong order growth relative to the previous year across each of our end markets. The exception being Research & Fundamental Science, which declined in the year due in part to our increased focus on higher value markets as well as slower customer activity in the period. Europe continued its first half recovery with particularly strong growth in the year, complemented by double-digit growth in both North America and Asia. This included strong order growth to academia with even stronger growth to commercial customers, with commercial customers growing to 33% of orders for the sector (2021: 26%).

The sector delivered strong constant currency revenue growth, up 9.3%. Supply chain challenges through the second half of the year and ongoing customer site restrictions hindered revenue despite strong demand and impacted regional profiles.

This resulted in strong growth in North America and Asia, with Europe improving in the second half and ending in line with the previous year. Revenue grew strongly to both academic and commercial customers, with the proportion to commercial customers only increasing slightly to 26% (2021: 25%) due to the phasing of delivery of the orders.

From an end market perspective, Healthcare & Lifescience represented 37% of revenue, with Advanced Materials and Quantum Technology 23% and 21% respectively. Research & Fundamental Science fell to 14%, with Semiconductor & Communications and Energy & Environment representing 4% and 1% of revenue respectively.

The book-to-bill ratio of 1.11 led to a 12.9% increase in the order book for future deliveries to £108.7m (2021: £96.2m).

Profitability for the sector was further enhanced in the period with adjusted operating profit increasing to £21.3m (2020: £19.5m), representing an adjusted operating margin of 17.7% (2020: 17.2%). This was supported by the continued realisation of tangible gains through our Horizon strategy despite considerable inflationary headwinds.



Research & Discovery

Healthcare & Lifescience

The positive momentum of the first half continued with increased demand and strong double-digit order growth in the year. This was supported by an increasing number of customer sites re-opening and recommencing programmes after temporary covid-related closures in the previous year. Long-term market growth drivers, such as a focus on improving the health and wellbeing of society, driven by an ageing population and an increased focus on improved and cost-effective healthcare provision, also strengthened. The emergence of covid showed that understanding fundamental disease mechanisms at a molecular level and using this knowledge to rapidly develop effective treatments transformed the global approach to dealing with a pandemic. Our products and technologies have been key to this and are being increasingly applied by our customers to accelerate similar transformations across a range of conditions including cancer, Alzheimer's, cystic fibrosis and diabetes. This has supported strong growth in supply to the research community of our imaging solutions and scientific camera portfolio. Furthermore, we have seen strong growth into the broader life science and pharma markets through our strategic OEM partnerships where our key enabling technologies sit at the heart of their products; for example, gene sequencers and 3D micro-CT scanners, which are increasingly being used to undertake breast cancer screening as well as biopsy sample analysis.

Through our market intimacy focus, we have continued to develop solutions and key enabling technologies that specifically address the needs of customers in cell biology, neuroscience, immunology and personalised medicine.

Our new benchtop microscopy system, BC43, has been designed to provide research grade capability, with unprecedented ease of use at a much more affordable price point. This is already proving popular with those working in early cancer research by dramatically improving productivity and the understanding of cell dynamics and response to stimuli. The new details and insights that our products facilitate are accelerating personalised treatment plans, which will deliver optimal outcomes for cancer patients and those battling other debilitating conditions such as cystic fibrosis.

In addition to the success of BC43, our Dragonfly portfolio has continued to grow, and is targeting the most challenging of applications as well as central research facilities, where several different teams utilise the equipment. Its ability to undertake high-speed imaging over and through large samples with unprecedented resolution has supported particularly strong growth into cell biology and neuroscience applications.

In the year we had a reduction in sales to covid-related applications, such as on chip diagnostic testing and screening, and are now seeing volumes similar to the pre-covid era.

Quantum Technology

The quantum market continues its evolution into applied R&D and more commercial applications with growing investment across governments and increasingly commercial organisations such as Google, Amazon, IBM and a plethora of smaller enterprises. The driver continues to be the realisation of the potential and increasing likelihood that quantum computers could radically disrupt existing markets such as pharmaceuticals, logistics and financial services, as well as providing the ability to maintain long-term data security. This is leading to an increase in research and development investment as nations and corporates seek to gain leadership positions as well as an emerging commercial cloud-based quantum computing market and ecosystem with pay-per-use services.

This has supported strong growth across our portfolio of cryogenic platforms and scientific cameras. Thanks to our strong collaborations with many of the key players in the market, we can use the insights gained to develop solutions tailored for the specific needs of customers. This ranges from rapid exchange systems enabling a tenfold increase in productivity for qubit development through to highly stable platforms for commercial quantum computers and high-speed cameras for secure communication applications.

We remain well positioned to support the growth of this exciting market and are building our plans for future products to enable our customers' roadmaps.

Advanced Materials

Strong growth in the Advanced Materials segment reflects increased investment and customer demand to explore and characterise the more fundamental properties of materials for a broad range of applications from sensors, semiconductors, and batteries. This has led to increased demand for our materials analysis systems which combine ultra-low temperatures and high magnetic fields environments, allowing researchers to fully characterise the fundamental properties of existing materials and gain the necessary insights to design future candidates that will transform markets and create new possibilities. To support our evolving market, we have developed easier to operate systems with increased automation and data analytics capabilities to improve productivity and broaden the accessibility of the product. We also received increased demand for our scientific cameras and optical spectrometers to customers developing more efficient catalysts and new chemicals.

Energy & Environment

In the year we saw strong order growth for our scientific cameras across a range of applications in this segment. This included a recovery in OEM demand for airport security scanners after being heavily subdued during the travel restrictions of the past few years, and our ultrafast cameras that are used to study and optimise the critical phases of nuclear fusion experiments. Due to the timing of orders, revenue remained extremely low in the year.

Research & Fundamental Science

The Research & Fundamental Science market has been subdued in recent years, especially for those programmes that have required multi-institution and international collaboration. This, combined with our own decision to accept fewer orders for one-off specialised cryogenic and high magnetic field systems that do not benefit our own product roadmap or margin expectations, led to a decline in orders and revenue in the year. Within these parameters we continue to see a healthy forward-looking pipeline for our portfolio across a broad range of research themes including astronomy, chemistry, and physics.

Within astronomy, our Balor large area camera is being used on the Extremely Large Telescope (ELT) in Chile to align the mirrors to ensure precision measurements. The ELT is the largest ground-based telescope in the world and will gather a billion times more light than the human eye. It will help tackle some of the greatest scientific challenges today, including the search for other earth-like planets and measuring the properties of the earliest stars and galaxies.



Operations Review continued

Service & Healthcare

Key highlights

Orders

£70.0m

+11.1% (2021: £63.0m)

Constant currency growth¹

vs 2021: 16.0% (vs 2020: 29.3%)

Revenue

£61.5m

+8.8% (2021: £56.5m)

Constant currency growth¹

vs 2021: 13.5% (vs 2020: 20.6%)

Adjusted² operating profit

£18.9m

+11.8% (2021: £16.9m)

Constant currency growth¹

vs 2021: 19.3% (vs 2020: 34.5%)

Adjusted² operating margin

30.7%

(2021: 29.9%)

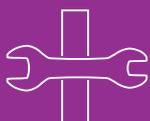
Statutory operating profit

£18.9m

(2021: £16.9m)

1. For definition refer to note on page 1.

2. Details of adjusting items can be found in Note 1 to the Financial Statements.



The Service & Healthcare sector comprises the Group's service and support products related to Oxford Instruments' own products, and the support and service of third-party MRI scanners in Japan.

Service & Healthcare overview

The sector delivered continued strong order, revenue and increased profitability, driven by the service activities related to our products, with orders and revenues related to the service of third-party MRI systems broadly in line with the previous year.

With customer support being more highly appreciated than it ever has been before, our service transformation programme provides the opportunity to create significant additional customer value, support our expansion into commercial markets, and provide meaningful growth and margin enhancement for the Group. We made excellent progress with our transformational programme in the year, which underpinned constant currency order growth of 19% for services related to our own products, with strong double-digit growth in Europe, North America and Asia, and into both academic and commercial customers. Revenue growth, as was the case for the other sectors, was restricted by supply chain challenges in the year. Adjusted operating margin increased to 30.8% (2021: 29.9%) despite significant investments in our service infrastructure.

As part of our service transformation, we utilised our deep market knowledge to develop a portfolio of tailored service offerings for specific end markets, customer types and regions that better address the full life cycle use of our products, creating value linked to their specific situation and workflows. This included building on our digital and remote service capabilities, with connectivity across our products increasing response times and enabling us to reach customers that have previously been difficult to support effectively because of their location. We have also developed digital analytics packages which are providing actionable insights for end users and OEM partners, increasing productivity and efficiency.

Secondly, we have also adopted a flexible approach to service bundling to better address our full install base by optimising the service elements that create value for individual customers. As an example, our self-sufficiency packages that are designed to provide fast response and parts guarantees have driven strong growth to production customers with their own in-house support teams.

Thirdly, building on our positive experiences throughout the pandemic we have transitioned to a regionally led service model, where our global processes are implemented and delivered locally. By exploiting synergies across our local teams, investing in digital infrastructure and cross-product training for our field engineers, we can respond more quickly to our customer requests and improve our efficiency whilst dramatically reducing our travel footprint.

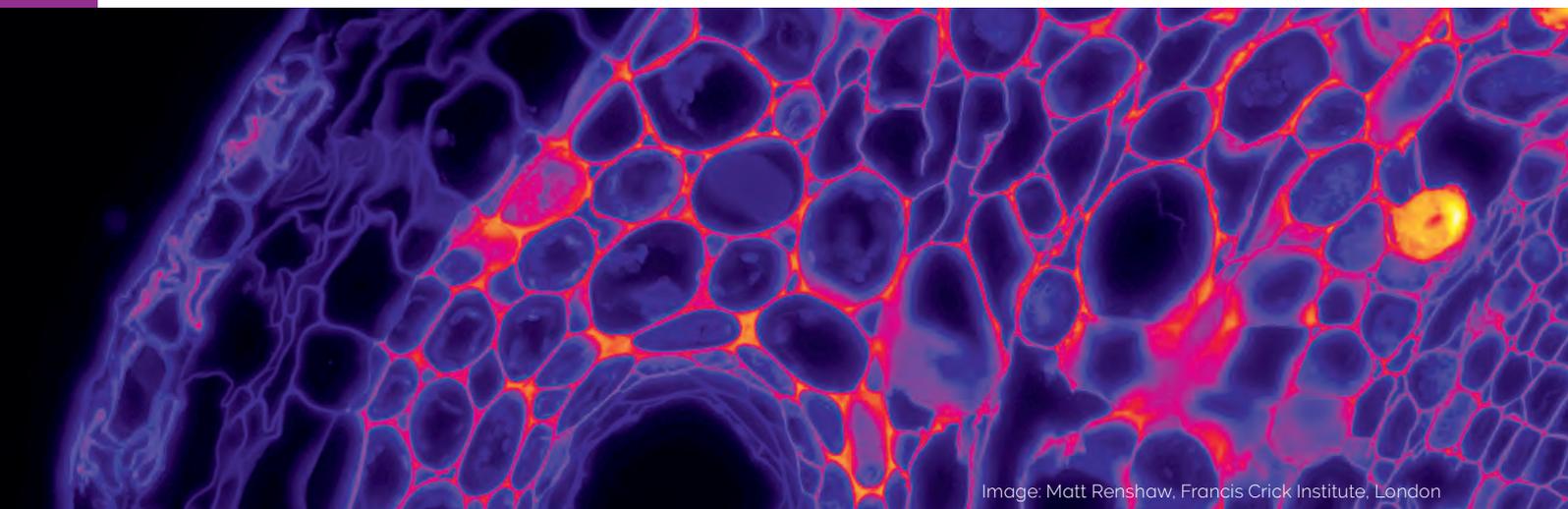


Image: Matt Renshaw, Francis Crick Institute, London

Sustainability

Sustainability has become a key agenda item for everyone – governments, companies, shareholders, consumers and employees alike.

As a Group we believe sustainability is the cornerstone of our strategy to drive stakeholder value and we recognise the important role we play and the impact we have on the environment and society. Through our products and services, we make a significant positive impact on the world by enabling a greener economy, improved healthcare and a more connected advanced society. Through our actions in sustainability, we set an example for others.

The establishment of our Board Sustainability Committee reflects the prominent role sustainability has within the organisation. The Committee helps to drive our agenda and measure our progress against our goals. We also have a leadership team and employee base that are passionate about sustainability, supporting our progress to date and our ongoing journey to net-zero.

Through our leadership team, we are taking a holistic approach to sustainability ensuring that it is embedded in everything we do across the organisation. In support of this we have created three main channels of focus – environment, social and governance.

Our guiding principle is to be a leading organisation in the global approach to sustainability. As such, we have set the ambition to be ahead of the curve on the following themes:

- Our values and purpose
- Material impact on the world and our strategic performance
- Stakeholder areas of focus and direction of travel
- Internationally recognised recommendations e.g. UN 17 Sustainability Goals
- Legislative framework of the countries in which we operate

While we support all the UN Sustainability Development Goals, we have specifically aligned ourselves with several key goals in those areas where we have the most potential to influence and shape a sustainable future.

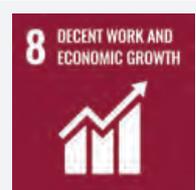
Delivering on our purpose and values demonstrates our dedication to being a sustainability leader through continuous improvements in our own operations, whilst supporting and enabling our customers to deliver on their own ambitions. We are focused on challenging mindsets and driving actions to build a more sustainable future. This is more important than ever as the world looks to accelerate the transition away from fossil fuels.

Sustainability at all levels – ethical, social, environmental and economic – is critical for us to create the value and positive impact we seek to achieve, and we are committed to making even greater progress in the year ahead and beyond.

Our products have the ability to make a contribution toward the following goals:

	<p>Good health and wellbeing</p>		<p>Affordable and clean energy</p>		<p>Industry, innovation and infrastructure</p>
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How we run our business and the actions we take throughout our value chain offer support against the following goals:

	<p>Gender equality</p>		<p>Clean water and sanitation</p>		<p>Decent work and economic growth</p>
	<p>Industries, innovation and infrastructure</p>		<p>Responsible consumption and production</p>		<p>Peace, justice and strong institutions</p>

Environment

Whilst we are proud to be recognised as the leaders in what we do and for the positive impact our products make in the world, we understand the need to minimise our own environmental footprint.

Environment

The Group has continued on its journey to understand the environmental footprint of its operations, products and services, recognising the ongoing threat climate change plays to the world. To ensure we have an accurate view of this, we have widened our scope of monitoring to capture all our sites and offices. Previously, our smaller offices with low emissions were excluded from our measures. However we recognise that in order to ensure we address our full impact, it is essential all our operations are considered. We have stated this year's numbers to cover our full operating base.

Building on the continued engagement of our employees for the environment, we have continued to empower our Go Green committees across our sites to help us further embed sustainability throughout the Group. The support of our employees with our focused efforts has enabled us to make excellent progress in continuing to understand and manage our CO₂ emissions and continue to reduce the amount of waste products generated at our manufacturing sites, facilities and activities.

This year we have embraced the adoption of the TCFD reporting framework, utilising it to further expand our green agenda and taking the opportunity to demonstrate the importance of this by reporting our progress. Working with external advisers, we have confirmed our Scope 1 and 2 (direct and indirect) emissions and are making good progress in mapping the wider indirect impact we have through our supply chain, distribution network and customer use of our products (Scope 3).

In support of our ambitions, we have updated the environmental policy that is implemented at all our sites. This commits the Group to achieving net zero emissions through significantly reducing our environmental footprint and the continuous monitoring and improvement of our activities that contribute to climate change.

Our strategy includes continued energy savings, efficient energy usage, the choice of our supply chain partners as well as the adoption of new technologies and systems as they become available.

Energy and emissions

As previously mentioned, this year we have widened our scope of energy monitoring, which improves our understanding of our carbon footprint. It has increased the reported energy consumed but demonstrates how serious we are about reaching our net-zero target ahead of 2050. Our latest acquisition, WITec, is also included in our figures for this year and we have also seen an increase in consumption relative to last year as more of our staff return to the office after working from home during covid.

On a like-for-like basis, we have retained a significant reduction on emissions based on our pre-pandemic levels. We have maintained supply of 100% renewable electricity consumed by our manufacturing activities. We continue to look at ways to reduce our fossil fuel consumptions, which now primarily come from our smaller facilities.

Oxford Instruments consumed a total of 14.94 GWh of energy globally during 2021/22. This figure consisted of 11.40 GWh of electricity (2020/21: 10.01 GWh), 2.43 GWh of gas (2020/21: 1.27 GWh), 0.53 GWh of oil (2020/21: 0.570 GWh), 0.22 GWh of district heating (2020/21: not measured), 0.007 of LPG (2020/21: not measured), 0.35 GWh of car fuel and 0.01 GWh of grey fleet (2020/21: car fuel and grey fleet reported together – 0.19GWh).

With the drive to improve accuracy by including all our facilities for the first time, this year we have an increase in energy consumption. This has resulted in our intensity metric increasing to 40.67 MWh per £m of revenue (2020/21: 37.17 MWh).

The Group's Scope 1 and 2 global carbon footprint for 2022 increased to 1,476.1 tCO₂e from 520.06 tCO₂e in the previous year. Again, this increase reflects the increased scope of our reporting, an acquisition, the return of staff to our offices who were working from home, and the wider recommencement of business travel.

Water and waste

While we measure our water usage, the level is minimal and not material so has been excluded from this report. We have also included our use of hydrofluorocarbons. Three of our main manufacturing sites are zero waste to landfill, where our waste is recycled either directly or indirectly, for example general waste being used to generate electricity at dedicated incinerator sites.

Sustainability continued

Environment continued Transport

Our transport-related emissions continue to be a large contributor to our emissions, which, in the previous year, was significantly reduced due to covid-related restrictions and our adoption of new ways of working. With the global recovery and the increased ability to travel our transport emissions have increased, which is to be expected given the restricted travel in the previous year. We remain committed to utilising the hybrid workplace model utilising digital and remote communications to help us reduce our ongoing travel requirements.

Air travel equated to around 6 million km, with the air travel carbon equivalent to 947.45 tCO₂e.

Air travel 2021/22	=	5,980,961.21 km (2020/21: 900,074 km)
Carbon equivalent	=	947.45 tCO ₂ e (2020/21: 130.31 tCO ₂ e)

Car fuel

The car fuel figures are drawn from fuel card and business mileage expense claim records and these totalled 35,361 litres of fuel used in the last year.

UK car fuel	=	35,361 litres
Carbon equivalent	=	84.4 tCO ₂ e

Electricity consumption as carbon

Type of emissions	2021/22		2020/21		% difference in emissions
	tCO ₂ e	% of total	tCO ₂ e	% of total	
Direct (Scope 1)	666.7	45.2%	379.8	73.0%	76%
Indirect (Scope 2)	806.1	54.6%	140.8	27.0%	473%
Scope 1 and 2 Total	1,472.7	99.8%	520.6	100.0%	183%
Fuel directly purchased by the Company (Scope 3)	3.4	0.2%	—	—	—
Indirect other (Scope 3) Total	3.4	0.2%	—	—	—
Total gross emissions (tCO₂e)	1,476.1		520.6		184%
Intensity ratio:					
Scope 1 and 2 tCO ₂ e per GBP £m turnover	4.01		1.63		145%
Energy consumption used to calculate					
Scope 1 and 2 emissions /kWh	14,937,971		11,850,000		26%

Our total carbon footprint for April 2021 to March 2022 is as follows:

Type of emissions	Activity	Emissions (tCO ₂ e)	% of total
Direct (scope 1)	Natural gas	444.9	30.1%
	Gas oil	136.6	9.3%
	LPG	1.7	0.1%
	Owned vehicles	80.9	5.5%
	Refrigerant	2.5	0.2%
	Subtotal	666.6	45.2%
Indirect energy (scope 2)	Purchased electricity	798.5	54.1%
	Purchased district Heating and steam	7.6	0.5%
	Subtotal	806.1	54.6%
Indirect other (scope 3)	Fuel directly purchased by the Company	3.4	0.2%
	Subtotal	3.4	0.2%
Total emissions (tCO₂e)			1,476.1
Energy consumption used to calculate emissions (kWh)			14,937,971.0
Intensity ratio: Tonnes of gross CO₂e per million GBP turnover			4.01

Environmental Directives

The Group is working to ensure it complies with all environmental legislation in countries where it operates. This includes European Directives such as:

- Waste Electronic and Electrical Equipment (WEEE) Directive – compliance achieved in the UK by membership of B2B Compliance – an authorised compliance body. Other compliance bodies are contracted for our European operations.
- Restriction on use of certain Hazardous Substances (RoHS) regulations – all products that were within scope and were sold into Europe since July 2017 complied with these regulations. Some of our products are outside of the RoHS scope or are covered by exemptions.
- Registration, Evaluation, Authorisation of Chemicals (REACH) Directive. All sites are working towards compliance via their supply chains.
- European Waste Framework Directive. This requires the Company to enter data on parts and products that may contain Substances of Very High Concern (SVHC) into a database being set up by the European Chemical Agency (ECHA). This is known as the SCIP database and businesses are currently engaged in determining what should be entered into the database to ensure compliance.

Streamlined Energy and Carbon Reporting (SECR) regulations

This year, for the first time, we have engaged with an external consultant to produce a separate report for SECR compliance. Please see The Streamlined Energy and Carbon Report, which can be found on our website in our sustainability section: oxinst.com/sustainability

SECR responsibility and methodology

Our environmental lead within the Leadership Team is responsible for collating energy data, providing this to our external advisers, and reporting to the Board on an annual basis. Working with our external advisers, the lead is responsible for compiling the SECR report to submit to senior management for sign off.

Data collected for compiling the SECR report is gathered by various methods, including submetering, direct meter readings, and direct readings from energy bills.

SECR carbon intensity measure from energy use

Oxford Instruments has a statutory duty to report greenhouse gas emissions as tonnes of carbon dioxide equivalent (tCO₂e). The Company's chosen carbon intensity measure for energy use is tonnes of carbon dioxide equivalent (tCO₂e) per £m of revenue.

Our total carbon footprint for April 2021 to March 2022 can be found on the previous page.

The data from the SECR report for 2021/22 gives an emissions ratio for energy of 4.0 tCO₂e/£m of revenue (2020/21: 1.6 tCO₂e/£m). The UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations require the SECR report to be included as part of the Directors' Report in the Report and Financial Statements.

We continue to use renewable energy where it is available with a goal of moving all our consumption to renewable energy in our journey to net-zero. All of our manufacturing sites are now powered by renewable energy, which reduced our carbon footprint by over 2000 tCO₂e in the last year.

Beyond SECR

We remain committed to being net zero well ahead of 2050. The business is currently analysing our options for net-zero while looking to the Science Based Targets initiative (SBTi) to further validate our roadmap to net-zero over the next financial year.



Sustainability continued

Social

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

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

We believe that businesses have a valuable contribution to make in the development of societies that enable their members to thrive. Over the last few years, the pace and extent of social change has been phenomenal, from the impacts of covid to social change movements like Black Lives Matter and #MeToo. We have worked hard to provide a progressive business culture and to remain ahead of the curve on our key sustainability themes while remaining respectful of the cultures of the countries that we operate in.

At Oxford Instruments, our social sustainability agenda comprises five key subject areas, where we have established policies to support us in achieving our ambitions and targets. During the year we have reviewed and updated the measures we have in place and going forward we will provide updates on our progress against these targets.

Equality, diversity and inclusion

We are committed to equality, diversity and inclusion in its broadest sense. Being inclusive is a core company value and is based on respect for the individual and creating a sense of belonging.

In everything we do, we seek to develop and sustain a culture where difference is recognised, valued and celebrated.

We encourage a supportive and collaborative working environment, so all our people feel able to be open about their own unique identity, and they have a strong sense of belonging within the Company.

We recognise that equality, diversity and inclusion is important for all our people and society as a whole, but we also recognise that we operate in 26 countries around the world in which the legislative frameworks and cultural landscapes vary hugely. In each of the countries in which we operate, we aim to be ahead of the curve in our equality, diversity and inclusion targets and working practices of that country but will ensure that we are not in conflict with the legislative framework of that country.

We have identified several key areas of focus, including gender, ethnicity, disability, sexual orientation and gender identity. In each area we are reviewing options to become an active partner with external organisations that advocate for these areas. We have done this to ensure that we are continually improving our awareness and understanding of research and best practice in diversity and inclusion for businesses. We also engage in externally run schemes offering internships and career opportunities in our diversity and inclusion focus areas.

We continue to build on the work we have done so far to establish balanced shortlists in our recruitment processes, only engaging executive search firms who have signed up to the Voluntary Code of Conduct on gender diversity. Through the use of our employee engagement survey, we gather feedback from our teams about how they feel we are doing with regard to equality, diversity and inclusion, and use this feedback to drive further initiatives within the organisation.

During the year we updated a number of our policies to include our new hybrid working model, allowing employees to balance their work and home demands. We also restructured our US healthcare package to cover domestic partners and gender reassignment. In June we aligned with Pride and updated our logo to reflect our support. We continued to promote our relaunched values, which now includes a much stronger emphasis on diversity, and we reconfigured our internal employee data portals to include the Office for National Statistics ethnicity categories and increased the breadth of gender selection options.

New employees over the last twelve months by gender:

Gender	New employees
Female	35%
Male	65%

Gender split

	Male	Female
Global Oxford Instruments	75%	25%
Plc Board	71%	29%
Management Board	86%	14%
Managers	80%	20%
Employees	74%	26%

Gender split by region

	Male	Female
UK	78%	22%
Europe	66%	34%
Asia	71%	29%
Americas	70%	30%

Targets:

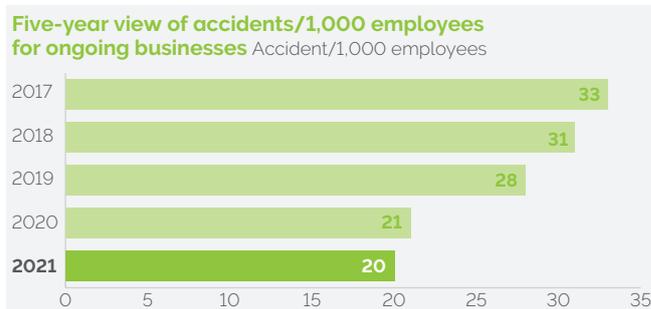
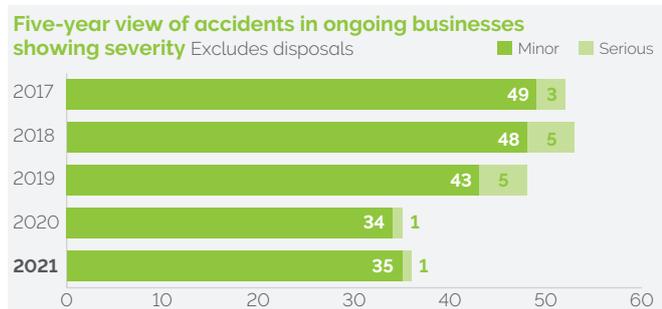
Objective	Target date	Progress to date
Balanced shortlists for recruitment	End of FY22: 60%	End of FY22: 62%
Ethnicity representation on the Board	By end of FY23: 1 person of colour	In progress
Women on the Board	By end of FY24: 40% women	Recruitment to a new NED role in progress that will broaden the skill set on the Board and will take us above the gender target in the Hampton-Alexander Review
Women as a proportion of senior leadership	By end 2025: 40% women	Currently 25%

Health, safety and wellbeing

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

Our approach is based on the ongoing identification and control of risk. We focus on preventative measures to remove hazards before they can escalate into accidents or near misses. We apply safe working practices supported by structured health and safety management systems, that are externally audited where appropriate.

Our overall accident frequency trend has decreased over the past four years and compares favourably with industry benchmarks.



On all our sites, health and safety is a priority. We continue our Push for Zero programme, with the objective of a sustained reduction in accident levels across the Group. We introduced the SHIELD health and safety software platform, where accidents and safety observations can be recorded and corrective action set, to prevent recurrence.

We believe employees deserve to have access to the right mental health support to help them feel their best in a supportive culture. We aim to give people the tools to keep themselves and their colleagues healthy; we encourage them to access support when it's needed, and we empower people with long-term mental health issues or a disability to thrive in work. This year we provided all employees in the UK with access to Unmind, a workplace mental health app, to give them a wide range of resources that can help with mental wellbeing.

We continue to support our team of Mental Health First Aiders and provide independent and confidential digital platforms and services that employees can access all over the world.

Target:

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

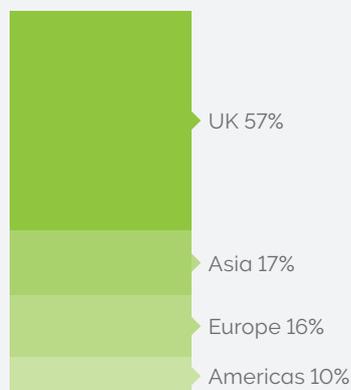
Sustainability continued

Social continued Investing in our people

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

It is imperative that we are able to offer our employees and future employees a clear and credible skills and career development pathway. We look to combine internal mobility with flexible working practices, attractive benefits and inclusive and engaging recruitment practices.

Geographical spread of employees



Employee turnover rates:

Year	Turnover
2017	12%
2018	10%
2019	7%
2020	6%
2021	11%

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

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

We have developed Career Pathways to deliver career mapping for all roles across the Group, allowing employees to utilise this information to review potential career pathways of interest to them.

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

Next generation talent

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

For us, this begins in schools, colleges and learning institutions, where we equip and encourage our employees around the world to take any opportunity they can to talk to young people about careers in our industry. We partner with universities and post-graduate schools to help students understand the range of careers available in a technology company, supporting this with work experience and engagement with employees from a broad range of backgrounds. 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. We encourage our employees to join volunteering schemes, charity outreach programmes and we offer sponsorship of local community events.

Our GoGreen teams are present on each site and help us look at better ways to be more environmentally friendly, both as a business and as individuals. We have taken steps to minimise traffic noise and congestion around our sites and remain committed to minimising emissions from our own activities. You can read more about this in the environment section, starting on page 49.

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

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



Governance

Conducting our business in an ethical manner is vital to our ongoing success.

Governance

Conducting our business in an ethical manner is vital to our ongoing success. We strongly believe that there is never a right way to do the wrong thing and all our employees are expected to behave in a way that is consistent with our values. We are a company united by strong values and standards, with our brand and reputation built on this. Corporate responsibility is integral to our ongoing business success as it enables us to adapt to the changing landscapes we operate within.

In our governance practices, we address the wide range of corporate activities we undertake, the policies we have in place and our management structure.

Our governance sustainability agenda is comprised of eight key areas.

Anti-bribery and anti-corruption

When dealing with business partners, suppliers and customers, or when engaging with public officials, our employees are expected to act in a transparent and fair manner. We choose our business partners and suppliers carefully and avoid working with those that do 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 an 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 and mandate completion of a comprehensive training course and have published a detailed policy document.

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

Sanctions, export control and customs

In the past year we reviewed our Sanctions Policy to confirm compliance with the UN, UK, EU and US sanctions. We also introduced a Group Customs Policy to document our specific expectations in this area.

We delivered an internal compliance programme for export controls and customs in the year and complemented this with an external review of our export control policies and procedures by an independent consultant. As a result of the findings, we have implemented a few key changes to further strengthen our protection in this area.

Dissemination of inside information to the market and share dealing

We take reasonable steps to establish and maintain adequate procedures, systems and controls to comply with our obligations that arise from the Listing Rules and Disclosure Guidance and Transparency Rules. On an ongoing basis, we also continue to ensure that our procedures, systems and controls are adequate regarding the Market Abuse Regulation.

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

The Company Secretariat is responsible for ensuring compliance in this area. We have recently launched a new policy, to document our approach and practices regarding the dissemination of inside information to the market.

Sustainability continued

Governance continued

Supply chain responsible sourcing

The Group uses an approved vendor list for the supply of continuous use production materials, which is managed by Group Strategic Sourcing. Our policy is that all key suppliers on this list must complete a governance questionnaire via an online supplier portal. In the year we have focused on ensuring that we have up-to-date governance questionnaires for all key suppliers.

We have continued to remove risk from our supplier base by consolidating our suppliers and ensuring suppliers go through the onboarding process. Over the last year we have achieved a 15% reduction in our direct supplier base; a reduction of 55% since we started this strategy.

Our online supplier portal allows us to store and audit all our supplier documents and we will be expanding this functionality to collect sustainability information and data from our suppliers. During the year ahead our Group Strategic Sourcing team will work closely with WITec to align their policies and processes with the rest of the Group.

Human rights and modern slavery

We have a zero-tolerance approach to all forms of modern slavery, including servitude, forced bonded and compulsory labour, and human trafficking. Training is available to help employees recognise where there may be risks of modern slavery and human trafficking within our business and our supply chains.

We have a procedure in place to help anyone that needs to report a business malpractice and report any concerns they have. We have further guidance available in our Global Human Rights Policy, and employees can use these documents in their due diligence of suppliers.

In addition, we have a publicly available global Code of Business Conduct and Ethics, which sends a clear message to our employees, business partners, investors and other stakeholders of our business principles and ethics.

Our Anti-Slavery and Human Trafficking Statement can be found on our website. We also submit this statement to the Government's new modern slavery statement registry.

Intellectual property and confidentiality

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

We continue to protect our inventions, brand and designs through the use of registered IP rights. In the year we filed 16 new priority patent applications, an increase of seven compared to the previous year.

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

Data protection, data privacy and data security

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

This year, we have made some minor adjustments to our privacy policies, notices and other internal documents to reflect that the UK has now created its own UK GDPR since leaving the EU. We have produced specific privacy notices and assessments, and supported our HR teams on data protection issues with respect to covid, such as to allow for on-site testing to take place at our UK sites and the collection of personal information regarding vaccination status.

We continue to run training sessions and have updated our guidance notes for our marketing teams to ensure that their lead generation and other marketing activities are compliant with the GDPR and related privacy legislation.

During the year China introduced its new Personal Information Protection Law and we have worked with our teams there to develop a compliance programme to allow us to operate within the requirements of this new legislation. We continue to stay on top of developing compliance programmes around the world to ensure we can respond quickly to any changes made in the data protection legislation.

Financial sustainability and tax transparency

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

Global policies

- Code of Business Conduct and Ethics
- Global Anti-Bribery and Anti-Corruption Policy
- Group Conflict of Interests Policy
- Group Export Controls Policy
- Group Sanctions Policy
- Group Customs Policy
- Group Share Dealing Policy and Procedure
- Code of Conduct for Representatives and Suppliers
- Global Human Rights Policy
- Modern Slavery Statement
- Group Reporting a Business Malpractice Procedure
- Global Data Privacy Standards
- Global IT Infrastructure and Use Policy
- Oxford Instruments plc Tax Strategy

TCFD report

Task Force on Climate-Related Financial Disclosures (TCFD) Statement for the year ended 31 March 2022

Introduction

We believe that our sustainability ambition is a competitive differentiator for us as the energy transition and other societal changes advance, and are enthusiastic about embracing the environmental, social and governance considerations essential to running a modern business.

Having been on our sustainability journey for many years, we have developed a strong track record of delivering against our sustainability-related objectives, such as reducing the CO₂ emissions and waste products from our manufacturing processes and facilities.

Within our focus on environmental matters, we are committed to expanding both our reporting and the detail of our various targets, whilst also working to align these with best practice such as that of the Science Based Targets initiative (SBTi). Having previously stated that we aspire to reach Net Zero ahead of 2050, we aim to be ambitious in the new targets that we set during the following financial year, and as we develop our low carbon transition plan to help us to reach this goal.

Progress roadmap

A snapshot of our journey so far, our progress during the latest financial year and our action plan for the year ahead, are summarised in the table below.

Prior to FY22	Progress during FY22	Focus for FY23
<ul style="list-style-type: none"> Established a "Go Green" committee at each site to deliver a local environment agenda and promote positive behaviours. Invested in sustainable infrastructure and renewable technology including the energy efficient design of our new Plasma Technology facility and solar panels on our X-Ray Technology site. Converted three manufacturing sites to become zero waste to landfill, with the business units on these sites representing approximately 60% of Group revenue in FY20/21. Confirmed our aspiration to reach Net Zero ahead of 2050. 	<ul style="list-style-type: none"> Maintained 100% renewable electricity across our UK manufacturing activities, with the applicable business units representing approximately 85% of Group revenue in FY21/22. Reduced our CO₂ emissions by 48% from 2,844 tCO₂e to 1,476 tCO₂e, between FY18/19 and FY21/22. Further reduced the volume of waste to landfill. First year reporting on our work to align with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Commenced full Scope 1, 2 and 3 emissions assessment and calculation for the latest financial year and for 2018 (our baseline year). 	<ul style="list-style-type: none"> Set new, ambitious targets to reach Net Zero before 2050. Complete full Scope 1, 2 and 3 emissions assessment and achieve science-based target validation through the Science Based Targets initiative (SBTi). Progress contracting of renewable electricity across our non-UK sites. Complete our first Carbon Disclosure Project (CDP) submission. Engage in and build upon quantitative climate scenario analysis as part of TCFD alignment. Progress with zero waste to landfill at our remaining UK site. Work with Board and Sustainability Committee to develop our abatement strategy and to consider the offsetting options for residual emissions.

TCFD report continued

Compliance statement

As we are a premium listed company, we have reported on a 'comply-or-explain' basis against the TCFD framework. Our TCFD report is included in full in our Report and Financial Statements 2022 which can be found on our website in our sustainability section: oxinst.com/sustainability.

In line with the requirements of the Financial Conduct Authority's Listing Rule 9.8.6(8)R, we note that our disclosures in respect of the financial year ended 31 March 2022 are not fully consistent with the recommendations and recommended disclosures of the TCFD.

The below table summarises our compliance per the disclosures made in this report.

As noted earlier, we are committed to expanding our reporting in this area. Throughout our dedicated TCFD report, we have endeavoured to explain why our disclosures are not yet fully consistent with the recommendations and recommended disclosures of the TCFD, to explain the steps we are taking or plan to take to be able to make consistent disclosures in the future and the timeframes for doing so (where applicable).

We have also embedded cross-references to the various sections of our Report and Financial Statements where additional relevant information can be found.

In determining whether our climate-related financial disclosures were consistent with the TCFD recommendations and recommended disclosures, we undertook a detailed assessment of those disclosures which took into account the applicable guidance referenced under Listing Rule 9.8.6BG.

TCFD pillar	Recommended disclosure	Compliance
Governance: Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the Board's oversight of climate-related risks and opportunities.	Partial compliance
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Partial compliance
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.	Partial compliance
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Partial compliance
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Not compliant
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.	Partial compliance
	b. Describe the organisation's processes for managing climate-related risks.	Partial compliance
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Not compliant
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.	Not compliant
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks.	Partial compliance
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Not compliant

To successfully evaluate and respond to the challenges and opportunities posed by climate change, we recognise the importance of fostering knowledge of climate change issues across the business, supported by effective governance.

Governance

The Board has ultimate responsibility for the oversight of climate-related issues and is supported by its committees, the Management Board and the wider senior leadership team. During the year, the Board established a formal Sustainability Committee, comprising all of the Non-Executive Directors and with particular accountability for assessing and reporting to the Board on progress against the targets to be set to address climate-related issues as part of its core business. With reference to the organisational structure set out on page 93, climate-related considerations are embedded throughout our governance structure, at Board level and across the organisation.

During the year, the Board devoted time to developing its understanding of climate-related issues. Through its quarterly Audit and Risk Committee, they considered our climate-related risks and opportunities and liaised with the Head of Internal Audit and Risk to fully understand the methodologies used to determine these. Across each of its meetings since its establishment, the Sustainability Committee held dedicated sessions with the Chief Executive, Management Board and our external consultant, on climate-related topics such as the Greenhouse Gas Protocol, SBTi, CDP, UN Sustainable Development Goals and the TCFD Disclosure framework, amongst other things. They also debated the pathway to achieving Net Zero, including determining appropriate targets and best practice guidance as regards abatement and offsetting activities.

Outside of formal meetings, the Chair of the Sustainability Committee worked directly with various members of the management team and our external consultant and reported back to the Board regarding the insights gained. The Board and its Committees will, through continued education and sharing of information, aim to stay abreast of developments concerning climate change and other environmental issues.

The Board and its Committees have considered climate-related issues throughout the year, with such matters forming part of the discussions in a range of areas including the Company's strategy. The Board has explicitly delegated responsibility to its Sustainability Committee on a number of environment-related issues, including asking that they: consider and recommend to the Board for approval, sustainability-related targets, including environmental targets and timescales; review the Company's progress towards decarbonisation of energy use globally and consider and recommend to the Board for approval, the methodology to be used for achieving Net Zero. Climate-related risks and opportunities have also been considered and discussed by the Audit and Risk Committee, with their feedback being used by the internal team to refine their risk and opportunity identification methodology.

During the next financial year, the Sustainability Committee intends to consider, and recommend to the Board for approval, sustainability-related targets, including environmental targets and timescales, as well as a low carbon transition plan.

This is in line with the duties delegated to the Sustainability Committee by the Board, per its formal terms of reference. It is anticipated that progress against these goals will be considered as a standing item at Sustainability Committee meetings going forward.

We make a conscious effort to ensure that our Management Board are well informed regarding climate-related issues. During the year, the team increased their familiarity with a broad range of topics including the Greenhouse Gas Protocol, Streamlined Energy and Carbon Reporting Regulations, CDP, UN Sustainable Development Goals, the TCFD Disclosure framework and steps toward determining our Net Zero targets. This equipped the Management Board to meaningfully discuss a range of climate-related issues at their regular, formal meetings, including potential carbon-related targets and the Company's environmental headline strategy.

In addition to internal engagement led by the Head of Internal Audit and Risk, we also invited our external consultant to facilitate a dedicated climate-related risk and opportunities workshop for a broader range of colleagues in various functional and operational roles across the Group, in order to ensure that they had the necessary depth of understanding in order to contribute to this workstream in a meaningful way.

TCFD report continued

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

Strategy

We recognise that climate-related risks and opportunities could potentially have a significant impact on our business model and strategy, both positive and negative. Our initial focus has been on the identification and evaluation of key climate-related risks and opportunities, including understanding the impact of the risk or opportunity in terms of its time horizon, likelihood, magnitude and the stakeholders or areas of the business which it may affect, as well as the current controls in place to manage the risk or the mechanisms in place to capitalise on opportunities.

During FY 23, we will work to prioritise the actions needed to mitigate these risks and capitalise on the opportunities, basing this on their impact and ease of implementation. We will then integrate these actions into our strategy to ensure we have the appropriate focus on this area.

This will also help to inform our climate scenario analysis during the coming year. During the year we have worked with colleagues from a range of functional and operational roles across the Group to identify existing and emerging climate-related risks and opportunities. Having performed this evaluation, we consider climate change to be a principal risk.

We consider climate-related risks and opportunities across the short, medium and long term, defined as:

Impact time horizon	Year from	Year to	Duration
Short-term	2022	2030	<10 years
Medium-term	2030	2050	10-30 years
Long-term	2050	2100	30+ years

Climate Scenario Analysis

With the support of our external consultant, we are conducting a qualitative Climate Scenario Analysis to help to further develop our understanding of climate-related physical and transition risks and opportunities in light of a range of climate change scenarios, which could impact our business in the future.

We are now working to determine the appropriate methodology and modelling tools to be used to complete this exercise and note that the approach may comprise stakeholder engagement and the prioritisation of climate-related risks and opportunities which may require deeper analysis via quantitative modelling and ultimately support our understanding of the resilience of our low carbon transition plan under different climate change scenarios.

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

Risk management

We define risk as uncertain events which could have an adverse impact on the Group's business model, financial performance, liquidity or reputation. Our approach to identifying and assessing risks and opportunities is set out in detail in the Risk Management section on pages 77 to 84 of the Report and Financial Statements 2022.

During the year, we ran a separate process for the identification and assessment of climate change related risks, distinct from the wider enterprise risk management process.

This helped us to focus on identifying a wide range of existing and emerging climate-related risks and opportunities which may impact our business.

Climate-related risks are identified and assessed in line with our standard enterprise risk management methodology as set out in the Risk Management section on pages 77 to 84 of the Report and Financial Statements 2022, albeit adapted to ensure that the nuances required by the TCFD reporting framework are captured.

