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
Chief Executive

Gavin Hill
Chief Financial Officer

14 July 2023

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 2023 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 2023 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 three years, covering the years ended 31 March 2021 to 31 March 2023. 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, except as noted below.

During the year it was identified that BDO Singapore provided iXBRL services to the Singaporean subsidiary of Oxford Instruments plc. As such, this constitutes a service which is not permitted to be provided to Public Interest Entities under paragraph 5.40 of the FRC Ethical Standard. The service was provided during the financial years ended 31 March 2021 and 31 March 2022 with fees of less than £500 per year. The services, which have now been terminated, had no direct or indirect effect on Oxford Instrument plc's consolidated financial statements. We have assessed the threats to independence arising from the provision of this non-audit service and, in our professional judgment, we confirm that based on our assessment of the breach, our integrity and objectivity as auditor has not been compromised and we believe that an objective, reasonable and informed third party would conclude that the provision of this service would not impair our integrity or objectivity for any of the impacted financial years. Those Charged With Governance at the Group have concurred with this view.

Other than the matter noted above, no other non-audit services prohibited by the FRC's Ethical Standard were provided to the Group or Parent Company.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD INSTRUMENTS PLC continued

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the Directors' method of assessing going concern including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other.
- Testing the arithmetic accuracy of the model, challenging the assumptions applied and where possible agreeing the model to supporting documentation, including order books.
- Challenging the Directors on whether their stress tests appropriately stress 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 challenging the 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.

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	91% (2022: 92%) of Group profit before tax (PBT) 99% (2022: 98%) of Group revenue 94% (2022: 90%) of Group total assets		
Key audit matters		2023	2022
	Revenue recognition	✓	✓
	Business combinations*	–	✓
	* Business combinations is no longer considered to be a key audit matter as it relates to a one-off transaction which took place in 2022.		
Materiality	**Group financial statements as a whole** £3.68m (2022: £2.5m) based on 5% (2022: 5.3%) 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 considered 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 statutory reporting requirements. This provided total coverage of 48% of revenues and 70% of PBT, of which 27% and 51% 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 51% of Group revenues and 21% of PBT, of which 29% and 7% respectively was performed by the Group engagement team. Specified procedures provided coverage of 14% across total Group assets.

The Group has twenty-one components, of which we have classified three as significant, and all of which are in the UK, and five as material, including the Parent company in the UK, with the others being in the UK, US, Germany and Japan. All these have been audited under full scope audit procedures, except for the US, where specified procedures were undertaken. In addition, there are seven other in-scope components where specified audit procedures have been undertaken. The two significant UK components, the UK material component, and the Parent company were audited by the Group engagement team, with the third significant component undertaken by a BDO member firm in Belfast. The Group engagement team also performed the specified procedures on the US component. In addition, the BDO member firm in Belfast performed specified procedures on six of the other in-scope components. Local BDO member firms performed the audit work on the remaining two material components (Germany and Japan), in addition to the other in-scope component.

The remaining six components have been subject to specified audit procedures using Group materiality by the Group engagement team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

The Group team instructed the component auditors with specific focus on the significant risk areas to be covered, including the Key Audit Matter (Revenue) detailed below. The component's materiality was set by the Group audit team, having regards to the size and risk of the specific component in relation to the Group as a whole. The audit work by the Group engagement team, as well as the component auditors, was performed on-site and remotely.

The Group audit team visited the significant component site in Belfast and had remote calls with component management and local audit teams in Japan and Germany. For all significant and 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.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management and those charged with governance to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and to adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Audit and Risk Committee meetings and Sustainability Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in the TCFD Statement may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments, have been reflected, where appropriate, in the Directors' going concern assessment and viability assessment.

We also assessed the consistency of management's disclosures included as Other Information in the TCFD Report with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD INSTRUMENTS PLC continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition **(Revenue £444.7 million; 2022: £367.3 million)** Refer to para (r) (accounting policy) and Note 3 (financial disclosures).	Given the nature of the products' varying shipping terms and installation arrangements, across the various divisions, there are manual procedures involved in determining when control has passed, and therefore revenue recognised, which is assessed by two factors: when shipping terms have been met and when the installation element of the sale has been completed. Therefore, this was considered to be a key audit matter.	Our procedures included: 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. 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. 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. Testing, on a sample basis, credit notes issued after the year-end, for evidence that related revenue for the year under audit should be reduced. **Key observations:** Nothing has come to our attention which suggests that, in all material respects, revenue has been recognised in the incorrect period.

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	
	2023 £m	2022 £m	2023 £m	2022 £m
Materiality	3.68	2.50	3.31	1.75
Basis for determining materiality	5% of Profit before tax	5.3% Profit before tax	90% of Group materiality	70% of Group materiality
Rationale for the benchmark applied	As a trading Group, profit before tax is considered to be the most relevant GAAP measure for the users of the financial statements.		Set at 90% (2022: 70%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	2.39	1.63	2.15	1.15
Basis for determining performance materiality	65% of materiality	65% of materiality	65% of materiality	65% of materiality
Rationale for the percentage applied for performance materiality	We set performance materiality taking into account our assessment of the control environment, the history of misstatements, along with management's attitude to proposed adjustments.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 30% and 90% (2022: 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 £3.31m (2022: £1.0m to £2.0m). In the audit of each component, we further applied performance materiality levels of 65% (2022: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £80,000 (2022: £62,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 180; 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 102 to 105.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 180; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 180; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 94 to 101; and • The section describing the work of the audit committee set out on pages 133 to 140.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD INSTRUMENTS PLC continued

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: ● the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ● the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: ● adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ● the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or ● certain disclosures of Directors' remuneration specified by law are not made; or ● we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. These procedures were incorporated into our instructions to the component auditors for the material and significant components not audited by the Group engagement team, and the results included as part of our review of their work. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be the Companies Act 2006, the relevant tax legislation, along with the relevant financial reporting framework.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, bribery legislation, modern slavery and data protection.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Enquiry of in-house management and external legal counsel concerning actual and potential litigation and claims;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and revenue recognition.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias in particular in respect of the intangible assets impairment review, the provisions for intellectual property-related claims and assumptions used in determining the defined benefit pension liability; and
- In response to the risk of fraud in revenue recognition, the procedures set out in the key audit matters section above.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including component engagement teams, who were all deemed to have appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Oliver (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading, United Kingdom

14 July 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 March 2023

	Note	2023 Adjusted £m	2023 Adjusting items(1) £m	2023 Total £m	2022 Adjusted £m	2022 Adjusting items(1) £m	2022 Total £m
Revenue	3	444.7	–	444.7	367.3	–	367.3
Cost of sales		(214.5)	–	(214.5)	(179.5)	–	(179.5)
Gross profit		230.2	–	230.2	187.8	–	187.8
Research and development	5	(35.9)	(0.8)	(36.7)	(32.8)	–	(32.8)
Selling and marketing		(65.4)	–	(65.4)	(52.5)	–	(52.5)
Administration and shared services		(52.9)	(10.3)	(63.2)	(42.2)	(11.6)	(53.8)
Foreign exchange gain/(loss)		4.5	3.0	7.5	6.0	(6.4)	(0.4)
Operating profit		80.5	(8.1)	72.4	66.3	(18.0)	48.3
Financial income	7	2.7	–	2.7	0.5	–	0.5
Financial expenditure	8	(1.2)	(0.4)	(1.6)	(0.9)	(0.3)	(1.2)
Profit/(loss) before income tax	3	82.0	(8.5)	73.5	65.9	(18.3)	47.6
Income tax (expense)/credit	12	(17.0)	2.1	(14.9)	(11.7)	2.7	(9.0)
Profit/(loss) for the year attributable to equity shareholders of the parent		65.0	(6.4)	58.6	54.2	(15.6)	38.6
Earnings per share		pence		pence	pence		pence
Basic earnings per share	2						
From profit for the year		112.7		101.6	94.3		67.1
Diluted earnings per share	2						
From profit for the year		111.3		100.3	93.0		66.2