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

Impact			
Rating	Financial impact (risk or opportunity)	Transitional (2°C change)	Physical (4°C change)
Severe	More than £2m	<ul style="list-style-type: none"> Complete relocation of manufacturing Significant change in supplier base Change in technology due to supply constraints 	<ul style="list-style-type: none"> Relocation of facilities due to flood, excess heat or wildfires Potential for product obsolescence plus new markets and opportunities as the paradigm shift required to deal with extremes of climate change drives the emergence of new or disruptive technologies (e.g. photocatalytic water splitting) that previously might not have been commercially viable
Major	£1m – £2m	<ul style="list-style-type: none"> Investment in infrastructure required, for example in relation to additional cooling, water supply or power Significant change in supplier base 	<ul style="list-style-type: none"> Increased severe weather causing continued disruption Multiple changes in supplier Loss of customers due to global changes
Significant	£500k – £1m	<ul style="list-style-type: none"> Relocation of sales offices to another country Changing of suppliers 	<ul style="list-style-type: none"> Investment in infrastructure required, for example in relation to additional cooling, water supply or power Significant change in supplier base
Notable	£100k – £500k	<ul style="list-style-type: none"> Additional investment infrastructure to manage global change 	<ul style="list-style-type: none"> Relocation of sales offices to another country Changing of suppliers
Insignificant	Less than £100k	<ul style="list-style-type: none"> Minor relocation of personnel Update of company fleet to electric vehicles 	<ul style="list-style-type: none"> Relocation of sales offices within same country Changing of minor suppliers

TCFD report continued

Risk management continued

A process for the assessment and management of climate-related risks and opportunities across all business units and regions has been established and mirrors the process that the Group uses for wider enterprise risk management. It will now be carried out on a quarterly basis ahead of being reported to the Board via its Audit and Risk Committee. As with wider enterprise risks, the Board as a whole is responsible for determining how risks are to be managed.

Climate-related risks and opportunities

Risks and opportunities are evaluated against a scoring matrix of likelihood and impact. Likelihood considers the probability of the risk or opportunity occurring whilst impact evaluates the magnitude of the potential consequences, whether in financial, reputational or other terms. This mirrors the process that the Group uses for wider enterprise risk management. As a result, climate-related risks are evaluated on a consistent basis with other risks.

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

Likelihood

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

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

Physical risks

Physical risks stemming from severe weather events (acute), such as increased heatwaves, storms and floods, or long-term changes (chronic) in climatic conditions (rainfall patterns, average temperatures) can cause severe damage and disruption to companies' operations and supply chain and generate increased product prices.

- **Acute physical risks** – Those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes or floods.
- **Chronic physical risks** – Longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level rise or chronic heatwaves.

Transition risks

With increasing scrutiny of company climate strategies, and as global Net Zero target setting continues, we are seeing market-related, regulatory and reputational risks develop.

- **Technology risk** – Technological improvements or innovations that support the transition to a lower-carbon, energy-efficient economic system can have a significant impact on organisations.
- **Market risk** – Whilst the circumstances in which markets could be affected by climate change are varied and complex, one of the major ways is through shifts in supply and demand for certain commodities, products and services as climate-related risks and opportunities are increasingly considered.
- **Policy and legal** – Policy actions that attempt to constrain actions that contribute to the adverse effects of climate change or policy actions that seek to promote adaptation to climate change.
- **Legal actions** – Recent years have seen an increase in climate-related litigation claims being brought before the courts by property owners, municipalities, states, insurers, shareholders, and public interest organisations.
- **Reputation risk** – Climate change has been identified as a potential source of reputational risk tied to changing customer or community perceptions of an organisation's contribution to or detraction from the transition to a lower-carbon economy.

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

Climate-related risks		
Price inflation from decarbonisation (Transition: Market)	Component obsolescence due to regulatory changes (Transition: Policy and legal)	Severe event disrupts global supply chains (Acute physical)
<p>Context Global supply chains implementing more expensive production methods and/or changes in raw materials in order to reduce CO₂ emissions.</p>	<p>Context Ban on critical materials or production processes in either our own operations and/or our supply chain as a result of regulatory changes.</p>	<p>Context Flooding and/or other natural disasters linked to climate change could lead to shortages in the global availability of key components.</p>
<p>Risk impact Increased material cost of sales leading to reduced margins without increases in selling price.</p> <p>Time horizon: Short-term Likelihood: Low Magnitude of impact: Significant Impact area: Operations</p>	<p>Risk impact Rise in material prices for switching to compliant products or disruption to production if unable to react in sufficient time.</p> <p>Time horizon: Short-term Likelihood: Moderate Magnitude of impact: Significant Impact area: Operations</p>	<p>Risk impact Supply chain disruption leading to higher prices or shortages in raw materials. Impact on increased cost of sales or, in the extreme, disruption to production until normal supply resumes or alternatives can be found.</p> <p>Time horizon: Medium-term Likelihood: Low Magnitude of impact: Significant Impact area: Operations</p>
<p>Current risk controls 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.</p>	<p>Current risk controls We have product compliance processes in place to manage this type of change in the regulatory environment, with oversight and support from the Group Head of Quality. We use existing processes to meet RoHS and REACH requirements which remain appropriate to manage future changes in standards.</p>	<p>Current risk controls Long-term supply agreements with key suppliers can mitigate short-term price volatility. Business interruption insurance provides a degree of cover in the event that supply chain issues cause significant disruption to production.</p>

TCFD report continued

Risk management continued

Climate-related risks continued		
Severe event causes existing customers to relocate operations (Acute physical)	Extreme weather impacts global logistics capacity (Acute physical)	Extreme weather impacts operations (Acute physical)
<p>Context Flooding and/or other natural disasters linked to climate change could cause customers to relocate from areas that are particularly affected by the physical impact of climate change.</p>	<p>Context Logistics disruption due to extreme weather events, or loss of infrastructure due to rising water levels (reduced airport and port capacity).</p>	<p>Context Disruption to manufacturing operations due to loss of infrastructure arising from wildfires or other physical damage related to climate change. Particularly relevant for operations in California.</p>
<p>Risk impact Unplanned relocations may lead to a short-term hiatus in demand. As a Group we may need to adapt and relocate operations ourselves to meet the revised geographical profile of demand.</p> <p>Time horizon: Medium-term Likelihood: Low Magnitude of impact: Notable Impact area: Service operations</p>	<p>Risk impact Increased competition for limited transport options drives up the price of transport, affecting both goods in and goods out.</p> <p>Time horizon: Medium-term Likelihood: Highly likely Magnitude of impact: Notable Impact area: Operations and customers</p>	<p>Risk impact Potentially ranging from short-term disruption to operations if employees are unable to access facilities (e.g. due to road closures), to major disruption in the event of a total loss of the manufacturing facilities.</p> <p>Time horizon: Medium-term Likelihood: Moderate Magnitude of impact: Notable to severe Impact area: Operations and customers</p>
<p>Current risk controls Strategic review of logistics, supply chain, manufacturing, and service operations.</p>	<p>Current risk controls Strategic review of logistics, supply chain, manufacturing, and service operations.</p>	<p>Current risk controls Business continuity plans and global business interruption insurance.</p>

Climate-related opportunities		
Investment in R&D required for decarbonisation (Transition: Technology)	Geopolitical uncertainty and resource competition (Transition: Regulatory)	Migration from fossil fuels to renewable energy (Transition: Market)
<p>Context Product innovation will be required to decarbonise the economy. It will entail significant expenditure on research and development into new materials, technologies, and new ways of working.</p>	<p>Context Geopolitical tensions may arise from climate change, leading to increased requirement for local development and manufacturing capacity in the growing markets of semiconductors electronics and quantum technologies.</p>	<p>Context The path to Net Zero requires migration from fossil fuel energy to renewables (e.g. from ICE to EV). The speed of change is likely to be accelerated by geopolitical supply concerns over fossil fuels.</p>
<p>Opportunity impact Due to the requirement for decarbonisation, demand for Oxford Instruments products and services may increase. Product innovation as a result of decarbonisation may help reduce operating costs e.g. through remote delivery services. Time horizon: Short-term Likelihood: Highly likely Magnitude of impact: Significant Impact area: Customers</p>	<p>Opportunity impact Increased demand for enabling technologies resulting in an increased market opportunity for our business. Time horizon: Short-term Likelihood: Highly likely Magnitude of impact: Significant Impact area: Shareholders</p>	<p>Opportunity impact Increased demand for our products and services that enable the development of more efficient battery technology and highly efficient energy conversion devices. Time horizon: Short-term Likelihood: Highly likely Magnitude of impact: Significant Impact area: Shareholders, Customers, Society</p>
<p>How we are capitalising Our products and services play a key role in the technology pathway to enable the transition from fossil fuels to a low-carbon economy. Our enabling technologies such as materials analysis solutions and semiconductor equipment help customers address these challenges.</p>	<p>How we are capitalising We continue to invest in our product portfolio to assist our customers in delivering their global and regional roadmaps and supporting sufficient manufacturing capacity by location.</p>	<p>How we are capitalising Increased investment in key enabling technologies such as analytical instruments and semiconductor equipment that are key in the transition to renewables.</p>

TCFD report continued

Metrics and targets

We currently use a range of metrics to help us to track our progress across a number of aspects of environmental sustainability. This includes assessment of our electricity consumption, Scope 1 and 2 emissions in line with the Greenhouse Gas Protocol methodology, water and waste, the use of hydro-fluorocarbons and the impact of transport. Please see the Environment section of our Report and Financial Statements on pages 49 to 51 for further information.

We do not yet report against further metrics and targets in addition to those noted above, as our work to assess our climate-related risks and opportunities is not yet fully embedded in our strategy and risk management processes. We intend to develop further metrics and targets and to report on our progress in line with these, as we progress with our sustainability agenda.

We are committed to reaching Net Zero and to monitoring and calculating our carbon footprint in line with industry standards. We are currently working with an external consultant to validate our Scope 1 and 2 assessment and to evaluate both our Scope 3 emissions and also our base year (2018) carbon footprint. Once this work has been completed, we will be able to determine meaningful carbon reduction targets to work towards, with the goal of presenting this to the SBTi for their approval. We have previously stated that we aspire to reach Net Zero ahead of 2050 and aim to be ambitious in the new targets that we set and report on, to help us reach this goal. Assessing our progress towards reaching these targets will then form a crucial part of the future work of the Sustainability Committee.



Finance Review



We delivered a strong financial performance with growth in orders, revenue and underlying cash flow. We have increased capital investment and maintained a robust balance sheet and enter the new financial year with a healthy order book.

Gavin Hill

Chief Financial Officer

Summary

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

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

The acquisition of WITec was completed on 31 August 2021. Growth rates expressed on an organic basis remove the impact of the acquired business for the period under ownership.

Reported orders increased by 19.6% to £423.1m (2021: £353.7m), an increase of 19.9% at organic constant currency. At the end of the period, the Group's order book for future deliveries stood at £260.2m (31 March 2021: £198.0m). The order book grew 31.4% on a reported basis and 26.6% at organic constant currency.

Reported revenue increased by 15.3% to £367.3m (2021: £318.5m). Organic revenue, excluding currency effects, increased by 14.5%, with the movement in average currency exchange rates over the year reducing reported revenue by £12.4m.

Adjusted operating profit increased by 16.9% to £66.3m (2021: £56.7m). Organic adjusted operating profit, excluding currency effects, increased by 15.2%, with a currency headwind in the year of £1.9m. Adjusted operating margin increased by 30 basis points to 18.1% (2021: 17.8%). Excluding currency effects, adjusted operating margin increased by 20 basis points to 18.0%.

Statutory operating profit includes the amortisation of acquired intangibles of £9.5m, acquisition-related costs of £0.4m, a margin adjustment relating to the sale of WITec inventories in the period of £1.7m, and a charge of £6.4m relating to unwind of the brought forward financial derivative asset. Statutory operating profit of £48.3m (2021: £53.0m) fell by 8.9%, principally due to the mark-to-market charge on currency hedges relative to a large credit the previous year.

Adjusted profit before tax grew by 17.9% to £65.9m (2021: £55.9m), representing a margin of 17.9% (2021: 17.6%).

Statutory profit before tax fell by 8.8% to £47.6m (2021: £52.2m), following the non-cash uncrystallised charge on currency hedges and increase in amortisation of acquired intangibles following the acquisition of WITec. This represents a margin of 13.0% (2021: 16.4%).

Adjusted basic earnings per share grew by 20.0% to 94.3p (2021: 78.6p). Basic earnings per share were 67.1p (2021: 72.8p), a decline of 7.8%.

Finance Review *continued*



Summary *continued*

Cash from operations of £58.4m (2021: £49.7m) represents 72% (2021: 101%) cash conversion. During the year, we incurred expenditure of £7.4m on the construction of our new semiconductor facility near Bristol; cash conversion on a normalised basis that excludes this expenditure was 84%. Net cash decreased from £97.6m on 31 March 2021 to £85.9m on 31 March 2022, after the €37.0m initial consideration for the acquisition of WITec.

At the end of March, our revolving credit facility remained undrawn, leaving approximately £103m of committed facilities. This represents total headroom of just under £190m.

Income Statement

The Group's Income Statement is summarised below.

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m	Change
Revenue	367.3	318.5	+15.3%
Adjusted operating profit	66.3	56.7	+16.9%
Amortisation of acquired intangible assets	(9.5)	(8.4)	
Non-recurring items	(2.1)	(1.7)	
Mark-to-market of currency hedges	(6.4)	6.4	
Statutory operating profit	48.3	53.0	(8.9%)
Net finance costs ¹	(0.7)	(0.8)	
Adjusted profit before taxation	65.9	55.9	+17.9%
Statutory profit before taxation	47.6	52.2	(8.8%)
Adjusted effective tax rate	17.8%	19.3%	
Effective tax rate	18.9%	19.9%	
Adjusted earnings per share – basic	94.3p	78.6p	+20.0%
Earnings per share – basic	67.1p	72.8p	(7.8%)
Dividend per share (total)	18.1p	17.0p	+6.5%

1. Net finance costs for 2022 include a non-cash charge of £0.3m against the unwind of discount on WITec contingent consideration.

Revenue and orders

Following the acquisition of WITec, the business is reported within the Materials & Characterisation segment. Growth rates expressed on an organic basis exclude the impact of WITec.

Reported revenue of £367.3m (2021: £318.5m) increased by 15.3% (+14.5% at organic constant currency). Reported revenue grew by 24.8% for Materials & Characterisation (+18.9% at organic constant currency), with strong growth for our electron microscope analysers and semiconductor processing tools. Good demand for our optical imaging and microscopy systems, and cryogenic and complex magnets as we progress with fulfilment of the large order from the Institute of Physics in China, resulted in reported revenue growth for Research & Discovery of 6.1% (+9.3% at constant currency). Revenue growth from service of our own products resulted in reported growth of 8.8% (+13.5% at constant currency) for Service & Healthcare.

Total reported orders grew by 19.6% (+19.9% at organic constant currency) to £423.1m. Reported orders grew by 25.3% (+21.5% at organic constant currency) for Materials & Characterisation and by 15.7% (+19.6% at constant currency) for Research & Discovery. Service & Healthcare increased by 11.1% (+16.0% at constant currency).

The book-to-bill ratio (orders received to goods and services billed in the period) for the year was 115% (2021: 111%).

On a geographical basis, revenue grew by 2.1% in Europe (down 2.2% at organic constant currency), impacted by fewer shipments of semiconductor process tools due to supply constraints, in addition to a strategic move away from tenders with high-configured systems. Organic constant currency orders grew by 14.9%.

Revenue for North America increased by 10.7% on a reported basis and by 12.3% at organic constant currency, with good demand for our electron microscope analysers, and imaging and microscopy products. Orders grew by 22.8% at organic constant currency, with strong demand across the breadth of our product portfolio.

Asia delivered strong growth of 25.6% (+25.6% at organic constant currency) with strong demand for our electron microscope analysers, semiconductor processing tools, and cryogenic systems. Asia remains our largest region by revenue, with China constituting 55% of regional revenue and 28% of total Group revenue. Orders for the region at organic constant currency grew by 21.5%, driven by demand for electron microscope analysers, semiconductor processing tools, and our imaging and microscopy products.

Geographic revenue growth

£m	2021/22 £m	2021/22 % of total	2020/21 £m	2020/21 % of total	Change £m	% growth	% growth at constant currency	% organic growth constant currency
Europe	89.0	24%	87.2	27%	+1.8	2.1%	5.5%	(2.2%)
North America	84.9	23%	76.7	24%	+8.2	10.7%	14.6%	12.3%
Asia	188.6	51%	150.2	47%	+38.4	25.6%	29.6%	25.6%
Rest of World	4.8	2%	4.4	2%	+0.4	9.1%	18.2%	11.4%
	367.3	100%	318.5	100%	+48.8	15.3%	19.2%	14.5%

The total reported order book grew by 31.4% (26.6% at organic constant currency). The order book, at organic constant currency, compared to 31 March 2021, increased by 45.2% for Materials & Characterisation, with strong growth across all constituent businesses. Strong order growth in the final quarter means that related shipments are scheduled to be made in the 2022/23 financial year, the timing of which will be subject to timely deliveries of components. Research & Discovery grew by 12.9% (+12.3% at constant currency), with strong demand for our imaging and microscopy products and X-ray tubes. Supply chain disruption has led to slower order conversion than would normally be expected, placing upward pressure on the order book. Continued focus on own product service resulted in growth of 29.5% (+26.6% at constant currency) from Service & Healthcare.

£m	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total
Revenue: 2020/21	148.6	113.4	56.5	318.5
Constant currency growth	28.1	10.6	7.6	46.3
Revenue at organic constant currency: 2020/21	176.7	124.0	64.1	364.8
Acquisition	14.9	—	—	14.9
Currency	(6.1)	(3.7)	(2.6)	(12.4)
Revenue: 2021/22	185.5	120.3	61.5	367.3
Revenue growth: reported	24.8%	6.1%	8.8%	15.3%
Revenue growth: organic constant currency	18.9%	9.3%	13.5%	14.5%

Finance Review **continued**

Income Statement continued

Gross profit

Gross profit grew by 14.0% to £187.8m (2021: £164.8m), representing a gross profit margin of 51.1%, a reduction of 60 basis points over last year, due to increases to component costs, particularly for electronics.

Adjusted operating profit and margin

Following the acquisition of WITec, the business is reported within the Materials & Characterisation segment. Growth rates expressed on an organic basis exclude the impact of WITec.

Adjusted operating profit increased by 16.9% to £66.3m (2021: £56.7m), representing an adjusted operating profit margin of 18.1%, an increase of 30 basis points against last year. At constant currency, the adjusted operating profit margin was 18.0%, an increase of 20 basis points.

Reported Materials & Characterisation adjusted operating profit increased by 28.6% (+16.1% at organic constant currency) with reported margin increasing by 40 basis points to 14.1% (2021: 13.7%). This was attributable to a revenue scale benefit from our higher-margin imaging and analysis systems, and the partial release of a warranty provision on a particular product in their portfolio where the liability is less than originally anticipated. Supply chain disruption led to a weaker than expected performance from our scanning probe microscopy business.

Research & Discovery's adjusted operating margin increased to 17.7% (2021: 17.2%), growth of 50 basis points. At constant currency, the margin was 17.4%, an increase of 20 basis points, supported by a strong improvement in margin from our X-Ray Technology business.

Service & Healthcare margin increased by 80 basis points to 30.7% (2021: 29.9%). At constant currency, the margin was 31.5%, an increase of 160 basis points owing to our focus on improving service revenue on our own products.

Currency effects (including the impact of transactional currency hedging) have reduced reported adjusted operating profit by £1.9m when compared to blended hedged exchange rates for the comparative period.

£m	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total
Adjusted operating profit: 2020/21	20.3	19.5	16.9	56.7
Constant currency growth	3.3	2.1	3.2	8.6
Adjusted operating profit at organic constant currency: 2020/21	23.6	21.6	20.1	65.3
Acquisition	2.9	—	—	2.9
Currency	(0.4)	(0.3)	(1.2)	(1.9)
Adjusted operating profit: 2021/22	26.1	21.3	18.9	66.3
Adjusted operating margin ¹ : 2020/21	13.7%	17.2%	29.9%	17.8%
Adjusted operating margin ¹ : 2021/22	14.1%	17.7%	30.7%	18.1%
Adjusted operating margin ¹ (constant currency): 2021/22	13.8%	17.4%	31.5%	18.0%

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

Statutory operating profit and margin

Statutory operating profit fell by 8.9% to £48.3m (2021: £53.0m), representing an operating profit margin of 13.2%. Statutory operating profit is after the amortisation and impairment of acquired intangible assets; acquisition items; other significant non-recurring items; and the mark-to-market of financial derivatives. The reduction in statutory operating profit is principally due to a large charge arising from the movement in the mark-to-market valuation on financial derivatives.

Adjusting items

Amortisation of acquired intangibles of £9.5m relates to intangible assets recognised on acquisitions, being the value of technology, customer relationships and brands. The increase in the charge from last year reflects the intangibles recognised following the acquisition of WITec.

Non-recurring items comprise £0.4m of professional fees on the acquisition of WITec. In addition, a charge of £1.7m has been taken that eliminates the profit arising in the acquired WITec business from revaluing their inventories to fair value, in accordance with accounting standards.

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 twelve 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 £6.4m (2021: £6.4m credit). The movement from a large net asset to a small net liability for derivative financial instruments over the year reflects: (i) the crystallisation of forward contracts that were hedging the 2021/22 financial year, which are recognised in adjusted operating profit; and an uncrystallised reduction in the mark-to-market valuation of forward contracts from a fall in the value of Sterling at the balance sheet date against a blended rate achieved on US Dollar contracts that will mature over the next 18 months. The mark-to-market valuation of financial derivatives that are hedging contracts that will mature over the next 18 months is a liability of £0.4m.

Net finance costs

The Group's adjusted net interest costs (excluding credit on pension scheme net assets) fell by £0.9m to £0.8m (2021: £1.7m), principally due to the repayment of private placement notes at the previous year end. An interest credit on pension scheme net assets of £0.4m (2021: £0.9m) arising from the pension surplus brings net finance charges to £0.4m (2021: £0.8m). In addition, we recorded in financial expenditure a non-cash charge of £0.3m against the unwind of discount on WITec contingent consideration.

Adjusted profit before tax and margin

Adjusted profit before tax increased by 17.9% to £65.9m (2021: £55.9m). The adjusted profit before tax margin of 17.9% (2021: 17.6%) was above last year due to an increase in the adjusted operating margin and lower net finance costs.

Reconciliation of statutory profit before tax to adjusted profit before tax	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Statutory profit before tax	47.6	52.2
Add back:		
Amortisation of acquired intangible assets	9.5	8.4
Non-recurring items (Note 1)	2.4	1.7
Mark-to-market of currency hedges	6.4	(6.4)
Adjusted profit before tax	65.9	55.9

Statutory profit before tax and margin

Statutory profit before tax decreased by 8.8% to £47.6m (2021: £52.2m). Statutory profit before tax is after the amortisation and impairment of acquired intangible assets; acquisition items; other significant non-recurring items; and the mark-to-market of financial derivatives. The statutory profit before tax margin of 13.0% (2021: 16.4%) was below last year, principally due to the charge from the mark-to-market valuation movement on financial derivatives.

Taxation

The adjusted tax charge of £11.7m (2021: £10.8m) represents an effective tax rate of 17.8% (2021: 19.3%). The tax charge of £9.0m (2021: £10.4m) represents an effective tax rate of 18.9% (2021: 19.9%). The reduction in tax rate reflects a prior year adjustment, primarily relating to the recognition of patent box claims in respect of sales prior to the grant of the patent.

Earnings per share

Adjusted basic earnings per share increased by 20.0% to 94.3p (2021: 78.6p); adjusted diluted earnings per share grew by 19.8% to 93.0p (2021: 77.6p). Basic earnings per share decreased by 7.8% to 67.1p (2021: 72.8p); diluted earnings per share fell by 7.9% to 66.2p (2021: 71.9p).

The number of undiluted weighted average shares increased to 57.5m (2021: 57.4m).

Finance Review **continued**

Income Statement continued

Currency

The Group faces transactional and translational currency exposure, most notably against the US Dollar, Euro and Japanese Yen. For the year, approximately 23% of Group revenue was denominated in Sterling, 44% in US Dollars, 20% in Euros, 10% in Japanese Yen and 2% in other currencies. Translational exposures arise on the consolidation of overseas company results into Sterling. Transactional exposures arise where the currency of sale or purchase transactions differs from the functional currency in which each company prepares its local accounts.

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

£m (equivalent)	Revenue	Adjusted operating profit
Sterling	85.2	(57.2)
US Dollar	162.7	58.7
Euro	74.8	41.1
Japanese Yen	36.6	21.7
Chinese Renminbi	5.8	0.8
Other	2.2	1.2
	367.3	66.3

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 twelve to 24 months. As at 31 March 2022, the Group had currency hedges in place extending up to 18 months forward.

For the full year 2022/23, our assessment of the currency impact is, based on hedges currently in place and forecast currency rates, a tailwind of £5.1m to revenue, and headwind of £4.0m to profit. Forecast currency rates on unhedged positions for the full year are – GBP:USD 1.28; GBP:EUR 1.20; GBP:JPY 163. The headwind to operating profit is due to stronger Sterling currency rates achieved on hedges in place for 2022/23 and unhedged transactional exposures, against hedges that crystallised in 2022/21. This adverse impact to operating profit is partially mitigated by a gain due to weaker blended Sterling currency rates on unhedged transactional and translational exposures against actual currency rates achieved in 2021/22. 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 2023/24, based on the above currency assumptions, we would expect currency effects to have a neutral impact to revenue and a £1.9m benefit to operating profit.

Acquisition of WITec

On 31 August 2021, the Group completed the purchase of 100% of the share capital in WITec for an initial consideration of €37.0m. Additional consideration of up to €5m is conditional on trading performance over a period of twelve months following completion. Based on current forecasts, this payment is expected to be made in full. During the period under ownership, the business contributed constant currency revenue of £14.9m and an operating profit of £2.9m.

Dividend

The Group's policy on the dividend takes into account changes to underlying earnings, dividend cover, movements in currency and demands on our cash. After a resilient year of trading, the Board has proposed a final dividend of 13.7p per share. This results in a total dividend of 18.1p per share, growth of 6.5%. An interim dividend of 4.4p per share was paid on 14 January 2022. The final dividend will be paid, subject to Shareholder approval, on 23 August 2022 to Shareholders on the register as at 15 July 2022.

Cash flow

The Group cash flow is summarised below.

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Adjusted operating profit	66.3	56.7
Depreciation and amortisation	9.4	9.1
Adjusted¹ EBITDA	75.7	65.8
Working capital movement	(11.8)	(2.7)
Equity settled share schemes	2.1	1.8
Non-recurring items	—	0.3
Pension scheme payments above charge to operating profit	(7.6)	(15.5)
Cash from operations	58.4	49.7
Interest	(0.5)	(1.6)
Tax	(8.8)	(6.3)
Capitalised development expenditure	(0.7)	(0.9)
Expenditure on tangible and intangible assets	(13.9)	(4.0)
Acquisition of subsidiaries, net of cash acquired	(30.6)	—
Acquisition-related costs	(0.4)	—
Dividends paid	(12.3)	—
Proceeds from issue of share capital and exercise of share options	0.1	0.2
Payments made in respect of lease liabilities	(3.4)	(2.8)
Decrease in borrowings	(0.1)	(27.9)
Net (decrease)/increase in cash and cash equivalents from continuing operations	(12.2)	6.4

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

Cash from operations

Cash from operations of £58.4m (2021: £49.7m) represents 72% (2021: 101%) cash conversion. Cash conversion on a normalised basis was 84% once we exclude expenditure relating to our new semiconductor facility. 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.

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Reconciliation of cash generated from operations to adjusted operating cash flow		
Cash from operations	58.4	49.7
Add back/(Deduct):		
Non-recurring items	—	(0.3)
Pension scheme payments above charge to operating profit	7.6	15.5
Capitalised development expenditure	(0.7)	(0.9)
Expenditure on tangible and intangible assets	(13.9)	(4.0)
Payments made in respect of lease liabilities	(3.4)	(2.8)
Adjusted cash from operations	48.0	57.2
Cash conversion % (adjusted cash from operations/adjusted operating profit)	72%	101%
Cash conversion % (normalised¹)	84%	102%

1. Cash conversion calculated on a normalised basis excludes expenditure in the year of £7.4m (2021: £0.8m) on the new semiconductor facility.

Working capital increased by £11.8m with receivables increasing by £21.6m. The receivables movement reflects the high number of orders, shipments and acceptances in the final month of the year compared to last year, particularly with reference to high-value semiconductor process systems, resulting in an increase in invoicing against customer deposits, installation and acceptances. This was partially offset by a reduction in payables and customer deposits of £9.9m. Business growth and post-Brexit transit flows have also resulted in higher VAT balances in receivables and payables.

Interest

Net interest paid was £0.5m (2021: £1.6m), the reduction reflecting the repayment of private placement notes at the end of the last financial year.

Tax

Tax paid was £8.8m (2021: £6.3m).

Finance Review continued

Cash flow continued

Investment in Research and Development (R&D)

Total cash spend on R&D in the year was £31.7m, equivalent to 8.6% of sales (2021: £28.9m, 9.1% 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 2022 £m	Year ended 31 March 2021 £m
R&D expense charged to the Consolidated Statement of Income	32.8	30.0
Depreciation of R&D-related fixed assets	(0.2)	(0.1)
Amounts capitalised as fixed assets	0.3	0.6
Amortisation and impairment of R&D costs capitalised as intangibles	(1.9)	(2.5)
Amounts capitalised as intangible assets	0.7	0.9
Total cash spent on R&D during the year	31.7	28.9

Net cash and funding

Net cash

Cash from operations in the full year was offset by the payment of initial consideration for the acquisition of WITec, resulting in a decrease in the Group's net cash position from £97.6m at 31 March 2021 to £85.9m on 31 March 2022. The Group invested in capitalised development costs of £0.7m and tangible and intangible assets of £13.9m, of which £7.4m relates to payments associated with the new semiconductor facility under construction.

Up to 31 March 2022, we had incurred costs of £8.2m on the new semiconductor facility under construction. For the financial year ended 31 March 2023, we expect additional payments of approximately £25m to complete the facility. We are at the early stage of a process to sell the current site, with completion expected in the 2023/24 financial year.

Movement in net cash	£m
Net cash after borrowings as at 31 March 2021	97.6
Cash generated from operations	58.4
Interest	(0.5)
Tax	(8.8)
Capitalised development expenditure	(0.7)
Capital expenditure on tangible and intangible assets	(6.5)
Capital expenditure on new semiconductor facility	(7.4)
Acquisition of subsidiaries (net of cash and debt)	(30.6)
Dividend paid	(12.3)
Other items	(3.3)
Net cash after borrowings as at 31 March 2022	85.9

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Net cash including lease liabilities		
Net cash after borrowings	85.9	97.6
Lease liabilities	(18.4)	(7.5)
Net cash and lease liabilities after borrowings	67.5	90.1

Return on capital employed (ROCE)

ROCE measures effective management of capital employed relative to the profitability of the business. ROCE is calculated as adjusted operating profit less amortisation of intangible assets divided by average capital employed. Capital employed is defined as assets (excluding cash, pension, tax and derivative assets) less liabilities (excluding tax, debt and derivative liabilities). Average capital employed is defined as the average of the closing balance at the current and prior year end. ROCE has risen to 34.7%, with the change principally reflecting a higher level of earnings.

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Return on capital employed		
Adjusted operating profit	66.3	56.7
Amortisation of acquired intangible assets	(9.5)	(8.4)
Adjusted operating profit after amortisation of acquired intangible assets	56.8	48.3
Property, plant and equipment	31.7	21.1
Right-of-use assets	17.9	7.3
Intangible assets	140.7	122.6
Inventories	65.3	58.7
Trade and other receivables	104.7	75.6
Non-current lease payables	(14.9)	(4.9)
Non-current provisions	(0.1)	(0.7)
Trade and other payables	(149.5)	(126.1)
Current lease payables	(3.5)	(2.6)
Current provisions	(7.7)	(8.7)
Capital employed	184.6	142.3
Average capital employed	163.5	147.8
Return on capital employed (ROCE)	34.7%	32.7%

Return on invested capital (ROIC)

ROIC measures the after-tax return on the total capital invested in the business. It is calculated as adjusted operating profit after tax divided by average invested capital. Invested capital is total equity less net cash, including lease liabilities. Average invested capital is defined as the average of the closing balance at the current and prior year end. Oxford Instruments aims to deliver high returns, measured by a return on capital in excess of our weighted average cost of capital. ROIC increased slightly on the previous year due to the improvement in operating profit and reduction in taxation rates, more than offsetting any dilution in ROIC from the recent acquisition.

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Return on invested capital		
Adjusted operating profit	66.3	56.7
Taxation	(11.7)	(10.8)
Adjusted operating profit after taxation	54.6	45.9
Total equity	316.4	266.2
Net cash (including lease liabilities)	(67.5)	(90.1)
Invested capital	248.9	176.1
Average invested capital	212.5	184.4
Return on invested capital (ROIC)	25.7%	24.9%

Funding

On 2 July 2018, the Group entered into an unsecured multi-currency revolving facility agreement, which is committed until June 2025. The facility has been entered into with two banks and comprises a Euro-denominated multi-currency facility of €50.0m (£42m) and a US Dollar-denominated multi-currency facility of \$80.0m (£61m).

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 2022 the business had net cash.

Finance Review **continued**

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 2022 was £51.7m (2021: £16.3m). The value of scheme assets increased to £351.7m (2021: £340.2m). Scheme liabilities decreased to £300.0m (£323.9m), principally due to an increase in the discount rate from 2.1% to 2.8%. This was offset slightly by an increase in the inflation assumption, from 3.0% to 3.4%.

Pension recovery payments above charge to operating profit total £7.6m (2021: £15.5m). The comparative period included a one-off contribution of £8.1m to the UK defined benefit pension scheme, in addition to the annual recovery payments.

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 2025/26, at which point we expect, based on current assumptions, for the scheme to achieve self-sufficiency. In 2022, these contributions amounted to £8.0m.

The scheme rules provide that in the event of a surplus remaining after settling contractual obligations to members, the Group may determine how the surplus is utilised.

Going concern

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

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

Forward-looking statements

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

Gavin Hill

Chief Financial Officer

13 June 2022

Risk Management

Audit, risk and internal control

Approach to risk management

Within the Group there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that is embedded in all business units. Day-to-day management of this process has been delegated by the Board to the Executive Directors. Details of the process are set out in the Audit and Risk Committee Report on page 115. The current risk management and internal control systems have been in place throughout the financial year and up to the date of approval of the Report and Financial Statements and are subject to annual review by the Board. In respect of the year ended 31 March 2022, the Board considered that these processes remained effective.

Summaries of our risk management framework and risk management process can be found below and on page 79, respectively.

The Board has carried out a robust assessment of the principal risks facing the Group, including those which threaten its business model, future performance, solvency and liquidity. Details of all major risks identified, and the mitigating actions adopted, are reported to and reviewed by the Board and the Audit and Risk Committee on at least a quarterly basis. The principal risks set out on pages 80 to 84 provide an overview of the major risks and uncertainties faced by the Group. All operating businesses follow a standard process for risk identification and reporting. The process is further described on page 79. On a regular basis, each business reviews and updates its risk register which is then reported to the Chief Executive. If a material risk changes or arises, this is reported to the Chief Executive, at which time there is a discussion on the adequacy of the mitigating actions taken. In addition, the Board and the Audit and Risk Committee consider risks to the Group's strategic objectives which arise at a Group level and develop appropriate actions to manage and mitigate these risks where possible.

Priorities during financial year ended 31 March 2022

During the year ended 31 March 2022 the principal priority was the development of the risk management framework required for the Taskforce for Climate-Related Financial Disclosures (TCFD) reporting. Having conducted a pilot with the NanoScience business unit in the prior year, the main objective was to enhance the process and extend it across all business units and the larger regional offices in 2021/22. The risk management function collaborated with the environmental working group that reports into the Sustainability Committee to deliver a process for identifying, evaluating, and reporting on climate-related risks and opportunities across the Group. The output from this process provided the inputs for the risks and opportunities that are set out in the TCFD statement.

In compliance with the Financial Conduct Authority's Listing Rule 14.3.27, the climate-related financial disclosures consistent with the TCFD Recommendations and Recommended Disclosures have been included within the TCFD statement on pages 57 to 66, which also encompasses further information regarding the Group's exposure to climate-related risks and opportunities.

Risk governance framework

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



Risk Management **continued**

Audit, risk and internal control **continued**

Internal control

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

Control activities include policies and procedures for appropriate authorisation and approval of transactions, the application of financial reporting standards and reviews of significant judgements and financial performance. Financial, regulatory and operational controls, procedures and risk activities across the Group are reviewed by the Group's internal audit and assurance function.

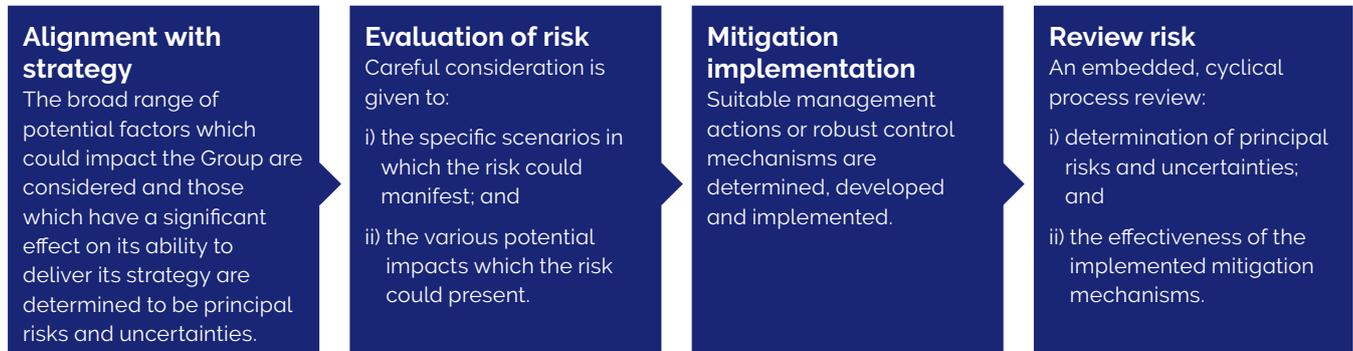
The internal control framework has been designed to manage rather than eliminate material risks to the achievement of strategic and business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. Due to inherent limitations, internal controls over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

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

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

Risk management process

The diagram below summarises our methodical approach to risk management. The principal risks and uncertainties detailed on pages 80 to 84 of this report are monitored utilising this risk management process.



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 are set out on pages 80 to 84.

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

The emerging risks identified from the latest review include climate change and inflationary pressures which are disclosed as principal risks. The key climate change related risks are also disclosed in the TCFD statement on pages 57 to 66. Inflationary risks are managed through regular reviews of product pricing and, with regard to the supply chain, via the Group's strategic sourcing strategy, which manages long-term arrangements with key suppliers.

Principal risks and uncertainties

Principal risks are reported and discussed at every meeting of the Audit and Risk Committee. For Oxford Instruments, principal risks are generally those that could have a significant adverse impact on the Group's business model, financial performance, liquidity or reputation. The Audit and Risk Committee also considers emerging risks within the risk management framework. A formal review of emerging risks is conducted around the year end. For the year ended 31 March 2022, the output of this assessment was the identification of inflation and climate change as emerging risks that are also considered to be principal risks. Further information is set out below.

The principal risks and uncertainties are set out on pages 80 to 84.

The key change in the Group's approach to risk management in 2021/22 has been in TCFD reporting. The Group has implemented a climate-related risks and opportunities reporting process across all business units and regional offices. Initially this has been established to operate alongside the wider enterprise risk management processes, although in 2022/23 we aim to integrate it into the wider process. Further details are set out in the Sustainability Report.

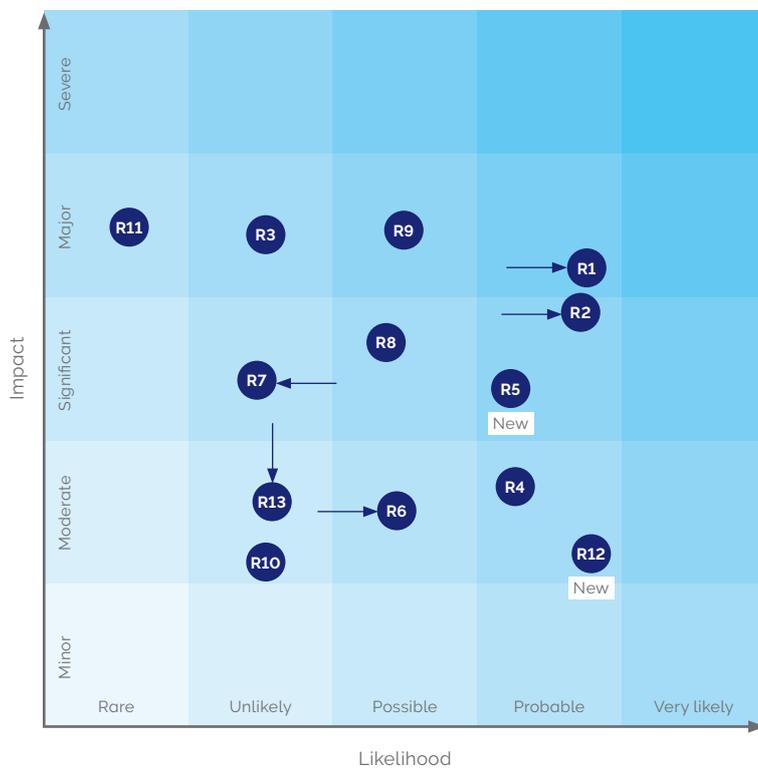
In terms of the wider risk management process there have been no significant changes during the year ended 31 March 2022. Business units continue to perform a detailed assessment of key risks using a standardised methodology. The output is reported to the Group and is the basis for the compilation of the quarterly Group risk register by the risk management function, in collaboration with the Executive Directors. The resulting Group risk register is reported to the Audit and Risk Committee every quarter.

Risk Management continued

Principal risks and uncertainties matrix

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

The output of this assessment is shown in the chart below. The most significant risks are located in the top right quadrant of the chart, while those assessed as being the least significant are found in the bottom left. The chart shows that the Group's assessment of geopolitical risk, supply chain risk and legal/compliance risk have increased compared to the prior year. In contrast, the risks relating to covid and pensions have decreased.



Key:

- | | |
|--|----------------------------------|
| R1 Geopolitical risk | R8 Foreign exchange |
| R2 Supply chain | R9 Information Technology |
| R3 OEM route to market | R10 People |
| R4 New product innovation (NPI) | R11 Business interruption |
| R5 Inflation | R12 Climate change |
| R6 Legal & regulatory breach | R13 Pensions |
| R7 Covid | |

Arrows indicate movement compared to the prior year.

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

1

Specific risk 1: Geopolitical risk

Context: The Group operates in global markets and can be required to secure licences for relevant exports. Government policy on the export of specific technologies or the wider issue of tariffs can change over time.

Risk

Changes in the geopolitical landscape or an escalation in global trade tensions resulting in major obstacles to trade with customers in key markets. This could arise from export licence refusals, trade tariffs, trade embargoes, or nations seeking to reduce reliance on foreign imports in strategic technologies through the development of domestic competition and/or protectionist measures. This is potentially relevant to customers in key export markets including, but not limited to, China, the European Union, Japan and the USA.