(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 2023

	2023 £m	2022 £m
Profit for the year	58.6	38.6
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to Consolidated Statement of Income		
Foreign exchange translation differences	5.3	1.0
Items that will not be reclassified to Consolidated Statement of Income		
Remeasurement (loss)/gain in respect of post-retirement benefits	(38.6)	27.3
Tax credit/(charge) on items that will not be reclassified to Consolidated Statement of Income	9.7	(6.8)
Total other comprehensive (expense)/income	(23.6)	21.5
Total comprehensive income for the year attributable to equity shareholders of the parent	35.0	60.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	2023 £m	2022 as restated[1] £m
Assets			
Non-current assets			
Property, plant and equipment	14	59.3	31.7
Right-of-use assets	29	31.4	17.9
Intangible assets	15	132.1	140.7
Long-term receivables		0.5	–
Derivative financial instruments	22	0.4	–
Retirement benefit asset	25	26.4	51.7
Deferred tax assets	16	12.5	13.7
		262.6	255.7
Current assets			
Inventories	17	81.4	65.3
Trade and other receivables	18	113.2	94.8
Current income tax receivable		0.5	0.8
Derivative financial instruments	22	1.6	1.0
Cash and cash equivalents	19	112.7	96.4
		309.4	258.3
Total assets		572.0	514.0
Equity			
Capital and reserves attributable to the company's equity shareholders			
Share capital	23	2.9	2.9
Share premium		62.6	62.5
Other reserves		0.2	0.2
Translation reserve		12.9	7.6
Retained earnings		265.4	243.2
		344.0	316.4
Liabilities			
Non-current liabilities			
Bank loans	24	0.9	1.3
Lease payables	29	26.2	14.9
Derivative financial instruments	22	–	0.3
Provisions	28	–	0.1
Deferred tax liabilities	16	7.8	15.4
		34.9	32.0
Current liabilities			
Bank loans and overdrafts	24	11.6	9.2
Trade and other payables	26	159.4	139.6
Lease payables	29	5.2	3.5
Current income tax payables		8.1	4.5
Derivative financial instruments	22	1.2	1.1
Provisions	28	7.6	7.7
		193.1	165.6
Total liabilities		228.0	197.6
Total liabilities and equity		572.0	514.0

(1) Details of restatement of prior year numbers can be found in the accounting policies.

The Financial Statements were approved by the Board of Directors on 14 July 2023 and signed on its behalf by:

Ian Barkshire
Director

Gavin Hill
Director

Company number: 775598

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Share capital £m	Share premium £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
As at 1 April 2022	2.9	62.5	0.2	7.6	243.2	316.4
Total comprehensive income/(expense):						
Profit for the year	–	–	–	–	58.6	58.6
Other comprehensive income/(expense):						
– Foreign exchange translation differences	–	–	–	5.3	–	5.3
– Remeasurement loss in respect of post-retirement benefits	–	–	–	–	(38.6)	(38.6)
– Tax credit on items that will not be reclassified to Consolidated Statement of Income	–	–	–	–	9.7	9.7
Total comprehensive income attributable to equity shareholders of the parent	–	–	–	5.3	29.7	35.0
Transactions with owners recorded directly in equity:						
– Credit in respect of employee service costs settled by award of share options	–	–	–	–	2.4	2.4
– Tax credit in respect of share options	–	–	–	–	0.7	0.7
– Proceeds from shares issued	–	0.1	–	–	–	0.1
– Dividends	–	–	–	–	(10.6)	(10.6)
Total transactions with owners recorded directly in equity:	–	0.1	–	–	(7.5)	(7.4)
As at 31 March 2023	2.9	62.6	0.2	12.9	265.4	344.0
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
– 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

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 none (2022: 2,370) 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 2023

	Note	2023 £m	2022 as restated[1] £m
Profit for the year		58.6	38.6
Adjustments for:			
Income tax expense	12	14.9	9.0
Net financial (income)/expense		(1.1)	0.7
Fair value movement on financial derivatives		(3.0)	6.4
Release of provision on disposal		(0.4)	–
WITec post-acquisition gross margin adjustment		0.5	1.7
Acquisition-related costs		–	0.4
Restructuring costs		0.4	–
Intellectual property litigation costs		0.5	–
Impairment of capitalised development costs	15	0.8	–
Amortisation and impairment of acquired intangibles	15	9.3	9.5
Depreciation of right-of-use assets	29	4.6	3.4
Depreciation of property, plant and equipment	14	4.8	4.1
Amortisation of capitalised development costs	15	1.4	1.9
Adjusted earnings before interest, tax, depreciation and amortisation		91.3	75.7
Charge in respect of equity settled employee share schemes	11	2.4	2.1
Cash payments to the pension scheme more than the charge to operating profit		(11.7)	(7.6)
Operating cash flows before movements in working capital		82.0	70.2
Increase in inventories	20	(15.6)	(0.1)
Increase in receivables	20	(19.6)	(17.4)
Increase in payables and provisions	20	16.9	7.2
Increase/(decrease) in customer deposits	20	9.2	(1.5)
Cash generated from operations		72.9	58.4
Interest paid		(0.7)	(0.5)
Income taxes paid		(5.7)	(8.8)
Net cash from operating activities		66.5	49.1
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		0.2	–
Acquisition of property, plant and equipment		(32.3)	(13.9)
Acquisition of intangible assets		–	(0.1)
Acquisition of subsidiaries, net of cash acquired	6	(4.8)	(30.6)
Acquisition-related costs		–	(0.4)
Capitalised development expenditure		(0.6)	(0.7)
Interest received		1.1	0.1
Net cash used in investing activities		(36.4)	(45.6)
Cash flows from financing activities			
Proceeds from issue of share capital		0.1	0.1
Interest paid on lease payables	29	(0.5)	(0.3)
Repayment of lease payables	29	(5.1)	(3.1)
Repayment of borrowings		(0.5)	(0.1)
Dividends paid		(10.6)	(12.3)
Net cash used in financing activities		(16.6)	(15.7)
Net increase/(decrease) in cash and cash equivalents		13.5	(12.2)
Cash and cash equivalents at beginning of the year		87.7	97.6
Effect of exchange rate fluctuations on cash held		0.3	2.3
Cash and cash equivalents at end of the year	19	101.5	87.7
Comprised of:			
Cash and cash equivalents as per the Consolidated Statement of Financial Position	19	112.7	96.4
Bank overdrafts	24	(11.2)	(8.7)
		101.5	87.7

(1) Details of restatement of prior year numbers can be found in the accounting policies.

ACCOUNTING POLICIES

Year ended 31 March 2023

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 227 and 228.

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 34 and 35. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 82 to 93.

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 102 to 104.

The Financial Statements were authorised for issuance on 14 July 2023.

(a) New accounting standards

No new accounting standards materially affecting the Group's accounting policies 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.

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).

(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.

ACCOUNTING POLICIES continued

Year ended 31 March 2023

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.

Machinery and other equipment, computer equipment and vehicles are included within the 'Plant and equipment' sub-heading in Note 14.

(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.

(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.

ACCOUNTING POLICIES continued

Year ended 31 March 2023

(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.

(iv) 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 taxes

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

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

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

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.

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.