Possible impact

- Lower export volumes or net pricing to key markets adversely affecting revenue
- Increases to input costs and lower gross margins
- Limitations on ability to provide after-sales service to existing customers
- Certain product lines might not be sustainable if access to key export markets is severely restricted

Control mechanisms

- Contract review and protection against breach of contract should export licences be withheld
- Proactive dialogue with relevant government authorities

Mitigation

- Broad global customer base; contractual protection
- Improved information flows to decision-makers

Change in the year:



2 Specific risk 2: Supply chain risk

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

Risk

- Operational disruption or price increases, due to supply chain shortages, particularly in electronic components
- Suppliers de-committing orders due to demand pressures in other sectors.
- 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
- Lost revenue
- Downward pressure on margins
- Increased lead times and potential of foregone orders
- Poor customer service/reputational damage
- 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
- Focused efforts on higher-risk suppliers identified
- Long-term contracts with key suppliers

Mitigation

- Long-term demand planning
- Buffer stock in extended supply chain
- Relationship management with key suppliers
- Responsive and adaptive engineering change process

Change in the year:



3 Specific risk 3: Routes to market

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

Risk

- Vertical integration by OEMs

Possible impact

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

Control mechanisms

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

Mitigation

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

Change in the year:



4 Specific risk 4: Technical risk

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

Risk

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

Possible impact

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

Control mechanisms

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

Mitigation

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

Change in the year:



Risk Management continued

<p>5 Specific risk 5: Inflation</p>	<p>6 Specific risk 6: Legal/compliance risk</p>	<p>7 Specific risk 7: New covid variant causes major disruption</p>
<p>Context: Global inflation placing upward pressure on principal elements of the cost base such as labour and materials.</p>	<p>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 rights and the Group may at times experience unintentional regulatory or IP compliance issues.</p>	<p>Context: Variants of covid may be highly transmissible and have a greater impact than current variants, even on vaccinated populations. Government response to covid outbreaks may lead to further lockdowns/travel restrictions.</p>
<p>Risk</p> <ul style="list-style-type: none"> Rises in key cost drivers such as people costs, energy, components, and raw materials For long lead time items, required to make inflationary estimates which may be inaccurate 	<p>Risk</p> <ul style="list-style-type: none"> Infringement of a third party's intellectual property Regulatory breach 	<p>Risk</p> <ul style="list-style-type: none"> Potential disruption to supply chains, Group operations and customers, leading to delays in production and/or installation at customer sites
<p>Possible impact</p> <ul style="list-style-type: none"> 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 	<p>Possible impact</p> <ul style="list-style-type: none"> Potential loss of future revenue Future royalty payments Payment of damages Fines and non-financial sanctions such as restrictions on trade, disbarment from public procurement contracts Reputational damage 	<p>Possible impact</p> <ul style="list-style-type: none"> Delays in both manufacturing and service activity leading to lost or delayed product and service revenue
<p>Control mechanisms</p> <ul style="list-style-type: none"> Price reviews Inflation protection in commercial response to long lead time tenders and long-term agreements 	<p>Control mechanisms</p> <ul style="list-style-type: none"> 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 	<p>Control mechanisms</p> <ul style="list-style-type: none"> Working closely with key suppliers Safe ways of working and changes to shift patterns to maximise capacity Remote service activities Strategic review of location of service personnel compared to installed base
<p>Mitigation</p> <ul style="list-style-type: none"> Ability to address inflationary pressures through price management reviews Reviews of key drivers of financial performance 	<p>Mitigation</p> <ul style="list-style-type: none"> Confirmation of "Freedom to Operate" during new product development stage gate process Compliance monitoring programme over key risk areas 	<p>Mitigation</p> <ul style="list-style-type: none"> Sales and operational planning process Contractual protection Strategic procurement, working with supply chain to mitigate risk
<p>Change in the year: New</p>	<p>Change in the year: </p>	<p>Change in the year: </p>

8 Specific risk 8: Adverse movements in long-term foreign currency rates

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

Risk

- Long-term strengthening of Sterling against key currencies such as the US Dollar, Japanese Yen and the Euro

Possible impact

- Reduced revenue and profitability

Control mechanisms

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

Mitigation

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

Change in the year:



9 Specific risk 9: IT risk

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

Risk

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

Possible impact

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

Control mechanisms

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

Mitigation

- Managed service with third-party security specialists providing incident monitoring
- Regular review, monitoring and testing of key security measures to assess adequacy of protection against known threats
- End user education and phishing simulation exercises

Change in the year:



10 Specific risk 10: People

Context: A number of the Group's employees have business-critical skills.

Risk

- Key employees leave and effective replacements are not recruited on a timely basis

Possible impact

- Adverse impact on NPI
- Operational disruption
- Lower sales and profitability

Control mechanisms

- HR people strategy for retention and recruitment of staff with key skills

Mitigation

- Succession management plans
- Technical career paths
- UK work permit scheme to facilitate employment of non-UK nationals in place

Change in the year:



Risk Management continued

<p>11 Specific risk 11: Operational risk</p>	<p>12 Specific risk 12: Climate change</p>	<p>13 Specific risk 13: Pensions</p>
<p>Context: Business units' production facilities are typically located at a single site.</p>	<p>Context: Climate change generates both risks and opportunities. Our response needs to address risks and optimise opportunities.</p>	<p>Context: The actuarial pension deficit is sensitive to changes in the actuarial assumptions.</p>
<p>Risk</p> <ul style="list-style-type: none"> Sustained disruption to production arising from a major incident at a site 	<p>Risk</p> <ul style="list-style-type: none"> The transition from fossil fuels to a low-carbon/net zero economy may require significant changes in materials and production methods that may impact our own operations and our suppliers Chronic changes in weather and extreme weather events may disrupt supply chains, operations, and logistics 	<p>Risk</p> <ul style="list-style-type: none"> The actuarial pension deficit is sensitive to movements in actuarial assumptions and returns on investments
<p>Possible impact</p> <ul style="list-style-type: none"> Inability to fulfil orders in the short term, resulting in a reduction in sales and profitability Additional, non-recurring overhead costs 	<p>Possible impact</p> <ul style="list-style-type: none"> Rises in production costs and product development costs to reduce all CO₂ emissions linked to our products Delayed production and/or installation leading to delayed revenue More expensive freight and packaging costs 	<p>Possible impact</p> <ul style="list-style-type: none"> Variations to the current deficit recovery plan Increase in the annual levy paid to the Pension Protection Fund
<p>Control mechanisms</p> <ul style="list-style-type: none"> Contingency plans are in place for all manufacturing sites Contractual clauses to limit financial consequences of delayed delivery 	<p>Control mechanisms</p> <ul style="list-style-type: none"> Sustainability Committee Climate-related risks and opportunities evaluation and reporting embedded in business units Strategic sourcing Product compliance groups 	<p>Control mechanisms</p> <ul style="list-style-type: none"> Ongoing review of investment strategy, including active control of risk, by the trustee's investment sub-committee Liability hedging programme to mitigate exposure to movements in interest rates and inflation Reduced exposure to equity markets
<p>Mitigation</p> <ul style="list-style-type: none"> Detailed responses in contingency plans can reduce downtime arising from incidents and facilitate the restoration or relocation of production Standard sales contracts include clauses for limitation of liability, liquidated damages and the exclusion of consequential losses Business interruption insurance 	<p>Mitigation</p> <ul style="list-style-type: none"> 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 	<p>Mitigation</p> <ul style="list-style-type: none"> The Group closed its UK defined benefit pension scheme to future accrual in 2010 The Group has a funding plan in place to eliminate the actuarial deficit by 2025/26
<p>Change in the year:</p> <p>=</p>	<p>Change in the year:</p> <p>New</p>	<p>Change in the year:</p> <p>↓</p>

Viability Statement

In accordance with section 4 of the UK Corporate Governance Code 2018 the Directors are required to perform an assessment of the Group's viability over a period longer than the twelve months required for the going concern statement. As in all previous years since its introduction, the viability assessment period covers a three-year time frame. The Directors consider that this continues to be the most appropriate period for assessing the Group's longer-term viability. This year's assessment covers the period from 1 April 2022 to 31 March 2025 (the "Viability Assessment Period").

Key criteria applied in the assessment

The criteria for considering the Group's viability remain unchanged. The Directors consider that either maintaining a net cash position during the Viability Assessment Period or, failing that, the ability to operate within agreed banking facilities, demonstrate that the Group would be able to meet its liabilities as they fall due. Currently, the Group has committed credit facilities of roughly £103m. There are covenants associated with these 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 and are factored into the viability assessment calculations, if relevant.

Methodology and sensitivities applied

In performing the assessment, the Group has considered the potential impact of the principal risks and uncertainties and grouped them by the nature of the expected impact. The list of key risks and uncertainties that have been considered in this assessment are disclosed on the preceding pages 80 to 84 of the Report and Financial Statements.

The table below summarises the risks by their potential impact and the sensitivities that have been applied to AOP.

No	Risk areas	Potential impact	Sensitivity applied
1	Geopolitical, supply chain, routes to market, technical, new covid variant and operational risks	Loss of revenue due to lower volumes, leading to lost margin	Revenue growth restricted to the lower of 5% or the business unit specific rate in the Group Forecast, if lower than 5% in year two. No growth in year three.
2	Supply chain risk, inflation risk, climate change	Reduction in gross margin if business units are unable to mitigate cost increases through higher selling prices Increased overheads	The following percentage point reductions in the gross margin % by year <ul style="list-style-type: none"> • Year one – 2 percentage points • Year two – 5 percentage points • Year three – 5 percentage points The following increases applied to overheads: <ul style="list-style-type: none"> • 5% increase in overheads in year two compared to year one • Additional 2% increase in overheads in year three over year two
3	Legal/compliance, IT, NPI, people and pensions risks	Additional non-recurring overhead costs	Additional non-recurring charges in years two and three
4	Foreign exchange risk	Lower revenue and margin in Sterling	Reduction in adjusted operating profit (AOP) in year three only

The potential impact of IT risk (e.g. disruption to business as usual arising from a cyber-attack, malware, etc.) has not been estimated through the inclusion of a specific sensitivity. This is partly because the impact is unpredictable (it would depend on the nature and duration of the issue) but also because in aggregate, the potential impact of other risks is considered sufficient for the purpose of this assessment.

Sensitivity 1 considers the potential reduction in revenue and contribution margin that could arise from the risks identified. It has been applied as a reduction to the growth anticipated in the Baseline in years two and three of the Viability Assessment Period only, with the aim of reflecting only a modest increase in selling price (no more than 5%) and no volume growth. In year two growth was restricted to the lower of 5% or the forecast rate for any business unit with lower than 5% growth. Year three assumes no growth in revenue compared to year two.

Sensitivity 2 quantifies the possible impact of increases in both direct costs and overheads due to the impact of inflation, supply chain risk and risks related to climate change. The sensitivities applied simulate lower gross margins from failing to recover increased input costs via increases in the selling price and incremental overheads that could arise in key areas such as staff costs, logistics and facilities costs, including energy. It has been applied to all business units and, in respect of overheads, to the Group function also.

Sensitivity 3 has been applied as a contingency with the impact of increasing overhead costs in years two and three. It has been applied at Group level only.

Viability Statement **continued**

Methodology and sensitivities applied continued

Sensitivity 4 considers the risk of adverse movements in foreign exchange rates compared to the Baseline rate against net currency exposure (i.e. net receivables that are not hedged). While the reported impact would be realised across the business units that face currency exposure, for simplicity the impact is assessed at a Group level. Due to the Group's hedged position in year one and the use of prudent rates in the Baseline (which are unfavourable compared to current rates), the sensitivity has been applied in year three only. Further, based on the forecast rates used and the short-term currency hedging programme, it is reasonable to expect a currency tailwind in year one. This approach is consistent with the risk relating to longer term adverse movements in foreign exchange rates.

Over the three-year Viability Assessment Period, the cumulative impact of the sensitivities applied would result in a 45% reduction in AOP compared to the Baseline. Notwithstanding this significant reduction in AOP, most elements of the Baseline cash flow forecasts have not been adjusted in the viability assessment to reflect possible mitigating actions that the Group could take. Movements in working capital, capital expenditure, R&D expenditure and financing activities have not been adjusted in the viability assessment. However, tax cash flows have been reduced, in direct proportion with the reduction in AOP, and the dividend has been held at an annual level of £11.0m in each year, rather than increasing in line with the Baseline.

In practical terms, in the event of a significant reduction in profitability compared to the Baseline, the Group would implement cash saving measures to mitigate the net cash impact. However, the potential favourable impact of such mitigating actions has not been factored into the viability assessment

Further, a reverse stress test has been performed to identify the incremental reduction in AOP that would be required to cause the Group to eliminate its existing cash reserves over the Viability Assessment Period. While AOP is just one of several variables that determine cash flow, it indicates that an adverse movement in AOP of approximately £280m (120% of the Baseline AOP figure) without any mitigating actions, would be required to cause such an impact. This represents an incremental £174m of downside in AOP compared to the viability assessment calculations. The Board considers the likelihood of such a scenario arising to be remote.

Outcome

In each year of the Viability Assessment Period, the forecasts show that the Group would continue to generate operating profit and a positive cash flow. The forecast level of net cash throughout the Viability Assessment Period, combined with banking facilities of approximately £105m indicate that the Group would maintain 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.

This assessment supports not only the viability statement above, but also the statement on going concern, set out as follows.

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 1 to 86. The Finance Review on pages 67 to 76 discloses information relevant to the Group's financial position, its cash flows, borrowing facilities and liquidity.

The Directors have considered the Group's current financial position and future prospects and, as set out in the viability statement above, have performed an assessment of longer-term viability up to 31 March 2025. 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 that may cast significant doubt over its ability to continue as a going concern.

As a result, the Directors continue to prepare the Financial Statements under the going concern basis.

Governance

Chair's Governance Overview

See pages 88 and 89 of the Corporate Governance Report.

Board of Directors

See pages 90 and 91 of the Corporate Governance Report.

Board Leadership and Company Purpose

See page 92 of the Corporate Governance Report.

Corporate Governance Statement 2022

See page 92 of the Corporate Governance Report.

Division of Responsibilities

See pages 93 to 97 of the Corporate Governance Report.

Composition, Succession and Evaluation

See pages 98 to 105 of the Corporate Governance Report.

Nomination Committee Report

See pages 106 to 109 of the Corporate Governance Report.

Audit and Risk Committee Report

See pages 110 to 116 of the Corporate Governance Report.

Sustainability Committee Report

See pages 117 to 119 of the Corporate Governance Report.

Directors' Remuneration Report

Letter from the Chair of the Remuneration Committee

Directors' Remuneration Policy (A)

Annual Report on Remuneration (B)

See pages 120 to 141 of the Corporate Governance Report.

Shareholder Information

See page 142 of the Corporate Governance Report.

Directors' Report

Non-Financial Information Statement

See pages 143 to 146 of the Corporate Governance Report.

Chair's Governance Overview



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

Neil Carson
Chair

Governance highlights

- Establishment of Sustainability Committee as a formal committee of the Board to help to amplify oversight of this remit at Board level
- Alison Wood took up the role of Senior Independent Director with effect from the conclusion of the AGM on 21 September 2021
- Nigel Sheinwald joined the Board as a Non-Executive Director with effect from 22 September 2021, also taking up the role of Sustainability Committee Chair
- Commenced appointment process, seeking to recruit a further female Non-Executive Director with specific capabilities and experience
- Externally facilitated Board evaluation carried out by Round Governance Services

Dear Shareholder,

On behalf of the Board, I am pleased to introduce the Governance Report for the year ended 31 March 2022. This report describes our governance structures and procedures, summarises the work of our Board and its Committees during the year and illustrates how our responsibilities have been discharged. We recognise that the Board's fundamental role is to promote the long-term sustainable success of the Company and the Group, generating value for shareholders and contributing to wider society. To achieve this, we strive to ensure that we implement and follow good governance practices and that our Board's composition encompasses the necessary skills, knowledge and experience to provide effective leadership.

Sustainability

We believe that embedding sustainability throughout the Group creates long-term value for all our stakeholders and will secure our long-term success, and have developed oversight of the Group's sustainability agenda at Board level, with the establishment of the Sustainability Committee. More information regarding their work during the year can be found on pages 117 to 119.

In conjunction with the Sustainability Committee, we are delighted to have published our first Task Force on Climate-Related Financial Disclosures Statement, as set out on pages 57 to 66,

our enhanced, dedicated Sustainability report which is available on pages 48 to 66 and our first standalone Sustainability Report which can be found on our website in our sustainability section: oxinst.com/sustainability.

The production of these reports involved input from teams across the Group, support from our external advisers and thorough assessment of the climate change related risks and opportunities by the Audit and Risk Committee, in addition to their usual robust assessment of the Group's principal and emerging risks.

Board composition and diversity

There were a number of changes to our Board's composition during the year. Steve Blair and Thomas Geitner stepped down as Directors with effect from the conclusion of our AGM in September 2021 and we were thankful for their valued contributions during their time on the Board. Alison Wood succeeded Steve Blair in the role of Senior Independent Director and Nigel Sheinwald joined the Board on 22 September 2021, taking up the role of Chair of our newly established Sustainability Committee. We anticipate making a further change to our Board as we are currently pursuing the imminent appointment of a further female Non-Executive Director with specific capabilities and experience.

For further information regarding our approach to Board composition and diversity, please see pages 52 and 53 and 100 to 103.



Stakeholder engagement

Whilst we give due consideration to the interests of all of our key stakeholders, we embraced further opportunities to engage directly with our workforce in order to strengthen the Board's understanding of employees' perspectives. Post each of these events, the Board has discussed, as a specific agenda item, the insights gained and determined any appropriate actions, which has in turn shaped more meaningful consideration of employees as a key stakeholder. We are looking forward to participating in our comprehensive programme of engagement activity for 2022/23.

To find out more about our approach to stakeholder engagement, please see the Engaging with our Stakeholders section on pages 26 to 33 and the Stakeholder engagement disclosures on page 96.

Externally facilitated Board evaluation

In light of the need for the Board to continually monitor and improve its performance, we engaged Round Governance Services to complete an externally facilitated Board evaluation. All Directors participated fully in the review process in order to make it a meaningful exercise.

We were pleased that the findings of the evaluation recognised that we have a well-functioning Board with an evident diversity of thought, as well as providing feedback on areas for further development which will help to enhance our effectiveness.

For more information regarding our externally facilitated Board evaluation, including the process, outcomes and actions, please see pages 104 and 105.

Terminated potential offer for the Company

In February 2022 the Company received a non-binding indicative cash and share proposal from Spectris plc regarding a possible offer for the entire issued, and to be issued, share capital of Oxford Instruments plc. This proposal followed a series of earlier proposals from Spectris, the first of which was received on 11 February 2022. On 7 March 2022, Spectris plc announced that discussions regarding the possible offer had been terminated. The proposals were unsolicited and the Board continues to believe that the Company has a clear and compelling strategy to achieve growth and create value for shareholders over the medium term.

Annual General Meeting

The 2022 Annual General Meeting ("AGM") of Oxford Instruments plc will be held at Tubney Woods, Abingdon, Oxfordshire OX13 5QX at 11.00am on Thursday 28 July 2022.

Further details, including the resolutions to be proposed to our shareholders, can be found in the Notice of Meeting which has been sent to our shareholders and which is also available on our website at:

<https://www.oxinst.com/investors-content/annual-general-meeting>

The result of the votes on the resolutions put forward at the AGM will be publicly announced to the stock exchange and published on our website as soon as possible following the conclusion of the meeting.

I will be in attendance at the AGM and will be very happy to take any questions you may have regarding the operation of the Board during the year. We look forward to seeing you there.

Neil Carson
Chair

13 June 2022

Board of Directors



Neil Carson



Ian Barkshire



Gavin Hill



Alison Wood



Mary Waldner



Sir Nigel Sheinwald



Professor Sir Richard Friend

Key to Committees

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

Neil Carson

Chair

Appointed to the Board: December 2018
Executive/Non-Executive: Non-Executive
Independent: No¹

Skills and experience:

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

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

External appointments:

Non-Executive Director, member of the Safety, Environment and Sustainability Committee and Chair of the Remuneration Committee of Shell plc. Director of The Goldsmiths' Company Charity.

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

N R S

Ian Barkshire

Chief Executive

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

Skills and experience:

Ian has worked for Oxford Instruments since 1997 in a number of senior leadership roles, including Managing Director, Divisional Head, Group Technical Director and Chief Operating Officer, before taking up the role of Chief Executive in May 2016. Throughout his career, he has driven growth in high technology and innovative companies across a broad range of end markets. In his time at Oxford Instruments he has been involved in developing the Group's strategy, acquisition and the direct leadership of a number of the individual operating businesses. The Board believes that Ian's contributions demonstrate that his ongoing appointment as a Director remains important to the Company's long-term sustainable success.

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

Gavin Hill

Chief Financial Officer

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

Skills and experience:

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

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

Alison Wood

Senior Independent Director

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

Skills and experience:

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

Alison's previous roles include serving as Senior Independent Director and Remuneration Committee Chair of Costain Group PLC, a Non-Executive Director and Remuneration Committee Chair of Cobham plc, Senior Independent Director of e2v plc and a Non-Executive Director of both BTG plc and THUS plc.

External appointments:

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

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

Non-Executive Director and Chair of the Remuneration Committee of Capricorn Energy PLC (formerly Cairn Energy PLC).

Senior Independent Director and Chair of the Remuneration Committee of the British Standards Institute.



Sir Nigel Sheinwald

Non-Executive Director

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

Skills and experience:

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

Sir Nigel was previously a Non-Executive Director and Chair of the Safety, Environment and Sustainability Committee at Royal Dutch Shell plc (now Shell plc).

External appointments:

Non-Executive Director of Invesco Ltd.

Senior Adviser to Tanium, a cyber security company.

Senior Adviser to the Universal Music Group.

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

Visiting Professor at King's College, London.



Professor Sir Richard Friend

Non-Executive Director

Appointed to the Board: September 2014
Executive/Non-Executive: Non-Executive
Independent: Yes

Skills and experience:

Professor Sir Richard is in the Department of Physics at the University of Cambridge and has considerable experience both within academia and also the world of business. He has pioneered the physics, materials science and engineering of semiconductor devices made with carbon-based semiconducting polymers. His expertise is reflected in the insights and constructive challenges he brings to the boardroom.

Professor Sir Richard is a Fellow of the Royal Society and of the Royal Academy of Engineering and a Foreign Member of the US National Academy of Engineering and he has previously served as a council member of The Engineering and Physical Sciences Research Council.

External appointments:

Director of Research at the University of Cambridge, and a Fellow of St. John's College.

Non-Executive Director of Cambridge Photon Technology Limited.

Non-Executive Director of Eight19 Limited.

Non-Executive Director of Helio Display Materials Limited.



Mary Waldner

Non-Executive Director

Appointed to the Board: February 2016
Executive/Non-Executive: Non-Executive
Independent: Yes

Skills and experience:

Mary is the Chief Financial Officer of Lloyd's Register, the global professional services company specialising in engineering and technology for the maritime industry. She holds an MA in physics from the University of Oxford and is a Fellow of the Chartered Institute of Management Accountants. She has a broad range of experience in a variety of sectors and an excellent track record of delivery throughout a number of senior financial roles with major public limited companies, which particularly benefits her role as Chair of the Audit and Risk Committee.

Mary was previously the Group Finance Director of Ultra Electronics Holdings plc, the Director, Group Finance at QinetiQ Group plc and Group Financial Controller of 3i Group plc. Prior to this, Mary held a number of senior roles at British Airways, General Motors and Vauxhall Motors.

External appointments:

Chief Financial Officer of Lloyd's Register.

Non-Executive Director of Senior plc.



Changes to the Board and its Committees

During the financial year and up to the date of signing of the Report and Financial Statements, the composition of the Board and its Committees changed as follows:

- Steve Blair and Thomas Geitner resigned as Non-Executive Directors on 21 September 2021
- Alison Wood assumed the role of Senior Independent Director on 21 September 2021 (succeeding Steve Blair who previously held this role)
- Nigel Sheinwald was appointed as a Non-Executive Director and Chair of the Sustainability Committee on 22 September 2021
- Neil Carson, Alison Wood, Mary Waldner and Richard Friend joined the Sustainability Committee on 2 November 2021



Sarah Harvey
 Company Secretary

Sarah became the Company Secretary in August 2021. She is an Associate of the Chartered Governance Institute. Before joining Oxford Instruments, Sarah held company secretarial roles at intu properties plc, HSBC Holdings plc, BP plc and PwC Legal LLP.

Board Leadership and Company Purpose

Effective Board

The primary function of the Board is to promote the long-term sustainable success of the Group, to generate and preserve value and to contribute to wider society. Our Board equips itself to achieve this by utilising good governance practices and it comprises Directors who possess the necessary skills, knowledge and experience to provide effective leadership.

The Board's approach to governance is explained throughout this Governance Report, on pages 88 to 146, and each Director's biographical information is set out in the Board biographies on pages 90 and 91.

Purpose, strategy and stakeholders

Our core purpose is to support our customers in addressing some of the world's most pressing challenges, enabling a greener, healthier, more connected, advanced society for all.

The Board is responsible for establishing our purpose. It is also responsible for setting the strategy which will deliver in line with the purpose, and which is underpinned by our values, culture and how we do business.

For more information on our purpose, see pages 2 and 3 and for more information on our strategy, see pages 23 and 24.

To ensure that it fulfils its obligations to its shareholders and wider stakeholders, the Board activity engages with these groups in order to understand their needs and how delivery of our strategy impacts and delivers value for them.

For more information on our approach to shareholder and stakeholder engagement, see pages 26 to 33 and 96.

Corporate Governance Statement

for the year ended 31 March 2022

This Corporate Governance Statement, along with the Governance Report as a whole, details how the Group has applied the principles and complied with the relevant provisions of the UK Corporate Governance Code 2018 (the "Code") and other relevant requirements to which it is subject, such as the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules, during the financial year ended 31 March 2022.

This Corporate Governance Statement, as required by the Disclosure Guidance and Transparency Rules, forms part of the Directors' Report and has been prepared in line with the Code, which can be found on the website of the Financial Reporting Council at www.frc.org.uk. The structure of the Governance Report largely aligns with the structure of the Code in order to most effectively demonstrate how its principles have been applied.

During the financial year ended 31 March 2022, the Board considers that it has complied with the provisions of the Code, except that dedicated workforce engagement to explain how executive remuneration aligns with wider company pay policy did not take place during the financial year. A session of this nature has been arranged to take place during July 2022, post the publication of the 2022 Directors' Remuneration Report, and will be hosted by the Chair of the Remuneration Committee, Alison Wood.

Whilst the specific disclosures required by Disclosure Guidance and Transparency Rule 7.2 are met in more depth throughout the Report and Financial Statements, by way of reference, these can be found as follows:

- A description of the main features of our internal control and risk management systems in relation to the financial reporting process can be seen on pages 77 to 79.
- Share capital information can be found in the Directors' Report on page 144.
- Details of the composition of the Board and its Committees can be found on pages 90 and 91.
- Our Board diversity policy is described on page 109.

Board approval of the Corporate Governance Statement

This separate Corporate Governance Statement is approved by the Board and signed on behalf of the Board by its Chair and Company Secretary.

Neil Carson

Chair

Sarah Harvey

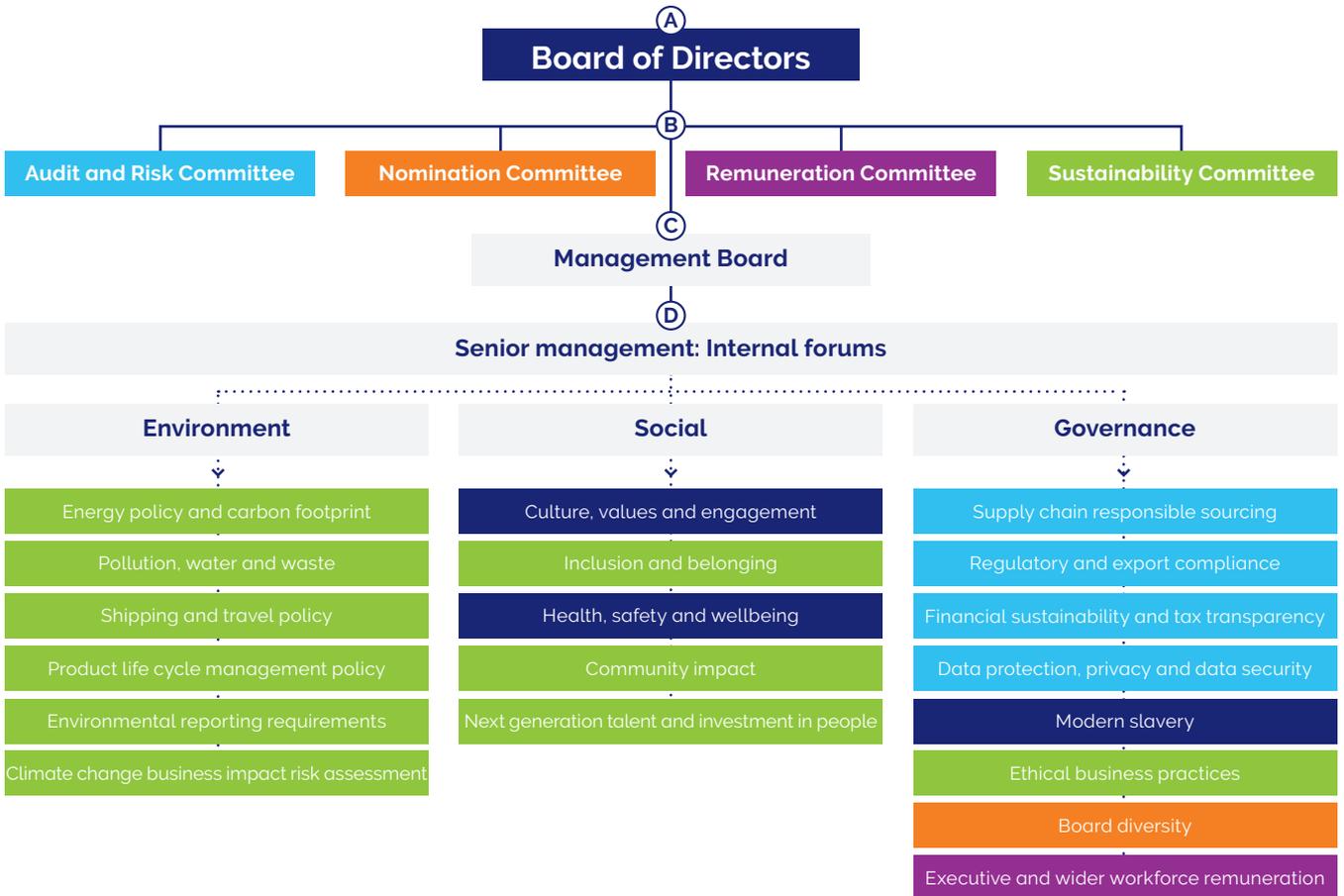
Company Secretary

13 June 2022

Division of Responsibilities

Our governance structure

The below structure summarises our approach to governance throughout the organisation. The Board is ultimately responsible for having oversight of and providing leadership to the Group. Our governance structure demonstrates how the Board is supported in carrying out its responsibilities. It is particularly supported by its Committees, the Management Board and the work of various internal forums comprised of senior management.



A Board of Directors

- The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society
- Responsibilities of the Board are documented within its schedule of reserved matters which form part of its governance reference materials which are reviewed and amended by the Board periodically
- Delegates certain matters to its Committees and the day-to-day running of the business to the Executive Directors and Management Board
- Collectively responsible for engagement with the workforce

B Board Committees

- Comprised of Non-Executive Directors and meet the independence requirements set out in the UK Corporate Governance Code 2018
- Four dedicated Committees: Audit and Risk, Nomination, Remuneration and Sustainability
- A summary of the key responsibilities of each Committee is set out in their respective reports included within this Report and Financial Statements
- Responsible for a range of matters specifically delegated by the Board, as set out in their respective terms of reference which are reviewed on an annual basis and can be found on our website at: <https://www.oxinst.com/investors-content/advisers-and-company-secretary>

C Management Board

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

D Senior management: Internal forums

- Report to the Management Board either directly or indirectly
- Lead internally on delivering the objectives delegated by management as well as workstreams which encompass our sustainability strategy

Division of Responsibilities *continued*

Responsibilities of the Chair, Chief Executive and Senior Independent Director

The responsibilities of the Chair, Chief Executive and Senior Independent Director are documented within the Board's governance reference materials which are reviewed and amended by the Board on a periodic basis. A high-level summary of these responsibilities is set out below.

Chair	Chief Executive	Senior Independent Director
<ul style="list-style-type: none"> Leads the Board Promotes high standards of governance and ensures the Board is effective in directing the Company Ensures that the Board has effective decision-making processes and applies appropriate challenge to major proposals Sets the agenda of the Board Facilitates participation and engagement by all Directors in meetings 	<ul style="list-style-type: none"> Day-to-day running of the business of the Group Leads the Management Board Proposes and implements the strategy 	<ul style="list-style-type: none"> Acts as a sounding board to the Chair and supports delivery of their objectives Leads the evaluation of the Chair on behalf of the other Directors Available to the Company's shareholders

Directors' continuous development and access to advice

The Chair is responsible for ensuring that all of the Directors are appropriately briefed on matters arising at Board meetings and that they have full and timely access to accurate and relevant information. To enable the Board to discharge its duties, all Directors receive sufficient information, including briefing papers distributed in advance of their meetings. The Committees of the Board have access to sufficient resources to discharge their duties, including external advisers and access to internal resources and personnel.

Where they judge it to be necessary to discharge their responsibilities, Directors may obtain independent professional advice at the Company's expense. All Directors also have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

For information regarding the development activities undertaken by the Board during the year, see the Board professional development section on page 100.

Board and Committee meetings and attendance

The table below sets out the number of meetings attended by each Director during the year ended 31 March 2022, of those which they were required and eligible to attend.

This includes a number of ad hoc meetings scheduled in relation to specific, time-sensitive matters such as the terminated potential offer for the Company during the year. The Directors also held a number of meetings without the Executive Directors present, both with and without the external auditor in attendance. As noted in the Committee reports included within this Report and Financial Statements, Directors who are not members of the respective Committees may be invited to join meetings as regular or ad hoc attendees.

Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
Neil Carson	10/10	N/A	3/3	4/4	3/3
Ian Barkshire	10/10	N/A	N/A	N/A	N/A
Gavin Hill	10/10	N/A	N/A	N/A	N/A
Alison Wood	10/10	4/4	3/3	4/4	3/3
Mary Waldner	10/10	4/4	3/3	4/4	3/3
Richard Friend	10/10	4/4	3/3	4/4	3/3
Nigel Sheinwald ¹	5/5	2/2	1/1	2/2	3/3
Steve Blair ²	4/4	1/1	2/2	2/2	N/A
Thomas Geitner ²	4/4	1/1	1/2	2/2	N/A

1. Appointed to the Board on 22 September 2021.

2. Resigned from the Board with effect from the conclusion of the AGM on 21 September 2021.

Board priorities during the year

The table below summarises some of the highlights from the Board's key areas of focus and discussion during the financial year. For more information regarding the key areas of focus for the Committees of the Board, please see their respective reports as included within this Report and Financial Statements.

Strategy and performance	<ul style="list-style-type: none"> • Annual dedicated strategy review and technology strategy session • Regular reviews of business development activities and acquisition proposal pipeline • Acquisition of WITec Wissenschaftliche Instrumente und Technologie GmbH • In-depth review of strategy supported by external advisers • Considered the terminated potential offer for the Company
Finance, reporting, risk management, and controls	<ul style="list-style-type: none"> • Monitored progress against the 2021/22 financial plan and reviewed and approved the 2022/23 financial plan • Updates on tax and treasury matters • Approved the Report and Financial Statements, half-year results and trading updates • Considered and approved the proposed interim and final dividend payments • Developing our approach to reviewing climate-related risks and opportunities
Operations	<ul style="list-style-type: none"> • Received regular operational updates • Monitored performance and provided challenge in key areas of operations, such as health and safety, operational excellence, human resources, innovation and business development
Leadership and people	<ul style="list-style-type: none"> • Appointment of Non-Executive Director with capability and expertise to Chair the new Board Sustainability Committee • Commenced appointment process, seeking to recruit a further female Non-Executive Director with specific capabilities and experience • Assessed current composition of Board including tenure, skills, experience and diversity characteristics, in order to determine approach to future Board composition • Continued focus on organisational capability and succession planning within senior leadership teams and across the organisation • Reviewed the Gender Pay Gap Report 2021 ahead of its publication
Governance	<ul style="list-style-type: none"> • Participated in an external Board effectiveness review led by Round Governance Services • Consideration of views of key stakeholders and impact of decisions on them, including reviews of shareholder feedback as collated by external advisers • Dedicated workforce engagement activities • Regular meetings without the Executive Directors present, both with and without the external auditor in attendance
Sustainability and climate-related matters	<ul style="list-style-type: none"> • Established formal Sustainability Committee and implemented the necessary formalities in order to ensure its smooth future operation • Development of sustainability strategy, including determining the guiding principles to be used when setting targets in relation to the Group's sustainability goals and implementation plans

Division of Responsibilities *continued*

Stakeholder engagement

The Board is committed to developing its understanding of the views of its key stakeholders. As noted earlier in this Report and Financial Statements, in some instances the Board engages directly with stakeholders but there is also significant engagement by senior management and throughout the Company. The Board receives reports and updates on such engagement and the views and feedback gathered from stakeholders is used to inform discussion and decision-making.

Please see page 26 for the Board's Section 172(1) statement and pages 26 to 33 for the Engaging with our stakeholders section, which includes information which demonstrates how the Board has had regard to the Section 172(1) (a) to (f) factors.

In line with the recommendations of the Code, additional information regarding the Board's approach to engagement with two of its key stakeholders – shareholders and workforce – is included below.

Shareholder engagement

The Board recognises the importance of engaging with shareholders in order to best understand their views on, amongst other things, governance-related matters and the Company's performance against its strategy.

During the year, the Chair, Senior Independent Director, Remuneration Committee Chair and Executive Directors all directly engaged with a range of shareholders, including both virtual and in-person meetings. All current Directors attended the 2021 AGM, which also provided an opportunity to meet with shareholders.

Topics discussed with shareholders during the year included the Company's full and half-year financial results, strategy, Board diversity, implementation of the Directors' Remuneration Policy and the terminated potential offer for the Company during the year.

The Board as a whole receives updates regarding the nature and outcome of meetings and engagement by certain Directors with the Company's shareholders.

Workforce engagement

The Board as a whole is responsible for engagement with the workforce. They use various methods to develop their understanding of the views of employees, so that these can be meaningfully considered in the Board's discussions and decision-making. The Board considers that this approach is particularly effective as it allows each of the Directors to gain a first-hand understanding of the concerns and opinions of employees and offers flexibility in terms of the nature, volume and timing of engagement activities. In particular, it supports agility of engagement, as they can swiftly act to investigate issues or deep dive into particular matters, as they feel appropriate. It also benefits the Board in shaping a diverse range of informed Director perspectives on employee matters.

As noted in the Engaging with our stakeholders section of this Report and Financial Statements on pages 29 and 30, the Board has been delighted to take a number of opportunities to engage directly with employees. This has included Neil Carson visiting the Bristol, UK site and meeting with a broad range of employees; Richard Friend becoming a standing attendee at meetings of the Oxford Instruments Fellows Group; and each of Alison Wood, Mary Waldner and Nigel Sheinwald hosting sessions with employees in the US, Asia and Europe, respectively. These sessions have strengthened the Board's understanding of employees' perspectives, which in turn has shaped more meaningful consideration of employees as a key stakeholder.

Post each of these events, the Board has discussed, as a specific agenda item, the insights gained and determined any appropriate actions. An example which makes clear the beneficial impact of the Board's engagement activities, was where the Board gained candid feedback regarding employees' expectations for communication and being provided with an understanding of how they contribute to the Group's strategy and success. The Board shared their recommendations with the executive team, who in turn addressed this feedback as part of the re-energised and restructured approach to connecting with our employees launched during the year.

The Board has agreed a comprehensive programme of engagement activity for 2022/23, which it has already embarked upon delivering. This programme has been devised with the specific expertise and interests of each Director in mind – so as to make the engagement as meaningful as possible. Planned activities include site visits, continuing attendance at meetings of the Oxford Instruments Fellows Group, employee mentoring, virtual meetings with employees in regions and roles across the world and also a session in which the Chair of the Remuneration Committee will meet with employees to discuss and explain the different components of executive remuneration and how they are measured, as well as the alignment of executive remuneration and Company reward policy with delivery of the growth strategy. An update on the outcomes of these activities will be provided in next year's Report and Financial Statements.

Board independence

At the conclusion of the financial year, the Board comprised seven Directors, including the Chair (who was considered independent upon appointment to the Board), four Non-Executive Directors (all of whom were considered by the Board to be independent upon annual assessment), and two Executive Directors (being the Chief Executive and Chief Financial Officer). The Board is therefore compliant with the recommendation of the UK Corporate Governance Code 2018, that it should be comprised of at least 50% independent Non-Executive Directors, excluding the Chair. The Committees of the Board also remained compliant with the recommendations of the Code during the year and further information regarding their membership can be found within the respective Committee reports included within this Report and Financial Statements.



External commitments

The Board is mindful of the time commitment required by the Non-Executive Directors in order to effectively fulfil their duties. Prior to appointment, prospective Directors provide details regarding other roles and significant commitments which may impact their ability to commit to the Company. All Directors keep the Board informed regarding proposed external appointments or significant commitments as they arise, with Chair approval required prior to taking on any additional external appointment and commitments monitored to ensure that each Director has sufficient time to fulfil their obligations. Each Director’s biographical information and significant time commitments are set out in the Board biographies on pages 90 and 91. Changes to Directors’ commitments during the year are noted in the below table.

Conflicts of interest

The Companies Act 2006 states that Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company’s interests. Boards of public companies may authorise conflicts and potential conflicts, where appropriate, if permitted by the Company’s Articles of Association – and the Company’s Articles of Association do allow for this.

Directors are required to disclose conflicts and potential conflicts to the Chair and the Company Secretary as and when they arise. When a Director takes on additional external commitments, they will discuss the potential position with the Chair and confirm that, as far as they are aware, there are no conflicts of interest. During the year, none of the Directors declared to the Company any actual or potential conflicts of interest between any of his or her duties to the Company and his or her private interests and/or other duties, except for the Executive Directors, who hold the position of Director of the Company as well as acting as director of a number of Group subsidiary companies. The system for monitoring potential Director conflicts remained effective throughout the period.

Change in Directors’ commitments

The table below sets out the changes to the external appointments of the Directors which took effect or were confirmed during the financial year.

Director	Change in commitment	Effective date of change
Mary Waldner	Appointed as Non-Executive Director of Senior plc	1 December 2021
Alison Wood	Resigned as Senior Independent Director and Remuneration Committee Chair of Costain Group PLC	28 January 2022
	Appointed as Non-Executive Director of Galliford Try Holdings plc ¹	1 April 2022

1. Will assume the role of Chair of Galliford Try Holdings plc with effect from 15 September 2022.

Composition, Succession and Evaluation

Appointments to the Board

The Nomination Committee is responsible for leading the process for appointments to the Board.

This process was successfully followed in relation to the appointment of Nigel Sheinwald during the year. We are also currently pursuing this process in relation to the prospective appointment of a further female Director to our Board.

The process we follow when making new appointments to our Board is set out below.

Director appointment process



Case study

Appointment and induction of Sir Nigel Sheinwald as Non-Executive Director and Chair of the Sustainability Committee.



Tailored induction

Nigel Sheinwald was appointed to the Board with effect from 22 September 2021 and, since joining, has undertaken a full and formal induction, tailored to his individual needs and based on his experience and background. The tailored induction programme encompassed a comprehensive overview of the Group with a focus on sustainability matters. The programme comprised a number of elements, with highlights including:

- Dedicated session on sustainability with core members of team leading and driving this agenda internally.
- One-to-one sessions with the Executive Directors to gain an in-depth understanding of the business, strategy and financial overview.
- Sessions with all members of the Management Board, to develop an understanding of their roles and responsibilities, including those specifically relating to the Horizon strategy.
- Site visit to Tubney Woods (NanoScience and Head Office). Accompanied by Chief Executive, Ian Barkshire, to site visits at High Wycombe (NanoAnalysis and Magnetic Resonance) and Bristol (Plasma Technology). Virtual briefing with Andor team, based in Belfast.
- Meetings with various functional and regional heads including the Company Secretary, General Counsel, Director of Communications, Group Health, Safety and Environment Manager, Head of Strategic Sourcing & Operational Excellence Programme Director, Group IT Director and the heads of the regional offices in China and the US.

We are delighted to welcome Sir Nigel to the Oxford Instruments Board. The extensive range of skills and experience that he brings, along with his enthusiasm for our sustainability agenda, is a good fit with the Group's requirements at this stage in its growth journey. I look forward to working closely with Sir Nigel as we continue to support the Group in achieving its full potential.

Neil Carson

Chair

Director re-election

In line with best practice and the Company's Articles of Association, all Directors are required to retire from office at each AGM, in order to be proposed for re-election by the Company's shareholders should they wish to continue in their role.

At the Company's 2021 AGM, all current Directors were re-appointed by shareholders with majority votes ranging from 85.62% to 99.99%.

All Directors will retire and seek re-election at the 2022 AGM apart from Nigel Sheinwald, who was appointed as a Director by the Board with effect from 22 September 2021 and who will stand for election by the Company's shareholders for the first time. The initial appointment dates of each Director and their tenure up to the date of the approval of this Report and Financial Statements are set out below.

Having considered the performance and contribution of each of the Directors, the Board remains satisfied that they are operating effectively and continue to demonstrate commitment to their roles. As such, the Board will recommend the election or re-election of each Director at the AGM.

The biographical information of each Director, along with the reasons for their respective election or re-election, can be found on pages 90 and 91. More information regarding the Board and the Director evaluation process is set out on pages 104 and 105.