ACCOUNTING POLICIES continued

Year ended 31 March 2023

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

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

Short-term leases and leases of low-value assets

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

(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.

(x) Prior year restatement

The Directors concluded that separate value-added tax (VAT) receivable and payable balances, within the same VAT group, or within individual registrations, of group entities, held on the Consolidated Statement of Financial Position at 31 March 2022 and 31 March 2021 should have been netted off with one another, rather than presented gross.

As a result, the Consolidated Statement of Financial Position as at 31 March 2022 and Consolidated Statement of Cash Flows for the year ended 31 March 2022 has been restated as follows:

	2022 (as reported) £m	Restatement £m	2022 (restated) £m
Consolidated Statement of Financial Position			
Current assets			
Trade and other receivables	104.7	(9.9)	94.8
Current liabilities			
Trade and other payables	(149.5)	9.9	(139.6)
Consolidated Statement of Cash Flows			
Increase in receivables	(21.6)	4.2	(17.4)
Increase in payables and provisions	11.4	(4.2)	7.2

The restatement did not result in any change to reported profit, earnings per share, net assets or net cash from operating activities reported in the 2022 financial year.

The impact on the opening Consolidated Statement of Financial Position as at 31 March 2021 is as follows:

	2021 (as reported) £m	Restatement £m	2021 (restated) £m
Consolidated Statement of Financial Position			
Current assets			
Trade and other receivables	75.6	(5.7)	69.9
Current liabilities			
Trade and other payables	(126.1)	5.7	(120.4)

The restatement did not result in any change to reported consolidated profit, earnings per share, net assets or net cash from operating activities reported in the 2021 financial year. The Directors considered the requirement of IAS 1.40A, for inclusion of a third consolidated statement of financial position on the face of the primary statement, and determined that such presentation would not add further to the understanding of the user of the financial statements, than the 31 March 2021 information included in this note above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2023		2022	
	Operating profit £m	Profit before income tax £m	Operating profit £m	Profit before income tax £m
Statutory measure	72.4	73.5	48.3	47.6
Release of provision on disposal	(0.4)	(0.4)	–	–
Acquisition-related costs	–	–	0.4	0.4
WITec post-acquisition gross margin adjustment	0.5	0.5	1.7	1.7
Restructuring costs	0.4	0.4	–	–
Intellectual property litigation costs	0.5	0.5	–	–
Impairment of capitalised development costs	0.8	0.8	–	–
Amortisation and impairment of acquired intangibles	9.3	9.3	9.5	9.5
Fair value movement on financial derivatives	(3.0)	(3.0)	6.4	6.4
Unwind of discount in respect of contingent consideration		0.4		0.3
Total non-GAAP adjustments	8.1	8.5	18.0	18.3
Adjusted measure	80.5	82.0	66.3	65.9
Adjusted income tax expense		(17.0)		(11.7)
Adjusted profit for the year	80.5	65.0	66.3	54.2
Adjusted effective tax rates		20.7%		17.8%

Release of provision on disposal

These represent the release of the provision on disposal of the OI Healthcare business in the US in 2020.

Acquisition-related costs

These represent the costs of one-off charges incurred at the balance sheet date relating to the acquisition of WITec Wissenschaftliche Instrumente und Technologie GmbH ('WITec').

WITec post-acquisition gross margin adjustment

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

Restructuring costs

These represent the costs of one-off restructuring charges within the Materials & Characterisation segment.

Intellectual property litigation costs

These represent one-off legal costs in the Research & Discovery segment to defend our intellectual property.

Impairment of capitalised development costs

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 Non-GAAP measures continued

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.

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 after borrowings

	2023 £m	2022 £m
Net increase/(decrease) in cash and cash equivalents	13.5	(12.2)
Effect of exchange rate fluctuations on cash held	0.3	2.3
Movement in net cash in the year	13.8	(9.9)
Covid-19 loan at WiTec acquired	–	(1.8)
Repayment of borrowings	0.5	–
Net cash after borrowings at the start of the year	85.9	97.6
Net cash after borrowings at the end of the year	**100.2**	85.9

Reconciliation of net cash to Statement of Financial Position

	2023 £m	2022 £m
Covid-19 loan at WiTec	(1.3)	(1.8)
Overdrafts	(11.2)	(8.7)
Cash and cash equivalents	112.7	96.4
Net cash after borrowings at the end of the year	**100.2**	85.9

2 Earnings per share

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

	2023 Shares million	2022 Shares million
Weighted average number of shares outstanding	57.7	57.7
Less: weighted average number of shares held by Employee Share Ownership Trust	–	(0.2)
Weighted average number of shares used in calculation of basic earnings per share	**57.7**	57.5

2 Earnings per share continued

During the year, all shares were transferred out of the Employee Share Ownership Trust, and the trust was subsequently closed. Therefore there are no shares held by the trust at 31 March 2023.

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

The following table shows the effect of share options on the calculation of diluted earnings per share:

	2023 Shares million	2022 Shares million
Number of ordinary shares per basic earnings per share calculations	57.7	57.5
Effect of shares under option	0.7	0.8
Number of ordinary shares per diluted earnings per share calculations	**58.4**	58.3

Basic and diluted EPS are based on the profit for the period attributable to equity shareholders of the parent, as reported in the condensed consolidated statement of income. Adjusted and diluted adjusted EPS are based on adjusted profit for the period, as reported in Note 2:

	2023		2022	
	£m	Pence	£m	Pence
Underlying profit attributable to equity shareholders of the parent/underlying EPS	58.6	101.6	38.6	67.1
Total underlying adjustments to profit before tax (Note 2)	8.5	14.7	18.3	31.8
Related tax effects	(2.1)	(3.6)	(2.7)	(4.6)
Adjusted profit attributable to equity shareholders of the parent/adjusted EPS	65.0	112.7	54.2	94.3
Diluted underlying EPS		100.3		66.2
Diluted adjusted EPS		111.3		93.0

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3 Segment information continued

Results

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

2022	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Total £m
Total segment revenue	185.5	120.3	61.5	367.3
Segment adjusted operating profit	26.1	21.3	18.9	66.3

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

As at 31 March 2023, the Group had unfulfilled performance obligations under IFRS 15 of £319.6m (2022: £260.2m). It is anticipated that £303.0m (2022: £250.5m) of this balance will be satisfied within one year. The remainder is anticipated to be satisfied in the following financial year.

Reconciliation of reportable segment profit

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

2022	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Segment adjusted operating profit	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	20.8	15.0	18.9	(7.1)	47.6

3 Segment information continued

Depreciation	2023 £m	2022 £m
Materials & Characterisation	5.1	3.8
Research & Discovery	1.7	1.5
Service & Healthcare	–	0.7
Unallocated Group items	2.6	1.5
	9.4	7.5

Capital expenditure	2023 £m	2022 £m
Materials & Characterisation	28.6	11.4
Research & Discovery	2.7	1.7
Service & Healthcare	–	0.1
Unallocated Group items	1.0	0.7
	32.3	13.9

Amortisation and impairment	2023 £m	2022 £m
Materials & Characterisation	6.0	5.0
Research & Discovery	6.3	6.4
Service & Healthcare	–	–
Unallocated Group items	–	–
	12.3	11.4

Capitalised development costs	2023 £m	2022 £m
Materials & Characterisation	0.4	0.7
Research & Discovery	0.2	–
Service & Healthcare	–	–
Unallocated Group items	–	–
	0.6	0.7

Revenue	2023 £m	2022 £m
UK	29.4	20.2
China	107.4	103.9
Japan	46.7	39.0
USA	121.2	79.9
Germany	32.1	28.1
Rest of Europe	43.4	40.7
Rest of Asia	47.1	45.7
Rest of World	17.4	9.8
	444.7	367.3

Non-current assets (excluding deferred tax)	2023 £m	2022 £m
UK	189.6	182.8
Germany	34.8	32.7
USA	13.9	14.2
Japan	1.9	2.4
China	2.9	1.8
Rest of Europe	6.5	7.2
Rest of Asia	0.2	0.3
Rest of World	0.3	0.6
	250.1	242.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4 Auditor's remuneration

	2023 £'000	2022 £'000
Audit of these Financial Statements	250	210
Amounts received by the auditor and its associates in respect of:		
– Audit of Financial Statement of subsidiaries pursuant to legislation	542	420
– Audit-related assurance services	47	44
– Other assurance services	8	10
Total fees payable to the auditor and its associates	847	684

5 Research and development (R&D)

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

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

2022	Materials & Characterisation £m	Research & Discovery £m	Total £m
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

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) was conditional on trading performance over a period of 12 months from the acquisition. The conditions for the deferred consideration were meeting certain revenue, order and margin thresholds. WITec is a leading designer and manufacturer of Raman microscopy imaging solutions, based in Ulm, Germany. The business has been integrated into the Materials & Characterisation segment.

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

Acquisition-related costs in the prior year 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. There were no acquisition-related costs in the current year.

If the acquisition had occurred on the first day of the prior year the acquisition would have 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 ended 31 March 2022.

7 Financial income

	2023 £m	2022 £m
Interest receivable	1.1	0.1
Interest credit on pension scheme net assets	1.6	0.4
	2.7	0.5

8 Financial expenditure

	2023 £m	2022 £m
Bank interest payable	0.7	0.6
Interest on lease liabilities	0.5	0.3
Unwind of discount on contingent consideration	0.4	0.3
	1.6	1.2

9 Personnel costs

	2023 £m	2022 £m
Wages and salaries	121.9	96.4
Social security costs	17.1	12.2
Contributions to defined contribution plans (Note 25)	6.1	4.8
Defined benefit income (Note 25)	(1.1)	–
Charge in respect of employee share options	2.4	2.1
	146.4	115.5

Directors' emoluments are disclosed in the Remuneration Report on pages 144 to 173 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:

	2023 Number	2022 Number
Production	796	732
Sales and Marketing	495	467
Research and Development	456	430
Administration and Shared Services	280	249
	2,027	1,878

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 Share option schemes continued

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).

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.

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 163 to 166.

Administrative expenses include a charge of £2.4m (2022: £2.1m) 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 2023 and 2022, the fair value per option granted and the assumptions used in the calculation are as follows:

	Medium-Term Incentive Plan Scheme June 2022	Performance Share Plan Scheme June 2022	Medium-Term Incentive Plan Scheme July 2021	Performance Share Plan Scheme July 2021
Fair value at measurement date	£18.86	£18.86	£22.60	£22.60
Share price at grant date	£19.40	£19.40	£23.10	£23.10
Exercise price	£nil	£nil	£nil	£nil
Expected volatility	47.3%	47.3%	39.4%	39.4%
Expected option life (expressed as weighted average life used in the modelling)	3 years	3 years	3 years	3 years
Expected dividend yield	0.9%	0.9%	0.7%	0.7%
Risk-free interest rate	2.1%	2.1%	0.5%	0.5%

11 Share option schemes continued

The options existing at the year end were as follows:

	2023			2022
	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				
June 2015	75,006	£10.28	15/06/18 – 14/06/25	82,875
June 2016	18,000	£7.38	21/06/19 – 20/06/26	18,000
November 2016	32,663	£6.27	29/11/19 – 28/11/26	36,403
Total options subsisting on existing ordinary shares	125,669			137,278
Percentage of issued share capital	0.2%			0.2%
Medium-Term Incentive Plan				
September 2017	22,253	£0.05	25/09/20 – 24/09/27	29,490
July 2018	28,239	£0.05	03/07/21 – 02/07/28	48,219
July 2019	32,622	£0.05	15/07/22 – 14/07/29	77,024
December 2019	1,098	£0.05	02/12/22 – 01/12/29	1,569
September 2020	69,010	£0.05	23/09/23 – 22/09/30	71,136
July 2021	56,388	£0.05	02/07/24 – 01/07/31	58,014
September 2021	5,394	£0.05	01/09/24 – 31/08/31	5,394
November 2021	2,373	£0.05	11/11/24 – 10/11/31	2,373
June 2022	92,015	£0.05	20/06/25 – 19/06/32	–
Total options subsisting on existing ordinary shares	309,392			293,219
Percentage of issued share capital	0.5%			0.5%
Performance Share Plan				
September 2017	116,853	£0.05	25/09/20 – 24/09/27	116,853
July 2018	115,043	£0.05	03/07/21 – 02/07/28	115,043
July 2019	86,032	£0.05	15/07/22 – 14/07/29	86,032
September 2020	74,815	£0.05	23/09/23 – 22/09/30	74,815
July 2021	55,806	£0.05	02/07/24 – 01/07/31	55,806
June 2022	70,435	£0.05	20/06/25 – 19/06/32	–
Total options subsisting on existing ordinary shares	518,984			448,549
Percentage of issued share capital	0.9%			0.8%

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

	2023		2022	
	Weighted average exercise price	Number of options	Weighted exercise average price	Number of options
Outstanding at the beginning of the period	£1.41	879,046	£2.04	1,069,983
Granted during the year	£0.03	163,687	–	125,602
Forfeited during the year	£0.05	(4,989)	–	(27,003)
Exercised during the year	£1.23	(60,423)	£2.55	(236,875)
Lapsed during the year	£1.44	(23,276)	£6.88	(52,661)
Outstanding at the year end	£1.19	954,045	£1.38	879,046
Exercisable at the year end	£2.14	527,809	£2.71	446,883

The weighted average share price at the time of exercise of the options was £22.03 (2022: £23.29).

The weighted average remaining contractual life for the share options as at 31 March 2023 was one year (2022: one year).

The total consideration received from exercise of options in the year was £0.1m (2022: £0.1m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12 Income tax expense

	2023 £m	2022 £m
Recognised in the Consolidated Statement of Income		
Current tax expense		
Current year	10.2	9.0
Adjustment in respect of prior years	0.3	(1.0)
	10.5	8.0
Deferred tax expense		
Origination and reversal of temporary differences	5.1	1.2
Adjustment in respect of prior years	(0.7)	(0.2)
	4.4	1.0
Total tax expense	14.9	9.0
Reconciliation of effective tax rate		
Profit before income tax	73.5	47.6
Income tax using the weighted average statutory tax rate of 21% (2022: 21%)	15.4	10.0
Effect of:		
Tax rates other than the weighted average statutory rate	0.3	0.1
Change in rate at which deferred tax recognised	1.0	0.6
Non-taxable income and expenses	(1.4)	(0.3)
Tax incentives not recognised in the Consolidated Statement of Income	–	(0.2)
Adjustment in respect of prior years	(0.4)	(1.2)
Total tax expense	14.9	9.0
Taxation (credit)/charge recognised directly in other comprehensive income		
Deferred tax – relating to employee benefits	(9.7)	6.8
Taxation credit recognised directly in equity		
Deferred tax – relating to share options	(0.7)	(0.2)

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 25% as utilisation will 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.