Director	Appointed
Neil Carson	1 December 2018
Alison Wood	8 September 2020
Richard Friend	1 September 2014
Mary Waldner	4 February 2016
Nigel Sheinwald	22 September 2021
Ian Barkshire	10 November 2015
Gavin Hill	9 May 2016

Composition, Succession and Evaluation continued

Board induction programme

The Chair and Company Secretary are responsible for ensuring that all Directors receive a full, formal and tailored induction upon joining the Board. Whilst our induction programme will be tailored based on the needs, experience and background of the individual Director, it will ensure that they gain a comprehensive understanding of the Group through activities including: one-to-one sessions with the Executive Directors, sessions with all members of the Management Board, visits to our sites, meetings with various functional and regional heads, and the opportunity to meet with a range of employees across the business.

The case study on page 101 provides an illustration of our induction programme in practice, following the appointment of Nigel Sheinwald as a Director during the financial year.

Board professional development

The Board and Committees receive dedicated training and information on matters relevant to the Group's business, including operational and technological briefings and updates on legal, regulatory and governance developments. During the year, training and updates were provided by the Company's remuneration adviser and external counsel, as well as internal subject matter experts.

As described in our TCFD statement on pages 57 to 66, one focus of the Board's development during the year was in respect of climate-related issues. The Board was educated on these matters in a range of ways. Through its Audit and Risk Committee, they gained an understanding of climate-related risks and opportunities, with the Head of Internal Audit and Risk thoroughly explaining the methodology as well as the risks and opportunities themselves.

Further, the Sustainability Committee received updates from the Chief Executive, senior management and an external adviser, regarding climate-related matters such as the Greenhouse Gas Protocol, Science-Based Targets initiative, Carbon Disclosure Project, UN Sustainable Development Goals and the Task Force on Climate-Related Financial Disclosures, amongst other things, as well as an in-depth overview of the pathway to achieving net zero, including determining appropriate targets.

For more information regarding our approach to Directors' continuous development and access to advice, please see page 94.

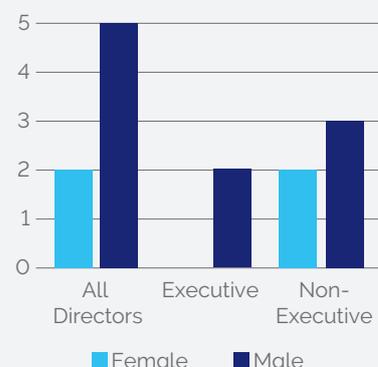
Board composition

The Board, via the Nomination Committee, keeps under continuous review its composition and that of its Committees. Their review considers the balance of the Directors' skills and experience as well as their tenure, independence, time commitment and diversity.

As noted in the Report and Financial Statements 2021, the Board agreed during the previous financial year that it would be appropriate to appoint a further Non-Executive Director to the Board and this culminated in the appointment of Nigel Sheinwald on 22 September 2021, who has also taken up the role of Chair of the newly established Sustainability Committee.

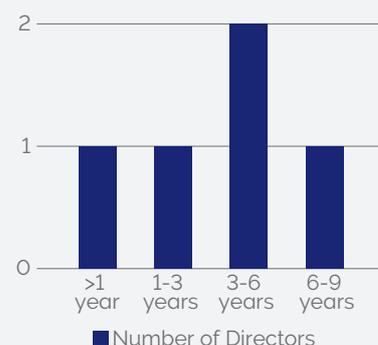
As explained in more detail in the report of the Nomination Committee on pages 106 to 109, the Board is also now progressing a formal process to appoint a further female Director to the Board and intends to appoint a further Director in light of the future needs of the Board in terms of skills and experience as well as diversity characteristics, in light of the recommendations of the FTSE Women Leaders Review and the Parker Review.

Board gender diversity



Data as of 31 March 2022.

Tenure of Chair and Non-Executive Directors



Data as of 31 March 2022.

Q&A with Nigel Sheinwald



Sir Nigel Sheinwald

Chair of the Sustainability Committee

Q:

What attracted you to take up the role of Non-Executive Director and Chair of the Sustainability Committee at Oxford Instruments plc?

A:

I was immediately drawn to the Oxford Instruments brand, which represents quality and innovation here in the UK and around the world. As I looked into the Company's track record, I was enormously impressed by its business strategy, and its focus on customers and performance. Initial contacts confirmed my affinity with the executive leadership team and the Board. And lastly, I was attracted to the opportunity to work closely, as the first Chair of the Sustainability Committee, with the Board and wider team in building up the Company's sustainability agenda. I have greatly enjoyed my first nine months, helping to develop the comprehensive sustainability strategy which is presented in this Report and Financial Statements.

Q:

Which element of your induction process did you enjoy most and why?

A:

As a non-scientist, I wanted first of all to get a better understanding of the Company's products and technologies, which was achieved through discussion with experts within the business and seeing the processes at first hand at three of the UK-based sites. But induction is always about people, and I particularly enjoyed meeting with a range of colleagues working in all areas of the business. I was struck by the sheer expertise of those I met, and their inventiveness, for example, in dealing with the supply chain issues which have affected Oxford Instruments and many other companies over the past year.

Q:

Which aspects of your previous experience do you feel are particularly beneficial to your new role?

A:

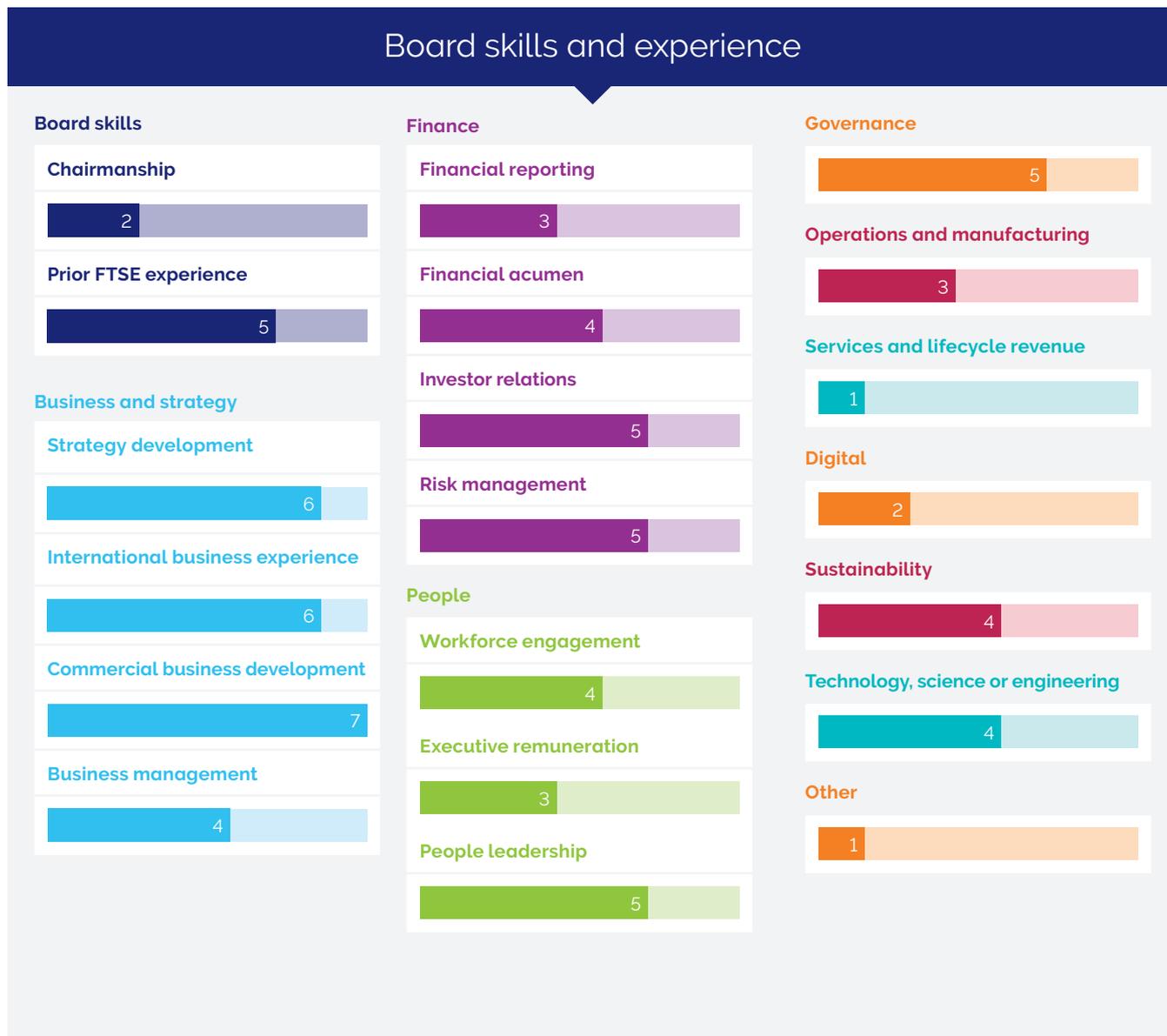
Two aspects stand out. First, I served on the Shell plc board for nine years and throughout that time was a member of the equivalent Sustainability Committee, with my three final years as its Chair. Whilst the two companies are very different, my familiarity from my time at Shell with environmental and climate change issues, health and safety practices, and other matters causing societal concern provided very valuable and relevant background. Second, having worked in the public sector as a member of the British Diplomatic Service for nearly four decades, I am familiar with geopolitical issues, and with dealing with governments and stakeholders on policy issues and concerns. I hope that experience will be useful in an international company like Oxford Instruments when working in different political and social cultures and having to deal with a complex international regulatory environment.

Composition, Succession and Evaluation continued

Board skills, experience and diversity characteristics

The Board is committed to promoting diversity and inclusion, both on the Board and throughout the Group. The Board recognises that diversity, construed in its broadest sense and including gender, religious and ethnic diversity, disability, sexual orientation, social and economic backgrounds, age and cognitive and personal strengths, is an important factor in Board and, indeed, operational effectiveness.

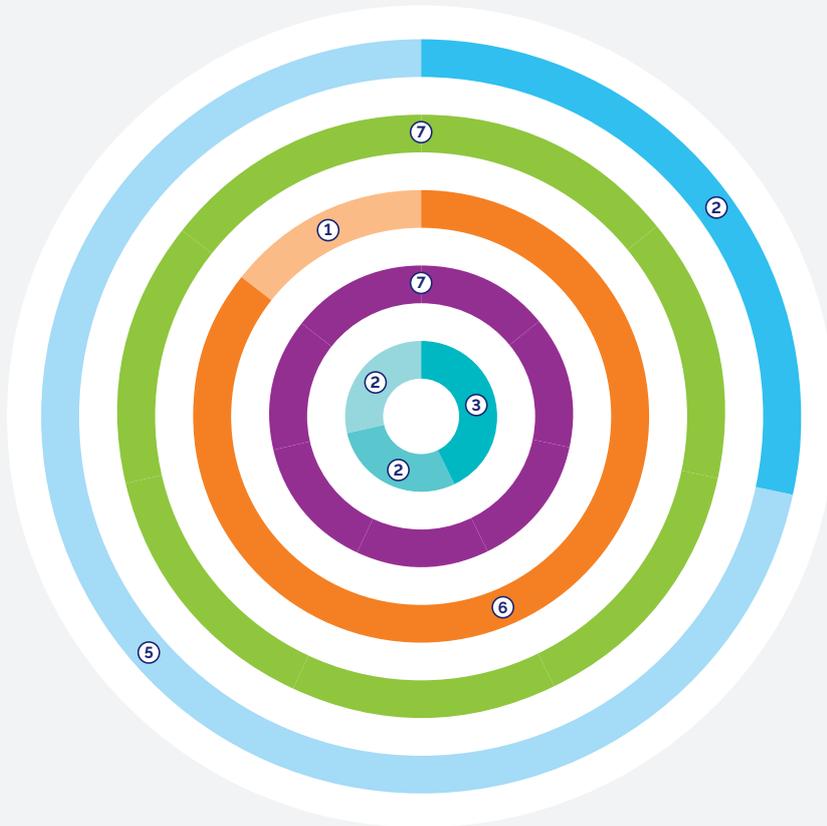
During the year, the Board participated in a process to identify their own skills, experience and diversity characteristics. The results of this process are set out on the page opposite and have been used to help assess the future needs of the Board, particularly in determining the ideal attributes of prospective appointees to the Board.



The Board diversity policy and our plans and progress in line with the recommendations of the FTSE Women Leaders Review and the Parker Review, respectively, are described in the Nomination Committee Report on pages 106 to 109.

For more information regarding our approach to equality, diversity and inclusion across the Group, please see the Engaging with our stakeholders section on page 30 and our Sustainability Committee Report on page 52.

Board diversity characteristics



Age	
41-55	2
56-70	5

What is your ethnic group?	
White British	7

Were you educated outside of the UK?	
No	6
Educated inside and outside of the UK	1

Do you consider yourself to have a disability defined by the Equality Act 2010?	
No	7

What is your highest level of educational attainment?	
Level 6 - Bachelor's degree	3
Level 7 - Master's degree	2
Level 8 - Doctorate or PhD	2

Composition, Succession and Evaluation **continued**

Annual Board evaluation

Review of Board effectiveness

The Board recognises the need for it to continually monitor and improve its performance. As such, it carries out either internal reviews or externally facilitated Board effectiveness evaluations on a periodic basis, in order to obtain feedback which will highlight areas for further development which will in turn help to improve effectiveness.

External Board evaluation 2021/22: Process

The Board engaged Round Governance Services to complete an externally facilitated evaluation during the financial year. Round Governance Services has no connection to any individual Director and at the time of completing the review, had no other connection to the Company.

The process was conducted as set out below.

1

Meeting with Chair and Company Secretary to gain an understanding of the operation of the Board and to confirm scope of evaluation

2

External evaluator provided with access to Board and Committee meeting papers, core governance-related documentation and given a fulsome overview of how the Board practically operates

3

External evaluator carried out in-depth, one-to-one interviews with all Directors and the Company Secretary

4

External evaluator completed Board and Committee meeting observation

5

Evaluation report prepared and findings discussed with Chair and Company Secretary

6

Full evaluation report shared with Board and external evaluator attended Board meeting to present and discuss the findings

7

Board discussed and agreed actions to be implemented. Action plan prepared and approved

External Board evaluation 2021/22: Outcomes and actions

The key findings from the externally facilitated Board effectiveness evaluation concluded that the Company has a small but agile and well-functioning Board with an evident cohesiveness and a diversity of thought. It recognised that the Board and its Committees function well and that all individual Directors contribute meaningfully and demonstrate sufficient commitment to their roles.

The externally facilitated Board effectiveness evaluation also provided a number of suggestions. The Board considered these recommendations and agreed to work to implement a range of actions set out in a dedicated action plan. Highlights from the agreed action plan are summarised below.

Theme	Action(s)
Board composition and succession planning	Continue to consider Board diversity in work on succession planning, particularly in relation to gender and diversity per the recommendations of the FTSE Women Leaders Review and Parker Review.
Senior management succession planning	Ensure that sufficient consideration is given to succession planning and processes at senior management level and continue to build relationships with individuals identified as potential successors. In line with the recommendations of the FTSE Women Leaders Review, continue to consider and work to improve the gender balance of senior leadership.
Board development programme	Devise and implement a formal Board development programme to help to further ensure that Directors are fully briefed on matters relevant to the Group's business, including operational and technological briefings and updates on legal, regulatory and governance developments.
Workforce engagement plan	Continue to work to deliver the workforce engagement plan, specifically aiming to meet a broad range of employees at all levels and roles across the Group, globally. Include a specific agenda item at Board meetings periodically to share feedback and learnings from the sessions.

Nomination Committee Report



The Committee has enjoyed a busy year, with a particular focus upon active Director recruitment, a review of our approach to diversity and an in-depth assessment of the Board's composition and future needs.

Neil Carson

Chair of the Nomination Committee

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31 March 2022.

The Committee has enjoyed a busy year, with a particular focus upon Director recruitment, a review of our approach to diversity and an in-depth assessment of the Board's composition and future needs, in addition to reviewing the leadership needs within the organisation and considering succession for Board and Management Board positions.

After pursuing a thorough appointment process, we were delighted to recommend that the Board appoint Nigel Sheinwald as a Director with effect from 22 September 2021.

In particular, we felt that Nigel's skills and experience would complement and supplement those of the current Board and that his expertise would equip him well to lead the newly formed Sustainability Committee. We have also commenced and are now progressing a process to appoint a further female Director to our Board.

In line with our diversity aspirations, we opted to recruit from a female-only candidate pool, also bearing in mind the specific skills, experience and capabilities required of our Board now and in the future. We hope to formalise this proposed appointment imminently and, as required, will make the necessary market announcement as soon as such process has been concluded. More information regarding our Director appointment process can be found on page 98.

We have also reviewed our approach to diversity, particularly in light of the recommendations of the FTSE Women Leaders Review and the Parker Review. We are committed to meeting the targets and recommendations set out in these respective reviews, at Board level, for senior management and further throughout the organisation, as appropriate. Our Board diversity policy and our plans and progress in line with the recommendations is explained on page 109, but in short, we aim to make a further Board appointment which will help to address this.

Ahead of embarking on further recruitment activity, we felt it prudent to take the opportunity to reassess the Board's composition and future needs, bearing in mind in particular the current tenure, skills, experience and diversity characteristics of our Board. This has proved particularly helpful in determining the ideal attributes of prospective appointees to the Board.

I will be available at the AGM to answer any questions you may have regarding the work of the Committee.

Neil Carson

Chair of the Nomination Committee

13 June 2022

Committee membership and attendance

The members of the Nomination Committee during the financial year and their dates of appointment to or resignation from the Committee, are as set out below.

Current members

	Date of appointment
Neil Carson (Chair)	1 December 2018
Mary Waldner	4 February 2016
Richard Friend	1 September 2014
Alison Wood	8 September 2020
Nigel Sheinwald	22 September 2021 ¹

Members who resigned during the financial year, upon stepping down from the Board

	Date of resignation
Steve Blair	21 September 2021
Thomas Geitner	21 September 2021

1. Became a member of the Committee upon joining the Board during the year.

For details of attendance at Committee meetings during the financial year, please see the Board and Committee meeting attendance table on page 94.

The biographies of all Committee members are available in the Board biographies section on pages 90 and 91.

Key responsibilities

- Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board
- Ensure plans are in place for orderly succession to Board and Management Board positions, and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future
- Review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise
- Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and the time commitment expected
- Ensure that, on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them
- Review the results of the Board performance evaluation process that relate to the composition of the Board and succession planning
- Review annually the time required from Non-Executive Directors
- The Committee shall also make recommendations to the Board concerning: changes needed to the succession planning process, if required; suitable candidates as new Directors and succession for existing Directors; membership of the Audit and Risk, Remuneration and Sustainability Committees; the re-appointment of Non-Executive Directors at the conclusion of their specified term of office; the re-election by shareholders of Directors; any matters relating to the continuation in office of any Director at any time; and the appointment of any Director to executive or other office

Nomination Committee Report *continued*

Committee membership, skills and experience

In line with the Committee's terms of reference, which are available on our website at: www.oxinst.com/investors-content/advisers-and-company-secretary the Committee is comprised of a majority of independent Non-Executive Directors and is chaired by the Chair of the Board, Neil Carson.

During the financial year, the membership of the Committee changed as noted previously, with Steve Blair and Thomas Geitner resigning from the Committee upon stepping down from the Board on 21 September 2021 and Nigel Sheinwald becoming a member of the Committee upon joining the Board on 22 September 2021.

Meetings

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

Committee effectiveness review

During the year, an external evaluation of the effectiveness of the Committee was conducted as part of the wider review of the Board and the Board Committees. More information can be found on pages 104 and 105. The review found that the Committee functions effectively and that matters are dealt with appropriately.

How the Committee spent its time during the year ended 31 March 2022

The responsibilities of the Committee are set out in its terms of reference, which were last updated in January 2022 and which are summarised on page 107.

Whilst these responsibilities guide the operation of the Committee and shape its agenda, it will also consider other matters as requested by the Board and as relevant to its remit.

The key activities and areas of focus for the Committee during the year are as set out below.

- Leading the recruitment process for a new Non-Executive Director who would be well suited to establishing and leading the Board's Sustainability Committee. This resulted in the appointment of Nigel Sheinwald.
- Commenced a process to appoint a further female Director to our Board, with a specific set of skills and experience to complement the current and future needs of the Board.
- Reviewed our approach to diversity, particularly in light of the recommendations of the FTSE Women Leaders Review and the Parker Review. Agreed to appoint a further Director in recognition of the need to enhance our Board diversity.
- Took the opportunity to reassess the Board's composition and future needs, bearing in mind in particular the current tenure, skills, experience and diversity characteristics of our Board.
- Reviewed the succession plans for Board and Management Board positions.

Board composition and succession planning

The Nomination Committee keeps under continuous review the composition of the Board and its Committees. During the year, they took the opportunity to complete an in-depth reassessment of the Board's composition and future needs, bearing in mind in particular the tenure, independence, time commitments, skills, experience and diversity characteristics of our current Directors. This has proved particularly helpful from a succession perspective, particularly in determining the ideal attributes of prospective appointees to the Board.

As noted in the Report and Financial Statements 2021, the Board agreed during the previous financial year that it would be appropriate to appoint a further Non-Executive Director to the Board and this culminated in the appointment of Nigel Sheinwald on 22 September 2021, who has also taken up the role of Chair of the newly established Sustainability Committee.

As explained earlier in this report, the Committee is currently progressing with a process to appoint a further female Director to the Board and also intends to appoint a further Director in light of the future needs of the Board in terms of skills and experience as well as diversity characteristics, in light of the recommendations of the FTSE Women Leaders Review and the Parker Review.

The Nomination Committee engaged Russell Reynolds, an executive search agency, to assist with both Non-Executive Director appointments. The Company and the Directors have no other connection with Russell Reynolds.

In addition to reviewing Board composition, the Nomination Committee oversees the succession of the Management Board and has consistent opportunities to meet with the Management Board and other members of the wider senior leadership through their attendance at Board meetings to report on their respective business areas or particular projects and through workforce engagement activities.

Board diversity

The Board is committed to promoting diversity and inclusion, both on the Board and throughout the Group. The Board recognises that diversity, construed in its broadest sense and including gender, religious and ethnic diversity, social and economic backgrounds, age and cognitive and personal strengths, is an important factor in Board and, indeed, operational effectiveness. The Board's diversity policy considers a range of characteristics, namely age, disability, social and educational backgrounds, as well as gender and ethnicity, and includes a commitment to increasing female and ethnic representation on the Board and throughout the wider organisation.

At the end of the financial year, the Board had 29% female representation and no ethnically diverse representation, not yet meeting the recommendations of the FTSE Women Leaders Review (40% female representation by the end of 2025) and the Parker Review (at least one Director of colour by the end of 2024) and falling short of the recommendations of the Hampton-Alexander Review (33% female representation by the end of 2021). The Board is committed to addressing this and the manner in which it aims to do so is as follows:

- Aiming for 33% female representation on the Board, with the appointment of a further female Director. The process to make such appointment is currently in progress.

- Aiming for 40% female representation on the Board by March 2025 (in line with the end of our financial year) but no later than the end of 2025. To achieve this, we intend to appoint a further female Director in addition to the above. Anticipating the likely departure of Richard Friend and Mary Waldner as Directors in July 2023 and 2024 respectively (in line with best practice in relation to their tenure and independence) this will mean that our Board is comprised of seven Directors – three female and four male – and reflecting 43% female representation.
- Aiming for the Board to include at least one Director of colour by the end of 2023, but no later than the end of 2024. Whilst all appointments will be made on merit, as part of future Director appointments we are committed to taking the opportunity to increase the diversity of the Board.

We have also met the recommendation of the FTSE Women Leaders Review to have at least one woman in the role of Chair or Senior Independent Director, and/or in the Chief Executive or Chief Financial Officer role by the end of 2025, as Alison Wood currently serves as our Senior Independent Director, having taken up this role post the conclusion of the AGM on 21 September 2021. Nevertheless, we will keep this under review as part of our succession planning responsibilities.

For information regarding our approach to diversity within the wider organisation, please see our Sustainability Committee Report on page 52.

Any future appointments to the Board will continue to be based on merit and objective criteria to ensure that the best individuals are considered and appointed to the role. Wherever possible, the search pool will be extensive and where an executive search consultancy is used, we will only engage with those firms that have adopted the "Voluntary Code of Conduct for Executive Search Firms". This includes Russell Reynolds, who we have previously engaged.

Audit and Risk Committee Report



During the year, the Committee has continued to demonstrate its integral role as part of the Group's governance framework, monitoring the integrity of the Financial Statements of the Company and providing oversight and challenge across the financial reporting processes and internal control environment.

Mary Waldner

Chair of the Audit and Risk Committee

Dear Shareholder,

I am pleased to present the report of the Audit and Risk Committee for the year ended 31 March 2022. The Committee has continued to demonstrate its critical role as part of the Group's governance framework, monitoring the integrity of the Financial Statements of the Company and providing oversight and challenge across the financial reporting processes and internal control environment.

During the year, the Committee's work focused particularly on the Group's approach to several key areas of governance whilst continuing to deliver its core remit. Specific areas of focus included:

- Developing the methodology for identifying, reporting and acting on climate-related risks and opportunities. This has been co-ordinated with the Sustainability Committee to ensure that the risk management element of TCFD reporting is appropriate, consistent with the wider framework for enterprise risk management and that it has been embedded within the Group.

- Delivery of the internal audit plan across a broad range of key risk areas. This included the first audits at three UK business units as part of the UK export controls internal compliance programme and a sales process review at the Asylum business unit, focused on the management of contractual risk.
- Further, the Committee maintained oversight over a significant change to the original audit plan to deliver an ad hoc project. The work focused on de-risking the routes to market (i.e. the use of third-party distributors in Asia) at one of the principal operating business units and on identifying process improvement opportunities in trade compliance.
- Developing the approach to internal audit – driving audit efficiency through better utilisation of remote auditing options with the additional objective of a significant reduction in air travel requirements compared to pre-pandemic levels.
- The review of papers and supporting calculations and data relating to the significant Audit and Risk Committee judgements and estimates during the financial year ended 31 March 2022.

Throughout the next financial year, the Committee intends to retain its focus on assessing the level of assurance provided over key financial controls whilst also addressing a range of risk-based audit areas to include a fraud risk review in key transaction cycles such as sales and purchasing. As regards new or non-recurring subjects, the Committee will also review the plans of the internal audit function, in order to implement recommendations arising from developments on the reform of the UK's corporate governance, audit and reporting regime, as appropriate.

I will be available at the AGM to answer any queries you may have regarding the work of the Committee. Should you have any questions or comments, I would be delighted to hear from you.

Mary Waldner

Chair of the Audit and Risk Committee

13 June 2022

Committee membership and attendance

The members of the Audit and Risk Committee during the financial year and their dates of appointment to or resignation from the Committee, are as set out below. All members of the Committee are considered to be independent.

Members

	Date of appointment
Mary Waldner (Chair)	4 February 2016
Richard Friend	1 September 2014
Alison Wood	8 September 2020
Nigel Sheinwald	22 September 2021 ¹

Members who resigned during the financial year, upon stepping down from the Board

	Date of resignation
Steve Blair	21 September 2021
Thomas Geitner	21 September 2021

1. Became a member of the Committee upon joining the Board during the year.

For details of attendance at Committee meetings during the financial year, please see the Board and Committee meeting attendance table on page 94.

The biographies of all Committee members are available in the Board biographies section on pages 90 and 91.

Key responsibilities

- Monitor the integrity of the Financial Statements of the Company and Group and review and report to the Board on significant financial reporting issues and judgements
- Review statements relating to financial performance and narrative reporting, including any climate-related financial disclosures
- Review the Company's internal control and risk management systems
- Review the arrangements relating to compliance, speaking up and fraud
- Monitor and review the effectiveness of the Company's internal audit function
- Advise the Board on the appointment, re-appointment and removal of the external auditor, agree their terms of engagement and monitor their independence and objectivity
- Review the effectiveness of the external audit process
- Develop and implement the policy on the engagement of the external auditor to supply non-audit services

Committee membership, skills and experience

In line with the requirements of the UK Corporate Governance Code and the Committee's terms of reference, which are available on our website at: www.oxinst.com/investors-content/advisers-and-company-secretary the Committee is comprised of independent Non-Executive Directors and, as a whole, has competence relevant to the sector in which the Company operates. Mary Waldner, the Committee Chair, has specific, recent and relevant financial

experience as the Chief Financial Officer of Lloyd's Register, a Fellow of the Chartered Institute of Management Accountants and has also held a number of senior executive financial roles with major public companies.

During the financial year, the membership of the Committee changed as noted above, with Steve Blair and Thomas Geitner resigning from the Committee upon stepping down from the Board on 21 September 2021 and Nigel Sheinwald becoming a member of the Committee upon joining the Board on 22 September 2021.

Audit and Risk Committee Report **continued**

Meetings

The Audit and Risk Committee holds a minimum of three meetings annually, as required under its terms of reference, and this year held four meetings. Regular attendees at meetings include the Chief Executive, Chief Financial Officer, Director of Accountancy, Tax and Treasury, Head of Risk and Assurance and BDO LLP, our external auditor. Other attendees who attend as required include the Chair and members of senior management. The Company Secretary is the secretary to the Committee.

Committee effectiveness review

During the year, an external evaluation of the effectiveness of the Committee was conducted as part of the wider review of the Board and the Board Committees. More information can be found on pages 104 and 105. The review found that the Committee functions effectively and that matters are dealt with in a thoughtful and rigorous manner.

How the Committee spent its time during the year ended 31 March 2022

Structured programme of activities

The responsibilities of the Committee are set out in its terms of reference, which were last updated in January 2022.

The Committee sets a structured programme of activities for the year, as developed from its terms of reference and including standing items for their consideration at certain meetings. In addition, it considers specific risk areas identified for detailed review in light of the evolving risk environment; assurance activities relating to key non-financial areas such as new product innovation, IT and cyber-security, people and health and safety; and any other matters that arise during the year.

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

Matters considered	June 2021	September 2021	November 2021	January 2022
Half-year and full-year Financial Statements including appropriateness of accounting policies, representation letters, associated narrative reporting (Report and Financial Statements) and market announcements	●		●	
External auditor year-end audit report and interim review report	●		●	
Significant accounting estimates and judgements	●		●	
Going concern	●		●	
Viability Statement	●			
Group risk register	●	●	●	●
Principal risks and uncertainties	●		●	
Climate risk and opportunity registers (including consideration of TCFD disclosures)			●	●
Adequacy of internal control environment including internal control framework and risk management processes	●			
Internal audit update (specific theme addressed at each meeting, per the internal audit plan for the financial year)	●	●	●	●
Internal audit plan				●
Effectiveness of internal audit function				●
External auditor strategy for year-end audit				●
External auditor terms of engagement and fees				●
External auditor independence and objectivity	●			●
Effectiveness of external audit process		●		
Non-audit services carried out by external auditor	●			
Litigation register	●		●	
Treasury arrangements				●
Tax arrangements and Group tax strategy				●
Systems and controls for detecting fraud and the prevention of bribery and corruption	●			
Whistle-blowing arrangements				●
Committee effectiveness review	●			
Committee terms of reference				●
Committee members and external auditor closed meeting		●	●	●

Financial Statements and reporting

During the year, the Committee continued to monitor the financial reporting process of the Group. As part of the year-end reporting process the Committee reviewed in detail this Report and Financial Statements in respect of the year ended 31 March 2022 and concluded that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Board recognises the important role which the Committee plays in making such assessments.

Significant Audit and Risk Committee judgements and estimates during the financial year ended 31 March 2022

The Committee considered reports from management on accounting policies, current accounting issues and the key judgements and estimates in relation to this Report and Financial Statements. It assessed whether suitable accounting policies had been adopted and the reasonableness of the judgements and estimates that had been made by management. Below are summaries of those significant issues which received particular focus from the Committee in relation to the Financial Statements for the year ended 31 March 2022 and how these issues were addressed.

Revenue recognition

Revenue is recognised in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue is recognised using principles-based criteria with the timing of recognition dependent on fulfilment of the performance conditions in the customer contract. The Group applies prescriptive rules relating to revenue recognition that are appropriate to both products and services. With the adoption of IFRS 15 principles, revenue recognition is less subjective than in the past, although revenue cut-off remains an area of audit focus. The Committee has received no reports of any significant error in revenue recognition.

Goodwill arising on the acquisition of WITEC

The Group completed the acquisition of Wissenschaftliche und Instrumente GmbH ("WITEC") on 31 August 2021. A key accounting judgement relating to the acquisition is the calculation of goodwill. Goodwill is the difference between the total consideration payable and the fair value of the assets and liabilities acquired. The Audit and Risk Committee has reviewed papers prepared by Group finance and by BDO relating to the transaction. The Committee considers that the basis of the calculation of goodwill is reasonable and that the disclosures set out in note 6 to the Financial Statements are appropriate.

UK defined benefit pension scheme

Under IAS 19, the Group is required to recognise in the balance sheet, any difference between the net present value of the pension scheme's liabilities and the fair value of its assets as at 31 March 2022 as either a pension scheme asset or deficit. IAS 19 also requires the Group to appoint an external actuary to value its obligations to members of its defined benefit pension scheme at each reporting date. The actuary is also required to recommend suitable assumptions for use in the preparation of the valuation. The Group has appointed Aon (the pension scheme's actuary) to perform bi-annual valuations on our behalf for accounting purposes. Its recommended assumptions are consistent with those adopted at the prior year end. The net present value of the scheme's liabilities decreased by £23.9m during the year, largely as a result of remeasurement gains. The scheme's investment manager, Schroders Solutions, provided a valuation of the scheme assets in line with current market practice relating to the valuation of investment assets, the methodology for which has not changed since the prior year.

As disclosed in Note 25 to the Financial Statements, the actuarial surplus for the UK scheme has increased from £16.3m in the prior year to £51.7m at 31 March 2022. This arises from the decrease in scheme liabilities of £23.9m combined with an increase in the scheme's assets of £11.5m (arising primarily from interest and asset returns of £15.0m, company contributions of £8.0m, net of benefits paid and administrative costs).

Product quality related provisions

During the year ended 31 March 2021, a quality issue was identified with a component that is incorporated into a customer's system. As a result, the affected business unit recognised a provision of £1.9m as an estimate of the potential costs to remediate the issue. During the course of FY21-22, the issue was investigated further and the actual performance issue was not as significant as feared. Consequently, management have retained a relatively small provision (£0.4m) to cover future remediation costs. The Committee has reviewed management's calculations in support of this provision and the external auditor's report on the matter. While it is likely that the ultimate outcome will differ from the amount provided, the Committee is satisfied that the Group has adopted an appropriate and prudent approach in this matter.

Provisions for intellectual property claims

The Group faces potential exposure to third-party claims in relation to alleged intellectual property infringement. The Committee obtains management reports and analysis on potential claims twice a year. The Committee has reviewed the information and explanations provided by management relating to the provisions for intellectual property claims that have been recognised in the Financial Statements. This also covers claims for which no provision has been recognised. The external auditor has also reported on intellectual property provisions.

Audit and Risk Committee Report **continued**

Significant Audit and Risk Committee judgements and estimates during the financial year ended 31 March 2022

continued

Provisions for intellectual property claims continued

As at 31 March 2022, the value of the provisions recognised in the Financial Statements is not material. However, it remains an area of significant accounting judgement and estimation. The Committee has verified that the approach and calculations performed to estimate the level of provisions required is reasonable and is consistent with the prior year. The Committee recognises that the final determination in any specific case is likely to vary from the amount provided. However, when considered in aggregate, the Committee considers that no adjustment to the provisions is required.

Adjusted profit and EPS

The Group applies adjustments to the statutory definition of profit and EPS to present adjusted profitability and earnings, as the Board considers that they present a clearer picture of the financial performance of the Group. These adjustments are set out at Note 1 to the Financial Statements. For the year ended 31 March 2022, the aggregate sum of the adjustments to operating profit was £18.0m. The largest item in value terms was the amortisation charge relating to capitalised intangible assets of £9.5m (£8.4m in the prior year). The Group recognised losses of £6.4m (compared to a gain of £6.4m in the prior year) arising from the mark-to-market impact of currency hedging contracts. It also incurred transaction costs of £0.4m relating to the acquisition of Witec and there was a further fair value adjustment of £1.7m which is a non-recurring gain. In addition, £0.3m of finance charges relating to unwinding the discount on the deferred consideration for the Witec acquisition are also included as an adjustment to profit before tax. The Committee has reviewed Group reports setting out the nature of the adjustments and the methodologies used to calculate them and as a result concluded that adjustments have been applied consistently. Further, the Committee is satisfied with disclosure of these adjusting items in the 2022 Financial Statements.

Misstatements

The Committee received reports from Group management that they were not aware of any material misstatements or immaterial misstatements that had been made with the intent of achieving a particular presentation in the Financial Statements. The Committee also reviewed BDO's report on unadjusted audit differences and these were discussed during the Committee meeting in June 2022.

On the basis of its review and those discussions, the Committee concluded that the unadjusted differences were not material to the Financial Statements and therefore no adjustment was required. The Committee also concluded that the external auditor had fulfilled its duties with diligence and with an appropriate level of professional scepticism.

Based on the Committee's review of management reports and information and explanations provided by BDO, it was satisfied that key estimates and critical judgements required in the preparation of the Financial Statements had been appropriately addressed with regard to both quantum and the information disclosed. The Committee also concluded that there had been suitable scrutiny of the key assumptions used to determine the value of assets and liabilities reported in the Financial Statements and that these had been subject to appropriate challenge.

Viability and going concern assessment and statements

The Committee and the Board reviewed the viability and going concern statements as presented in more detail on pages 85 and 86.

The Committee reviewed the viability assessment, which was based upon consideration of the Group's current financial position and the potential impact of certain of its principal risks and uncertainties on future performance. It performed a review of the scenario analyses prepared by management in the viability assessment and concluded that the Group would be able to continue in operation and meet its liabilities as they fall due over the next three years.

In addition, the Committee noted that there were no material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern over the period of at least twelve months from the date of approval of the Financial Statements and concluded that it was appropriate to continue to adopt the going concern basis of accounting.

Whistle-blowing

Employees can report concerns of non-compliance, ethical issues or malpractice via an independent and confidential reporting route. Reports can be made anonymously if required and are covered by the Group's Whistle-blowing Policy which provides for protected disclosure. The Group recognises the importance of other reporting channels such as via line management and HR. Further, a reporting route to the Senior Independent Director is also available. Employees are informed of the reporting channels through the Code of Business Conduct and Ethics. Irrespective of the reporting channel used, the Group operates a formal protocol for the independent investigation of reports which is overseen by the Chief HR Officer and Services Director and Group Compliance. The Committee performs an annual review of the Whistle-blowing Policy and receives a summary report into the outcome of investigations during the year. It also receives a report from management on its activities in this area. The latest report and review took place in January 2022 and all matters raised in the year to date had been resolved.

Internal control

The Committee oversees the internal control framework on behalf of the Board. In June each year, it undertakes an annual review of the effectiveness of the internal control environment, comprising the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems. To support this review, the Committee liaised with the Head of Risk and Assurance and considered the internal and external audit reports presented. In respect of the financial year ended 31 March 2022 and up to the date of the approval of this Report and Financial Statements, the Committee concluded that the required standards had been met and noted that during the financial year, they had received no reports in the year about concerns of possible improprieties in matters of financial reporting.

Risk management

The key risk management activities performed by the Group are described on pages 77 to 84.

The Committee reviews the Group risk register and climate change related risks and opportunities registers at each meeting and uses these, supplemented by reports from management, the external auditor and other subject matter experts, to assess the approach taken to identify and mitigate the risks faced by the Group. The Committee will continue to carefully review risk reporting and the associated risk management activities during the year ahead, in particular, aiming to develop and enhance its approach to the consideration of climate-related risks and opportunities as well as the broader landscape of emerging risks.

For more information regarding our approach to risk management see pages 77 to 84.

Internal audit function

The internal audit function is led by the Head of Risk and Assurance, who is a regular attendee at Committee meetings. Its purpose is to provide assurance regarding the effectiveness of internal controls. Once finalised, all internal reports are also shared with the external auditor. The Head of Risk and Assurance has direct access to the Chair of the Board and the Chair of the Committee, to help safeguard independence from the executive and accountability to the Committee.

Internal audit plan

The annual internal audit plan was presented to the Committee at their meeting in January 2022. It comprises audits which address the effectiveness of internal financial controls, to be performed on a rotational basis across operational business units and the principal regional offices and, complementing this, the programme also includes risk-based audit areas which are proposed or recommended by a combination of the Committee and management. Following due consideration, the Committee approved the proposed annual internal audit plan.

Effectiveness review

The Committee has a responsibility to carry out an annual assessment of the effectiveness of the internal audit function. As part of its assessment in respect of the financial year ended 31 March 2022, the Committee liaised with the Head of Risk and Assurance, reviewed and assessed the annual internal audit plan, reviewed the results of the internal auditor's work, considered whether the quality, experience and expertise of internal audit remains appropriate for the business and reviewed the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.

Following due consideration, the Committee agreed that the internal audit function had remained effective.

External auditor

The Committee has principal responsibility for managing the relationship with the external auditor, including assessing its performance, effectiveness and independence and making recommendations to the Board regarding their re-appointment, removal and terms of engagement, including all fees.

BDO LLP was re-appointed as external auditor at the 2021 Annual General Meeting, having been initially selected to undertake this role with effect from the financial year ended 31 March 2021 following a competitive tender process. In line with the current requirement to complete a tender for audit services every ten years, the Committee intends to conduct a tender process ahead of the financial year ended 2031. This remains subject to the outcome of the Committee's annual assessment of the performance, effectiveness and independence of the incumbent external auditor.

The Committee regularly meets with the external auditor, both with and without the Executive Directors or members of the management team present, to discuss any appropriate matters in a frank and open manner.

Audit and Risk Committee Report **continued**

External auditor continued

Audit strategy

BDO LLP presented their proposed audit strategy and plan for the financial year ended 31 March 2022 to the Committee at their meeting in January 2022.

The suggested strategy had been informed through feedback from various stakeholders including the Committee Chair, Chief Financial Officer and Director of Accounting, Treasury and Tax. The proposal included details of the recommended scope, materiality, fees and timelines plus the principal areas of audit risk and the anticipated approach for addressing such. Following due consideration, the Committee approved BDO LLP's proposed audit strategy and plan.

Effectiveness review

The Committee has a responsibility to review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

As part of its assessment in respect of the financial year ended 31 March 2021, the Committee considered reports from BDO LLP and feedback from key members of the Group's finance team. The assessment recognised that this had been the first audit completed by BDO LLP further to their appointment as auditor, noted the impact of the limitations on face-to-face and on-site meetings due to the ongoing pandemic and emphasised that when issues did arise, BDO LLP reacted appropriately and supported pragmatic resolutions. Following due consideration, the Committee agreed that the audit had been effective.

In line with the Committee's structured programme of activities, an assessment of the effectiveness of the audit for the financial year ended 31 March 2022 is expected to be carried out in September 2022.

Independence and objectivity

The Committee should assess on an annual basis, the external auditor's independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services.

To make this assessment, the Committee obtains confirmation from the external auditor regarding whether they consider themselves to remain independent and also satisfies itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity. During the financial year, the Committee made this assessment in both June 2021 and January 2022, in addition to again assessing in June 2022. In all instances, the Committee was comfortable that BDO LLP remained independent and objective.

Non-audit services

The Committee oversees the Company's formal policy regarding the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited Financial Statements. During the financial year, the Committee approved the provision of non-audit services by BDO LLP amounting to £10k, which when considered in light of the audit fees amounting to £674k, represented a non-audit fee to audit fee ratio of 1:67.4 or 1.5% of the total fees payable to the auditor and its associates. A further illustration of this comparison can be seen in the table below.

Audit and non-audit fees for the financial year ended 31 March 2022

	Fees	Proportion
Audit fees	£630k	92.1%
Audit-related assurance services	£44k	6.4%
Non-audit services	£10k	1.5%
Total fees payable to the auditor and its associates	£684k	100%

See Note 4 on page 171 of the Financial Statements for further information regarding the external auditor's remuneration.

Statement of Compliance with the Competition and Markets Authority (CMA) Order

The Company confirms that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1), including with respect to the Audit and Risk Committee's responsibilities for agreeing the audit scope and fees and authorising non-audit services.

Re-appointment of external auditor

BDO LLP has expressed their willingness to continue as auditor of the Company and separate resolutions will be brought to the Company's 2022 AGM, proposing BDO LLP's re-appointment as auditor and to authorise the Board, through the Committee, to negotiate and agree their remuneration.