13 Dividends per share

The following dividends per share were paid by the Group:

	2023 pence	2022 pence
Previous period interim dividend	–	4.1
Previous period final dividend	13.7	12.9
Current period interim dividend	4.6	4.4
	18.3	21.4

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

	2023 pence	2022 pence
Interim dividend	4.6	4.4
Final dividend	14.9	13.7
	19.5	18.1

The final dividend for the year to 31 March 2022 of 13.7 pence per share was approved by shareholders at the Annual General Meeting on 28 July 2022 and was paid on 23 August 2022. The interim dividend for the year to 31 March 2023 of 4.6 pence was approved by a sub-committee of the Board on 7 November 2022 and was paid on 13 January 2023.

The proposed final dividend of 14.9 pence per share was not provided at the year end and is subject to shareholder approval at the Annual General Meeting on 19 September 2023. It is expected to be paid on 12 October 2023, to shareholders on the register on the record date of 4 August 2023, with an ex-dividend date of 3 August 2023 and with the last date of election for the Dividend Reinvestment Plan (DRIP) being 21 September 2023.

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
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)
Exchange differences	0.4	0.4	0.1	0.9
Balance at 31 March 2022 and 1 April 2022	21.8	40.4	8.3	70.5
Additions	24.2	6.0	2.1	32.3
Disposals	(0.1)	(3.7)	(0.3)	(4.1)
Exchange differences	–	0.4	0.1	0.5
Balance at 31 March 2023	45.9	43.1	10.2	99.2
Depreciation and impairment losses				
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)
Exchange differences	–	0.2	–	0.2
Balance at 31 March 2022 and 1 April 2022	5.5	27.4	5.9	38.8
Depreciation charge for the year	0.4	4.0	0.4	4.8
Disposals	–	(3.7)	(0.3)	(4.0)
Exchange differences	–	0.3	–	0.3
Balance at 31 March 2023	5.9	28.0	6.0	39.9
Carrying amounts				
Balance at 1 April 2021	8.4	10.9	1.8	21.1
Balance at 31 March 2022 and 1 April 2022	16.3	13.0	2.4	31.7
Balance at 31 March 2023	40.0	15.1	4.2	59.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 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
Exchange differences	0.2	0.5	1.5	–	–	–	2.2
Balance at 31 March 2022 and 1 April 2022	122.6	33.1	98.2	1.8	49.2	4.3	309.2
Additions – internally generated	–	–	–	–	0.6	–	0.6
Disposals – other	–	–	–	–	(12.5)	–	(12.5)
Exchange differences	2.0	1.0	2.8	–	–	–	5.8
Balance at 31 March 2023	**124.6**	**34.1**	**101.0**	**1.8**	**37.3**	**4.3**	**303.1**
Amortisation and impairment losses							
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
Exchange differences	0.5	0.5	1.4	–	–	–	2.4
Balance at 31 March 2022 and 1 April 2022	22.2	24.8	71.9	1.5	45.2	2.9	168.5
Amortisation and impairment charged	–	1.4	7.8	0.1	2.2	–	11.5
Disposals	–	–	–	–	(12.5)	–	(12.5)
Exchange differences	0.7	0.8	1.9	–	–	0.1	3.5
Balance at 31 March 2023	**22.9**	**27.0**	**81.6**	**1.6**	**34.9**	**3.0**	**171.0**
Carrying amounts							
Balance at 1 April 2021	80.1	6.8	28.7	0.5	5.2	1.3	122.6
Balance at 31 March 2022 and 1 April 2022	100.4	8.3	26.3	0.3	4.0	1.4	140.7
Balance at 31 March 2023	**101.7**	**7.1**	**19.4**	**0.2**	**2.4**	**1.3**	**132.1**

During the year the Group made impairments of £0.8m (2022: nil) 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 97% (2022: 99%) of total acquired intangible assets:

	2023			2022
	£m	Amortisation period years	Remaining amortisation period years	£m
Trademarks – Andor	4.7	15.0	5.8	5.6
Technology, know-how and patents – Andor:				
– Product related	11.9	12.0	2.8	16.2
– Software related	0.9	10.0	0.8	2.0
Trademarks – WITec	2.3	10.0	8.6	2.5
Technology, know-how and patents – WITec	3.6	5.0	3.6	4.6
Technology, know-how and patents – Asylum	2.4	12.0	1.7	3.8

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:

	2023 £m	2022 £m
Materials & Characterisation		
NanoAnalysis	10.0	9.8
Magnetic Resonance	2.3	2.3
WITec	21.5	20.3
Research & Discovery		
Andor	61.2	61.3
NanoScience	6.7	6.7
	101.7	100.4

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

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

Key assumptions

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

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

The post-tax weighted average costs of capital used for Materials & Characterisation and Research & Discovery in impairment testing are 12.8%-13.3% (2022: 11.6%-12.1%) and 12.8%-13.3% (2021: 11.6%-12.1%) 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 170 basis point increase in the discount rate would be required in order to eliminate the headroom of £12.3m in the recently acquired WITec business – along with a 20% deterioration from the five-year forecast. Similarly, a reduction in the growth rate to -0.5% - again, along with a 20% deterioration from the five-year forecast would be required in order to result in an impairment in that business. No reasonably possible change in assumptions would result in an impairment in the other businesses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 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)**
Recognised in income	(3.1)	0.4	(2.5)	2.0	(1.5)	0.3	(4.4)
Recognised in other comprehensive income	–	–	9.7	–	–	–	9.7
Recognised directly in equity	–	–	0.7	–	–	–	0.7
Effect of movements in foreign exchange rates	–	0.1	–	–	0.3	–	0.4
Balance at 31 March 2023	**(4.0)**	**3.7**	**0.1**	**(5.0)**	**5.5**	**4.4**	**4.7**

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

	Assets		Liabilities		Net	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Gross assets/(liabilities)	15.6	14.3	(10.9)	(16.0)	4.7	(1.7)
Offset	(3.1)	(0.6)	3.1	0.6	–	–
Net assets/(liabilities)	12.5	13.7	(7.8)	(15.4)	4.7	(1.7)

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

	2023 £m	2022 £m
Deductible temporary differences	–	–
Tax losses	0.3	0.2
	0.3	0.2

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. Deferred tax is recognised on provisions made against inventory on which tax relief has not yet been granted.

No deferred tax liability has been recognised in respect of £65.3m (2022: £56.0m) 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

	2023 £m	2022 £m
Raw materials and consumables	39.8	28.6
Work in progress	23.5	23.2
Finished goods	18.1	13.5
	81.4	65.3

The amount of inventory recognised as an expense was £172.8m (2022: £147.2m). In the ordinary course of business, the Group makes impairment provisions for slow-moving, excess and obsolete inventory as appropriate. Inventory is stated after charging impairments of £1.3m in the current period (2022: £0.7m). In the current year, £nil (2022: £nil) was reversed relating to previous impairments. Impairments are included within gross profit.

Inventory carried at net realisable value is £1.7m (2022: £1.5m).

18 Trade and other receivables

	2023 £m	2022 as restated[(1)] £m
Trade receivables	95.9	78.4
Less provision for impairment of receivables	(3.5)	(3.6)
Net trade receivables	92.4	74.8
Accrued Income	4.8	4.2
Prepayments	6.6	8.5
Other receivables	9.4	7.3
	113.2	94.8

(1) Details of restatement of prior year numbers can be found in the accounting policies.

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:

	2023 £m	2022 as restated[(1)] £m
UK	17.5	9.3
China	16.2	19.9
Japan	15.8	11.8
USA	29.8	16.6
Germany	7.4	5.9
Rest of Europe	10.6	10.7
Rest of Asia	6.3	11.4
Rest of World	3.0	0.7
	106.6	86.3

(1) Details of restatement of prior year numbers can be found in the accounting policies.