Sustainability Committee Report



We believe that embedding sustainability throughout the Group creates long-term value for all of our stakeholders and will secure our long-term success.

Nigel Sheinwald

Chair of the Sustainability Committee

Dear Shareholder,

I am pleased to present the report of the Sustainability Committee for the year ended 31 March 2022, particularly as it is not just my first report as Chair but also the first report of the Committee.

Since its establishment during the financial year, the Committee has embraced the importance of its role in driving the Group's sustainability agenda at Board level and overseeing activity within the Company. We have focused on developing a firm foundation for the Committee's future work, establishing the guiding principles to be used when setting targets in relation to the Group's sustainability goals and implementation plans.

Along with my fellow Directors, I have been delighted to meet with a range of employees during the year. The topic of sustainability is one which consistently arises in our discussions and it is clear that employees across the Group are passionate about the need for us to continue to make meaningful progress on our work in this area, not least so that we can continue to best serve our customers, suppliers, shareholders, local communities and other stakeholders in the future.

In conjunction with the Board, we are delighted to have published our first Task Force on Climate-Related Financial Disclosures Statement as set out on pages 57 to 66, our enhanced, integrated Sustainability report which is available on pages 48 to 66 and our first standalone Sustainability Report which can be found on our website at: oxinst.com/sustainability. The production of these reports has been a truly collaborative effort, with wide-ranging input from the Management Board and teams across the Group, support from our external advisers and careful assessment of the climate change related risks and opportunities by the Audit and Risk Committee.

In the years ahead we will strive to expand both our reporting and the extent and detail of our sustainability targets. We aim to be ambitious and believe that our commitment to sustained competitive financial and operational results is both consistent with and underpinned by delivering on our responsibilities to society, our stakeholders and workforce.

We see these as part of the same Company strategy and our sustainability ambition as a competitive differentiator for us as the energy transition, environmental awareness and societal changes advance.

I will be available at the AGM to answer any questions you may have regarding the work of the Committee.

Nigel Sheinwald

Chair of the Sustainability Committee

13 June 2022

Sustainability Committee Report **continued**

Committee membership and attendance

During 2021, the Sustainability Committee was newly established as a formal committee of the Board. Nigel Sheinwald took up the role of Committee Chair with effect from his appointment as a Director on 22 September 2021 and all other Non-Executive Directors were appointed as members of the Committee with effect from its first formal meeting.

The current composition of the Committee is as set out below.

Current members	Date of appointment
Nigel Sheinwald (Chair)	22 September 2021
Neil Carson	2 November 2021
Alison Wood	2 November 2021
Mary Waldner	2 November 2021
Richard Friend	2 November 2021

For details of attendance at Committee meetings during the financial year, please see the Board and Committee meeting attendance table on page 94.

The biographies of all Committee members are available in the Board biographies section on pages 90 and 91.

Key responsibilities

- Review all sustainability-related narrative reporting and external disclosures, including, but not limited to, those relating to the Greenhouse Gas Protocol, Streamlined Energy and Carbon Reporting Regulations, Sustainability Accounting Standards Board framework, Sustainable Development Goals or the Task Force on Climate-Related Financial Disclosures
- Determine the guiding principles to be used when setting targets in relation to the Group's sustainability goals and implementation plans
- Oversee the Group's ongoing activities and progress in relation to the three key elements of its sustainability agenda, broadly comprising environmental, social and governance related matters, as follows
 - Environmental: consider and recommend to the Board for approval, sustainability-related targets, including environmental targets and timescales; reviewing the Company's progress towards decarbonisation of energy use globally; and consider and recommend to the Board for approval, the methodology to be used for achieving Net Zero
 - Social: review any relevant policies and approve targets set, in respect of the following areas: equality, diversity, inclusion and belonging; health, safety and wellbeing; investing in our people; next generation talent; and community impact
 - Governance: review any relevant policies and approve targets set, in respect of the following areas: anti-bribery and anti-corruption; sanctions, export control and customs; dissemination of inside information to the market and share dealing; supply chain responsible sourcing; human rights and modern slavery; intellectual property and confidentiality; data protection, data privacy and data security; and financial sustainability and tax transparency
- Review on a regular basis that the highest ethical standards and concern for human rights is embedded in the Company across its global operations

Committee membership, skills and experience

In line with its terms of reference, which are available on our website at: www.oxinst.com/investors-content/advisers-and-company-secretary the Committee is comprised of a majority of independent Non-Executive Directors. Nigel Sheinwald, the Committee Chair, brings a wealth of skills and experience, particularly from his time as Chair of Shell plc's equivalent Sustainability Committee and his appointment is a good fit with the Group's requirements at this stage in its sustainability journey.

Meetings

The Sustainability Committee holds a minimum of three meetings annually, as required under its terms of reference, and this year held three meetings since its establishment. Regular attendees at meetings include the Chief Executive, Chief Financial Officer, Chief HR Officer and other members of senior management. The Company Secretary is the secretary to the Committee.

Committee effectiveness review

Given the recent establishment of the Committee, an in-depth effectiveness review did not take place this year. A meaningful review of the Committee's effectiveness will take place next year.

How the Committee spent its time during the year ended 31 March 2022

The responsibilities of the Committee are set out in its terms of reference, which were last updated in March 2022 and which are summarised on page 118. Whilst these responsibilities guide the operation of the Committee and shape its agenda, it will also consider other matters as requested by the Board and as relevant to its remit.

The key activities and areas of focus for the Committee during the year are as set out below.

- As part of its establishment as a formal Board Committee, implemented the necessary formalities in order to ensure its smooth future operation, including:
 - developing its terms of reference and recommending these to the Board for approval;
 - clarified and agreed with the Board, Audit and Risk Committee, Nomination Committee and Remuneration Committee what the proposed division of responsibilities between each forum should be, given the importance of avoiding duplication or failing to address any issues; and
 - meeting cadence and high-level themes for consideration during the annual cycle.
- Received updates from the Chief Executive, management and an external provider, regarding climate-related matters such as the Greenhouse Gas Protocol, Science-Based Targets initiative, Carbon Disclosure Project, UN Sustainable Development Goals and the Task Force on Climate-Related Financial Disclosures, amongst other things, as well as an in-depth overview of the pathway to achieving net zero, including determining targets.
- Reviewed and endorsed the proposed guiding principles to be used when determining targets against sustainability goals and devising implementation plans.
- Considered the planned approach and approved any targets and measures regarding social and governance matters relevant to the Company's sustainability agenda.
- Noted the Company's environmental policy for 2022/23.
- Post year end, reviewed and recommended to the Board for approval, the sustainability-related narrative reporting and external disclosures, comprising the Task Force on Climate-Related Financial Disclosures Statement as set out on pages 57 to 66 of this report, our dedicated integrated Sustainability report and our standalone Sustainability Report which can be found on our website at: oxinst.com/sustainability

Directors' Remuneration Report

Letter from the Chair of the Remuneration Committee



For another year of excellent performance, we have ensured that the remuneration outcome for executives are aligned to the experience of shareholders, employees and our wider stakeholders.

Alison Wood

Chair of the Remuneration Committee

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2022. This report is presented in three sections, as follows:

- Annual Statement summarising the work of the Committee during the year and our approach to Directors' remuneration;
- Remuneration Policy section, which sets out the policy approved at the 2020 AGM. The full Remuneration Policy can be found on pages 96 to 98 of the 2020 Report and Financial Statements (and is also available on the Company website); and
- Annual Report on Remuneration, which sets out the remuneration outcomes for the financial year ended 31 March 2022 and the proposed implementation of the Remuneration Policy in the forthcoming year.

We delivered another strong set of results despite the lingering impact of the covid pandemic in the early part of the year and significant supply chain disruption and inflationary pressures later in the year. Adjusted operating profit grew by 16.9% to £66.3m alongside a strong order book, which provides continued confidence.

Operation of the Remuneration Policy in 2021/22 and incentive plan payments

During the year, the focus of the Committee shifted from the impact on remuneration for all employees of the pandemic and towards the impact of rising inflation and cost of living. The Committee was keen to ensure that there remained a compassionate approach to the remuneration for employees and consistency across the Group, to ensure that decisions made regarding senior executive pay were aligned with those made for the wider workforce.

The annual bonus for 2021/22 has been determined by performance against a combination of cash, operating margin, profit and non-financial strategic targets. As in previous years, the Committee set stretching performance targets which were clearly linked to the strategy and financial performance of the Group. Group financial performance was again strong, as highlighted above, and the annual bonus payout in respect of the financial element was at 82.8% of base salary for the CEO and CFO. For the personal element relating to the remaining 15% of base salary, this was based on the achievement of strategic KPIs, which the Committee judged to have been achieved at a 10% and 12.5% (out of 15%) achievement level for the CEO and CFO, respectively. Accordingly, the overall bonus outturn achieved was 92.8% and 95.3% of salary for the CEO and CFO, respectively.

A portion of the bonus will be paid in shares, which are deferred for three years. The Committee notes that this is the first year of the operation of the bonus plan at the higher limit of 125% of salary and is satisfied that the achievement of the stretch performance targets demonstrates a strong link between reward and performance.

Awards granted under the Performance Share Plan (PSP) in 2019 were based on performance over the three years to 31 March 2022. The EPS performance condition, applied to 50% of the award, was met in full, with compound EPS growth of 14.8%. The Company's ROCE was outstanding, at 30.9% for the year ended 31 March 2022, which exceeded the stretch target, resulting in 100% of this element vesting. Accordingly, across both measures, 100% of the total award will vest and shares will be required to be held for a further two years.

The Committee reflected on the formula-driven outturn from these incentive plan payments in the context of the broader environment and employee and shareholder experience. In relation to employees there have generally been good bonus payments across the Group with all eligible employees in several business units and teams receiving a bonus (and where performance had significantly improved but had just missed targets, resulting in a zero bonus, the bonus award has been topped up).

In relation to the shareholder experience, the Committee recognised the strong shareholder return (+17%) over the financial year 2021/22 and the significantly higher total shareholder return (TSR) over the three-year performance period of the PSP award cycle (+125%).

Given the strong performance of the business over both 2021/22 and the longer three-year performance period of the PSP award, the Committee is comfortable that there has been a robust link between reward and performance and alignment with investor returns. Accordingly, the Committee is satisfied the policy has operated as intended and has concluded that there are no circumstances arising where it would need to exercise discretion to adjust any of the 2021/22 variable pay outcomes.

Operation of the Remuneration Policy in 2022/23

The Committee reviewed the operation of the policy for the final year of the current three-year policy period and concluded that the policy and its operation should remain unchanged for 2022/23.

The Committee carefully reviewed management's recommendation regarding the level of the base salary increase for all employees and, with consumer price inflation at around 9% and the true cost of living considered to be higher in some respects, determined that salary increases for UK employees should be 6%. They agreed with management's recommendation that base salary increases should take effect from 1 April rather than 1 July, as usual, to ensure that employees received the benefit of the increase as soon as possible. This approach was mirrored across all of the jurisdictions in which we operate. When considering the level of increase for the Management Board and the Executive Directors, the Committee determined that a 6% salary increase should also apply, albeit effective from the usual review date of 1 July, noting the continuing excellent performance of the team and the fact that the overall remuneration packages for the Executive Directors (and the CEO's salary in particular) was significantly below the current mid-market benchmarks. Accordingly, the base salaries for the CEO and CFO will increase from £500,000 and £359,406 to £530,000 and £380,970, respectively.

The 2022/23 annual bonus will be based on the same combination of financial performance measures as prior year, with stretching target ranges set in respect of each and which are linked to accelerating growth, operational effectiveness, our sustainability agenda and shareholder engagement.

PSP awards will continue to be based 50% on ROCE and 50% on earnings per share, in line with our business strategy and with stretching targets set for each measure, building on the excellent performance delivered recently. The growth range for EPS will require compound annual growth of between 4% and 10% over three years. Whilst this is slightly lower than the 4%-12% range set last year, this year's range will be measured from an all-time-high level of profitability and our ROCE range has been increased to 26%-32% to ensure management remains focused on delivering returns to shareholders. Both target ranges are, in the view of the Committee, appropriately stretching.

Non-Executive Directors' fees

The Chair's fee and the Non-Executive Directors' fees were increased by 5%, being slightly below the UK workforce average increase but still acknowledging the current impact of inflation and market positioning below mid-market benchmarks.

Broader employee remuneration considerations

As noted above, in recognition of the impact of inflation rates on the cost of living, the Committee endorsed the award of higher than normal pay review percentages and the rescheduling of the annual pay review for less senior employees, from July to April 2022, so that they would feel the benefit of their pay increase three months earlier than planned. We pay above minimum wage across the world and above the living wage in the UK and also aim to provide benefits which are above the statutory minimums, where appropriate. The structures of bonus plans throughout the organisation are aligned to incentivise the behaviours which deliver value, both financial and non-financial, to shareholders and our key stakeholders. There are processes in place to address unconscious diversity and inclusion biases during recruitment, including the use of balanced shortlists, and decisions about career progression and remuneration.

Remuneration Policy review and shareholder engagement

The Committee will be reviewing the current policy during the upcoming year, ahead of seeking shareholder approval for a new policy at the 2023 AGM. As part of this review the Committee will consider the overall competitiveness of the package and mix of performance measures, to ensure that these remain optimised to the business strategy. The review of the performance measures will include matters relating to ESG and sustainability, and we will continue to look to establish how sustainability metrics can be most effectively incorporated into Directors' remuneration, including longer-term measures within the LTIP structure. We will engage with our major shareholders and other stakeholders to ensure that our approach to remuneration continues to benefit from their strong support.

Conclusion

We have carefully considered the operation of the Remuneration Policy to ensure that there is a strong alignment between the remuneration paid to the executives and the experience of shareholders, employees and our wider stakeholders. I hope you will be supportive of the annual advisory vote to approve the Annual Report on Remuneration, which sets out the remuneration outcomes for the year under review and how the policy will be operated for the year ahead. I look forward to our AGM on 28 July 2022.

Alison Wood

Chair of the Remuneration Committee

13 June 2022

Directors' Remuneration Report **continued**

Letter from the Chair of the Remuneration Committee **continued**

Committee membership and attendance

The members of the Remuneration Committee during the financial year and their dates of appointment to or resignation from the Committee, are as set out below.

Current members

	Date of appointment
Alison Wood (Chair)	8 September 2020 ¹
Neil Carson	1 December 2018
Mary Waldner	4 February 2016
Richard Friend	1 September 2014
Nigel Sheinwald	22 September 2021 ²

Members who resigned during the financial year

	Date of resignation
Steve Blair	21 September 2021 ³
Thomas Geitner	21 September 2021 ³

1. Became a member of the Committee with effect from her appointment to the Board on 8 September 2020 and took up the role of Committee Chair with effect from 26 January 2021.
2. Became a member of the Committee upon joining the Board during the year.
3. Resigned from the Committee upon stepping down from the Board.

Regular attendees at meetings include the Chief HR Officer and, where appropriate, the Chief Executive and Chief Financial Officer. The Company Secretary is the secretary to the Committee.

For details of attendance at Committee meetings during the financial year, please see the Board and Committee meeting attendance table on page 94.

The biographies of all Committee members are available in the Board biographies section on pages 90 and 91.

Key responsibilities

- Determining the Remuneration Policy for the Executive Directors and senior management
- Determining the total executive remuneration packages
- Designing effective performance-related incentive plans aligned to the business strategy and the wider workforce
- Reviewing the Group's Remuneration Policy periodically
- Determining the policy for pension arrangements, service agreements, recruitment terms and termination payments

Remuneration at a glance:



■ Fixed
■ Variable

Annual bonus¹

Link to strategy

As in previous years, the Committee set stretching performance targets for the annual bonus which are clearly linked to the strategy and financial performance of the Group.

> Find out more on pages 134 and 135

Adjusted PBT		
Threshold: £56m	Actual: £65.9m	
Target: £61.4m		
Max: £64.5m		
Adjusted operating profit margin		
Threshold: 17.8%	Actual: 18.1%	
Target: 18.3%		
Max: 18.5%		
Cash conversion		
Threshold: 82%	Actual: 86.3%	
Target: 85%		
Max: 92%		
Strategic objectives		
Targets based on a range of objectives – see pages 134 and 135 for details		Actual: Strong

1. 125% of salary at year end is payable for maximum performance.

Performance Share Plan

Link to strategy

The performance targets ensure a continued focus on growing profitability and a close link to the business strategy by rewarding efficient redeployment of capital for the performance period ending in the year under review.

> Find out more on pages 135 and 136

Earnings per share growth (% CAGR p.a.)		
Threshold: 4% p.a. CAGR	Actual (CAGR over three years to 31 March 2022): 14.8%	
Max: 12% p.a. CAGR		
Return on capital employed		
Threshold: 24%	Actual (2021/22): 30.9%	
Max: 30%		

Executive Directors' remuneration at a glance

Total remuneration payable for 2021/22

	Base salary £'000	Benefits £'000	Pension £'000	Annual bonus £'000	LTIP £'000	Other £'000	Total £'000
Ian Barkshire	488	67	58	464	1,067	1	2,145
Gavin Hill	358	23	46	343	833	1	1,604

Directors' Remuneration Report **continued**

Directors' Remuneration Policy (A)

This part of the Directors' Remuneration Report sets out the Group's Remuneration Policy for its Directors. The policy was subject to a binding Shareholder vote at our AGM on 8 September 2020 and the policy, unless changed with Shareholders' prior agreement, will continue until the 2023 AGM. A copy of the approved policy can be found in the 2019 Directors' Remuneration Report which is available on our website at <https://www.oxinst.com/investors-content/financial-reports-and-presentations>

Policy overview

The Remuneration Policy promotes the delivery of the Group's strategy and seeks to align the interests of Directors, Shareholders and other stakeholders. The Committee regularly reviews the link between its incentive structures and strategy to ensure that remuneration packages are appropriate to attract, motivate and retain the high calibre executives that are needed to deliver the Group's strategy.

The Company seeks to reward executives fairly and responsibly based on Group performance and their individual contribution. The Company has a strategy aimed at delivering significant, balanced and sustainable long-term growth and it is important for motivation and retention that the remuneration of the executives reflects this.

The Committee considers carefully the motivational effects of the incentive structure in order to ensure that it is effective and does not have an unintentional negative impact on matters such as governance, environmental or social issues. More generally, the Committee ensures that the overall Remuneration Policy does not encourage inappropriate risk-taking.

The Committee's approach to determining the new policy

The Committee considered the following factors when determining the current policy:

Principle	Committee approach
Clarity – remuneration arrangements should be transparent and promote effective engagement with Shareholders and the workforce.	<ul style="list-style-type: none"> The metrics used in our annual bonus have a direct link to our Company KPIs, which are familiar to our Shareholders and the workforce. Performance Shares are linked to our long-term business strategy, familiar to our Shareholders and the workforce. The Remuneration Committee consults with Shareholders to explain and clearly set out any proposed changes to the policy and is committed to having an open and constructive dialogue with Shareholders.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	<ul style="list-style-type: none"> Our Remuneration Policy is in line with market norms. The application of the policy is described clearly each year in this report with a clear link between reward and performance.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	<ul style="list-style-type: none"> The Committee has ensured that risks are identified and mitigated by: <ul style="list-style-type: none"> introducing discretion to override the formulaic outturn of incentives; and enhancing clawback and malus provisions. Performance Shares (with holding periods), annual bonus deferral, together with stretching share ownership requirements, including post-employment share ownership requirements, ensure executives are not encouraged to make short-term decisions but to deliver sustainable shareholder returns over the long term for the benefit of all stakeholders.
Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	<ul style="list-style-type: none"> The scenario chart on page 130 sets out the potential rewards available to the Executive Directors under three different performance scenarios. Limits to incentive plans and the basis for the Committee to use discretion are clearly set out.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	<ul style="list-style-type: none"> Variable pay comprises the majority of the Executive Directors' packages, with the individual limits and payout for different levels of performance set out in the policy on pages 125 to 128 and the scenario chart on page 130. The performance conditions are aligned to strategy and the targets are set to be stretching to reward for delivering above-market returns. The Committee retains discretion to override the formulaic outturns of incentives if the payout does not reflect broader Company performance and other factors.

Principle	Committee approach
<p>Alignment to culture – incentive schemes should drive behaviours consistent with Company purpose, values and strategy.</p>	<ul style="list-style-type: none"> • The alignment of metrics to the medium and long-term strategy ensures behaviours consistent with the Company's purpose and values are being encouraged. • The presence of clawback and malus provisions discourages behaviours that are not consistent with the Company's purpose, values and strategy. • The Committee reviews the wider workforce pay and policies to ensure there is alignment with the Executive Directors' Remuneration Policy and that remuneration is designed to support the Company's people-centric culture. There is a broadly consistent cascade of the Remuneration Policy throughout the senior management team.

Consideration of Shareholder views

The Committee considers feedback from Shareholders received at each AGM, together with any feedback from additional meetings, as part of any review of Executive Director remuneration. In addition, the Committee engages proactively with Shareholders and their proxy advisers where any material changes to the Remuneration Policy are proposed. During the period of consultation on revisions it wished to make to the Remuneration Policy ahead of its approval at the 2020 AGM, the Committee listened to the views of those it consulted with and amended the proposals put forward to address concerns raised.

Remuneration Policy

The Remuneration Policy of the Company is set out in the following table and is applicable until the 2023 AGM. Explanations of how each element operates and how each part links to the corporate strategy have been provided.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
<p>Base salary</p>	<ul style="list-style-type: none"> • To provide a competitive and appropriate level of basic fixed pay to recruit and retain superior talent and avoid excessive risk-taking that might otherwise result from an over-reliance on variable remuneration. • Reflects the experience, performance and responsibilities of the individual. 	<ul style="list-style-type: none"> • Reviewed annually with any increase usually effective 1 July. • Takes account of experience, performance and responsibilities as well as the performance of the Company, the complexity of the role within the Group and salary increases for employees generally. • Set with regard to market data for comparable positions in similar companies in terms of size, internationality, business model, structure and complexity, including within the industry. 	<ul style="list-style-type: none"> • There is no minimum or maximum annual increase. • Higher increases than the average percentage for the workforce may be appropriate; for example, where an individual changes role, where the complexity of the Group changes, where an individual is materially below market comparators or is appointed on a below-market salary with the expectation that his/her salary will increase with experience and performance.

Directors' Remuneration Report **continued**

Directors' Remuneration Policy (A) **continued**

Remuneration Policy **continued**

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Benefits	<ul style="list-style-type: none"> • Provided on a market-competitive basis, aids retention and follows the reward structure for all employees. 	<ul style="list-style-type: none"> • Currently include, but are not limited to, the cost of: <ul style="list-style-type: none"> • life assurance; • private medical insurance; • company car benefit (car, driver, car allowance, fuel); and/or • overnight hotel accommodation where necessary to enable the executive to carry out his duties efficiently at the Head Office and other Company sites. • The benefits provided may be subject to amendment from time to time by the Committee within this policy. • Relocation costs and other incidental expenses may be provided as necessary and reasonable. • Benefits are not part of pensionable earnings. 	<ul style="list-style-type: none"> • The value of benefits varies from year to year depending on the cost to the Company and is not subject to a specific cap. • Benefit costs are monitored and controlled and represent a small element of total remuneration costs.
Pension	<ul style="list-style-type: none"> • To contribute towards the cost of living in retirement. 	<ul style="list-style-type: none"> • Company contributions to a money purchase pension scheme. • Salary supplement where HMRC annual or lifetime allowances are exceeded. 	<ul style="list-style-type: none"> • 14% of base salary based on the 2019/20 salaries for incumbents, which represents £61,964 and £48,363 per year for the CEO and CFO respectively. • Pension contributions for incumbents will reduce to the rate applying to the majority of the workforce at the end of the policy period. • Newly recruited Directors will receive a pension contribution in line with the rate applying to the majority of the workforce.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Annual bonus	<ul style="list-style-type: none"> Drives and rewards the successful achievement of annual targets set at the start of the year. 	<ul style="list-style-type: none"> Performance targets based on the key performance indicators and strategic objectives of the business. At least 70% of the bonus is based on financial metrics and the balance on non-financial strategic metrics. Clawback and malus provisions apply for misstatement, error, misconduct, corporate failure or reputational damage. For any bonus earned in excess of the target level, 50% will be paid in shares, which are beneficially owned and which must be held by the Executive Director for at least three years. The Committee may use discretion to override the result of any formula-driven bonus payment. 	<ul style="list-style-type: none"> 75% of salary at year end payable at target performance. 125% of salary at year end payable for maximum performance. Bonuses start to be earned from 15% of salary for achieving threshold performance.
Long-term incentive (Performance Share Plan)	<ul style="list-style-type: none"> To incentivise the executives and reward them for meeting stretching long-term targets linked to the business strategy. To align the Directors' interests with those of Shareholders. Facilitates share ownership to provide further alignment with Shareholders. 	<ul style="list-style-type: none"> Annual awards of Performance Shares with vesting subject to achievement of performance targets. Both the vesting and performance period will be over a minimum of three years. The Committee will set targets each year based on long-term financial performance and/or a stock market-based metric. 25% of the awards will vest at threshold performance under each performance condition. Clawback and malus may be applied for misstatement, error, misconduct, corporate failure or reputational damage. Vested awards must be held for a further two years before sale of the shares (other than to pay tax). The Committee may use discretion to override the result of any formula-driven payment. 	<ul style="list-style-type: none"> The maximum normal award limit is 150% of salary. This limit may be exceeded in exceptional circumstances, e.g. recruitment, up to a limit of 200% of base salary. Dividend equivalents may accrue on the PSP awards over the vesting period and would normally be paid out as shares in respect of the number of shares that have vested.
All-employee share schemes	<ul style="list-style-type: none"> To encourage employee share participation. 	<ul style="list-style-type: none"> The Company may from time to time operate tax-approved share schemes (such as the HMRC-approved Share Incentive Plan (SIP)) for which Executive Directors could be eligible. The SIP is open to all UK permanent staff employed for at least six months. 	<ul style="list-style-type: none"> The schemes are subject to the limits set by tax authorities.

Directors' Remuneration Report **continued**

Directors' Remuneration Policy (A) **continued**

Remuneration Policy **continued**

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Shareholding guideline	<ul style="list-style-type: none"> To further align Executive Directors' interests with Shareholders'. 	<ul style="list-style-type: none"> The Committee has established shareholding guidelines which encourage the Executive Directors to build and retain a holding of Company shares equivalent to 200% of base salary. Until the guideline is met in full, Executive Directors are expected to retain or acquire shares equivalent to the value of 50% of the net amount realised from exercise/vesting of share awards as appropriate after allowing for tax payable. Post cessation of employment there will be a requirement to retain the lower of the level of shareholding at that time, or 200% of base salary, for two years (unless by genuine exception e.g. serious ill health). At the Committee's discretion, shares which have been purchased voluntarily may be excluded, so as not to discourage further self-purchases. 	<ul style="list-style-type: none"> Not applicable.
Non-Executive Director fees	<ul style="list-style-type: none"> To remunerate the Chair and Non-Executive Directors. 	<ul style="list-style-type: none"> Reviewed annually. Determined and reviewed taking into account time commitment, experience, knowledge and responsibilities of the role as well as market data for similar roles in other companies of a similar size and/or business to Oxford Instruments. Out-of-pocket expenses including travel may be reimbursed by the Company in accordance with the Company's expenses policy including tax thereon "grossed up" as appropriate. 	<ul style="list-style-type: none"> There is no prescribed maximum or maximum annual increase.

Differences in the Remuneration Policy of the Executive Directors and the general employees

There are no material differences in the structure of remuneration arrangements for the Executive Directors and senior management population, aside from quantum and participation levels in incentive schemes, which reflect the fact that a greater emphasis is placed on performance-related pay for Executive Directors and the most senior individuals in the management team. Outside the senior management team, the Company aims to provide remuneration structures for employees which reflect market norms, business and personal performance. The Committee is regularly apprised of the remuneration policy throughout the Company to ensure that decisions in relation to executive pay are considered in the round.

The objectives and targets for all employees are cascaded through the organisation each year to ensure alignment with the Company strategy. The bonus plans for the workforce are designed around the same performance metrics as those set for the Executive Directors. The structure of senior management bonuses and Long Term Incentive Plans directly reflects those of the Executive Directors, with some measures being Group-wide and others specific to their areas of control. This alignment is explained to the workforce at the time that objectives and targets are set each year.

Choice of performance measures and approach to setting targets

The Committee selects financial and strategic measures for the annual bonus that are key performance indicators for the business over the short term. For the long-term incentives, the Committee will select a combination of measures that provide a good focus on the outcomes of the Company strategy together with sustainable improvements in long-term profitability.

The Committee sets appropriate and demanding targets for variable pay in the context of the Company's trading environment and strategic objectives. The targets for the annual bonus plan will be set each year with reference to the Company's budget and business and strategic plan. The Committee will review the performance conditions and targets for awards under the PSP each year prior to awards being made, taking account of the Company's internal financial planning, market forecasts and the business environment.

Discretions retained by the Committee in operating its incentive plans

The Committee may adjust the formula-driven outturn for an annual bonus or PSP performance condition in the event that the Committee considers that the quantum would be inappropriate in light of wider Company performance or overall shareholder experience. Any such use of discretion would be detailed in the Annual Report on Remuneration in Part B and in the Annual Statement from the Chair of the Committee.

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the Committee may apply certain operational discretions. These include the following:

- selecting the participants in the plans;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments;
- determining the extent of vesting based on the assessment of performance;
- determining "good leaver" status and, where relevant, the extent of vesting in the case of the share-based plans;

- where relevant, determining the extent of vesting in the case of share-based plans in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- the annual review of weighting of performance measures and setting targets for the annual bonus plan and discretionary share plans from year to year.

The Committee may adjust the targets and/or set different measures and alter weightings for existing annual bonus plans and share-based awards only if an event occurs which causes the Committee to reasonably consider that the performance conditions would not without alteration achieve their original purpose and the varied conditions are no less difficult to satisfy than the original conditions. Any changes, and the rationale for those changes, will be set out clearly in the Annual Report on Remuneration in respect of the year in which they are made.

Legacy arrangements

In approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting or exercise of past share awards) that have been disclosed to and approved by Shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

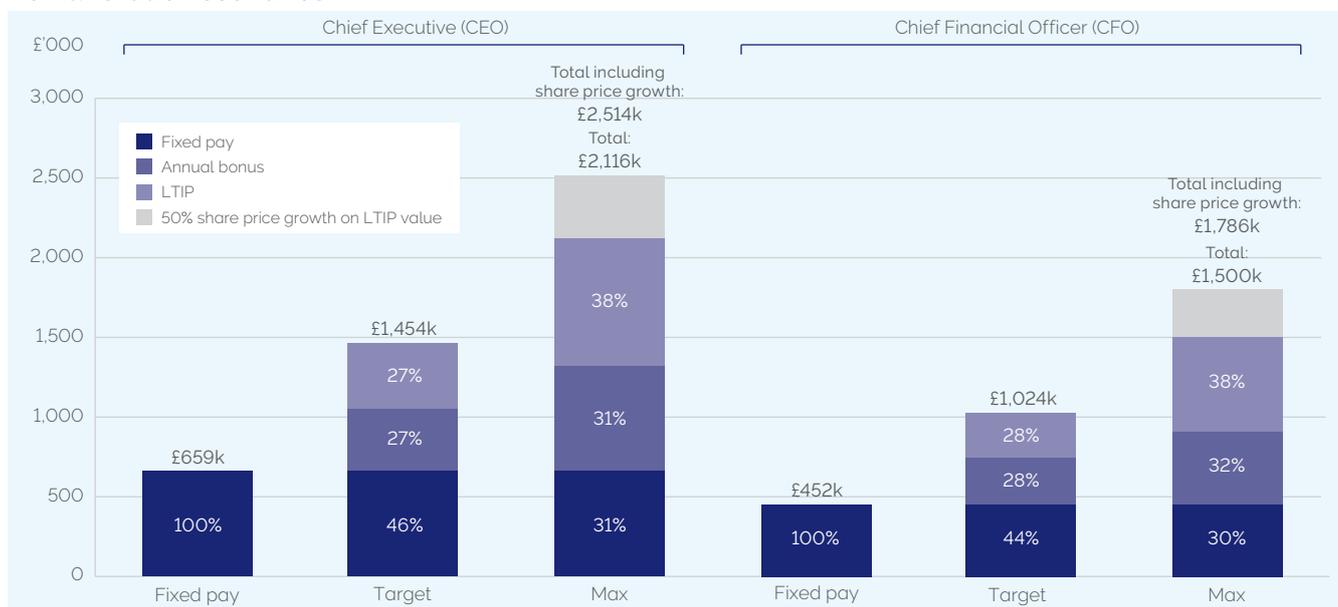
Directors' Remuneration Report *continued*

Directors' Remuneration Policy (A) *continued*

Remuneration scenarios for Executive Directors

The charts below show the level of remuneration potentially payable to Executive Directors under different performance scenarios for the financial year 2022/23 (see notes for assumptions):

Remuneration scenarios



Assumptions for charts above:

- Fixed pay comprises salary levels as at 1 July 2022, fixed pension contribution and the value of benefits received in 2021/22.
- The on-target level of bonus is 75% of salary.
- The on-target level of vesting under the annual PSP is taken to be 50% of the face value of the award at grant, i.e. 75% of salary.
- The maximum level of bonus and vesting under the PSP is 125% of the bonus opportunity and 100% of the face value of the PSP award at grant, i.e. 150% of salary.
- To show the impact of potential share price growth on the value of an Executive Director's package, the impact of share price growth of 50% on the PSP is used.

Recruitment and promotion policy for Executive Directors

In setting total remuneration levels and in considering quantum for each element of the package for a new Executive Director, the Committee takes into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

The Company seeks to align the remuneration package with the Remuneration Policy approved by Shareholders, including the maximum plan limit for the long-term incentives and an annual bonus entitlement in line with that of the other Executive Directors. Salary is provided at such a level as required to secure the most appropriate candidate. For new appointments, base salary and total remuneration may be set initially at below normal market rates on the basis that it may be increased once expertise and performance has been proven and sustained.

Specific variable remuneration performance targets can be introduced for an individual where necessary for the first year of appointment if it is appropriate to do so to reflect the individual's responsibilities and the point in the year in which he or she joined the Board.

Flexibility is retained to offer additional cash and/or share-based payments on appointment in respect of deferred remuneration or benefit arrangements forfeited on leaving a previous employer. The Committee would look to replicate the arrangements being forfeited as closely as possible and, in doing so, will take account of relevant factors including the nature of the deferred remuneration, performance conditions, attributed expected value and the time over which they would have vested or been paid. Such awards may be made under the terms of the PSP or as permitted under the Listing Rules.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation, legal and any other incidental expenses as appropriate.

Executive Directors' service contracts and policy on cessation

Details of the service contracts of the Executive Directors, available for inspection at the Company's registered office and at the Company's AGM, are as follows:

	Contract date	Unexpired term of contract
Ian Barkshire	11 May 2016	Twelve-month rolling contract
Gavin Hill	9 February 2016	Twelve-month rolling contract

Details of contractual terms and the policy on cessation of employment are summarised in the table below. Payments to departing Directors can only be made in line with this Shareholder-approved policy:

Contractual provision	Detailed terms
Notice period	Twelve months by the Company or by the Director.
Termination payment	<p>A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, in the event of gross misconduct.</p> <p>For termination in other circumstances, the Company has a right to pay salary in lieu of the notice period (or part thereof) if it so determines.</p> <p>In addition, any statutory entitlements in connection with the termination would be paid as necessary, and, at the Committee's discretion if deemed necessary and appropriate, outplacement, legal fees and settlement of claims or potential compensation claims.</p>
Remuneration entitlements	Pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards or deferred bonus shares (in certain circumstances – see below).
Change of control	No Executive Director's contract contains additional provisions in respect of a change of control.

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment for existing awards is that any unvested awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, injury, ill health, disability, retirement or other circumstances at the discretion of the Committee, "good leaver" status may be applied. Under the 2014 PSP, awards to good leavers will vest on the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and normally be scaled back to reflect the proportion of the original vesting period actually served. In the event of a good leaver there would be no early release from a post-vest holding period (again, unless by genuine exception, for example serious ill health). The Committee has discretion in exceptional circumstances to disapply time pro-rating, to measure performance to, and vest awards at, the date of cessation. Vesting at cessation would be the default position where a participant dies. Deferred bonus shares are beneficially owned by the executive from the time of the bonus payment, so are not at risk of forfeiture (other than in relation to clawback).

External appointments

The Board encourages Executive Directors to accept one appropriate external non-executive appointment provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Director concerned may retain fees paid for these services, which will be subject to approval by the Board. Currently, the Executive Directors do not hold any outside directorships.

Non-Executive Directors

For the appointment of a new Chair or Non-Executive Director, the fee arrangement would be in accordance with the approved Remuneration Policy in place at the time.

Non-Executive Directors are appointed under letters of appointment for fixed terms of three years, however in line with governance best practice, the Company proposes all Directors for annual re-election by shareholders at the AGM. Their appointment can be terminated without notice and with no compensation payable on termination, other than accrued fees and expenses.

	Date of appointment	Notice period
Neil Carson	1 December 2018	Rolling six months
Richard Friend	1 September 2014	None
Mary Waldner	4 February 2016	None
Alison Wood	8 September 2020	None
Nigel Sheinwald	22 September 2021	None

Directors' Remuneration Report **continued**

Annual Report on Remuneration (B)

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

The Remuneration Committee (unaudited)

The Remuneration Committee (the "Committee") is responsible for recommending to the Board the remuneration packages for Executive Directors and has oversight of the pay, bonus and share incentive strategy for the Group's executive management. The Chair and the Executive Directors are responsible for determining the remuneration of the Non-Executive Directors, and the Remuneration Committee, in the absence of the Chair, is responsible for determining the remuneration of the Chair.

The role of the Committee includes:

- considering and determining the Remuneration Policy for the Executive Directors;
- within this agreed policy, considering and determining the various elements and total remuneration packages of each Executive Director of the Company;
- approving the structure and targets for all performance-related remuneration plans for executives as well as the overall payments made under such plans;
- reviewing and noting remuneration policy and trends across the Group and considering the Executive Directors' remuneration within this context; and
- determining the policy for pension arrangements, service agreements, recruitment terms and termination payments to Executive Directors.

The members of the Committee are appointed by the Board and currently comprise all the independent Non-Executive Directors: Alison Wood, Richard Friend, Mary Waldner, Nigel Sheinwald, and the Chair of the Board, Neil Carson. Alison Wood has held the role of Chair of the Committee since 26 January 2021 and has significant prior remuneration committee experience, in particular, chairing Remuneration Committees at other listed companies and is sufficiently experienced to undertake this role in line with Provision 32 of the UK Corporate Governance Code 2018.

The Chief Executive, Chief Financial Officer and the Chief HR Officer and other executives are invited to attend Committee meetings as deemed appropriate. No Executive Director is present when the Committee is determining his or her own remuneration.

The Committee acts within its agreed written terms of reference (which are published on the Company's website: www.oxinst.com/investors) and complies with the provisions of the UK Corporate Governance Code regarding remuneration.

The performance of the Committee is reviewed at least once a year as part of the Board evaluation process and during the financial year, was reviewed as part of the externally facilitated Board evaluation facilitated by Round Governance Services.

During the year, the Committee fulfilled its duties, as set out in the Committee's terms of reference, in line with the normal annual cycle of remuneration-related matters, except as noted in the Corporate Governance Statement for the year ended 31 March 2022 on page 92 which explains that dedicated workforce engagement to explain how executive remuneration aligns with wider company pay policy did not take place during the financial year. A session of this nature has been arranged to take place during July 2022, post the publication of the 2022 Directors' Remuneration Report, and will be hosted by the Chair of the Remuneration Committee, Alison Wood.

Korn Ferry (KF) was the Committee's independent remuneration consultant during the year and continues with this appointment in 2022/23. KF is appointed by the Committee to provide advice on all aspects of executive remuneration as required by the Committee.

KF is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres to the Code. During the year, KF had discussions with the Committee Chair on remuneration matters relevant to the Company and on how best their team can work with the Committee to meet the Company's needs.

Fees are charged predominantly on a "time spent" basis. The total fees paid to KF for the advice provided to the Committee during the year were £23,581 (excluding VAT).

During the year KF also provided executive search related services to the Company (but not for Board appointments) through a separate part of the business. The Committee was comfortable that the controls in place at KF do not result in the potential for any conflicts of interest to arise.

Directors' remuneration (audited)

The remuneration paid to the Directors during the year under review and the previous year is summarised in the tables below:

Executive		Salary ¹ £'000	Benefits ² £'000	Pension ³ £'000	Annual bonus ⁴ £'000	Long-term incentive awards ⁵ £'000	Other ⁶ £'000	Total fixed £'000	Total variable £'000	Total £'000
Ian Barkshire	2022	488	67	58	464	1,067	1	614	1,531	2,145
	2021	424	52	55	451	1,575	1	532	2,026	2,558
Gavin Hill	2022	358	23	46	343	833	1	428	1,176	1,604
	2021	330	22	43	352	1,229	1	396	1,581	1,977
Total	2022	846	90	104	807	1,900	2	1,042	2,707	3,749
	2021	754	74	98	803	2,804	2	928	3,067	4,535

- "Salary" – As a response to the possible impact of covid on the business, the Directors waived 20% of their base salary remuneration from 6 April 2020 to 5 July 2020. This has not been repaid to Directors.
- "Benefits" comprise provision of a car or car allowance, health insurance, life assurance, overnight hotel accommodation where necessary to carry out duties at the Head Office of the Company and, for Ian Barkshire, provision of a driver to allow him to make best use of his commuting time. For the year to 31 March 2022, the provision of a driver accounted for £57,141 (2021: £31,664) of the total benefits for Ian Barkshire.
- Each Executive Director is entitled to receive a contribution to a money purchase pension scheme for a fixed value, which is calculated as 14% of base salary earned on 1 April 2020. Where the contractual pension contribution exceeds the annual or lifetime allowance, any balancing payment is made by the Company as a cash allowance which, in line with the policy for all UK employees, is paid net of employer's national insurance contributions.
- "Annual bonus" represents the full annual bonus for the year to 31 March 2022 and would usually be paid in the July 2022 payroll. Of the amounts disclosed, £44,553 and £36,518 will be paid in shares for the CEO and CFO respectively, which must be held for three years, as per the policy.
- "Long-term incentive awards" are those awards where the vesting is determined by performance periods ending in the year under review and therefore reports the value of the PSP award granted on 15 July 2019. The value has been determined using the average share price over the three months to 31 March 2022, £21.71. Further details of how these sums are arrived at are set out on page 136. The share price used on grant of the 2019 PSP award was £13.74 and the total face value at grant of the vested number of shares is £663,903 for the CEO and £518,177 for the CFO. On vesting (based on an average share price for the last three months of the financial year) the share price was £21.71, giving a total vested award value of £1,049,005 for the CEO and £818,749 for the CFO. The value of the PSP award that has been attributable to share price growth is, therefore, £385,102 and £300,573 for the CEO and CFO respectively. Dividend equivalents have been added to arrive at the total figure included in the table above. The value of the prior year awards has been restated using the share price on the vesting date of 5 July 2021 of £23.80, giving a total vested award value, including dividend equivalents, of £1,574,894 (before restatement £1,261,173) for the CEO and £1,229,175 (before restatement £984,319) for the CFO.
- The Company operates a Share Incentive Plan (SIP) which is open to all UK permanent staff employed for at least six months. "Other" is the value of matching SIP shares attributable to the year. In 2021/22, Ian Barkshire and Gavin Hill participated in the SIP up to the maximum extent permitted by HMRC. The Company offers a 1:5 match for partnership shares purchased by employees and this amounted to £360 each of matching shares for Ian Barkshire and Gavin Hill.

Non-Executive		Fees ¹ £'000	Benefits £'000	Pension £'000	Annual bonus £'000	Long-term incentive awards £'000	Total £'000
Neil Carson	2022	186	—	—	—	—	186
	2021	172	—	—	—	—	172
Steve Blair ²	2022	28	—	—	—	—	28
	2021	55	—	—	—	—	55
Richard Friend	2022	52	—	—	—	—	52
	2021	48	—	—	—	—	48
Thomas Geitner ²	2022	24	—	—	—	—	24
	2021	53	—	—	—	—	53
Mary Waldner	2022	60	—	—	—	—	60
	2021	55	—	—	—	—	55
Alison Wood	2022	64	—	—	—	—	64
	2021	31	—	—	—	—	31
Nigel Sheinwald ⁴	2022	30	—	—	—	—	30
	2021	—	—	—	—	—	—
Total	2022	444	—	—	—	—	444
	2021	414	—	—	—	—	414

- "Fees" – In response to the possible impact of covid on the business, the Directors waived 20% of their fees from 6 April 2020 to 5 July 2020. This has not been repaid to Directors.
- Steve Blair and Thomas Geitner resigned as Non-Executive Directors with effect from the conclusion of the AGM on 21 September 2021.
- Alison Wood was appointed as a Non-Executive Director effective 8 September 2021.
- Nigel Sheinwald was appointed as a Non-Executive Director and Chair of the Sustainability Committee effective 22 September 2021.