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

	2023 £m	2022 as restated[(1)] £m
Current (not overdue)	63.1	51.1
Less than 31 days overdue	18.8	13.5
More than 30 but less than 91 days overdue	10.8	11.2
More than 90 days overdue	13.9	10.5
	106.6	86.3

(1) Details of restatement of prior year numbers can be found in the accounting policies.

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

	2023 £m	2022 £m
Balance at start of year	3.6	2.2
Transferred in on acquisition of business	–	0.2
(Decrease)/increase in loss allowance recognised in the Consolidated Statement of Income during the year	(0.1)	1.2
Balance at end of year	**3.5**	**3.6**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

19 Cash and cash equivalents

	2023 £m	2022 £m
Cash balances	112.7	96.4
Bank overdrafts	(11.2)	(8.7)
Cash and cash equivalents in the Consolidated Statement of Cash Flows	101.5	87.7

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 2021 as restated[2]	58.7	76.0	(87.9)	(41.9)	4.9
Working capital movement as restated[2]	0.1	17.4	(7.2)	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 and 1 April 2022 as restated[2]	65.3	95.8	(107.5)	(41.3)	12.3
Working capital movement	15.6	19.6	(16.9)	(9.2)	9.1
WITec-related flows	–	–	5.3	–	5.3
Exchange differences	0.5	0.3	–	(1.6)	(0.8)
FV movement on financial derivatives	–	–	3.0	–	3.0
As at 31 March 2023	81.4	115.7	(116.1)	(52.1)	28.9

(1) Receivables and payables include derivative financial instruments.
(2) Details of restatement of prior year numbers can be found in the accounting policies.

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.

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% (2022: 80%) of the exposure expected to arise over the following 12 months. The remaining 20% is sold on the spot market. The fair value of outstanding currency contracts recognised as a liability as at 31 March 2023 amount to £1.2m (2022: £1.4m) and those recognised as an asset amount to £2.0m (2022: £1.0m).

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

21 Financial risk management continued

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 2023 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 2023 is as shown below:

	2023 £m	2022 as restated[1] £m
Long-term receivables	0.5	0.0
Trade receivables	92.4	74.8
Other receivables and accrued income	14.2	11.5
Cash and cash equivalents	112.7	96.4
Derivative financial instruments	2.0	1.0
	221.8	183.7

(1) Details of restatement of prior year numbers can be found in the accounting policies.

The maximum exposure to credit risk for trade receivables is discussed in Note 18.

Other receivables include £5.8m (2022: £4.1m) in respect of VAT and similar taxes which are not past due date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 Financial risk management continued

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 £243.8m (2022: £230.5m).

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

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

As set out in the Chief Executive's Review, 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.

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.

		2023		2022 as restated[1]	
	Fair value hierarchy	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Assets carried at amortised cost					
Long-term receivables		0.5		–	
Trade receivables		92.4		74.8	
Other receivables and accrued income		14.2		11.5	
Cash and cash equivalents		112.7		96.4	
Assets carried at fair value					
Derivative financial instruments:					
– Foreign currency contracts	2	2.0	2.0	1.0	1.0
Liabilities carried at fair value					
Derivative financial instruments:					
– Foreign currency contracts	2	(1.2)	(1.2)	(1.4)	(1.4)
Liabilities carried at amortised cost					
Trade and other payables		(86.0)		(77.1)	
Bank overdrafts		(11.2)		(8.7)	
Borrowings		(1.3)		(1.8)	
Lease payables		(31.4)		(18.4)	

(1) Details of restatement of prior year numbers can be found in the accounting policies.

22 Financial instruments continued

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 assets or liabilities that are not based on observable market data.

There have been no transfers between levels during the year.

Maturity of financial liabilities

2023	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due one to five years £m	Due more than five years £m
Foreign exchange contracts	(1.2)	1.2	1.2	–	–
Trade and other payables	(86.0)	86.0	86.0	–	–
Bank overdrafts	(11.2)	11.2	11.2	–	–
Borrowings	(1.3)	1.3	0.4	0.9	–
Lease payables	(31.4)	31.4	4.5	13.8	13.0
	(131.1)	131.1	103.3	14.7	13.0

2022 as restated[1]	Carrying amount £m	Contractual cash flows £m	Due within one year £m	Due one to five years £m	Due more than five years £m
Foreign exchange contracts	(1.4)	1.4	1.1	0.3	–
Trade and other payables	(77.1)	77.1	77.1	–	–
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
	(107.4)	108.9	90.9	12.4	5.6

(1) Details of restatement of prior year numbers can be found in the accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22 Financial instruments continued

	Carrying amount 2023 £m	Carrying amount 2022 £m
Variable rate instruments		
Cash and cash equivalents	112.7	96.4
Financial liabilities	(11.2)	(8.7)
Fixed rate instruments		
Financial assets	–	–
Financial liabilities	(1.3)	(1.8)

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.

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

2022	1% increase in interest rates £m	10% weakening in sterling £m	10% strengthening in sterling £m
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

23 Called up share capital

Issued and fully paid ordinary shares:

	2023 Number of shares	2022 Number of shares
At the beginning of the year	57,654,455	57,461,453
Issued for cash	58,053	193,002
At the end of the year	57,712,508	57,654,455

	2023		2022	
	Number of shares	£m	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 5 pence each	57,712,508	2.9	57,654,455	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	Maturity date	2023 £m	2022 £m
Current				
Covid-19 loan at WITec	1.00%	May 2026	0.4	0.5
Bank overdrafts			11.2	8.7
At the end of the year			11.6	9.2

	Effective interest rate	Maturity date	2023 £m	2022 £m
Non-current				
Covid-19 loan at WITec	1.00%	May 2026	0.9	1.3
At the end of the year			0.9	1.3

The Group's undrawn committed facilities available at 31 March 2023 were £108.4m, comprising the undrawn portion of the Group's £108.4m 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 2023 were £18.8m.

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

	2023 £m	2022 £m
Balance at the beginning of the year	10.5	30.4
Increase in borrowings (from acquisition of WITec)	–	1.9
Repayment of borrowings (cash flow from financing activities)	(0.5)	(0.1)
Increase/(decrease) in bank overdrafts	2.5	(21.7)
Interest charged	0.7	0.5
Interest paid	(0.7)	(0.5)
At the end of the year	12.5	10.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

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:

	2023 £m	2022 £m
Present value of funded obligations	225.1	300.0
Fair value of plan assets	(251.5)	(351.7)
Recognised asset for defined benefit obligations	**(26.4)**	(51.7)

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

	2023 £m	2022 £m
Benefit obligation at the beginning of the year	300.0	323.9
Interest on defined benefit obligation	8.2	6.7
Benefits paid	(12.3)	(11.1)
Remeasurement (gain)/loss on obligation	(70.8)	(19.5)
Benefit obligation at the end of the year	**225.1**	300.0

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

	2023 £m	2022 £m
Fair value of plan assets at the beginning of the year	351.7	340.2
Interest on plan assets	9.8	7.1
Contributions by employer	12.2	8.0
Benefits paid	(12.3)	(11.1)
Administrative expenses	(0.5)	(0.4)
Actual return on assets excluding interest income	(109.4)	7.9
Fair value of plan assets at the end of the year	**251.5**	351.7

The amounts recognised in respect of the defined benefit scheme in the Consolidated Statement of Income is:

	2023 £m	2022 £m
Total defined benefit income	(1.1)	–

Defined contribution schemes

In the UK, employees are offered participation in the defined contribution Oxford Instruments Stakeholder Plan. The company contribution rate and employee contribution rate varies between grades and whether the individual had previously been in the defined benefit scheme. The company contribution ranges between 4% and 14% of base salary. The Group also operates a 401k defined distribution plan in the US. Details of pension schemes contributions made in respect of Directors can be found in the Remuneration Report. The total defined contribution pension scheme cost for the year ended 31 March 2023 was £6.2m (2022 - £4.8m).