Directors' Remuneration Report **continued**

Annual Report on Remuneration (B) **continued**

External appointments (unaudited)

The Board encourages Executive Directors to accept one appropriate external non-executive appointment provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Director concerned may retain fees paid for these services, which will be subject to approval by the Board. There were no such appointments during the year.

Details of annual bonus earned in year (audited)

As in previous years, the Committee set stretching performance targets for the annual bonus which are clearly linked to the strategy and financial performance of the Group. The targets set and the achievement against them are set out in the table below.

Measure	Percentage of salary payable			Targets			Actual	Payout % of salary
	Threshold	On target	Maximum	Threshold	On target	Maximum		
Adjusted PBT	7.5%	30%	55%	£56m	£61.4m	£64.5m	£65.9m	55%
Adjusted operating profit margin	3.75%	15%	27.5%	17.8%	18.3%	18.5%	18.1%	10.5%
Cash conversion	3.75%	15%	27.5%	82%	85%	92%	86.3%	17.3%
Strategic objectives	—	15%	—	—	—	—	See below	CEO 10% CFO 12.5% CEO 92.8% CFO 95.3%

The non-financial strategic objectives were set at the start of the year. Performance against them is set out below. The Committee in its review noted that the executive team had made some progress in the year to strengthen the portfolio through acquisitions and new products resulting in a bonus payment of 50% of the total bonus available against this objective. In addition, very good progress was made across the sustainability agenda, engagement with shareholders and a major site relocation project resulting in the maximum payment being made against these objectives. Details of the objectives and an assessment as to their achievement are set out below:

CEO objectives	Weighting	Achievements towards objectives/performance
Build on and sustain the organic growth of the current businesses whilst taking substantive steps to progress supplemental inorganic growth opportunities identified through a comprehensive strategic review. The inorganic growth opportunities are expected to include both opportunities closely aligned to the Company's current activities and expansive adjacent opportunities.	2/3	<ul style="list-style-type: none"> Strong orders and order book set the foundation for growth New products launched and progressed in year including the BC43 product taking us into new markets Broad range of acquisition opportunities identified, assessed and progressed Acquisition of WiTec completed in year
		5 out of 10
Establish clear Company strategic goals across the broad sustainability agenda and implement the appropriate programmes to deliver tangible in-year progress towards those goals.	1/3	<ul style="list-style-type: none"> Sustainability Committee in place and teams established within the Group with accountability to progress each agenda area External advisers appointed and supporting development of environmental agenda Targets identified against several aspects of the social and governance agenda
		5 out of 5
Total	100%	10% out of 15%

CFO objectives	Weighting	Achievements towards objectives/performance
Build on and sustain the organic growth of the current businesses whilst taking substantive steps to progress supplemental inorganic growth opportunities identified through a comprehensive strategic review.	1/3	<ul style="list-style-type: none"> Strong orders and order book set the foundation for growth New products launched and progressed in year including the BC43 product taking us into new markets Broad range of acquisition opportunities identified, assessed and progressed Acquisition of WiTec completed in year <p style="text-align: right;">2.5 out of 5</p>
Develop engagement with a broader range of potential shareholders commensurate with the strategic direction of the Company.	1/3	<ul style="list-style-type: none"> A series of investor meetings, visits and briefings have taken place throughout the year with a view to careful alignment against strategy <p style="text-align: right;">5 out of 5</p>
Provide leadership and governance oversight of the Plasma Technology business relocation, ensuring that the project is managed to time and to budget; and effective measures are put in place to ensure business continuity.	1/3	<ul style="list-style-type: none"> Practical completion of construction phase now complete Rigorous management to budget and timescales, adapting to materials challenges and costs <p style="text-align: right;">5 out of 5</p>
Total	100%	12.5% out of 15%

The on-target and maximum bonus potentials for the Executive Directors, as well as the amounts actually payable for the year ended 31 March 2022, are set out below.

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2021/22 (% of salary) ¹	Actual bonus payable for 2021/22 (% of maximum)	Actual bonus payable ^{1,2} for 2021/22 (£'000)
Ian Barkshire	75%	125%	92.8%	74.2%	464,107
Gavin Hill	75%	125%	95.3%	76.2%	342,591

1. Bonus is calculated on salary as at 31 March 2022.

2. Of the amounts disclosed, £44,553 and £36,518 will be paid in shares for the CEO and CFO respectively, which must be held for three years, as per the policy.

Long-term incentive plans (audited)

The performance targets, performance against them and the resulting value in respect of the long-term incentive awards where vesting is determined by a performance period ending in 2021/22 are as follows:

Performance Share Plan (PSP)

The performance targets which applied to the awards made on 15 July 2019 for the performance period ending in the year under review and actual performance achieved against them were as follows:

50% of the award is based on EPS measured over a three-year performance period starting 1 April 2019:

Performance level	EPS growth required	% of award that will vest
Below threshold	Less than 4% per annum over three years	0%
Threshold	4% per annum over three years	25%
Between threshold and maximum	4% to 12% per annum over three years	25%-100%
Maximum	12% per annum and above over three years	100%
Actual EPS	94.3p	
Actual growth achieved over the period (per annum)	14.8%	100%

50% of the award is based on the Company's return on capital employed in the final year of the three-year performance period:

Performance level	ROCE ¹ for the final year of the performance period	% of award that will vest
Below threshold	Less than 20.5%	0%
Threshold	20.5%	25%
Between threshold and maximum	Between 20.5% and 23.4%	25%-100%
Maximum	23.4% per annum and above	100%
Actual ROCE achieved in 2021/22	30.9%	100%

1. ROCE is calculated as EBIT/capital employed where EBIT is adjusted operating profit less amortisation of acquired intangibles, and capital employed is defined as documented in the Finance Review on page 75.

Directors' Remuneration Report **continued**

Annual Report on Remuneration (B) **continued**

Long-term incentive plans (audited) continued

Performance Share Plan (PSP) continued

Based on the performance against targets as set out as set out on the previous page, the PSP awards will vest on 15 July 2022 as follows:

	Date award granted	Total number of shares granted	Percentage of award vesting	Number of shares vesting	Value ¹ of shares vesting (£'000)	Number of shares awarded as dividend equivalent ²	Value ¹ of shares vesting including dividend equivalent (£'000)
Ian Barkshire	15 July 2019	48,319	100%	48,319	1,049	847	1,067
Gavin Hill	15 July 2019	37,713	100%	37,713	819	661	833

- As the awards vest after the date of this report, value has been calculated using the average mid-market closing price of the Company's shares over the three-month period ending 31 March 2022, £21.71. This will be restated for the actual value on vesting in next year's report.
- Dividend equivalents have been calculated based on dividends paid up until the date of this report. If dividends are payable between the date of this report and the vesting date, additional dividend equivalents will be awarded.

Performance Share Plan awards made in the year and outstanding share incentive awards (audited)

Awards made under the PSP on 5 July 2021 were as follows:

	Date award granted	Total number of shares granted	Percentage of salary	Face value of award at grant date	Share price on day before award date	Vesting date
Ian Barkshire	5 July 2021	32,468	150%	£772,738	£23.10	5 July 2024
Gavin Hill	5 July 2021	23,338	150%	£555,444	£23.10	5 July 2024

The awards have been granted as nil-cost options and are subject to two performance conditions measured over a three-year period commencing 1 April 2021. One half of each award is subject to a performance condition based on the Company's compound annualised earnings per share (EPS) growth. The other half of each award is subject to a performance condition based on the Company's return on capital employed in the final year of the performance period.

Vesting of 50% of the award is based on EPS measured over a three-year performance period starting 1 April 2021 as follows:

Performance level	EPS growth over three years	% of award that will vest
Below threshold	Less than 4% per annum	0%
Threshold	4% per annum	25%
Between threshold and maximum	4% to 12% per annum	25%-100%
Maximum	12% per annum and above	100%

Vesting of the other 50% of the award is based on return on capital employed (ROCE) for the final year of the three-year performance period starting 1 April 2021:

Performance level	ROCE for the final year of the performance period	% of award that will vest
Below threshold	Less than 24%	0%
Threshold	24%	25%
Between threshold and maximum	Between 24% and 30%	25%-100%
Maximum	30% per annum and above	100%

As at 31 March 2022, the outstanding options for Ian Barkshire and Gavin Hill under the Executive Share Option Scheme (ESOS) and the PSP¹ were as follows:

Name	Scheme	31 March 2022	Granted	Exercised	Lapsed	Dividend equivalents ²	1 April 2021	Exercise price	Share price on date of grant	Date of grant	Earliest exercise	Latest exercise
Ian Barkshire	ESOS	—		15,000			15,000	£9.90	£9.87	14/12/11	14/12/14	13/12/21
	ESOS	—		37,549			37,549	£10.28	£10.31	15/06/15	15/06/18	14/06/25
	PSP	—		80,973			80,973	£nil	£7.34	21/06/16	21/06/19	20/06/26
	PSP	67,998					67,998	£nil	£9.58	25/09/17	25/09/20	24/09/27
	PSP	66,172				1,559	64,613	£nil	£10.10	03/07/18	03/07/21	02/07/28
	PSP	48,319					48,319	£nil	£14.00	15/07/19	15/07/22	14/07/29
	PSP	42,019					42,019	£nil	£16.24	23/09/20	23/09/23	22/09/30
	PSP	32,468	32,468				—	£nil	£23.80	05/07/21	05/07/24	04/07/31
Gavin Hill	PSP	—		63,198			63,198	£nil	£7.34	21/06/16	21/06/19	20/06/26
	PSP	53,071					53,071	£nil	£9.58	25/09/17	25/09/20	24/09/27
	PSP	51,646				1,216	50,430	£nil	£10.10	03/07/18	03/07/21	02/07/28
	PSP	37,713					37,713	£nil	£14.00	15/07/19	15/07/22	14/07/29
	PSP	32,796					32,796	£nil	£16.24	23/09/20	23/09/23	22/09/30
	PSP	23,338	23,338				—	£nil	£23.80	05/07/21	05/07/24	04/07/31

1. Dividend equivalents are awarded on PSP shares vesting, for the period to vesting, in respect of the actual number of shares vesting.

The market price of the shares at 31 March 2022 was £21.10 (2021: £19.06) and the range during the year was £17.60 – £26.80 (2021: £11.36-£20.85).

Performance conditions for outstanding, unvested awards are described below:

PSP	50% of award	50% of award
15 July 2019 ^{2,3}	EPS growth – 4% p.a. (25% vesting) to 12% p.a. (100% vesting)	ROCE ¹ in the final year of the performance period – 20.5% (25% vesting) to 23.4% (100% vesting)
25 September 2020 ²	EPS growth – 3% p.a. (25% vesting) to 8% p.a. (100% vesting)	ROCE ¹ in the final year of the performance period – 20.5% (25% vesting) to 23.4% (100% vesting) – subsequently increased to 24%-30% by the Committee using Committee discretion
5 July 2021 ²	EPS growth – 4% p.a. (25% vesting) to 12% p.a. (100% vesting)	ROCE ¹ in the final year of the performance period – 24% (25% vesting) to 30% (100% vesting)

1. ROCE is calculated as EBIT/capital employed where EBIT is adjusted operating profit less amortisation of acquired intangibles, and capital employed is defined as documented in the Finance Review on page 75.

2. Three-year performance period commencing 1 April prior to date of grant.

3. The performance conditions relating to this award have been tested and have exceeded maximum vesting. They are included in this table as the awards vest after the date of this report.

Achievement of performance conditions (unaudited)

EPS and ROCE performance targets are tested using the audited accounts of the Company. Performance against targets and the resulting level of vesting is then verified by the Remuneration Committee.

Dilution limits (unaudited)

The Company's share plans provide that overall dilution through the issuance of new shares for employee share schemes should not exceed an amount equivalent to 10% of the Company's issued share capital over a ten-year period. The SIP scheme only uses market-purchased shares.

The Committee monitors the position prior to the making of any award under these share schemes to ensure that the Company remains within this limit. As at the date of this report, the Company's utilisation is under 3%, well within the available 10% headroom position.

Directors' Remuneration Report **continued**

Annual Report on Remuneration (B) **continued**

Shareholding requirements (audited)

The Executive Directors are required to build and retain a shareholding in the Company equivalent in value to 200% of basic salary. Until the requirement is met, the Executive Directors are expected to retain or purchase shares equivalent to the value of 50% of the net amount realised on exercise of long-term incentive awards after allowing for tax payable. The value of vested but unexercised PSP awards may count towards the shareholding level, calculated at the net of tax value.

Executive Directors' shareholdings as at 31 March 2022 are shown in the table below.

	Beneficially owned	PSP and ESOS awards vested but unexercised	Percentage of salary held in shares under shareholding guideline ¹	Guideline met as at 31 March 2022	Unvested PSP awards ²
Ian Barkshire	1,995	134,170	309%	Yes	122,806
Gavin Hill	1,738	104,717	336%	Yes	93,847

- The tax rate used to determine the net value of the vested PSP awards is 47%. Value of vested ESOS options excluded from percentage of salary held calculation. Shares valued using the market price of the shares on 31 March 2022: £21.10.
- Award granted in July 2019 will vest in full in July 2022. Awards granted in September 2020 and July 2021 remain subject to performance conditions.

Pension arrangements

Executive Director pension arrangements (audited)

Executive Directors can decide to contribute to a pension plan of their choice. The Company contributes a fixed amount, calculated as 14% of base salary paid in year to 31 March 2020. Only base salary is pensionable. Where the Company's pension contribution exceeds the annual allowance, a balancing payment is paid by the Company to the Director, which is taxed as income. In line with the policy for all UK employees, this cash payment is reduced by 12.12% to cover employer's national insurance costs.

During the year, the Company contributed £4,000 (2021: £4,000) into the Company's Group Personal Pension Plan in respect of Ian Barkshire and £4,000 (2021: £4,000) into a personal defined contribution plan in respect of Gavin Hill. Balancing payments of £54,000 to Ian Barkshire and £42,147 to Gavin Hill (net of employer's national insurance contributions) were paid as cash.

Ian Barkshire is a deferred member of the defined benefit pension scheme and is no longer accruing benefits in the scheme. In accordance with the rules of the scheme, his deferred benefits are subject to increases in line with statutory revaluation. The transfer value of his accrued benefits at 31 March 2022 was £1,219,549 (2021: £996,936). The normal retirement age applicable to Ian under the scheme, is 65 and should he retire early, no additional benefits would be provided.

Payments to past Directors and for loss of office (audited)

There were no payments to Directors for loss of office or any payments to past Directors.

Performance graph and CEO's remuneration (unaudited)

The graph below shows for the ten years ended 31 March 2022 the total shareholder return (TSR) on a holding of the Company's ordinary shares compared with the TSR of an equivalent value invested in the FTSE 250, FTSE Techmark and FTSE 350 Electronic and Electrical Equipment indices. These indices have been chosen as they are considered to be the most appropriate comparator groups for the Company. TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested.



This graph shows the value, by 31 March 2022, of £100 invested in Oxford Instruments plc on 31 March 2012 compared with the value of £100 invested in the FTSE 250, FTSE Techmark and FTSE 350 Electronic and Electrical Equipment indices. The other points plotted are the values at intervening financial year ends.

The total remuneration of the CEO over the last ten years is shown in the table below. The annual bonus payout and PSP vesting level as a percentage of the maximum opportunity are also shown.

Year ending 31 March	2013	2014	2015	2016	2017 ¹		2018	2019	2020	2021	2022
					DJF	IRB					
Total remuneration (£'000)	2,348	1,179	579	743	64	620	791	1,957	1,967	2,244	2,145
Annual bonus outcome (%)	69.1%	15.0%	7.5%	38.6%	0%	56.3%	63.7%	94.4%	62.9%	100%	74.2%
ESOS vesting (%)	100%	100%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A
SELTIS/PSP ² vesting (%)	100%	100%	0%	0%	0%	N/A	N/A	92.8%	100%	100%	100%

- 2016/17 financial year: remuneration shown separately for Jonathan Flint (DJF) who was CEO from 1 April to 11 May 2016 and Ian Barkshire (IRB) who was CEO from 12 May 2016 to 31 March 2017.
- Executive Directors were last granted ESOS (market value share options) and SELTIS (nil-cost options) in June 2014. PSP awards have been granted after June 2014 as the long-term incentive.

Ratio of Chief Executive pay to that of employees generally

The Chief Executive to employee pay ratio for 2021/22 and prior financial years is set out below:

Financial year	Method	25th percentile	50th percentile	75th percentile
2021/22	A	67.1:1	49.9:1	37.3:1
2020/21	A	72.6:1	55.0:1	39.8:1
2019/21	A	62.5:1	47.8:1	33.3:1

The pay for the CEO and the employees at the percentiles for the 2021/22 ratio are set out below:

	CEO	25th percentile	50th percentile	75th percentile
Salary	£487,863	£29,294	£38,532	£53,338
Total pay	£2,144,823	£31,948	£43,015	£57,485

The ratios have been calculated in accordance with Option A under the relevant regulations, as this is the most statistically accurate method. The CEO pay is compared to the pay of our UK employees at the 25th, 50th and 75th percentile, calculated based on full-time equivalent pay data for the full financial year to 31 March 2022. All UK employees employed at the end of the financial year who had worked the full year have been included, part-time employees have been included and pay has been converted to a full-time equivalent number by calculating total part-time pay and grossing up to the full-time equivalent for the role. Accordingly, any employees that left the Company or joined during the year have been excluded.

The calculations use the pay for Ian Barkshire as disclosed in the single figure table. The pay for all UK employees comprises salary, benefits, pension and annual bonus payments due for 2021/22. None of the employees at the percentiles received share awards.

The CEO pay ratio has decreased this year as a result of the relative value of the PSP award that has been attributable to share price growth in the period between the awards made in July 2018 and July 2019. In addition, there has been considerable upward pressure on employee salaries both at recruitment and for retention of key skills and staff.

As the Committee is regularly apprised of the remuneration policy throughout the Company to ensure that decisions in relation to executive pay are considered in the round, the Committee is satisfied the pay of the employees identified for the quartiles appropriately reflects the employee pay structure in each quartile and the resulting pay ratios are consistent with the pay, reward and progression policies in place for all employees.

Directors' Remuneration Report *continued*

Annual Report on Remuneration (B) *continued*

Percentage change in the remuneration of the Directors (unaudited)

The table below shows the percentage change in each of the Director's salaries, taxable benefits and annual bonus earned between 2020/21 and 2021/22, and 2019/20 and 2020/21, compared to that for the average UK-based employee of the Group (on a per capita full-time equivalent basis).

Directors as of 31 March 2022	2020/21 to 2021/22			2019/20 to 2020/21		
	Salary % change ²	Benefits % change	Bonus % change ³	Salary % change	Benefits % change	Bonus % change
Ian Barkshire	15.0	30.1	2.8	-3.6	-41.3	62.1
Gavin Hill	8.5	2.3	-2.8	-4.1	8.2	57.1
Neil Carson	8.0	—	—	-4.3	—	—
Richard Friend	8.0	—	—	-3.4	—	—
Mary Waldner	8.3	—	—	-3.8	—	—
Alison Wood ⁴	N/A	—	—	N/A	—	—
Nigel Sheinwald ⁵	N/A	—	—	N/A	—	—
Average employee pay ¹	4.24	-8.4	-23.1	-0.7%	-6.7	7.0

- Average employee includes all UK employees in service on 1 April 2020 and 31 March 2022 but excludes those who were on maternity leave, long term sick leave and those who started or ended employment within the period.
- The average pay increase across all employees in the UK in 2021/22 was 2%.
- The value of the average employee bonus for the year ended 31 March 2022 (to be paid in July 2022) was not known at the time the Report and Financial Statements were approved and consequently the number included is management's best estimate of the bonus that will be paid.
- Alison Wood joined the Board on 8 September 2020.
- Nigel Sheinwald joined the Board on 22 September 2021.

Relative importance of the spend on pay

The following table shows the Group's employee costs relative to dividends and share buybacks:

	Year ended 31 March 2022	Year ended 31 March 2021	% change
Employee costs (£m)	115.5	101.4	13.91%
Dividends (£m)	10.4	9.8	6.1%
Share buybacks (£m)	—	—	—

Statement of Shareholder voting (unaudited)

The resolution to approve the Directors' Remuneration Policy was passed at the 2020 AGM and received the following votes from Shareholders:

Resolution	Votes for	Votes against	% for	% against	Votes marked as abstain
To approve the Directors' Remuneration Policy	46,549,719	1,849,350	96.2	3.8	4,242

The resolution to approve the Annual Report on Remuneration at the 2021 AGM received the following votes from Shareholders:

Resolution	Votes for	Votes against	% for	% against	Votes marked as abstain
To approve the Annual Report on Remuneration	46,588,504	1,554,711	96.8	3.2	6,960

How the policy will be applied in 2022/23 (unaudited)

Base salaries

With effect from 1 July 2022, the salaries of the CEO and CFO will increase from £500,000 to £530,000 and £359,406 to £380,970, respectively. This represents an increase of 6%, which is in line with the salary increase applied with effect from 1 April 2022, for the wider UK workforce.

Benefits and pension

These will be awarded in accordance with the approved policy. Benefits will be in line with those received in 2021/22. Pension will be £61,964 for the CEO and £48,363 for the CFO (14% of the level of the (normal) salary rate at the start of 2020/21, frozen for the duration of this policy period). This equates to c.11.7% of salary for the CEO and 12.7% of salary for the CFO for 2022/23.

Annual bonus

The maximum opportunity under the annual bonus plan for 2022/23 will be 125% of base salary for both the CEO and CFO, payable in cash up to the target level and then 50% in shares for any bonus earned in excess of the target payout level. Shares must be held for three years.

A combination of financial (85%) and non-financial strategic (15%) metrics will be used to determine the level of payment under the annual bonus for the CEO and CFO as detailed in the table below:

Measure	Weighting as a % of salary Maximum
Adjusted operating profit margin (%)	27.5%
Profit (£m)	55%
Cash conversion (%)	27.5%
Strategic objectives	15%

Non-financial strategic targets have been agreed. For the CEO and CFO, these objectives are linked to accelerating growth, operational effectiveness, our sustainability agenda and shareholder engagement.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include matters which the Committee considers commercially sensitive. Retrospective disclosure of the performance against them will be made in next year's Annual Report on Remuneration.

Long-term incentives in respect of the financial year

The 2022/23 PSP awards will be over shares with a market value at grant of 150% of salary for the CEO and CFO. Vesting will be subject to the performance conditions as set out below measured over a three-year performance period commencing 1 April 2022. The top end of the range for the EPS measure has decreased from that set for last year's awards reflecting the strong EPS performance in 2021/22 which results in a high baseline for growth for the 2022/23 award and for the ROCE measure the target range has increased. The Committee is satisfied these target ranges are appropriately stretching in light of the business plan and market outlook.

Half of the award	Half of the award
EPS growth – 4% p.a. (25% vesting) to 10% p.a. (100% vesting) over three financial years commencing with the 2022/23 financial year.	ROCE – 26% in the final year of the performance period (2024/25 financial year) (25% vesting) to 32% (100% vesting).

Non-Executive Directors' fees

The Committee and the Board, as appropriate, have reviewed the fees for the Chair and Non-Executive Directors. In line with the general workforce, the basic fees for the Chair and the Non-Executive Directors will increase by 5% for 2022/23, effective from 1 July 2022.

	2021/22	2022/23	% increase
Board Chair	£187,272	£196,636	5%
Additional fee for Deputy Chair	£5,202	£5,202	0%
Basic fee	£52,071	£54,675	5%
Additional fee for Senior Independent Director	£7,803	£7,803	0%
Additional fee for Committee Chair	£7,803	£7,803	0%

Note: The fees shown for 2021/22 and 2022/23 are the annual rates as at 1 July 2021 and 1 July 2022, respectively.

Approval

This report was approved by the Committee on 13 June 2022 and has been approved subsequently by the Board for submission to Shareholders at the Annual General Meeting to be held on 28 July 2022.

Alison Wood

Chair of the Remuneration Committee

13 June 2022

Shareholder Information

Financial calendar¹

14 June 2022	Announcement of preliminary results
14 July 2022	Final dividend ex-dividend date
15 July 2022	Final dividend record date
28 July 2022	Annual General Meeting
02 August 2022	Final dividend DRIP election date
23 August 2022	Final dividend payment date
08 November 2022	Announcement of half-year results
01 December 2022	Interim dividend ex-dividend date
02 December 2022	Interim dividend record date
20 December 2022	Interim dividend DRIP election deadline
13 January 2023	Interim dividend payment date
31 March 2023	Financial year end

1. Please note that the above dates are subject to change.

Analysis of share register at 31 March 2022

	Total number of holdings	Percentage of holders	Total number of shares	Percentage of issued share capital
By type of shareholder				
Individual	1,557	76.59	3,897,923	6.76
Institutions and others	476	23.41	53,756,532	93.24
By size of shareholding				
1-500	1,223	60.16	212,070	0.37
501-1,000	243	11.95	183,419	0.32
1,001-10,000	328	16.13	1,003,591	1.74
10,001-100,000	146	7.18	5,332,780	9.25
100,001-500,000	65	3.20	14,733,513	25.55
Over 500,000	28	1.38	36,188,782	62.77
Total	2,033	100	57,654,455	100

Shareholder enquiries

Please contact Link Group, our Registrar, using the below details, for all enquiries regarding your shareholding, including updating your address or other contact details, direct dividend payments, merging duplicate shareholder accounts and amending your communication preferences.

Online: www.signalshares.com

To register to use this site, will need your Investor Code (IVC) which can be found on your share certificate

By telephone: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am-5.00pm, Monday to Friday excluding public holidays in England and Wales.

By post: Link Group, PXS 1,
Central Square,
10th Floor,
29 Wellington Street,
Leeds,
LS1 4DL

Annual General Meeting 2022

The 2022 Annual General Meeting of Oxford Instruments plc will be held at Tubney Woods, Abingdon, Oxfordshire OX13 5QX at 11.00am on Thursday 28 July 2022.

Further details can be found in the Notice of Meeting which has been sent to our shareholders and which is also available on our website at: <https://www.oxinst.com/investors-content/annual-general-meeting>

Company Information

Company name:	Oxford Instruments plc
Company number:	00775598
Registered office address:	Tubney Woods, Abingdon, Oxon OX13 5QX
Type:	Public Limited Company
Website:	www.oxinst.com
Auditor:	BDO LLP

Directors' Report

The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2022.

Principal activity and business reviews

The Company is the ultimate holding company of a group of subsidiary undertakings (the "Group") which are a leading provider of high technology products and services to industrial companies and scientific research communities. The Company is required to set out in this report a true and fair view of the business of the Group during the financial year ended 31 March 2022, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information which fulfils these requirements includes the Operations Review on pages 36 to 47, the Finance Review on pages 67 to 76 and the report on Sustainability on pages 48 to 66, which are incorporated in this report by reference. The operations, the strategic review, the Research and Development activities and likely future prospects of the Group are reviewed in the Strategic Report on pages 1 to 86.

Results and dividends

The results for the year are shown in the Consolidated Statement of Income on page 156. The Directors recommend a final dividend of 13.7p per ordinary share, which together with the interim dividend of 4.4p per ordinary share is a total of 18.1p per ordinary share for the year (2021: 17.0p per ordinary share). Subject to Shareholder approval, the final dividend will be paid on 23 August 2022 to Shareholders registered at close of business on 15 July 2022.

Risks and uncertainties

The Board exercises proper and appropriate corporate governance across the Group. It ensures that there are effective systems of internal controls in place to manage Shareholders' interests and the Group's assets, including the assessment and the management of the risks to which the businesses are exposed, and to monitor and manage the compliance with all the legal requirements that affect the Group's worldwide business activities. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Executive Directors report to the Board on changes in the business and in the external environment which may affect the risks which the Group faces.

The Executive Directors also provide the Board with financial information at each Board meeting. Key performance indicators are reviewed periodically.

There are a number of risks and uncertainties which may have a material effect on the Group. These are described in Principal Risks on pages 80 to 84.

Directors

Biographies of all the Directors at the date of this report, including Non-Executive Directors, are set out on pages 90 and 91. During the year ended 31 March 2022 there were a number of changes to the Board. Steve Blair and Thomas Geitner stepped down as Directors with effect from the conclusion of the AGM on 21 September 2021 and Nigel Sheinwald joined the Board on 22 September 2021.

Directors' conflicts of interest

The Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts of interest, where appropriate. Only Directors with no interest in the matter under consideration may participate in the relevant decision and in doing so they must act in a way which they consider in good faith will be most likely to promote the Company's success. A conflicts policy has been drawn up, which is reviewed annually, and a register of conflicts and potential conflicts is maintained.

Directors' interests

The beneficial interests of the Directors in the Company's share capital, all in fully paid up shares at 31 March 2022, are shown below.

Details of share options for the Executive Directors are shown in the Remuneration Report on page 137.

	31 March 2022 Shares	31 March 2021 Shares
Ian Barkshire	1,995	12,642
Neil Carson	8,000	8,000
Richard Friend	—	—
Gavin Hill	1,738	660
Mary Waldner	1,000	1,000
Alison Wood	—	—
Nigel Sheinwald	—	n/a

No Director was beneficially interested in the shares of any subsidiary company at any time during the year.

In the year to 31 March 2022, no Director had a material interest in any contract of significance with the Company or any of its subsidiaries. Since the year end, there have been no changes to the above shareholdings apart from for Ian Barkshire and Gavin Hill, who each participate in the Oxford Instruments Share Incentive Plan and since the year end have each increased their beneficial holding by 17 shares.

Directors' Report **continued**

Insurance cover and Directors' indemnities

For a number of years, the Group has purchased insurance to cover its Directors and Officers against their costs in defending themselves in legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. In addition, to the extent permitted by UK law, the Group indemnifies its Directors and Officers for liabilities arising from such proceedings.

Neither the insurance nor the indemnity provides cover for situations where the Director has acted fraudulently or dishonestly.

Share capital

The Company only has one class of share capital, which comprises ordinary shares of 5p each. All shares forming part of the ordinary share capital have the same rights and carry one vote each. There are no unusual restrictions on the transfer of a share.

The full rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Directors, are set out in the Company's Articles of Association, a copy of which is available on the Company's website. These can also be obtained from Companies House or by contacting the Company Secretary.

During the year to 31 March 2022, the Board issued 193,002 new shares (2021: 26,690) following the exercise of options under the Company's share option schemes. At 31 March 2022, the issued share capital of the Company was 57,654,455 ordinary shares of 5p each. In connection with the Company's equity incentive plans, a separately administered trust held 2,370 ordinary shares at 31 March 2022 (representing 0.004% of the total issued share capital of the Company). No shares in the Company were acquired by the Company during the year (2021: nil). Details of the share capital and options outstanding as at 31 March 2022 are set out in Notes 23 and 11 respectively to the Financial Statements.

At this year's Annual General Meeting, the Directors propose to renew the authorities granted to them at last year's AGM to:

- allot ordinary shares up to an aggregate nominal value of one-third of the Company's issued share capital and, where full pre-emption rights are applied, up to an aggregate nominal value of two-thirds of the Company's issued share capital;
- allot ordinary shares up to an aggregate nominal value of 10% of the Company's issued share capital without first offering them to existing Shareholders; and
- buy back up to 10% of the Company's issued share capital.

Shareholders will be requested to renew these authorities at the AGM, details of which are set out in the Notice of the Meeting.

Substantial shareholdings

The following are beneficial interests of 3% or more (where the holding is direct), or of 5% or more (where the holding is indirect), which have been notified to the Company, in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules, of the Company's issued ordinary share capital, the only class of voting capital, at 25 May 2022:

	Direct/ indirect	Shares '000	% of total
Columbia Threadneedle Investments	Indirect/direct	7,152,870	12.41
BlackRock Inc	Indirect	5,259,281	9.12
Artemis Fund Managers	Indirect	3,094,983	5.37
Lady KA Wood and the Estate of the late Sir MF Wood	Direct	2,903,030	5.03

Tax strategy

The Group's tax strategy supports the strategic objectives of the Group and applies equally to both UK and non-UK taxes and to all forms of tax. The Group pays a significant amount of tax to national and local governments, including taxes on employment, corporate taxes on profits, customs and excise duty on purchases, withholding taxes and environmental taxes. We also administer VAT and similar sales taxes charged to our customers and withholdings on payments made to our employees. The Group's tax strategy is published on the Group's website at www.oxinst.com/investors-content/tax-strategy.

Payment of suppliers

The Group does not follow a standard payment practice but agrees terms and conditions for its business transactions with each of its suppliers. Payment is then made in accordance with these terms.

Charitable donations

During the year, the Group made charitable donations of £38,877 (2021: £3,871).

Political donations

During the year, the Group made no political donations (2021: nil).

Fixed assets

Whilst the market value of some fixed assets may differ from book value, the Directors believe that the differences are not material.

Disclosure of information to auditor

Pursuant to Section 418(2) of the Companies Act 2006, the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she might reasonably have been expected to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 28 July 2022 is set out in a letter to Shareholders together with explanatory notes relating to the resolutions.

External auditor

A resolution to re-appoint BDO LLP as auditor for the financial year 2021/22 was passed at the 2021 Annual General Meeting and a resolution to re-appoint them as auditor for the financial year 2022/23 will be proposed at the 2022 Annual General Meeting on 28 July 2022.

Change of control arrangements

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover, such as banking agreements and Company share plans. On a change of control, the Company's committed credit facilities may be cancelled by lenders by giving not less than three days' notice. It is also possible that pension plan funding arrangements would need to be changed following a change of control if that resulted in a weakening of the employer covenant.

Corporate governance

The Board reviews its work on corporate governance in the Governance Report on pages 88 to 146.

Financial risk management

Details of the Group's financial risk management objectives and policies, including the exposure to price, credit and liquidity risk, are set out in Note 21 to the Financial Statements.

Employees

The Board recognises that its employees are fundamental to the Group's success. The Group's aim is to ensure there are equal opportunities for all employees and that there is an inclusive culture where differences are valued and people are given the environment in which they can do their best work. The Sustainability report on pages 117 to 119 further describes how diversity and inclusion is managed within Oxford Instruments.

It is the policy of the Company to give full and fair consideration to applications for employment from disabled persons; to continue, wherever possible, the employment of members of staff who may become disabled; and to ensure that suitable training, career development and promotion of disabled persons takes place.

Greenhouse gas emissions

To meet the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, CO₂ emissions are reported on as part of our reporting on greenhouse gas emissions in Sustainability on pages 50 and 51.

Material events

There were no material events since the year end to report.

By order of the Board

Sarah Harvey

Company Secretary

13 June 2022

Directors' Report **continued**

Non-Financial Information Statement

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

	Key policies and procedures	Information within this report	Additional information
Environmental matters	Health and Safety Policy Group Energy Policy Environmental Policy Supplier Due Diligence and Audit Procedures	Sustainability – protecting the environment: pages 49 to 51 Sustainability Committee Report: pages 117 to 119	www.oxinst.com/corporate-content/sustainability www.oxinst.com/CBCE www.oxinst.com/corporate-content/supplier-and-partner-engagement
Employees	Health and Safety Policy Working at Oxford Instruments Policy Leaving Oxford Instruments Policy IT Infrastructure and Use Policy Conflicts of Interest Policy Business Travel Policy Crisis Management Policy Reward and Recognition Policy Performance Management Policy Opportunity and Career Policy Dissemination of Price Sensitive Information	Employee engagement: pages 29 and 30 How we look after our employees: pages 29 and 30 Board Leadership and Group Purpose: page 92 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/corporate-content/diversity-and-inclusion https://careers.oxinst.com/working-here
Social matters	Export Control Policy Privacy Policy Code of Business Conduct and Ethics Group Sanctions Policy Global Marketing Policy Group Export Controls	Community engagement: page 33 Sustainability Committee Report: pages 117 to 119	www.oxinst.com/corporate-content/privacy www.oxinst.com/CBCE www.oxinst.com/investors-content/compliance/group-export-controls-policy
Human rights	Global Human Rights Policy Modern Slavery Statement Gender Pay Report Privacy Policy	Ethics – human rights: page 56	www.oxinst.com/corporate-content/human-rights-policy www.oxinst.com/corporate-content/modern-slavery www.oxinst.com/corporate-content/gender-pay-report www.oxinst.com/corporate-content/privacy
Anti-bribery and corruption	Anti-bribery and Anti-corruption Policy Reporting a Business Malpractice Policy Share Dealing Policy Supplier Code of Conduct Conflicts of Interest Policy Supplier Due Diligence and Audit Procedures	Ethics – anti-bribery and corruption: page 55 Supplier engagement: page 32	www.oxinst.com/CBCE
Additional disclosures: – Business model – Principal risks – Non-financial KPIs	Group Tax Strategy	Investment case: pages 6 and 7 Business Model: pages 22 and 23 Strategy: pages 24 and 25 KPIs: pages 34 and 35 Principal Risks: pages 80 to 84 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

13 June 2022

Financial Statements

Directors' Responsibilities

See page 148 of the Financial Statements.

Independent Auditor's Report

See pages 149 to 155 of the Financial Statements.

Consolidated Statement of Income

See page 156 of the Financial Statements.

Consolidated Statement of Comprehensive Income

See page 157 of the Financial Statements.

Consolidated Statement of Financial Position

See page 158 of the Financial Statements.

Consolidated Statement of Changes in Equity

See page 159 of the Financial Statements.

Consolidated Statement of Cash Flows

See page 160 of the Financial Statements.

Accounting Policies

See pages 161 to 166 of the Financial Statements.

Notes to the Financial Statements

See pages 167 to 197 of the Financial Statements.

Parent Company Statement of Financial Position

See page 198 of the Financial Statements.

Parent Company Statement of Changes of Equity

See page 199 of the Financial Statements.

Notes to the Parent Company Financial Statements

See pages 200 to 207 of the Financial Statements.

Directors' Responsibilities

in relation to the Report and Financial Statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;

- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

We confirm that to the best of our knowledge:

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

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

Signed on behalf of the Board

Ian Barkshire **Gavin Hill**
Chief Executive Chief Financial Officer

13 June 2022

Independent Auditor's Report

to the members of Oxford Instruments plc

Opinion on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Oxford Instruments Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, Consolidated statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Parent Company Statement of Financial Position, Parent Company Statement of Changes in Equity and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 4 March 2020 to audit the Financial Statements for the year ended 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 March 2021 and 31 March 2022. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the Directors' method including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other.
- Reviewing the reverse stress test, testing the arithmetic accuracy of the model, challenging the assumptions applied and where possible agreeing the model to supporting documentation, including order books.
- Challenging management on whether the reverse stress test is appropriate and appropriately stresses the business based on our industry knowledge.
- Reviewing the period assessed by the Directors ensuring that it meets the requirements of the applicable accounting standards and the corporate governance code, and challenging Directors on whether there are any future events that may impact the assessment completed.
- Reviewing the adequacy and appropriateness of disclosures in the Financial Statements regarding the going concern assessment.
- Comparing the level of available financial resources with the Group's financial forecasts, including taking account of reasonably possible (but not unrealistic) adverse effects that could arise from risks, both individually and collectively, relating to the Group.

Independent Auditor's Report **continued**

to the members of Oxford Instruments plc

Conclusions relating to going concern continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	98% of Group profit before tax		
	91% of Group revenue		
	90% of Group total assets		
Key audit matters		2022	2021
	Revenue	✓	✓
	Business combinations	✓	✗
Materiality	Group Financial Statements as a whole £2.5m (2021: £2.6m) based on 5.3% (2021: 5.0%) of Profit before tax.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the Financial Statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

For the Group audit we determined the individual components on which the scope of our work would be undertaken, and for each of these components we then determined whether they are significant, material or other in-scope. We consider that a component is significant if it either represents over 15% of Group revenues, or 15% of PBT. We defined material as between 10-15% of the same metrics, and other in-scope was defined as balances scoped in to ensure sufficient audit coverage overall. A full scope audit was undertaken for the significant components, along with certain material components which had full scope local reporting requirements. This provided total coverage of 66% of revenues and 78% of PBT, of which 34% and 48% respectively was performed by the Group engagement team, with the remainder performed by local BDO member firms. Full scope procedures provided coverage of 80% across total Group assets. In addition specific procedures, including revenue testing, were performed on the other in scope components representing 32% of Group revenues and 13% of PBT, of which 8% and 0% respectively was performed by the Group engagement team.

The Group has 28 components, of which we have classified four as significant, and all of which are in the UK, and four as material, including the Parent Company in the UK, with the others being in the US, Germany and Japan. All these have been audited under full scope audit procedures. In addition, there are eight other in-scope components where specified audit procedures have been undertaken. Three of the significant UK components and the Parent Company were audited by the Group engagement team, with the fourth undertaken by a BDO member firm in Belfast. In addition the Group engagement team audited three of the other in-scope components. Local BDO member firms performed the audit work on the remaining three material components, in addition to five of the other in-scope components.

The remaining twelve components have been subject to specified audit procedures using Group materiality.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group Financial Statements as a whole. Our involvement with component auditors included the following:

The Group team instructed the component auditors with specific focus on the significant risk areas to be covered, including the Key Audit Matter (Revenue) detailed below. The component materialities were set by the Group audit team, having regards to the size and risk of the specific component in relation to the Group as a whole. The audit work by the Group engagement team, as well as the components, was performed on-site and remotely.

The Group audit team visited component sites in Belfast, along with the two German component locations, and had remote calls with component management in Japan and the US. For all significant and material locations not audited by the Group team, regular remote calls were undertaken through the planning, execution and completion stages of the work, where findings were discussed, remote reviews of component auditors' files were performed and additional work was undertaken as necessary by the component auditor.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Revenue recognition (Revenue £367.3m; 2021: £318.5m)</p> <p>Refer to page 113 (Audit Committee Report), page 165 (accounting policy).</p>	<p>Our procedures included:</p> <p>Testing, on a sample basis, whether specific product revenue transactions during the year and around the year end, including those within deferred and accrued income balances at the year end, had been recognised in the appropriate period.</p> <p>Each item was tested by assessing the nature of products, the terms of sale within the associated contracts, the estimated split of revenue between product delivery and installation based on the individual selling price, confirming to customer acceptance where installation has occurred, and verifying the shipping/delivery dates to carrier information where installation has yet to occur.</p> <p>We tested a sample of product sales around the year end, with a focus on the higher value, more complex systems, and specifically in the NanoScience division by obtaining evidence of installation completion to verify that revenue has been recognised in the appropriate period.</p> <p>Testing, on a sample basis, credit notes issued after the year end, for evidence that related revenue for the year under audit should be reduced.</p> <p>Key observations:</p> <p>Nothing has come to our attention which suggests that, in all material respects, revenue has been recognised in the incorrect period.</p>

Independent Auditor's Report **continued**

to the members of Oxford Instruments plc

An overview of the scope of our audit **continued**

Key audit matters **continued**

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Business combinations</p> <p>Refer to page 113 (Audit Committee Report), page 161 (accounting policy) and page 172 (financial disclosures).</p> <p>On 31 August 2021 the Group completed its acquisition of WITec Wissenschaftliche Instrumente und Technologie GmbH ("WITec").</p> <p>We determined this to be a key area of focus for the audit and hence a key audit matter due to the significance of the transaction in the consolidated Financial Statements and the degree of judgement required in the identification and valuation of the assets and liabilities acquired, along with the consideration paid.</p>	<p>Our audit procedures included assessing the appropriateness of the accounting treatment adopted and challenging the Directors' assessment of the fair value of the assets acquired and liabilities assumed with reference to a Purchase Price Allocation ("PPA") provided by management and the requirements of the applicable accounting standards.</p> <p>With the use of our internal valuation experts, where applicable, we performed the following procedures to in respect of the fair value of the assets acquired. This included:</p> <ul style="list-style-type: none"> evaluating the completeness and existence of intangible assets recognised; assessment of the valuation methodologies applied; assessment of the key assumptions made by management, such as discount rates and growth rates which were compared to our independently calculated range; benchmarking the assumptions used with other transactions in the sector; performing sensitivity analysis to understand the extent to which changes in key assumptions may give rise to a materially different valuation for the intangible asset; assessing the likelihood of payment of contingent consideration, along with the discount rates used to reflect these amounts back to fair value; reviewing the calculations for the release of unrealised profit in acquired inventory through the Income Statement. auditing the local GAAP completion accounts; and reviewing the conversion from local GAAP to UK adopted international accounting standards, and ensuring that the methodology used is appropriate and in line with the applicable framework. <p>We assessed the completeness and accuracy of the disclosures relating to the acquisition taking into account the requirements of the accounting standards.</p> <p>Key observations:</p> <p>Nothing has come to our attention which suggests that, in all material respects, the fair values of the acquired assets and liabilities of WITec, and consideration paid, are not appropriate.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole and performance materiality as follows:

	Group Financial Statements		Parent Company Financial Statements	
	2022 £m	2021 £m	2022 £m	2021 £m
Materiality	2.50	2.60	1.75	1.50
Basis for determining materiality	5.3% Profit before tax	5% Profit before tax	70% of Group materiality	60% of Group materiality
Rationale for the benchmark applied	As a trading Group, profit before tax is considered to be the most relevant measure for the users of the Financial Statements.		Set at 70% (2021: 60%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	1.63	1.56	1.14	0.90
Basis for determining performance materiality	65% of materiality	60% of materiality	65% of materiality	60% of materiality

We applied performance materiality levels to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated, and taking into account our assessment of the control environment, the history of misstatements, along with management's attitude to proposed adjustments.

Component materiality

We set materiality for each component of the Group based on a percentage of between 40% and 80% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1.0m to £2.0m. In the audit of each component.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £62,500 (2021: £65,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit.

Going concern and longer-term viability	<ul style="list-style-type: none"> The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 148; and The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 85 and 86.
Other Code provisions	<ul style="list-style-type: none"> Directors' statement on fair, balanced and understandable set out on page 148; Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 148; The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 77 to 84; and The section describing the work of the audit committee set out on pages 110 to 116.

Independent Auditor's Report **continued**

to the members of Oxford Instruments plc

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">• the information given in the Strategic report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or• the Parent Company Financial Statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or• certain disclosures of Directors' remuneration specified by law are not made; or• we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. These procedures were incorporated into our instructions to the component auditors for the significant and material components not audited by the Group engagement team, and the results included as part of our review of their work. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:
 - The nature of the industry, including the design of the Group's remuneration policies;
 - Enquiries of management and those charged with governance regarding: the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations;
 - Obtaining an understanding of the legal and regulatory framework in which the Group operates, including Companies Act 2006, relevant taxation legislation, along with the relevant financial reporting framework.
- We have responded to risks identified by performing procedures including the following:
 - In response to the risk of fraud in revenue recognition, the procedures set out in the key audit matters section above;
 - Enquiry of in-house management and external legal counsel concerning actual and potential litigation and claims;
 - Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud; and
 - Reading the minutes of meetings of those charged with governance.
- We have also considered the risk of fraud through management override of controls by:
 - Sample testing the appropriateness of journal entries and other adjustments by agreeing to supporting documentation; and
 - Assessing whether the judgements made in making accounting estimates are indicative of potential bias in particular in respect of the determination of assumptions in respect of business combinations (refer to the key audit matter), provisions for intellectual property-related claims and assumptions used in determining the defined benefit pension liability.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including component auditors and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Oliver (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor Reading, United Kingdom

13 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Income

Year ended 31 March 2022

	Note	2022			2021		
		Adjusted £m	Adjusting items ¹ £m	Total £m	Adjusted £m	Adjusting items ¹ £m	Total £m
Revenue	3	367.3	—	367.3	318.5	—	318.5
Cost of sales		(179.5)	—	(179.5)	(153.7)	—	(153.7)
Gross profit		187.8	—	187.8	164.8	—	164.8
Research and development	5	(32.8)	—	(32.8)	(30.0)	(1.3)	(31.3)
Selling and marketing		(52.5)	—	(52.5)	(44.5)	—	(44.5)
Administration and shared services		(42.2)	(11.6)	(53.8)	(34.5)	(8.8)	(43.3)
Foreign exchange gain/(loss)		6.0	(6.4)	(0.4)	0.9	6.4	7.3
Operating profit		66.3	(18.0)	48.3	56.7	(3.7)	53.0
Interest credit on pension scheme net assets		0.4	—	0.4	0.9	—	0.9
Other financial income		0.1	—	0.1	0.2	—	0.2
Financial income	7	0.5	—	0.5	1.1	—	1.1
Financial expenditure	8	(0.9)	(0.3)	(1.2)	(1.9)	—	(1.9)
Profit/(loss) before income tax	3	65.9	(18.3)	47.6	55.9	(3.7)	52.2
Income tax (expense)/credit	12	(11.7)	2.7	(9.0)	(10.8)	0.4	(10.4)
Profit/(loss) for the year attributable to equity Shareholders of the parent		54.2	(15.6)	38.6	45.1	(3.3)	41.8
Earnings per share		pence		pence	pence		pence
Basic earnings per share	2						
– From profit for the year		94.3		67.1	78.6		72.8
Diluted earnings per share	2						
– From profit for the year		93.0		66.2	77.6		71.9
Dividends per share	13						
Dividends paid				21.4			—
Dividends proposed				13.7			17.0

1. Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in Note 1.

The attached notes form part of these Financial Statements.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2022

	2022	2021
	£m	£m
Profit for the year	38.6	41.8
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to Consolidated Statement of Income		
Foreign exchange translation differences	1.0	(4.9)
Items that will not be reclassified to Consolidated Statement of Income		
Remeasurement gain/(loss) in respect of post-retirement benefits	27.3	(30.8)
Tax (charge)/credit on items that will not be reclassified to Consolidated Statement of Income	(6.8)	5.5
Total other comprehensive income/(expense)	21.5	(30.2)
Total comprehensive income for the year attributable to equity Shareholders of the parent	60.1	11.6

Consolidated Statement of Financial Position

As at 31 March 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Property, plant and equipment	14	31.7	21.1
Right-of-use assets	29	17.9	7.3
Intangible assets	15	140.7	122.6
Derivative financial instruments	22	—	1.1
Retirement benefit asset	25	51.7	16.3
Deferred tax assets	16	13.7	13.1
		255.7	181.5
Current assets			
Inventories	17	65.3	58.7
Trade and other receivables	18	104.7	75.6
Current income tax receivable		0.8	1.9
Derivative financial instruments	22	1.0	5.0
Cash and cash equivalents	19	96.4	128.0
		268.2	269.2
Total assets		523.9	450.7
Equity			
Capital and reserves attributable to the Company's equity Shareholders			
Share capital	23	2.9	2.9
Share premium		62.5	62.4
Other reserves		0.2	0.2
Translation reserve		7.6	6.6
Retained earnings		243.2	194.1
		316.4	266.2
Liabilities			
Non-current liabilities			
Bank loans	24	1.3	—
Lease payables	29	14.9	4.9
Derivative financial instruments	22	0.3	—
Provisions	28	0.1	0.7
Deferred tax liabilities	16	15.4	4.9
		32.0	10.5
Current liabilities			
Bank loans and overdrafts	24	9.2	30.4
Trade and other payables	26	149.5	126.1
Lease payables	29	3.5	2.6
Current income tax payables		4.5	6.2
Derivative financial instruments	22	1.1	—
Provisions	28	7.7	8.7
		175.5	174.0
Total liabilities		207.5	184.5
Total liabilities and equity		523.9	450.7

The Financial Statements were approved by the Board of Directors on 13 June 2022 and signed on its behalf by:

Ian Barkshire **Gavin Hill**

Director

Director

Company number: 775598

Consolidated Statement of Changes in Equity

Year ended 31 March 2022

	Share capital £m	Share premium £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
As at 1 April 2021	2.9	62.4	0.2	6.6	194.1	266.2
Total comprehensive income/(expense):						
Profit for the year	—	—	—	—	38.6	38.6
Other comprehensive income/(expense):						
– Foreign exchange translation differences	—	—	—	1.0	—	1.0
– Net cumulative foreign exchange gain on disposal of subsidiaries recycled to the Income Statement	—	—	—	—	—	—
– Remeasurement gain in respect of post-retirement benefits	—	—	—	—	27.3	27.3
– Tax charge on items that will not be reclassified to Consolidated Statement of Income	—	—	—	—	(6.8)	(6.8)
Total comprehensive income attributable to equity Shareholders of the parent	—	—	—	1.0	59.1	60.1
Transactions with owners recorded directly in equity:						
– Credit in respect of employee service costs settled by award of share options	—	—	—	—	2.1	2.1
– Tax credit in respect of share options	—	—	—	—	0.2	0.2
– Proceeds from shares issued	—	0.1	—	—	—	0.1
– Dividends	—	—	—	—	(12.3)	(12.3)
Total transactions with owners recorded directly in equity:	—	0.1	—	—	(10.0)	(9.9)
As at 31 March 2022	2.9	62.5	0.2	7.6	243.2	316.4
As at 1 April 2020	2.9	62.2	0.2	11.5	174.8	251.6
Total comprehensive income/(expense):						
Profit for the year	—	—	—	—	41.8	41.8
Other comprehensive (expense)/income:						
– Foreign exchange translation differences	—	—	—	(4.9)	—	(4.9)
– Remeasurement loss in respect of post-retirement benefits	—	—	—	—	(30.8)	(30.8)
– Tax credit on items that will not be reclassified to Consolidated Statement of Income	—	—	—	—	5.5	5.5
Total comprehensive (expense)/income attributable to equity Shareholders of the parent	—	—	—	(4.9)	16.5	11.6
Transactions with owners recorded directly in equity:						
– Credit in respect of employee service costs settled by award of share options	—	—	—	—	1.8	1.8
– Tax credit in respect of share options	—	—	—	—	1.0	1.0
– Proceeds from shares issued	—	0.2	—	—	—	0.2
– Dividends	—	—	—	—	—	—
Total transactions with owners recorded directly in equity:	—	0.2	—	—	2.8	3.0
As at 31 March 2021	2.9	62.4	0.2	6.6	194.1	266.2

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

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

The Group holds 2,370 (2021: 52,631) of its own shares in an employee benefit trust. The cost of these shares is included within retained earnings.

Consolidated Statement of Cash Flows

Year ended 31 March 2022

	Note	2022 £m	2021 £m
Profit for the year		38.6	41.8
Profit for the year from continuing operations		38.6	41.8
Adjustments for:			
Income tax expense	12	9.0	10.4
Net financial expense		0.7	0.8
Fair value movement on financial derivatives		6.4	(6.4)
WITec post-acquisition gross margin adjustment		1.7	—
Acquisition-related costs		0.4	0.4
Impairment of capitalised development costs		—	1.3
Amortisation and impairment of acquired intangibles	15	9.5	8.4
Depreciation of right-of-use assets	29	3.4	2.8
Depreciation of property, plant and equipment	14	4.1	3.8
Amortisation of capitalised development costs	15	1.9	2.5
Adjusted earnings before interest, tax, depreciation and amortisation		75.7	65.8
Charge in respect of equity settled employee share schemes	11	2.1	1.8
Restructuring costs (paid)/received		—	0.3
Cash payments to the pension scheme more than the charge to operating profit		(7.6)	(15.5)
Operating cash flows before movements in working capital		70.2	52.4
Increase in inventories	20	(0.1)	(1.3)
Increase in receivables	20	(21.6)	(10.5)
Increase in payables and provisions	20	11.4	11.3
Increase/(decrease) in customer deposits	20	(1.5)	(2.2)
Cash generated from operations		58.4	49.7
Interest paid		(0.5)	(1.6)
Income taxes paid		(8.8)	(6.3)
Net cash from operating activities		49.1	41.8
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		—	0.2
Acquisition of property, plant and equipment		(13.9)	(4.2)
Acquisition of subsidiaries, net of cash acquired	6	(30.6)	—
Acquisition-related costs		(0.4)	—
Acquisition of intangibles		(0.1)	—
Capitalised development expenditure		(0.7)	(0.9)
Interest received		0.1	—
Net cash used in investing activities		(45.6)	(4.9)
Cash flows from financing activities			
Proceeds from issue of share capital		0.1	0.2
Payments made in respect of lease liabilities	29	(3.4)	(2.8)
Repayment of borrowings		(0.1)	(27.9)
Dividends paid		(12.3)	—
Net cash used in financing activities		(15.7)	(30.5)
Net (decrease)/increase in cash and cash equivalents		(12.2)	6.4
Cash and cash equivalents at beginning of the year		97.6	95.4
Effect of exchange rate fluctuations on cash held		2.3	(4.2)
Cash and cash equivalents at end of the year	19	87.7	97.6
Comprised of:			
Cash and cash equivalents as per the Consolidated Statement of Financial Position	19	96.4	128.0
Bank overdrafts	24	(8.7)	(30.4)
		87.7	97.6

Accounting Policies

Year ended 31 March 2022

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

The Group Financial Statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards (IAS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under UK adopted IFRS and in conformity with the requirements of the Companies Act 2006. The Company has elected to prepare its Parent Company Financial Statements in accordance with FRS 101; these are presented on pages 198 and 199.

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategy section on pages 24 and 25. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 67 to 76.

The relatively diverse nature of the Group together with its current financial strength provides a solid foundation. The Directors have reviewed the Group's forecasts and flexed them to incorporate a number of potential scenarios relating to changes in trading performance and believe that the Group will be able to operate within its existing debt facilities which expire on 28 June 2025. This review also considered hedging arrangements in place. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. Further information can be found in the viability statement on pages 85 and 86.

The Financial Statements were authorised for issuance on 13 June 2022.

(a) New accounting standards

No new accounting standards have been adopted during the year.

(b) Significant estimates and judgements

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

Significant judgements

In the opinion of the Group there are no judgements made in the preparation of the Financial Statements in respect of which taking a different view would have a material impact on the Financial Statements.

Significant estimates

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

Measurement of defined benefit scheme liabilities

The Group recognises and measures costs relating to defined benefit pension schemes in accordance with IAS 19 (Revised) Employee Benefits. In applying IAS 19 (Revised) the costs are assessed in accordance with the advice of independent qualified actuaries. This requires certain estimates and assumptions in relation to future changes in salaries and inflation, as well as mortality rates, expected returns on plan assets and the selection of suitable discount rates. The factors affecting these assumptions are influenced by wider macro-economic factors that are largely outside of the Group's control. A sensitivity analysis is set out in Note 25.

Acquisition of WITec

Wissenschaftliche Instrumente und Technologie GmbH ("WITec")

On the acquisition of a business in order to comply with IFRS 3 (Revised) Business Combinations it is necessary to reflect the assets and liabilities acquired at their fair value. This requires certain estimates and assumptions in relation to, inter alia, the forecast performance of the acquired business, the expected life of certain intangible assets and the likely future customer base of the business. In order to assist in undertaking this fair value exercise, the Group appointed an external firm of advisers. The fair value adjustments arising from this review are set out in Note 6 on page 172.

Provisions for IP-related claims

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

Key assumptions surrounding estimation uncertainty relate to estimating potential royalty or profit sharing rates surrounding any product-related intellectual property claims (see Note 28).

Accounting Policies **continued**

Year ended 31 March 2022

(c) Basis of preparation and consolidation

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

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

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Sterling at exchange rates ruling at the end of the reporting period. Income statements and cash flows of foreign operations are translated into Sterling at average monthly exchange rates which approximate foreign exchange rates at the date of the transaction. Foreign exchange differences arising on retranslation are recognised through the Statement of Comprehensive Income.

(d) Foreign currency

An individual entity's transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(e) Financial instruments

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

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

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

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

(f) Property, plant and equipment

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

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

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

(g) Intangible assets

(i) Goodwill

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

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

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

(ii) Development costs

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

(iii) Acquired intangible assets

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

(iv) Amortisation

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

Capitalised development costs	3 to 5 years
Technology-related acquired intangibles	5 to 12 years
Customer-related acquired intangibles	6 months to 15 years
Development costs acquired intangibles	10 years
Software	10 years

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

(h) Trade and other receivables

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

(i) Inventories

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

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

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

(j) Cash and cash equivalents

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

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

Accounting Policies **continued**

Year ended 31 March 2022

(k) Impairment of non-current assets

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

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

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

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

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

(l) Employee benefits

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

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

(iii) Share-based payment transactions

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

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

Own shares held by ESOP trust

Transactions of the Group-sponsored ESOP trust are treated as being those of the Group and are therefore reflected in the Group Financial Statements. In particular, the trust's purchases and sales of shares in the Group are debited and credited directly to equity.

(m) Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision for warranty and product-related liability is recognised when the underlying products are sold. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

A provision for a claim or dispute is made when it is considered probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated.

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

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

(n) Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently stated at amortised cost.

(o) Contractual liabilities

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

- Customer deposits represent the cash payments received from customers prior to the recognition of revenue in respect of product sales; for example, deposits received on order (and shipment in the case of complex products where revenue is not recognised until installation).
- Deferred income represents the contract obligation of the Group to provide services to customers where payment has been received in advance, typically at inception of a service or maintenance contract.

(p) Government grants

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

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

(q) Interest-bearing borrowings

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

(r) Revenue

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

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

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

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

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

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

(s) Income tax

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

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

Tax positions are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included within current taxation liabilities.

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

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

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

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

Accounting Policies **continued**

Year ended 31 March 2022

(s) Income tax continued

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

(t) Leases

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

(u) Segment reporting

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

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

(v) Dividends

Interim and final dividends are recognised as a liability when they are no longer at the discretion of the Company.

(w) New standards and interpretations not yet adopted

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

Notes to the Financial Statements

Year ended 31 March 2022

1 Non-GAAP measures

In the preparation of adjusted numbers, the Directors exclude certain items in order to assist with comparability between peers and to give what they consider to be a better indication of the underlying performance of the business. These adjusting items are excluded in the calculation of adjusted operating profit, adjusted profit before tax, adjusted profit for the year from continuing operations, adjusted EBITDA, adjusted EPS, adjusted cash conversion and adjusted effective tax rate. Details of adjusting items are given below.

Adjusted EBITDA is calculated by adding back depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets to adjusted operating profit, and can be found in the Consolidated Statement of Cash Flows. The calculation of adjusted EPS can be found in Note 2. Adjusted effective tax rate is calculated by dividing the share of tax attributable to adjusted profit before tax by adjusted profit before tax. The definition of cash conversion is set out in the Finance Review.

Reconciliation between operating profit and profit before income tax and adjusted profit from continuing operations

	2022		2021	
	Operating profit £m	Profit before income tax £m	Operating profit £m	Profit before income tax £m
Statutory measure	48.3	47.6	53.0	52.2
Acquisition-related costs	0.4	0.4	0.4	0.4
WITec post-acquisition gross margin adjustment	1.7	1.7	—	—
Impairment of capitalised development costs	—	—	1.3	1.3
Amortisation and impairment of acquired intangibles	9.5	9.5	8.4	8.4
Fair value movement on financial derivatives	6.4	6.4	(6.4)	(6.4)
Unwind of discount in respect of contingent consideration	—	0.3	—	—
Total non-GAAP adjustments	18.0	18.3	3.7	3.7
Adjusted measure	66.3	65.9	56.7	55.9
Adjusted income tax expense		(11.7)		(10.8)
Adjusted profit for the year	66.3	54.2	56.7	45.1
Adjusted effective tax rates		17.8%		19.3%

Acquisition-related costs

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

WITec post-acquisition gross margin adjustment

The finished goods and work in progress inventories were revalued to provisional fair value, based on selling price less costs to sell. The £1.7m adjustment relates to the gross margin which would have been earned on post-acquisition sales to 31 March 2022, but which has been absorbed into the acquisition date fair value. This will not recur, once all such inventory at the acquisition date has been delivered to customers.

Impairment of capitalised development costs

During the year to 31 March 2021, the Group reviewed the capitalised development costs to ensure they remained directly related to targeted product or software developments. The one-off non-cash impairment relates to delays in market launch of specific development projects within the Materials & Characterisation segment.

Amortisation and impairment of acquired intangibles

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

Fair value movement on financial derivatives

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

Unwind of discount in respect of contingent consideration

Adjusted profit excludes the unwind of the discount in respect of the contingent consideration on the acquisition of WITec.

Notes to the Financial Statements **continued**

Year ended 31 March 2022

1 Non-GAAP measures **continued**

Adjusted income tax expense

Adjusting items include the income tax on each of the items described above.

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

	2022 £m	2021 £m
Net (decrease)/increase in cash and cash equivalents	(12.2)	6.4
Effect of exchange rate fluctuations on cash held	2.3	(4.2)
Movement in net cash in the year	(9.9)	2.2
Net cash at start of the year	97.6	95.4
Net cash at the end of the year	87.7	97.6

Reconciliation of net cash to Statement of Financial Position

	2022 £m	2021 £m
Overdrafts	(8.7)	(30.4)
Cash and cash equivalents	96.4	128.0
Net cash at the end of the year	87.7	97.6

2 Earnings per share

Basic and diluted EPS from continuing operations are based on the result for the year from continuing operations, as reported in the Consolidated Statement of Income. Basic and diluted EPS from total operations are based on the result for the year attributable to equity Shareholders of the parent. Adjusted and diluted adjusted EPS are based on adjusted profit for the year from continuing operations. The profit measures noted above are divided by the weighted average number of ordinary shares outstanding during the year, excluding shares held by the Employee Share Ownership Trust. The table below reconciles these different profit measures.

	2022 £m	2021 £m
Profit for the year attributable to equity Shareholders of the parent	38.6	41.8
Adjusting items:		
Business reorganisation items	0.4	0.4
WITec post-acquisition gross margin adjustment	1.7	—
Impairment of capitalised development costs	—	1.3
Amortisation and impairment of acquired intangibles	9.5	8.4
Fair value movement on financial derivatives	6.4	(6.4)
Unwind of discount in respect of contingent consideration	0.3	—
Adjusted income tax expense	(2.7)	(0.4)
Adjusted profit for the year	54.2	45.1

The weighted average number of shares used in the calculation excludes shares held by the Employee Share Ownership Trust, and is as follows:

	2022 Shares million	2021 Shares million
Weighted average number of shares outstanding	57.7	57.5
Less: weighted average number of shares held by Employee Share Ownership Trust	(0.2)	(0.1)
Weighted average number of shares used in calculation of basic earnings per share	57.5	57.4

The following table shows the effect of share options on the calculation of diluted earnings per share:

	2022 Shares million	2021 Shares million
Number of ordinary shares per basic earnings per share calculations	57.5	57.4
Effect of shares under option	0.8	0.7
Number of ordinary shares per diluted earnings per share calculations	58.3	58.1

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

3 Segment information

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

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

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

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

On 31 August 2021, the Group acquired 100% of the issued share capital of WITec, which has been integrated into the Materials & Characterisation segment.

Results from continuing operations

	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Total £m
2022				
Total segment revenue	185.5	120.3	61.5	367.3
Segment adjusted operating profit from continuing operations	26.1	21.3	18.9	66.3
	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Total £m
2021				
Total segment revenue	148.6	113.4	56.5	318.5
Segment adjusted operating profit from continuing operations	20.3	19.5	16.9	56.7

Revenue in the Materials & Characterisation and Research & Discovery segments represents the sale of products. Revenue in the Service & Healthcare segment relates to service income.

As at 31 March 2022, the Group had unfulfilled performance obligations under IFRS 15 of £260.2m (2021: £198.1m). It is anticipated that £250.5m (2021: £178.9m) of this balance will be satisfied within one year. The remainder is anticipated to be satisfied in the following financial year.

Notes to the Financial Statements **continued**

Year ended 31 March 2022

3 Segment information **continued**

Reconciliation of reportable segment profit from continuing operations

	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
2022					
Segment adjusted operating profit from continuing operations	26.1	21.3	18.9	—	66.3
Acquisition-related costs	(0.4)	—	—	—	(0.4)
WITec post-acquisition gross margin adjustment	(1.7)	—	—	—	(1.7)
Amortisation and impairment of acquired intangibles	(3.2)	(6.3)	—	—	(9.5)
Fair value movement on financial derivatives	—	—	—	(6.4)	(6.4)
Financial income	—	—	—	0.5	0.5
Financial expenditure	—	—	—	(1.2)	(1.2)
Profit/(loss) before income tax from continuing operations	20.8	15.0	18.9	(7.1)	47.6

	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
2021					
Segment adjusted operating profit from continuing operations	20.3	19.5	16.9	—	56.7
Acquisition-related costs	(0.4)	—	—	—	(0.4)
Impairment of capitalised development costs	(1.3)	—	—	—	(1.3)
Amortisation and impairment of acquired intangibles	(2.0)	(6.4)	—	—	(8.4)
Fair value movement on financial derivatives	—	—	—	6.4	6.4
Financial income	—	—	—	1.1	1.1
Financial expenditure	—	—	—	(1.9)	(1.9)
Profit before income tax from continuing operations	16.6	13.1	16.9	5.6	52.2

	2022 £m	2021 £m
Depreciation		
Materials & Characterisation	3.8	3.3
Research & Discovery	1.5	1.3
Service & Healthcare	0.7	0.6
Unallocated Group items	1.5	1.4
Total	7.5	6.6

	2022 £m	2021 £m
Capital expenditure		
Materials & Characterisation	11.4	3.2
Research & Discovery	1.7	1.3
Service & Healthcare	0.1	0.1
Unallocated Group items	0.7	0.2
Total	13.9	4.8

	2022 £m	2021 £m
Amortisation and impairment		
Materials & Characterisation	5.0	5.6
Research & Discovery	6.4	6.6
Service & Healthcare	—	—
Unallocated Group items	—	—
Total	11.4	12.2

	2022 £m	2021 £m
Capitalised development costs		
Materials & Characterisation	0.7	0.8
Research & Discovery	—	0.1
Service & Healthcare	—	—
Unallocated Group items	—	—
Total	0.7	0.9

	2022 £m	2021 £m
Revenue from continuing operations from external customers by destination		
UK	20.2	14.5
China	103.9	76.8
Japan	39.0	39.6
USA	79.9	72.1
Germany	28.1	32.8
Rest of Europe	40.7	39.9
Rest of Asia	45.7	33.8
Rest of World	9.8	9.0
Total	367.3	318.5

	2022 £m	2021 £m
Non-current assets (excluding deferred tax)		
UK	182.8	146.0
Germany	32.7	2.9
USA	14.2	8.7
Japan	2.4	0.6
China	1.8	0.3
Rest of Europe	7.2	7.8
Rest of Asia	0.3	0.2
Rest of World	0.6	0.9
Total	242.0	167.4

4 Auditor's remuneration

	2022 £'000	2021 £'000
Audit of these Financial Statements	210	200
Amounts received by the auditor and its associates in respect of:		
– Audit of Financial Statements of subsidiaries pursuant to legislation	420	349
– Taxation compliance services	—	—
– Audit-related assurance services	44	44
– Other assurance services	10	6
Total fees payable to the auditor and its associates	684	599

5 Research and development (R&D)

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

	Materials & Characterisation £m	Research & Discovery £m	Total £m
2022			
R&D expense charged to the Consolidated Statement of Income	23.0	9.8	32.8
Less: depreciation of R&D-related fixed assets	—	(0.2)	(0.2)
Add: amounts capitalised as fixed assets	—	0.3	0.3
Less: amortisation of R&D costs previously capitalised as intangibles	(1.8)	(0.1)	(1.9)
Add: amounts capitalised as intangible assets	0.7	—	0.7
Total cash spent on R&D during the year	21.9	9.8	31.7
2021			
R&D expense charged to the Consolidated Statement of Income	20.2	9.8	30.0
Less: depreciation of R&D-related fixed assets	—	(0.1)	(0.1)
Add: amounts capitalised as fixed assets	—	0.6	0.6
Less: amortisation of R&D costs previously capitalised as intangibles	(2.3)	(0.2)	(2.5)
Add: amounts capitalised as intangible assets	0.8	0.1	0.9
Total cash spent on R&D during the year	18.7	10.2	28.9

Notes to the Financial Statements **continued**

Year ended 31 March 2022

6 Acquisition of WITec

On 31 August 2021, the Group acquired 100% of the issued share capital of WITec Wissenschaftliche Instrumente und Technologie GmbH ("WITec") on a cash-free, debt-free basis for consideration of €42m (£36.0m), of which €5m (£4.3m) is conditional on trading performance over a period of twelve months from the acquisition. The conditions for the deferred consideration are meeting certain revenue, order and margin thresholds. In the calculations below, it has been assumed that these thresholds have been met. WITec is a leading designer and manufacturer of Raman microscopy imaging solutions, based in Ulm, Germany.

The book and fair value of the assets and liabilities acquired is given in the table below. Fair value adjustments will be made to better align the accounting policies of the acquired business with the Group accounting policies and to reflect the fair value of assets and liabilities acquired. The business has been integrated into the Materials & Characterisation segment.

	Book value £m	Adjustments £m	Fair value £m
Intangible assets	—	8.3	8.3
Property, plant and equipment	0.2	—	0.2
Right-of-use assets	2.8	—	2.8
Inventories	5.3	2.6	7.9
Trade and other receivables	3.0	—	3.0
Deferred tax	0.2	(3.0)	(2.8)
Trade and other payables	(2.1)	—	(2.1)
Lease liabilities	(2.8)	—	(2.8)
Provisions	(0.5)	—	(0.5)
Bank loans	(1.9)	—	(1.9)
Cash	1.7	—	1.7
Net assets acquired	5.9	7.9	13.8
Goodwill			20.6
Total consideration			34.4
Net debt acquired			0.2
Deferred consideration after discounting to transaction date			(3.6)
Creditor in respect of working capital adjustment			(0.4)
Net cash outflow relating to the acquisition			30.6

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

Acquisition-related costs of £0.4m (2021: £0.4m) were expensed to the Consolidated Statement of Income as an adjusting item in the administration and shared services cost line.

The acquisition contributed revenue of £14.3m, adjusted operating profit of £2.8m and a statutory loss before tax of £0.3m to the Group's profit for the year.

If the acquisition had occurred on the first day of the year the acquisition would have contributed revenue of £19.6m, adjusted operating profit of £3.1m and a statutory result before tax of £nil.

7 Financial income

	2022 £m	2021 £m
Interest receivable	0.1	0.2
Interest credit on pension scheme net assets	0.4	0.9
	0.5	1.1

8 Financial expenditure

	2022 £m	2021 £m
Bank interest payable	0.6	1.8
Interest on lease liabilities	0.3	0.1
Unwind of discount on contingent consideration	0.3	—
	1.2	1.9

9 Personnel costs

	2022 £m	2021 £m
Wages and salaries	96.4	85.6
Social security costs	12.2	10.5
Contributions to defined contribution plans (note 25)	4.8	4.0
Defined benefit expense/(income) (note 25)	—	(0.5)
Charge in respect of employee share options	2.1	1.8
	115.5	101.4

Directors' emoluments are disclosed in the Remuneration Report on pages 120 to 141 of this Report and Financial Statements.

10 Employees

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

	2022 Number	2021 Number
Production	732	628
Sales and marketing	467	405
Research and development	430	367
Administration and shared services	249	219
	1,878	1,619

11 Share option schemes

The Group operates three share option schemes:

All-employee Share Incentive Plan (SIP)

All UK employees are eligible to participate in the Group's HM Revenue and Customs-approved SIP. Participating employees make a cash contribution to the plan each month. The Group contributes a further amount equal to 20% of the employee's contribution. Independent trustees then purchase matching shares in the market on behalf of the employees. The matching shares vest on the completion by the participating employee of a further three years' service and can be withdrawn from the plan tax-free after five years' service.

Medium-Term Incentive Plan Scheme (MTIP)

Options awarded under the Medium-Term Incentive Plan are made annually to certain senior managers. The exercise prices are £nil. Options have a life of ten years with vesting subject to achievement of performance targets and a vesting period of a minimum of three years (but may be up to five years).

Performance Share Plan Scheme (PSP)

Under the Performance Share Plan awards of Performance Shares (or nil-cost options) are made annually to certain senior managers. Awards have a life of ten years with vesting subject to achievement of performance targets and a vesting period of a minimum of three years (but may be up to five years).

Notes to the Financial Statements **continued**

Year ended 31 March 2022

11 Share option schemes continued

Performance Share Plan Scheme (PSP) continued

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

Executive Share Option Scheme (ESO)

Options awarded under the Executive Share Option Scheme were made annually to certain senior managers. The exercise prices were determined according to the mid-market closing share price on the day before the date of grant. Options have a life of ten years and a vesting period of three years.

Some of the ESO options used total shareholder return (TSR) as a performance condition. As TSR is a market-based performance condition, the accounting treatment differs from that for options subject to non-market performance conditions. This means that the TSR performance conditions were incorporated into the calculation of the fair value as a discount in calculating the fair value.

Performance conditions

The ESO, MTIP and PSP schemes are or were subject to performance conditions which can be found in the Remuneration Report on pages 135 to 137.

Administrative expenses include a charge of £2.1m (2021: £1.8m) in respect of the cost of providing share-based remuneration. The cost of share options is calculated by estimating the fair value of the option at grant date and spreading that amount over the vesting period after adjusting for an expectation of non-vesting.

Fair values are determined using an internal valuation model based on a modified Black-Scholes model. Expected volatility has been based on historical volatility over a period of time of the same length as the expected option life and ending on the grant date.

For options granted in the years ended 31 March 2022 and 2021, the fair value per option granted and the assumptions used in the calculation are as follows:

	Medium-Term Incentive Plan Scheme July 2021	Performance Share Plan Scheme July 2021	Medium-Term Incentive Plan Scheme September 2020	Performance Share Plan Scheme September 2020
Fair value at measurement date	£22.60	£22.60	£15.68	£15.68
Share price at grant date	£23.10	£23.10	£15.80	£15.80
Exercise price	£nil	£nil	£nil	£nil
Expected volatility	39.4%	39.4%	42.4%	42.4%
Expected option life (expressed as weighted average life used in the modelling)	3 years	3 years	3 years	3 years
Expected dividend yield	0.7%	0.7%	0.3%	0.3%
Risk-free interest rate	0.5%	0.5%	-0.1%	-0.1%

The options existing at the year end were as follows:

	2022			2021
	Number of shares	Exercise price	Period when exercisable	Number of shares
Options subsisting at the year end on unissued ordinary shares:				
Executive Share Option Schemes				
December 2011	—	£9.90	14/12/14 – 13/12/21	22,426
June 2015	82,875	£10.28	15/06/18 – 14/06/25	150,831
June 2016	18,000	£7.38	21/06/19 – 20/06/26	18,000
November 2016	36,403	£6.27	29/11/19 – 28/11/26	43,849
Total options subsisting on existing ordinary shares	137,278			235,106
Percentage of issued share capital	0.2%			0.4%
Medium-Term Incentive Plan				
September 2017	29,490	£nil	25/09/20 – 24/09/27	48,532
July 2018	48,219	£nil	03/07/21 – 02/07/28	85,294
July 2019	78,593	£nil	15/07/22 – 14/07/29	90,149
September 2020	71,136	£nil	23/09/23 – 22/09/30	80,376
July 2021	65,781	£nil	02/07/24 – 01/07/31	—
Total options subsisting on existing ordinary shares	293,219			304,351
Percentage of issued share capital	0.5%			0.5%
Performance Share Plan				
June 2016	—	£nil	21/06/19 – 20/06/26	137,783
September 2017	116,853	£nil	25/09/20 – 24/09/27	116,853
July 2018	115,043	£nil	03/07/21 – 02/07/28	115,043
July 2019	86,032	£nil	15/07/22 – 14/07/29	86,032
September 2020	74,815	£nil	23/09/23 – 22/09/30	74,815
July 2021	55,806	£nil	02/07/24 – 01/07/31	—
Total options subsisting on existing ordinary shares	448,549			530,526
Percentage of issued share capital	0.8%			0.9%

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

	2022		2021	
	Weighted average exercise price	Number of options	Weighted exercise average price	Number of options
Outstanding at the beginning of the period	£2.04	1,069,983	£2.44	1,024,758
Granted during the year	£nil	125,602	£nil	155,191
Forfeited during the year	—	(27,003)	—	(59,735)
Exercised during the year	£2.55	(236,875)	£5.97	(45,850)
Lapsed during the year	£6.88	(52,661)	£9.91	(4,381)
Outstanding at the year end	£1.38	879,046	£2.04	1,069,983
Exercisable at the year end	£2.71	446,883	£4.05	538,274

The weighted average share price at the time of exercise of the options was £23.29 (2021: £16.78).

The total consideration received from exercise of options in the year was £0.1m (2021: £0.2m).

Notes to the Financial Statements **continued**

Year ended 31 March 2022

12 Income tax expense

	2022 £m	2021 £m
Recognised in the Consolidated Statement of Income		
Current tax expense		
Current year	9.0	9.7
Adjustment in respect of prior years	(1.0)	(3.2)
	8.0	6.5
Deferred tax expense		
Origination and reversal of temporary differences	1.2	2.0
Adjustment in respect of prior years	(0.2)	1.9
	1.0	3.9
Total tax expense	9.0	10.4
Reconciliation of effective tax rate		
Profit before income tax	47.6	52.2
Income tax using the weighted average statutory tax rate of 21% (2021: 21%)	10.0	11.0
Effect of:		
Tax rates other than the weighted average statutory rate	0.1	0.4
Change in rate at which deferred tax recognised	0.6	0.1
Non-taxable income and expenses	(0.3)	0.3
Tax incentives not recognised in the Consolidated Statement of Income	(0.2)	—
Movement in unrecognised deferred tax	—	(0.1)
Adjustment in respect of prior years	(1.2)	(1.3)
Total tax expense	9.0	10.4
Taxation charge/(credit) recognised directly in other comprehensive income		
Deferred tax – relating to employee benefits	6.8	(5.5)
Taxation credit recognised directly in equity		
Deferred tax – relating to share options	(0.2)	(1.0)

On 5 March 2021, it was announced that the rate of UK corporation tax would be increased to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. As such, the UK deferred tax assets and liabilities have been calculated based on the enacted rate of 19% where they are anticipated to be utilised prior to 31 March 2023, but at 25% when utilisation is expected to occur after that date.

The Group carries tax provisions in relation to uncertain tax positions arising from the possible outcome of negotiations with tax authorities. The provisions have been calculated based on the probable outcome of those negotiations from a range of possibilities and assume that the tax authorities have full knowledge of the facts. Such provisions are a reflection of the geographical spread of the Group's operations and the variety of jurisdictions in which it carries out its activities.

On 2 April 2019, the EU Commission announced that it believes that in certain circumstances the UK's Controlled Foreign Company (CFC) regime (introduced in 2013) for certain finance income constituted State Aid. The Commission instructed the UK Government to recover any such aid from affected parties. The Group has claimed the benefit of this exemption, and therefore may be required to repay State Aid. The maximum amount of State Aid repayable as at 31 March 2020 was £1.2m in respect of tax and £0.1m in respect of interest unless the decision is successfully challenged in the EU Courts. The Group believed that £0.2m might ultimately have been payable and a provision was made for that amount in the year to 31 March 2020. In early 2021, HM Revenue and Customs advised the Group that it agreed with the Group's position that it had not in fact been a beneficiary of State Aid. The provision of £0.2m was accordingly released in the year to 31 March 2021.

In addition to the provision release following the enactment of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) the Group was able to carry back tax losses in the US to earlier years which resulted in a prior year adjustment of £2.7m. The Group received a cash tax refund of \$2.1m in July 2021.

13 Dividends per share

The following dividends per share were paid by the Group:

	2022 pence	2021 pence
Previous period interim dividend	4.1	—
Previous period final dividend	12.9	—
Current period interim dividend	4.4	—
	21.4	—

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

	2022 pence	2021 pence
Interim dividend	4.4	4.1
Final dividend	13.7	12.9
	18.1	17.0

The final dividend for the year to 31 March 2021 of 12.9 pence per share was approved by Shareholders at the Annual General Meeting on 21 September 2021 and was paid on 15 October 2021. The interim dividend for the year to 31 March 2022 of 4.4 pence was approved by the Board on 8 November 2021 and was paid on 14 January 2022.

The proposed final dividend of 13.7 pence per share was not provided at the year end and is subject to Shareholder approval at the Annual General Meeting on 28 July 2022. It is expected to be paid on 23 August 2022, to Shareholders on the register on the record date of 15 July 2022, with an ex-dividend date of 14 July 2022 and with the last date of election for the Dividend Reinvestment Plan (DRIP) being 02 August 2022.

Notes to the Financial Statements **continued**

Year ended 31 March 2022

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 1 April 2020	14.5	35.4	7.8	57.7
Additions	0.2	3.8	0.1	4.1
Disposals	(0.8)	(2.2)	(0.1)	(3.1)
Effect of movements in foreign exchange rates	(0.1)	(0.5)	(0.1)	(0.7)
Balance at 31 March 2021	13.8	36.5	7.7	58.0
Balance at 1 April 2021	13.8	36.5	7.7	58.0
Additions – business combinations	–	0.2	–	0.2
Additions – other	7.8	5.3	0.8	13.9
Disposals	(0.2)	(2.0)	(0.3)	(2.5)
Effect of movements in foreign exchange rates	0.4	0.4	0.1	0.9
Balance at 31 March 2022	21.8	40.4	8.3	70.5
Depreciation and impairment losses				
Balance at 1 April 2020	5.1	25.2	5.6	35.9
Depreciation charge for the year	0.4	3.1	0.4	3.9
Disposals	–	(2.1)	–	(2.1)
Effect of movements in foreign exchange rates	(0.1)	(0.6)	(0.1)	(0.8)
Balance at 31 March 2021	5.4	25.6	5.9	36.9
Balance at 1 April 2021	5.4	25.6	5.9	36.9
Depreciation charge for the year	0.3	3.6	0.2	4.1
Disposals	(0.2)	(2.0)	(0.2)	(2.4)
Effect of movements in foreign exchange rates	–	0.2	–	0.2
Balance at 31 March 2022	5.5	27.4	5.9	38.8
Carrying amounts				
Balance at 1 April 2020	9.4	10.2	2.2	21.8
Balance at 31 March 2021 and 1 April 2021	8.4	10.9	1.8	21.1
Balance at 31 March 2022	16.3	13.0	2.4	31.7

As at 31 March 2022, the net book value of plant and equipment included £nil (2021: £1.2m) of assets under construction.

15 Intangible assets

	Goodwill £m	Customer- related acquired intangibles £m	Technology- related acquired intangibles £m	Development costs acquired intangibles £m	Development costs internally generated £m	Software £m	Total £m
Cost							
Balance at 1 April 2020	103.3	31.3	95.6	1.8	52.0	4.2	288.2
Additions – internally generated	—	—	—	—	0.9	—	0.9
Disposals	—	(0.5)	—	—	(4.4)	—	(4.9)
Effect of movements in foreign exchange rates	(1.5)	(1.5)	(3.9)	—	—	—	(6.9)
Balance at 31 March 2021	101.8	29.3	91.7	1.8	48.5	4.2	277.3
Balance at 1 April 2021	101.8	29.3	91.7	1.8	48.5	4.2	277.3
Additions – business combinations	20.6	3.3	5.0	—	—	—	28.9
Additions – internally generated	—	—	—	—	0.7	0.1	0.8
Effect of movements in foreign exchange rates	0.2	0.5	1.5	—	—	—	2.2
Balance at 31 March 2022	122.6	33.1	98.2	1.8	49.2	4.3	309.2
Amortisation and impairment losses							
Balance at 1 April 2020	22.9	23.2	58.8	1.1	43.9	2.8	152.7
Amortisation and impairment charged	—	1.1	7.1	0.2	3.8	0.1	12.3
Disposals	—	(0.5)	—	—	(4.4)	—	(4.9)
Effect of movements in foreign exchange rates	(1.2)	(1.3)	(2.9)	—	—	—	(5.4)
Balance at 31 March 2021	21.7	22.5	63.0	1.3	43.3	2.9	154.7
Balance at 1 April 2021	21.7	22.5	63.0	1.3	43.3	2.9	154.7
Amortisation and impairment charged	—	1.8	7.5	0.2	1.9	—	11.4
Effect of movements in foreign exchange rates	0.5	0.5	1.4	—	—	—	2.4
Balance at 31 March 2022	22.2	24.8	71.9	1.5	45.2	2.9	168.5
Carrying amounts							
Balance at 1 April 2020	80.4	8.1	36.8	0.7	8.1	1.4	135.5
Balance at 31 March 2021 and 1 April 2021	80.1	6.8	28.7	0.5	5.2	1.3	122.6
Balance at 31 March 2022	100.4	8.3	26.3	0.3	4.0	1.4	140.7

During the year the Group made impairments of £nil (2021: £1.3m) in respect of capitalised development costs. Further information can be found in the Finance Review section of the Strategic Report.