Defined benefit and defined contribution pension costs are recorded in the following lines in the Consolidated Statement of Income:

	2023 £m	2022 £m
Cost of sales	1.7	1.7
Research and development	1.5	1.2
Selling and marketing costs	1.4	1.0
Administration and shared services	2.1	1.3
Financial income	(1.6)	(0.4)
	5.1	4.8

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 £8.2m (2022: £8.0m) for the financial year. In the current year, the Directors decided to make an additional one-off payment of £4.0m to the UK pension scheme to reduce the Group's exposure.

25 Retirement benefit obligations continued

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 £8.5m to the UK defined benefit plan in the next financial year.

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

	2023 £m	2022 £m
Actual return on assets excluding interest income	(109.4)	7.9
Experience loss on scheme obligations	(10.3)	(1.6)
Changes in assumptions underlying the present value of scheme obligations:		
– Financial	78.3	23.5
– Demographic	2.8	(2.5)
Actuarial (losses)/gains recorded in the Consolidated Statement of Comprehensive Income	(38.6)	27.3

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

	2023 £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	225.1	228.2	227.6	231.2
Fair value of plan assets	(251.5)	(251.5)	(251.5)	(251.5)
Surplus	(26.4)	(23.3)	(23.9)	(20.3)

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

Defined benefit scheme – UK

A full actuarial valuation of the UK plan was carried out as at 31 March 2021 which, for reporting purposes, has been updated to 31 March 2023 by a qualified independent actuary.

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

	2023 %	2022 %
Discount rate	4.8	2.8
Rate of increase in pensions in payment ('3LPI')	2.3	2.6
Rate of increase in pensions in payment ('5LPI')	3.0	3.4
Rate of inflation ('CPI')	2.4	2.8
Rate of inflation ('RPI')	3.2	3.5
Mortality – pre and post-retirement	97% of S2PA tables (99% 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 2021 with 1.25% long-term trend

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

25 Retirement benefit obligations continued

As at 31 March 2023 the weighted average duration of the defined benefit obligations was 13.5 years (2022: 17 years).

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

	2023 years	2022 years
Pre-retirement – males	23.2	23.6
Pre-retirement – females	25.3	25.7
Post-retirement – males	21.9	22.3
Post-retirement – females	23.8	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:

	2023 £m	2022 £m
Equities	62.9	61.0
Corporate and emerging market bonds	22.1	24.7
Gilts	113.5	198.8
Property	5.4	5.3
Insurance-linked funds	12.2	21.2
Credit and global loan funds	0.1	0.1
Hedge funds	25.5	31.3
Cash	9.8	9.3
	251.5	351.7

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.

26 Trade and other payables

	2023 £m	2022 as restated[1] £m
Trade payables	30.3	29.3
Customer deposits	52.1	41.3
Social security and other taxes	6.1	5.0
Accrued expenses	44.9	35.1
Deferred income	21.3	21.2
Other payables	4.7	7.7
	159.4	139.6

(1) Details of restatement of prior year numbers can be found in the accounting policies. £1.3m of VAT payable balances, previously presented within Other payables at 31 March 2022, have been reclassified within Social security and other taxes.

27 Contract assets and liabilities

	2023			2022		
	Contract asset	Contract liability		Contract asset	Contract liability	
	Accrued income £m	Customer deposits £m	Deferred income £m	Accrued income £m	Customer deposits £m	Deferred income £m
Balance at 1 April	4.2	(41.3)	(21.2)	2.9	(41.9)	(16.5)
Acquired balances	–	–	–	0.6	(0.3)	(0.1)
Transfers in the period from contract assets to trade receivables	(4.2)	–	–	(2.9)	–	–
Amounts included in contract liabilities that were recognised as revenue during the period	–	38.6	21.2	–	31.8	16.5
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	4.8	–	–	3.6	–	–
Cash received in advance of performance and not recognised as revenue during the period	–	(49.4)	(21.3)	–	(30.9)	(21.1)
Balance at 31 March	4.8	(52.1)	(21.3)	4.2	(41.3)	(21.2)

Contract assets end 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.

28 Provisions for other liabilities and charges

	Warranties £m	IP-Related claims £m	Other £m	Total £m
Balance as at 1 April 2022	3.9	0.6	3.3	7.8
Provisions made during the year	2.9	–	0.8	3.7
Provisions used during the year	(1.4)	–	(0.7)	(2.1)
Provisions released during the year	(1.8)	–	–	(1.8)
Effect of movement in foreign exchange	–	–	–	–
Balance as at 31 March 2023	3.6	0.6	3.4	7.6
Amounts falling due before one year	3.6	0.6	3.4	7.6
Amounts falling due after more than one year	–	–	–	–

Warranty provisions

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

Intellectual property-related claims

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

Other provisions

Other provisions relate to various obligations including obligations in respect of onerous contracts, product-related liabilities, dilapidation provisions and provisions for other claims. £0.1m of other provisions fall due after more than one year and are expected to fall due within the next seven years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

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 exposes 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 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)
Exchange differences	0.7	–	0.7
Balance at 31 March 2022 and 1 April 2022	25.0	2.6	27.6
Additions	17.4	0.8	18.2
Modifications	(1.0)	–	(1.0)
Disposals	–	(0.5)	(0.5)
Exchange differences	1.1	0.1	1.2
Balance at 31 March 2023	**42.5**	**3.0**	**45.5**
Depreciation and impairment losses			
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)
Exchange differences	0.3	–	0.3
Balance at 31 March 2022 and 1 April 2022	8.4	1.3	9.7
Depreciation charge for the year	4.1	0.5	4.6
Disposals	–	(0.5)	(0.5)
Exchange differences	0.3	–	0.3
Balance at 31 March 2023	**12.8**	**1.3**	**14.1**
Carrying amounts			
Balance at 1 April 2021	6.4	0.9	7.3
Balance at 31 March 2022 and 1 April 2022	**16.6**	**1.3**	**17.9**
Balance at 31 March 2023	**29.7**	**1.7**	**31.4**

29 Leases continued

Lease payables

	2023 £m	2022 £m
Balance at beginning of year	18.4	7.5
Additions – business combinations	–	2.8
Additions – other	18.1	10.9
Modifications	(1.0)	–
Payments made (cash flows from financing activities)	(5.6)	(3.4)
Interest charge	0.5	0.3
Effect of movements in foreign exchange rates	1.0	0.3
	31.4	18.4
Amounts falling due after more than one year	26.2	14.9
Amounts falling due in less than one year	5.2	3.5

Amounts recognised in Consolidated Statement of Income

	2023 £m	2022 £m
Interest on lease payables	(0.5)	(0.3)
Depreciation of right-of-use assets	(4.6)	(3.4)

Amounts recognised in Consolidated Statement of Cash Flows

	2023 £m	2022 £m
Interest paid on lease payables	(0.5)	(0.3)
Repayment of lease payables	(5.1)	(3.4)

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 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.