The following intangible assets are considered material by the Directors as they represent 99% (2021: 98%) of total acquired intangible assets:

	2022			2021
	£m	Amortisation period years	Remaining amortisation period years	£m
Trademarks – Andor	5.6	15.0	6.8	6.4
Technology, know-how and patents – Andor:				
– Product related	16.2	12.0	3.8	20.4
– Software related	2.0	10.0	1.8	3.1
Trademarks – WITec	2.5	10.0	9.6	—
Technology, know-how and patents – WITec	4.6	5.0	4.6	—
Technology, know-how and patents – Asylum	3.8	12.0	2.7	5.2

Notes to the Financial Statements **continued**

Year ended 31 March 2022

15 Intangible assets **continued**

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

	2022 £m	2021 £m
Materials & Characterisation		
NanoAnalysis	9.8	9.8
Magnetic Resonance	2.3	2.3
WITec	20.3	—
Research & Discovery		
Andor	61.3	61.3
NanoScience	6.7	6.7
	100.4	80.1

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

Accounting standards require an impairment test to be carried out by determining the recoverable amount of each CGU which contains goodwill. The recoverable amount is calculated as the higher of the fair value less costs to sell or the value in use of the CGU. In the Group's case, the recoverable amount is based on value in use calculations. Value in use is calculated by discounting expected future cash flows. In previous years, the Group has used Board-approved five-year cash flow forecasts, prepared by the management of each CGU and reviewed and amended by Group management as necessary together with 3.0% per annum growth for the subsequent 20 years. This rate was considered to be at or below long-term market trends for the Group's businesses.

In the review undertaken in March 2021, the impact of coronavirus was considered in preparing the base case and downside profit forecast based on the Group's five-year planning process completed in November 2021 and budget submitted in January 2022. The downside forecast was used as a basis for the value in use calculation along with an assumption that annual average cash conversion would be 85%, which is the Group's target cash conversion and noted to be lower than that achieved over the last five years. Long-term growth was estimated to be 1.5% which was considered to be a prudent growth rate given current economic circumstances.

In the current year, the previous methodology of considering the Board-approved five-year cash flow forecasts and Budget for the following year were considered, with a 2.5% per annum growth rate for the subsequent 20 years. Again, this growth rate is considered to be below long-term market trends for the Group's businesses.

Key assumptions

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

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

The pre-tax weighted average costs of capital used for Materials & Characterisation and Research & Discovery in impairment testing are 11.6%-12.1% (2021: 13.6%-14.1%) and 11.6%-12.1% (2021: 13.6%-14.1%) respectively, in line with the risk associated with each of the business segments. Management has estimated these discount rates by reference to past experience and an industry average weighted cost of capital as adjusted for appropriate risk factors reflecting current economic circumstances and the risk profiles of each CGU.

Sensitivity analysis

The Group's estimate of impairments are most sensitive to changes in the discount rate and forecast growth rate. Sensitivity analysis has been carried out by reference to both of these assumptions. This demonstrated that a 180 basis point increase in the discount rate would be required in order to eliminate the headroom of £8.6m in the recently acquired WITec business – along with a 20% deterioration from the 5-year forecast. Similarly, a reduction in the growth rate to 0.9% along with a 20% deterioration from the 5-year forecast would be required in order to result in an impairment in that business. No reasonably possible change in assumptions would result in an impairment in the other businesses.

16 Deferred tax

	Property, plant and equipment £m	Inventory £m	Employee benefits £m	Intangibles assets £m	Tax losses £m	Other £m	Total £m
Balance at 1 April 2020	0.8	2.5	(3.5)	(6.2)	9.0	4.5	7.1
Recognised in income	(0.1)	0.3	(3.0)	0.6	(1.5)	(0.2)	(3.9)
Recognised in other comprehensive income	—	—	5.5	—	—	—	5.5
Recognised directly in equity	—	—	1.0	—	—	—	1.0
Effect of movements in foreign exchange rates	—	(0.2)	(0.1)	(0.1)	(0.7)	(0.4)	(1.5)
Balance at 31 March 2021	0.7	2.6	(0.1)	(5.7)	6.8	3.9	8.2
Recognised in income	(1.6)	1.3	(1.2)	0.6	(0.3)	0.2	(1.0)
Recognised in other comprehensive income	—	—	(6.8)	—	—	—	(6.8)
Recognised directly in equity	—	—	0.2	—	—	—	0.2
Acquired on business combination	—	(0.7)	0.1	(1.9)	—	(0.1)	(2.6)
Effect of movements in foreign exchange rates	—	—	—	—	0.2	0.1	0.3
Balance at 31 March 2022	(0.9)	3.2	(7.8)	(7.0)	6.7	4.1	(1.7)

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

	Assets		Liabilities		Net	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Gross assets/(liabilities)	14.3	15.1	(16.0)	(6.9)	(1.7)	8.2
Offset	(0.6)	(2.0)	0.6	2.0	—	—
Net assets/(liabilities)	13.7	13.1	(15.4)	(4.9)	(1.7)	8.2

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

	2022 £m	2021 £m
Deductible temporary differences	—	—
Tax losses	0.2	0.3
	0.2	0.3

The tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available in the subsidiaries concerned against which the Group can utilise the brought-forward tax losses.

No deferred tax liability has been recognised in respect of £56.0m (2021: £32.2m) of undistributed earnings of overseas subsidiaries since the majority of such distributions would not be taxable. In other cases the Group considers that it is able to control the timing of remittances so that any tax is not expected to arise in the foreseeable future.

17 Inventories

	2022 £m	2021 £m
Raw materials and consumables	28.6	21.4
Work in progress	23.2	19.4
Finished goods	13.5	17.9
	65.3	58.7

The amount of inventory recognised as an expense was £147.2m (2021: £129.9m). In the ordinary course of business, the Group makes impairment provisions for slow-moving, excess and obsolete inventory as appropriate. Inventory is stated after charging impairments of £0.7m in the current period (2021: £0.9m). In the current year, £nil (2021: £nil) was reversed relating to previous impairments. Impairments are included within gross profit.

Inventory carried at net realisable value is £1.5m (2021: £0.3m).

Notes to the Financial Statements **continued**

Year ended 31 March 2022

18 Trade and other receivables

	2022 £m	2021 £m
Trade receivables	78.4	61.5
Less provision for impairment of receivables	(3.6)	(2.2)
Net trade receivables	74.8	59.3
Accrued income	4.2	2.9
Prepayments	8.5	4.1
Other receivables	17.2	9.3
	104.7	75.6

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

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

	2022 £m	2021 £m
UK	12.0	9.0
China	19.9	11.1
Japan	11.8	10.5
USA	16.6	17.3
Germany	13.1	8.3
Rest of Europe	10.7	9.0
Rest of Asia	11.4	5.5
Rest of World	0.7	0.8
	96.2	71.5

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

	2022 £m	2021 £m
Current (not overdue)	61.0	49.3
Less than 31 days overdue	13.5	10.1
More than 30 but less than 91 days overdue	11.2	4.8
More than 90 days overdue	10.5	7.3
	96.2	71.5

In both periods presented the entire provision against trade receivables and other receivables plus accrued income relates to balances more than 90 days overdue.

The movement of the Groups expected credit losses provision in respect of trade receivables and other receivables plus accrued income was as follows:

	2022 £m	2021 £m
Balance at start of year	2.2	2.1
Transferred in on acquisition of WITec	0.2	—
Increase in loss allowance recognised in the Comprehensive Statement of Income in the year	1.2	0.1
Balance at end of year	3.6	2.2

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

19 Cash and cash equivalents

	2022 £m	2021 £m
Cash balances	96.4	128.0
Bank overdrafts	(8.7)	(30.4)
Cash and cash equivalents in the Consolidated Statement of Cash Flows	87.7	97.6

20 Working capital movements

Reconciliation of movements in working capital:

	Inventories £m	Receivables ¹ £m	Payables and provisions ¹ £m	Customer deposits £m	Total £m
As at 1 April 2020	58.8	72.0	(91.7)	(45.3)	(6.2)
Working capital movement	1.3	10.5	(11.3)	2.2	2.7
Exchange differences	(1.4)	(0.8)	2.9	1.2	1.9
FV movement on financial derivatives	—	—	6.5	—	6.5
As at 31 March 2021 and 1 April 2021	58.7	81.7	(93.6)	(41.9)	4.9
Working capital movement	0.1	21.6	(11.4)	1.5	11.8
WITec related flows	6.2	3.0	(6.7)	(0.3)	2.2
Exchange differences	0.3	(0.6)	0.7	(0.6)	(0.2)
FV movement on financial derivatives	—	—	(6.4)	—	(6.4)
As at 31 March 2022	65.3	105.7	(117.4)	(41.3)	12.3

1. Receivables and payables include derivative financial instruments.

21 Financial risk management

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

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

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates.

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

Notes to the Financial Statements **continued**

Year ended 31 March 2022

21 Financial risk management continued

Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures). The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies but the Group's primary exposures relate to the US Dollar, the Euro and the Japanese Yen. To reduce uncertainty, the Group maintains a rolling hedge of forward contracts equivalent to 80% (2021: 80%) of the exposure expected to arise over the following twelve months. The remaining 20% is sold on the spot market. The fair value of outstanding currency contracts recognised as a liability as at 31 March 2022 amount to £1.4m (2021: £nil) and those recognised as an asset amount to £1.0m (2021: £6.1m).

Movements in the fair value of derivative financial instruments are recognised in the Consolidated Statement of Income immediately. However, in order to facilitate a more meaningful comparison of the Group's performance year-on-year, the elements of these movements that relate to hedges in respect of future sales are treated as an adjusting item in the calculation of adjusted earnings (Note 1).

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

Interest rate risk

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

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by maintaining adequate committed lines of funding from high quality lenders. The facilities committed to the Group as at 31 March 2022 are set out in Note 24.

Credit risk

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

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk by type of asset at 31 March 2022 is as shown below:

	2022 £m	2021 £m
Trade receivables	74.8	59.3
Other receivables and accrued income	21.4	12.2
Cash and cash equivalents	96.4	128.0
Derivative financial instruments	1.0	6.1
	193.6	205.6

The maximum exposure to credit risk for trade receivables is discussed in Note 18.

Other receivables include £14.0m (2021: £7.9m) in respect of VAT and similar taxes which are not past due date.

Capital management

The Board considers capital to comprise share capital, reserves and the net cash or net debt position of the Company. The Company was in a net cash position at the year end. Total capital at the end of the current year totalled £230.5m (2021: £168.6m).

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

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

As set out in the Chief Executive's Statement, the Group will actively manage its portfolio of businesses and products, selecting those markets with long-term growth drivers where we can maintain or grow leading positions. We will focus on those markets where nanotechnology has the potential to address some of the world's most complex and pressing challenges and where we can deliver unique solutions and service excellence. In line with the objective of maintaining a balance between borrowings and equity, the Group would seek to finance organic growth (e.g. through investment in research and development) and smaller "bolt-on" acquisitions from operating cash flow, thus maintaining balance sheet efficiency. Larger acquisitions would be financed either by equity or a mixture of equity and debt so as to ensure the Group has a manageable ratio of net debt to EBITDA.

The Board encourages employees to hold shares in the Company. As well as various share option plans (full details of which are given in Note 11), from April 2008 all UK employees have been offered the opportunity to take part in a Share Incentive Plan (SIP). Under this plan, employees are able to invest up to £1,800 each tax year in shares in the Company. The Company awards one additional free share (a matching share) for every five shares bought by each employee.

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

Notes to the Financial Statements **continued**

Year ended 31 March 2022

22 Financial instruments

Fair values of financial assets and liabilities

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

	Fair value hierarchy	2022		2021	
		Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Assets carried at amortised cost					
Trade receivables		74.8		59.3	
Other receivables and accrued income		21.4		12.2	
Cash and cash equivalents		96.4		128.0	
Assets carried at fair value					
Derivative financial instruments:					
- Foreign currency contracts	2	1.0	1.0	6.1	6.1
Liabilities carried at fair value					
Derivative financial instruments:					
- Foreign currency contracts	2	(1.4)	(1.4)	—	—
Liabilities carried at amortised cost					
Trade and other payables		(87.0)		(67.7)	
Bank overdrafts		(8.7)		(30.4)	
Borrowings		(1.8)		—	
Lease payables		(18.4)		(7.5)	

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

Derivative financial instruments

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

Fixed and floating rate borrowings

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

Trade and other receivables/payables

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

Lease payables

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

Fair value hierarchy

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

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

There have been no transfers between levels during the year.

Maturity of financial liabilities

	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due one to five years £m	Due more than five years £m
2022					
Foreign exchange contracts	(1.4)	1.4	1.1	0.3	—
Trade and other payables	(87.0)	87.0	87.0	—	—
Bank overdrafts	(8.7)	8.7	8.7	—	—
Borrowings	(1.8)	1.8	0.5	1.3	—
Lease payables	(18.4)	19.9	3.5	10.8	5.6
	(117.5)	118.6	100.6	12.4	5.6
	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due one to five years £m	Due more than five years £m
2021					
Foreign exchange contracts	—	—	—	—	—
Trade and other payables	(67.7)	67.7	67.7	—	—
Bank overdrafts	(30.4)	30.4	30.4	—	—
Lease payables	(7.5)	11.4	1.9	6.7	2.8
	(105.6)	109.5	100.0	6.7	2.8
				Carrying amount 2022 £m	Carrying amount 2021 £m
Variable rate instruments					
Financial assets				96.4	128.0
Financial liabilities				(8.7)	(30.4)
Fixed rate instruments					
Financial assets				—	—
Financial liabilities				(1.8)	—

Notes to the Financial Statements **continued**

Year ended 31 March 2022

22 Financial instruments **continued**

Sensitivity analysis

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

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

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

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

	1% increase in interest rates £m	10% weakening in Sterling £m	10% strengthening in Sterling £m
2022			
Impact on adjusted profit (Note 1)	0.9	(6.3)	6.3
Impact on reported profit	0.9	(4.3)	4.3
Impact on equity	0.8	(3.5)	3.5
	1% increase in interest rates £m	10% weakening in Sterling £m	10% strengthening in Sterling £m
2021			
Impact on adjusted profit (Note 1)	0.8	(9.8)	9.8
Impact on reported profit	0.8	(7.7)	7.7
Impact on equity	0.8	3.9	(7.2)

23 Called up share capital

Issued and fully paid ordinary shares:

	2022 Number of shares	2021 Number of shares
At the beginning of the year	57,461,453	57,434,763
Issued for cash	193,002	26,690
At the end of the year	57,654,455	57,461,453

	2022		2021	
	Number of shares	£m	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 5 pence each	57,654,455	2.9	57,461,453	2.9

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

24 Borrowings

	Effective interest rate	Earlier of repricing date or maturity date	2022 £m	2021 £m
Current				
Covid loan at WITec	1.00%	May 2026	0.5	—
Bank overdrafts			8.7	30.4
At the end of the year			9.2	30.4

	Effective interest rate	Earlier of repricing date or maturity date	2022 £m	2021 £m
Non-current				
Covid loan at WITec	1.00%	May 2026	1.3	—
At the end of the year			1.3	—

The Group's undrawn committed facilities available at 31 March 2022 were £103.0m, comprising the undrawn portion of the Group's £103.0m revolving credit facilities. These facilities expire on 28 June 2025 and comprise an \$80m and a €50m facility.

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

The Group's uncommitted overdraft facilities at 31 March 2022 were £18.6m.

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

	2022 £m	2021 £m
Balance at the beginning of the year	30.4	52.0
Increase in borrowings (from acquisition of WITec)	1.9	—
Repayment of borrowings (cash flow from financing activities)	(0.1)	(27.9)
Increase/(decrease) in bank overdrafts	(21.7)	6.3
Interest charged	0.5	1.6
Interest paid	(0.5)	(1.6)
At the end of the year	10.5	30.4

25 Retirement benefit obligations

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

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

	2022 £m	2021 £m
Present value of funded obligations	300.0	323.9
Fair value of plan assets	(351.7)	(340.2)
Recognised asset for defined benefit obligations	(51.7)	(16.3)

Notes to the Financial Statements **continued**

Year ended 31 March 2022

25 Retirement benefit obligations **continued**

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

	2022 £m	2021 £m
Benefit obligation at the beginning of the year	323.9	290.7
Past service cost	—	—
Interest on defined benefit obligation	6.7	7.2
Benefits paid	(11.1)	(8.8)
Settlement payment	—	—
Remeasurement (gain)/loss on obligation	(19.5)	34.8
Exchange rate adjustment	—	—
Benefit obligation at the end of the year	300.0	323.9

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

	2022 £m	2021 £m
Fair value of plan assets at the beginning of the year	340.2	321.4
Interest on plan assets	7.1	8.1
Contributions by employer	8.0	15.9
Benefits paid	(11.1)	(8.8)
Settlement payment	—	—
Administrative expenses	(0.4)	(0.4)
Actual return on assets excluding interest income	7.9	4.0
Exchange rate adjustment	—	—
Fair value of plan assets at the end of the year	351.7	340.2

The expense recognised in the Consolidated Statement of Income is:

	2022 £m	2021 £m
Total defined benefit (income)/expense	—	(0.5)
Contributions to defined contribution schemes	4.8	4.0
	4.8	3.5

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

	2022 £m	2021 £m
Cost of sales	1.7	1.0
Research and development	1.2	1.1
Selling and marketing costs	1.0	1.0
Administration and shared services	1.3	1.3
Financial income	(0.4)	(0.9)
	4.8	3.5

The Group has agreed a basis for deficit recovery payments with the trustees of the UK pension scheme. The deficit recovery payments are payable through to and including 2026 and will rise by approximately 3% per annum. The annual deficit recovery payment was £8.0m (2021: £7.8m) for the financial year. In the prior year, the Directors decided to make an additional one-off payment of £8.1m to the UK pension scheme to reduce the Group's exposure.

In the year to 31 March 2019 an allowance of £0.3m was made for the expected cost of equalising Guaranteed Minimum Pension ("GMP") between males and females.

GMP is a portion of pension that was accrued by individuals who were contracted out of the UK State Second Pension prior to 6 April 1997. Historically, there was an inequality of benefits between male and female members who have GMP. A High Court case concluded on 26 October 2018 and confirmed that GMPs need to be equalised.

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

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

The Group expects to contribute approximately £8.2m to the UK defined benefit plan in the next financial year.

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

	2022 £m	2021 £m
Actual return on assets excluding interest income	7.9	4.0
Experience (loss)/gain on scheme obligations	(1.6)	4.6
Changes in assumptions underlying the present value of scheme obligations:		
– Financial	23.5	(40.1)
– Demographic	(2.5)	0.6
Cumulative actuarial loss recorded in the Statement of Comprehensive Income since 1 April 2004 (date of transition to IFRS)	(3.5)	(30.8)

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

	2022 £m	Discount rate (-0.1% p.a.) £m	Inflation rate (+0.1% p.a.) £m	Life expectancy (+one year) £m
Present value of funded obligations	300.0	305.1	304.1	313.2
Fair value of plan assets	(351.7)	(351.7)	(351.7)	(351.7)
Surplus	(51.7)	(46.6)	(47.6)	(38.5)

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

Notes to the Financial Statements **continued**

Year ended 31 March 2022

25 Retirement benefit obligations continued

Defined benefit scheme – UK

A full actuarial valuation of the UK plan was carried out as at 31 March 2018 which, for reporting purposes, has been updated to 31 March 2022 by a qualified independent actuary.

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

	2022 %	2021 %
Discount rate	2.8	2.1
Rate of increase in pensions in payment ("3LPI")	2.6	2.5
Rate of increase in pensions in payment ("5LPI")	3.4	3.0
Rate of inflation ("CPI")	2.8	2.5
Mortality – pre and post-retirement	91% of S2PA tables (93% for females) future improvement in line with CMI 2021 with 1.25% long-term trend	91% of S2PA tables (93% for females) future improvement in line with CMI 2000 with 1.25% long-term trend

As at 31 March 2022 the weighted average duration of the defined benefit obligations was 17 years (2021: 18 years).

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

	2022 years	2021 years
Pre-retirement – males	23.6	23.6
Pre-retirement – females	25.7	25.7
Post-retirement – males	22.3	22.3
Post-retirement – females	24.2	24.2

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

The assets in the plan were:

	2022 £m	2021 £m
Equities	61.0	59.8
Corporate and emerging market bonds	24.7	32.6
Gilts	198.8	186.4
Property	5.3	9.9
Insurance-linked funds	21.2	21.4
Credit and global loan funds	0.1	0.1
Hedge funds	31.3	19.9
Liability hedge overlay	—	1.7
Cash	9.3	8.4
Fair value of plan assets at the end of the year	351.7	340.2

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

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

Defined contribution schemes

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

26 Trade and other payables

	2022 £m	2021 £m
Trade payables	29.3	21.6
Customer deposits	41.3	41.9
Social security and other taxes	3.7	3.8
Accrued expenses	35.1	32.8
Deferred income	21.2	16.5
Other payables	18.9	9.5
	149.5	126.1

27 Contract assets and liabilities

	2022			2021		
	Contract asset Accrued income £m	Contract liability Customer deposits £m		Contract asset Accrued income £m	Contract liability Customer deposits £m	
Balance at 1 April	2.9	(41.9)	(16.5)	1.2	(45.3)	(13.9)
Acquired business	0.6	(0.3)	(0.1)	—	—	—
Transfers in the period from contract assets to trade receivables	(2.9)	—	—	(1.2)	—	—
Amounts included in contract liabilities that were recognised as revenue during the period	—	31.8	16.5	—	33.8	13.6
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	3.6	—	—	2.9	—	—
Cash received in advance of performance and not recognised as revenue during the period	—	(30.9)	(21.1)	—	(30.4)	(16.2)
Balance at 31 March	4.2	(41.3)	(21.2)	2.9	(41.9)	(16.5)

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

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

Notes to the Financial Statements **continued**

Year ended 31 March 2022

28 Provisions for other liabilities and charges continued

	Warranties £m	IP-related claims £m	Other £m	Total £m
Balance as at 1 April 2021	5.0	0.6	3.8	9.4
Provisions made during the year	3.0	—	1.0	4.0
Provisions used during the year	(2.0)	—	(0.1)	(2.1)
Provisions released during the year	(2.1)	—	(1.4)	(3.5)
Balance as at 31 March 2022	3.9	0.6	3.3	7.8
Amounts falling due before one year	3.9	0.6	3.2	7.7
Amounts falling due after more than one year	—	—	0.1	0.1

Warranty provisions

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

Intellectual property related claims

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

Other provisions

Other provisions relate to various obligations including obligations in respect of onerous contracts, product-related liabilities, dilapidation provisions and provisions for other claims. £0.1m of other provisions fall due after more than one year and are expected to fall due within the next seven years.

29 Leases

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

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

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

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

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

Right-of-use assets

	Property leases £m	Other leases £m	Total £m
Cost			
Balance at 1 April 2020	12.3	1.7	14.0
Additions	2.2	0.3	2.5
Disposals	(0.1)	(0.1)	(0.2)
Effect of movements in foreign exchange rates	(1.1)	—	(1.1)
Balance at 31 March 2021	13.3	1.9	15.2
Balance at 1 April 2021	13.3	1.9	15.2
Additions – business combinations	2.6	0.2	2.8
Additions – other	10.1	0.8	10.9
Disposals	(1.7)	(0.3)	(2.0)
Effect of movements in foreign exchange rates	0.7	—	0.7
Balance at 31 March 2022	25.0	2.6	27.6
Depreciation and impairment losses			
Balance at 1 April 2020	5.1	0.7	5.8
Depreciation charge for the year	2.4	0.4	2.8
Disposals	—	(0.1)	(0.1)
Effect of movements in foreign exchange rates	(0.6)	—	(0.6)
Balance at 31 March 2021	6.9	1.0	7.9
Balance at 1 April 2021	6.9	1.0	7.9
Depreciation charge for the year	2.9	0.5	3.4
Disposals	(1.7)	(0.2)	(1.9)
Effect of movements in foreign exchange rates	0.3	—	0.3
Balance at 31 March 2022	8.4	1.3	9.7
Carrying amounts			
Balance at 1 April 2020	7.2	1.0	8.2
Balance at 31 March 2021 and 1 April 2021	6.4	0.9	7.3
Balance at 31 March 2022	16.6	1.3	17.9
Lease liabilities			
		2022 £m	2021 £m
Balance at beginning of year		7.5	8.6
Additions – business combinations		2.8	—
Additions – other		10.9	2.5
Disposals		—	(0.1)
Payments made (cash flows from financing activities)		(3.4)	(2.8)
Interest charge		0.3	0.1
Effect of movements in foreign exchange rates		0.3	(0.8)
		18.4	7.5
Amounts falling due after more than one year		14.9	4.9
Amounts falling due in less than one year		3.5	2.6

Notes to the Financial Statements **continued**

Year ended 31 March 2022

29 Leases continued

Lease liabilities continued

Amounts recognised in Consolidated Statement of Income

	2022	2021
	£m	£m
Interest on lease liabilities	(0.3)	(0.1)
Depreciation of right-of-use assets	(3.4)	(2.8)
Expenses on short-term leases not capitalised	—	—
Expenses on low-value asset leases not capitalised	—	—
Income from sub-letting right-of-use assets	—	—

Amounts recognised in Consolidated Statement of Cash Flows

	2022	2021
	£m	£m
Payments made in respect of lease liabilities	(3.4)	(2.8)

30 Capital commitments

Lease for new Plasma Technology site

On 28 January 2021, the Group entered into an agreement for a lease in respect of a proposed new site for its Plasma Technology business. Practical completion occurred on 30 May 2022 and consequently the Group has entered into a 20-year lease. This resulted in a right-of-use asset and corresponding lease liability of £13.5m on this date.

31 Contingent liabilities

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

32 Related parties

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

The remuneration of key management personnel is as follows:

	2022	2021
	£m	£m
Short-term employee benefits	3.7	3.4
Post-employment benefits	0.2	0.2
Share-based payment charges	1.6	1.5
Total	5.5	5.1

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

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

33 Exchange rates

The principal exchange rates to Sterling used were:

Year-end rates	2022	2021
US Dollar	1.32	1.38
Euro	1.18	1.17
Japanese Yen	160	152

Average translation rates 2022

	US Dollar	Euro	Japanese Yen
April	1.38	1.16	152
May	1.40	1.16	153
June	1.40	1.16	154
July	1.39	1.17	153
August	1.38	1.17	152
September	1.36	1.16	151
October	1.36	1.17	153
November	1.35	1.18	153
December	1.34	1.18	153
January	1.35	1.19	155
February	1.34	1.20	155
March	1.33	1.19	157

Average translation rates 2021

	US Dollar	Euro	Japanese Yen
April	1.25	1.14	134
May	1.25	1.13	134
June	1.24	1.11	133
July	1.27	1.11	136
August	1.33	1.11	140
September	1.32	1.11	139
October	1.29	1.11	136
November	1.34	1.12	139
December	1.35	1.12	140
January	1.37	1.12	142
February	1.39	1.14	146
March	1.39	1.16	151

Parent Company Statement of Financial Position

As at 31 March 2022

	Notes	2022 £m	2021 £m
Assets			
Non-current assets			
Intangible assets	d	1.3	1.3
Tangible assets	c	0.4	0.4
Right-of-use assets		0.1	—
Investments in subsidiary undertakings	e	323.6	322.8
Debtors	f	35.9	29.8
Derivative financial instruments		—	1.1
Retirement benefit asset	j	11.8	3.7
Deferred tax assets	i	0.1	1.7
		373.2	360.8
Current assets			
Debtors	f	26.0	20.6
Cash and cash equivalents		54.8	77.3
		80.8	97.9
Total assets		454.0	458.7
Equity			
Capital and reserves attributable to the Company's equity Shareholders			
Share capital		2.9	2.9
Share premium		62.5	62.4
Capital redemption reserve		0.1	0.1
Other reserves		7.6	7.6
Retained earnings		271.7	260.8
		344.8	333.8
Liabilities			
Non-current liabilities			
Derivative financial instruments	g	0.3	—
		0.3	—
Current liabilities			
Overdrafts	h	0.1	7.8
Other creditors	g	108.8	117.1
		108.9	124.9
Total liabilities		109.2	124.9
Total liabilities and equity		454.0	458.7

The Company's profit for the financial year was £16.3m (2021: £10.7m). Other comprehensive income in the year was £4.7m (2021: expense of £5.8m). The income will not subsequently be reclassified to profit or loss.

The Financial Statements were approved by the Board of Directors on 13 June 2022 and signed on its behalf by:

Ian Barkshire **Gavin Hill**
Director Director

Company number: 775598

Parent Company Statement of Changes in Equity

Year ended 31 March 2022

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total £m
As at 1 April 2021	2.9	62.4	0.1	7.6	260.8	333.8
Profit for the year	—	—	—	—	16.3	16.3
Other comprehensive income:						
– Remeasurement of defined benefit liability, net of tax	—	—	—	—	4.7	4.7
Total comprehensive income for the year	—	—	—	—	21.0	21.0
– Share options awarded to employees	—	—	—	—	1.3	1.3
– Share options awarded to employees of subsidiaries	—	—	—	—	0.8	0.8
– Tax credit in respect of share options	—	—	—	—	0.1	0.1
– Proceeds from shares issued	—	0.1	—	—	—	0.1
– Dividends paid	—	—	—	—	(12.3)	(12.3)
As at 31 March 2022	2.9	62.5	0.1	7.6	271.7	344.8
As at 1 April 2020	2.9	62.2	0.1	7.6	253.4	326.2
Profit for the year	—	—	—	—	10.7	10.7
Other comprehensive income:						
– Remeasurement of defined benefit liability, net of tax	—	—	—	—	(5.8)	(5.8)
Total comprehensive income for the year	—	—	—	—	4.9	4.9
– Share options awarded to employees	—	—	—	—	1.2	1.2
– Share options awarded to employees of subsidiaries	—	—	—	—	0.6	0.6
– Tax credit in respect of share options	—	—	—	—	0.7	0.7
– Proceeds from shares issued	—	0.2	—	—	—	0.2
As at 31 March 2021	2.9	62.4	0.1	7.6	260.8	333.8

Details of issued, authorised and allotted share capital are included in Note 23 to the Group Financial Statements.

Details of the Group's share option schemes are included in Note 11 to the Group Financial Statements.

Details of the Group's defined benefit pension scheme are included in Note 25 to the Group Financial Statements.

Details of dividends paid are included in Note 13 to the Group Financial Statements.

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

Notes to the Parent Company Financial Statements

Year ended 31 March 2022

(a) Accounting policies

Basis of accounting

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

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

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

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

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

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

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

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

Going concern

The Financial Statements have been prepared on a going concern basis, based on the Directors' opinion, after making reasonable enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future. Further details on the Group's going concern can be found on pages 76, 85 and 86.

Taxation

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

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

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

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

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

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

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Details of the Group's interest-bearing borrowings are included in Note 24 to the Group Financial Statements.

Intra-Group lending

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

Derivative financial instruments

The Company's accounting policies for financial instruments are the same as the Group's accounting policies under IFRS, namely IAS 32 Financial Instruments: Presentation, IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. These policies are set out in accounting policy "(e) Financial instruments" in the Group accounting policies, on page 162.

Tangible fixed assets

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

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

- Computer equipment – four years
- Motor vehicles – four years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets

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

- Software – ten years

Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

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

Non-financial assets

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

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

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

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

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

Notes to the Parent Company Financial Statements **continued**

Year ended 31 March 2022

(a) Accounting policies continued

Employee benefits

Defined contribution plans

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

Defined benefit plans

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

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest).

The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss. The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

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

Short-term benefits

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

Termination benefits

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

Share-based payment transactions

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

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

Own shares held by ESOP trust

The policy with regard to transactions of the Company-sponsored ESOP trust can be found in the Group accounting policies.

Leases

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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

Short-term leases and leases of low-value assets

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

Foreign currencies

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

Investments

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

Dividends on shares presented within Shareholders' funds

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

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the Parent Company Financial Statements **continued**

Year ended 31 March 2022

(b) Profit for the year

The Company's profit for the financial year was £16.3m (2021: £10.7m). Other comprehensive income in the year was £4.7m (2021: expense of £5.8m). The income will not subsequently be reclassified to profit or loss.

The auditor's remuneration comprised £210,000 (2021: £200,000) for the statutory audit.

The average number of people employed by the Company (including Directors) during the year was 79 (2021: 57). All these individuals were involved in administration.

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

	2022	2021
	£m	£m
Wages and salaries	6.4	5.4
Social security costs	1.5	1.6
Other pension costs	0.2	0.4
	8.1	7.4

The share-based payment charge was £1.3m (2021: £1.2m). Details of the Group's share option schemes are included in Note 11 to the Group Financial Statements.

Full details of the emoluments paid to Directors can be found in the Remuneration Report on pages 120 to 141.

(c) Tangible fixed assets

	Computer equipment £m	Total £m
Cost		
Balance at 1 April 2021	2.7	2.7
Additions	0.2	0.2
Balance at 31 March 2022	2.9	2.9
Depreciation		
Balance at 1 April 2021	2.3	2.3
Charge for year	0.2	0.2
Balance at 31 March 2022	2.5	2.5
Net book value		
Balance at 31 March 2021	0.4	0.4
Balance at 31 March 2022	0.4	0.4

(d) Intangible assets

	Software £m
Cost	
Balance at 1 April 2021	2.9
Additions	0.1
Balance at 31 March 2022	3.0
Depreciation and impairment losses	
Balance at 1 April 2021	1.6
Charge for year	0.1
Balance at 31 March 2022	1.7
Net book value	
Balance at 31 March 2021	1.3
Balance at 31 March 2022	1.3

(e) Investments

	Investments in subsidiary undertakings £m
Cost or valuation	
Balance at 1 April 2021	341.5
Expense in respect of share options transferred to subsidiary undertakings	0.8
Balance at 31 March 2022	342.3
Impairment	
Balance at 1 April 2021 and 31 March 2022	18.7
Net book value	
Balance at 31 March 2021	322.8
Balance at 31 March 2022	323.6

The following is a full list of the subsidiaries and associates and their country of registration as at 31 March 2022. This information is provided in accordance with Section 409 of the Companies Act 2006.

Entities listed below are wholly owned by either the Company or a subsidiary of the Company.

The direct undertakings in which the Company has an interest as at 31 March 2022 are as follows.

Subsidiaries	Registered office address	Country of incorporation
Andor Technology Limited	7 Millennium Way, Springvale Business Park, Belfast, NI, BT12 7AL	UK
Andor Technology, Inc.	300 Baker Avenue, Suite 150, Concord MA 0174	US
Bitplane AG	Zurcherstrasse 6, 8952 Schlieren	Switzerland
Bitplane Inc	300 Baker Avenue, Suite 150, Concord MA 0174	US
Oxford Instruments AFM Limited	Tubney Woods, Abingdon, Oxon, OX13 5Q	UK
Oxford Instruments America Inc	300 Baker Avenue, Suite 150, Concord MA 0174	US
Oxford Instruments Asylum Research Inc	7416 Hollister Avenue, Santa Barbara, CA 93117	US
Oxford Instruments Funding Limited	PO Box 175, Frances House, Sir William Place, St Peter Port, GY1 4HQ	Guernsey ¹
Oxford Instruments GmbH	Borsigstrasse 15a, 65205, Wiesbaden	Germany
Oxford Instruments Holdings 2013 Inc	Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, Delaware 1980	US
Oxford Instruments Holdings Europe Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	UK
Oxford Instruments Holdings GmbH	Borsigstrasse 15a, 65205, Wiesbaden	Germany
Oxford Instruments India Private Limited	Plot No. A-279, Ground Floor Road No. 16A, Ambica Nagar, Wagle Industrial Estate, Thane (West), Thane, MH, 400604	India
Oxford Instruments Industrial Products Holdings Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Industrial Products Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments KK	IS Building, 3-32-42 Higashi-Shinagawa, Shinagawa-ku, Tokyo, 140-0002	Japan
Oxford Instruments Molecular Biotoools Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Nanotechnology Tools Holdings Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Nanotechnology Tools Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Nordiska Ab	C/o TMF Sweden AB, Sergels Torg 12, 111 57, Stockholm	Sweden
Oxford Instruments Overseas Holdings 2008 Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Overseas Holdings Ltd	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Overseas Marketing GmbH	Borsigstrasse 15a, 65205, Wiesbaden	Germany
Oxford Instruments Overseas Marketing Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Pension Trustee Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK

Notes to the Parent Company Financial Statements **continued**

Year ended 31 March 2022

(e) Investments continued

Subsidiaries	Registered office address	Country of incorporation
Oxford Instruments Private Limited	Messrs Tan Rajah & Cheah, 80 Raffles Place, #58-01 UOB Plaza 1, 048624	Singapore
Oxford Instruments SAS	77 Z.A. de Montvoisin, 91400 Gometz la Ville	France
Oxford Instruments Technologies Oy	Technopolis Innopoli 1, Tekniikantie 12, Espoo, 02150	Finland
Oxford Instruments Technology (Shanghai) Co. Ltd	Floor 1, Building 60, 461 Hongcao Road, Xuhui District, Shanghai	China
Oxford Instruments UK 2013 Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments X-Ray Technology Inc	360 El Pueblo Road, Scotts Valley CA 95066	US
Spectral Applied Research Inc	199 Bay Street, Suite 5300, Commerce Court West, Toronto ON M5L 1B9	Canada
WITec (Beijing) Scientific Technology Co. Ltd.	Unit 1307A, Air China Plaza Tower 1, No. 36 Xiaoyun Road, Chaoyang District, 100027, Beijing	China
WITec Instruments Corp.	130G Market Place Blvd, Knoxville, Tennessee 37922	US
WITec KK	1-1-5 Furo-cho, Naka-ku, Yokohama City, Kanagawa Pref., 231-0032	Japan
WITec Pte. Ltd.	25 International Business Park, #03-59A German Centre, 609916	Singapore
WITec Wissenschaftliche Instrumente und Technologie GmbH	Lise-Meitner-Str. 6, D-89081 Ulm	Germany

1. UK tax resident.

Equity owned by the Company represents issued ordinary share capital. All subsidiaries are consolidated in the Group accounts.

(f) Debtors

	2022 £m	2021 £m
Amounts falling due after one year:		
Amounts owed by subsidiary undertaking	35.9	29.8
Amounts falling due within one year:		
Amounts owed by subsidiary undertaking	17.8	12.4
Other debtors	6.8	7.6
Prepayment and accrued income	1.4	0.6
	61.9	50.4

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

The Company has no immediate intention to recall £35.9m (2021: £29.8m) of these balances in the short term and so these amounts are classified as amounts falling due after more than one year.

(g) Creditors

	2022 £m	2021 £m
Amounts falling due after one year:		
Derivative financial instruments	0.3	—
Amounts falling due within one year:		
Trade creditors	3.1	0.1
Amounts owed to subsidiary undertaking	94.5	106.9
Tax, social security and sales-related taxes	4.2	5.6
Derivative financial instruments	3.4	—
Other financial liabilities	—	0.5
Accruals and deferred income	3.6	4.0
	109.1	117.1

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

(h) Overdraft

	2022 £m	2021 £m
Current		
Bank overdraft	0.1	7.8
At the end of the year	0.1	7.8

(i) Deferred tax asset

	2022 £m	2021 £m
Balance at 1 April	1.7	0.3
Profit and loss debit	(0.1)	(0.6)
Other comprehensive income credit/(debt)	(1.5)	2.0
Balance at 31 March	0.1	1.7

The amounts of deferred tax assets are as follows:

	Recognised	
	2022 £m	2021 £m
Excess of depreciation over corresponding capital allowance	0.5	0.4
Employee benefits – pension and share scheme	(0.4)	1.3
	0.1	1.7

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

On 5 March 2021, it was announced that the rate of UK corporation tax would be increased to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. As such, the UK deferred tax assets and liabilities have been calculated based on the enacted rate of 19% where they are anticipated to be utilised prior to 31 March 2023, but at 25% when utilisation is expected to occur after that date.

(j) Pension commitments

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

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

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

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

Details of the scheme, its most recent actuarial valuation and its funding can be found in Note 25 to the Group Financial Statements. The contributions paid by the Company to the Oxford Instruments Pension Scheme were £1.8m (2021: £3.7m).

(k) Guarantees

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

The Company and its UK subsidiaries have entered into a cross-guarantee for £10.0m (2021: £10.0m) in respect of net overdraft facilities, of which £nil (2021: £nil) was drawn at the year end.

(l) Commitments

At 31 March 2022, capital commitments contracted were £nil (2021: £nil) and authorised were £nil (2021: £nil).

(m) Related party transactions

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

Transactions with key management personnel are disclosed in the Remuneration Report on pages 120 to 141. There were no other significant transactions with key management personnel in either the current or preceding year.

Historical Financial Summary

	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m
Consolidated Statement of Income					
Revenue from continuing operations	277.5	314.0	317.4	318.5	367.3
Adjusted operating profit from continuing operations ¹	46.1	47.7	50.5	56.7	66.3
Other operating income	3.3	—	—	—	—
Acquisition-related costs	—	—	—	(0.4)	(0.4)
Restructuring costs	(0.4)	—	(0.2)	—	—
Restructuring costs – relating to associate	(0.4)	(0.3)	—	—	—
Past service cost on defined benefit pension scheme	—	(0.3)	0.6	—	—
WITec post-acquisition gross margin adjustment	—	—	—	—	(1.7)
Share of impairment recognised by associate	(2.0)	0.6	—	—	—
Inventory impairment	—	—	(0.4)	—	—
Profit on disposal of associate	—	—	6.5	—	—
Impairment of internally generated intangible assets	—	—	(7.1)	(1.3)	—
Amortisation of acquired intangibles	(9.8)	(8.8)	(8.7)	(8.4)	(9.5)
Fair value movement on financial derivatives	3.1	(1.5)	(1.4)	6.4	(6.4)
Operating profit from continuing operations	39.9	37.4	39.8	53.0	48.3
Net financing costs	(4.2)	(3.1)	(1.0)	(0.8)	(0.7)
Profit before taxation from continuing operations	35.7	34.3	38.8	52.2	47.6
Income tax expense	(12.0)	(6.5)	(6.8)	(10.4)	(9.0)
Profit for the year from continuing operations	23.7	27.8	32.0	41.8	38.6
Adjusted profit before tax from continuing operations	42.0	45.5	49.5	55.9	65.9
Consolidated Statement of Financial Position					
Property, plant and equipment	22.8	24.2	21.8	21.1	31.7
Right-of-use assets	—	8.8	8.2	7.3	17.9
Intangible assets	158.7	152.5	135.5	122.6	140.7
Investment in associate	4.1	4.6	—	—	—
Long-term receivables	1.4	0.3	—	—	—
Deferred and current tax	3.6	7.1	2.7	3.9	(5.4)
Inventories	45.9	60.8	58.8	58.7	65.3
Trade and other receivables	73.9	79.4	72.0	81.7	105.7
Trade and other payables	(84.1)	(118.0)	(128.6)	(126.1)	(150.9)
Lease payables	—	(3.0)	(2.1)	(2.6)	(3.5)
Net assets excluding net cash	226.3	216.7	168.3	166.6	201.5
Cash and cash equivalents	73.3	74.6	119.5	128.0	96.4
Bank overdrafts	(52.6)	(39.4)	(24.1)	(30.4)	(8.7)
Bank borrowings	(40.4)	(28.5)	(27.9)	—	(1.8)
Net (debt)/cash	(19.7)	6.7	67.5	97.6	85.9
Lease payables	—	(6.0)	(6.5)	(4.9)	(14.9)
Provisions	(11.7)	(8.7)	(8.4)	(9.4)	(7.8)
Retirement benefit obligations	(15.3)	(6.5)	30.7	16.3	51.7
Net assets employed/capital and reserves attributable to the Company's equity holders	179.6	202.2	251.6	266.2	316.4
Cash flows from continuing operations					
Net cash from operating activities	26.8	40.8	55.2	42.0	49.1
Net cash generated from/(used in) investing activities	68.7	(9.2)	6.0	(5.1)	(45.6)
Net cash used in financing activities	(104.0)	(22.1)	(11.4)	(30.5)	(15.7)
Net (decrease)/increase in cash equivalents from continuing operations	(8.5)	9.5	49.8	6.4	(12.2)
	pence	pence	pence	pence	pence
Per ordinary share					
Earnings – continuing	41.6	48.6	55.9	72.8	67.1
Adjusted earnings ¹	55.8	62.3	70.2	78.6	94.3
Dividends	13.3	14.4	—	17.0	18.1
Employees					
Average number of employees	1,642	1,579	1,585	1,619	1,878

1. Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in Note 1 to the Group Financial Statements.

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