Proposed lease for new Japan regional office

On 31 January 2023, the Group entered into an agreement for a lease in respect of a new office for its Japan regional office. Practical completion is expected to occur on 1 August 2023 and consequently the Group will enter into a three-year lease.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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:

	2023 £m	2022 £m
Short-term employee benefits	4.2	3.7
Post-employment benefits	0.1	0.2
Share-based payment charges	1.8	1.6
Total	6.1	5.5

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	2023	2022
US dollar	1.24	1.32
Euro	1.14	1.18
Japanese yen	165	160

Average translation rates

2023	US dollar	Euro	Japanese yen
April	1.28	1.19	161
May	1.26	1.18	163
June	1.24	1.17	164
July	1.22	1.18	164
August	1.19	1.18	162
September	1.14	1.15	161
October	1.13	1.15	166
November	1.17	1.16	169
December	1.20	1.14	162
January	1.22	1.13	159
February	1.22	1.14	163
March	1.22	1.14	165

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

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 £m	2022 as restated[1] £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	0.1
Investments in subsidiary undertakings	e	324.6	323.6
Trade and other receivables	f	41.8	35.9
Derivative financial instruments		0.4	–
Retirement benefit asset	j	6.0	11.8
Deferred tax assets	i	2.3	0.1
		376.9	373.2
Current assets			
Trade and other receivables	f	20.2	20.1
Derivative financial instruments		7.8	3.2
Cash and cash equivalents		62.4	54.8
		90.4	78.1
Total assets		467.3	451.3
Equity			
Capital and reserves attributable to the company's equity shareholders			
Share capital		2.9	2.9
Share premium		62.6	62.5
Capital redemption reserve		0.1	0.1
Other reserves		7.6	7.6
Retained earnings		286.4	271.7
		359.6	344.8
Liabilities			
Non-current liabilities			
Derivative financial instruments		–	0.3
		–	0.3
Current liabilities			
Bank overdrafts	h	0.2	0.1
Corporation tax		0.4	–
Derivative financial instruments		7.2	3.4
Trade and other payables	g	99.9	102.7
		107.7	106.2
Total liabilities		107.7	106.5
Total liabilities and equity		467.3	451.3

(1) Details of restatement of prior year numbers can be found in the accounting policies.

The company's profit for the financial year was £29.1m (2022: £16.3m). Other comprehensive expense in the year was £6.6m (2022: income of £4.7m). The expense will not subsequently be reclassified to statement of income.

The Financial Statements were approved by the Board of Directors on 14 July 2023 and signed on its behalf by:

Ian Barkshire
Director

Gavin Hill
Director

Company number: 775598

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

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

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 2023

(a) Accounting policies

Basis of preparation

Oxford Instruments plc is a company incorporated and domiciled in the UK. These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) on the historical cost basis, except that derivative financial 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 93 and 102 to 104.

Taxation

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

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

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

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

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

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

Non-derivative financial instruments

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

Trade and other 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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Year ended 31 March 2023 continued

(a) Accounting policies continued

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 194.

Tangible fixed assets

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

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

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

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

Intangible assets

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

- Software – 10 years

Impairment excluding deferred tax assets

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

(a) Accounting policies continued

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

Employee benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

Short-term benefits

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

Termination benefits

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

Share-based payment transactions

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Year ended 31 March 2023 continued

(a) Accounting policies continued

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 the statement of income 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 12 months or less and leases of low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Foreign currencies

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

Investments

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

Dividends on shares presented within shareholders' funds

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

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.

(a) Accounting policies continued

Prior year restatement

The Directors concluded that separate value-added tax (VAT) receivable and payable balances, within the same VAT group, or within individual registrations, of group entities, including the Company, held on the Consolidated and Parent Company Statement of Financial Position at 31 March 2022 and 31 March 2021 should have been netted off with one another, rather than presented gross.

As a result, the Parent Company Statement of Financial Position as at 31 March 2022 has been restated as follows:

	2022 (as reported) £m	Restatement £m	2022 (restated) £m
Company Statement of Financial Position			
Current assets			
Trade and other receivables	22.8	(2.7)	20.1
Current liabilities			
Trade and other payables	(105.4)	2.7	(102.7)

The restatement did not result in any change to reported profit or net assets reported in the 2022 financial year.

The impact on the opening Parent Company Statement of Financial Position as at 31 March 2021 is as follows:

	2021 (as reported) £m	Restatement £m	2021 (restated) £m
Company Statement of Financial Position			
Current assets			
Trade and other receivables	20.6	(2.1)	18.5
Current liabilities			
Trade and other payables	(117.1)	2.1	(115.0)

This did not result in any change to the Company's reported profit or net assets in the 2021 financial year. The Directors considered the requirement of IAS 1.40A, for inclusion of a third statement of financial position on the face of the primary statement, and determined that such presentation would not add further to the understanding of the user of the financial statements, than the 31 March 2021 information included in this note above.

(b) Profit for the year

The company's profit for the financial year was £29.1m (2022: £16.3m). Other comprehensive expense in the year was £6.6m (2022: income of £4.7m). The expense will not subsequently be reclassified to the statement of income.

The auditor's remuneration comprised £250,000 (2022: £210,000) for the statutory audit.

The average number of people employed by the company (including Directors) during the year was 79 (2022: 79). All these individuals were involved in administration.

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

	2023 £m	2022 £m
Wages and salaries	7.3	6.4
Social security costs	1.5	1.5
Other pension costs	0.3	0.2
	9.1	8.1

The share-based payment charge was £1.4m (2022: £1.3m). 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 144 to 173.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
Year ended 31 March 2023 continued

(c) Tangible fixed assets

	Furniture and fittings £m	Computer equipment £m	Total £m
Cost			
Balance at 1 April 2022	–	2.9	2.9
Additions	0.1	–	0.1
Disposals	–	(1.2)	(1.2)
Balance at 31 March 2023	**0.1**	**1.7**	**1.8**
Depreciation			
Balance at 1 April 2022	–	2.5	2.5
Charge for year	–	0.1	0.1
Disposals	–	(1.2)	(1.2)
Balance at 31 March 2023	**–**	**1.4**	**1.4**
Net book value			
Balance at 31 March 2022	–	0.4	0.4
Balance at 31 March 2023	**0.1**	**0.3**	**0.4**

(d) Intangible assets

	Software £m
Cost	
Balance at 1 April 2022	3.0
Additions	0.1
Balance at 31 March 2023	**3.1**
Depreciation and impairment losses	
Balance at 1 April 2022	1.7
Charge for year	0.1
Balance at 31 March 2023	**1.8**
Net book value	
Balance at 1 April 2022 and 31 March 2023	**1.3**

(e) Investments

	Investments in subsidiary undertakings £m
Cost or valuation	
Balance at 1 April 2022	342.3
Expense in respect of share options transferred to subsidiary undertakings	1.0
Balance at 31 March 2023	**343.3**
Impairment	
Balance at 1 April 2022 and 31 March 2023	**18.7**
Net book value	
Balance at 31 March 2022	323.6
Balance at 31 March 2023	**324.6**

Related undertakings of the Group

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

As of 31 March 2023, the companies listed below and on the following pages are indirectly held by Oxford Instruments plc except for Oxford Instruments Industrial Products Holdings Limited, Oxford Instruments Nanotechnology Tools Holdings Limited and Oxford Instruments Overseas Holdings Limited, which are all 100% directly owned by Oxford Instruments plc.

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

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

(e) Investments continued

Subsidiaries

Company name	Note	Address	Ownership interest	% of class held
Andor Technology Limited		7 Millennium Way, Springvale Business Park, Belfast, NI, BT12 7AL, Northern Ireland	Ordinary shares	100
Andor Technology, Inc.		300 Baker Avenue, Suite 150, Concord MA 01742, United States	Common stock	100
Bitplane AG		Zurcherstrasse 6, 8952 Schlieren, Switzerland	Ordinary shares Preference shares	100
Oxford Instruments AFM Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments America Inc		300 Baker Avenue, Suite 150, Concord MA 01742, United States	Common stock	100
Oxford Instruments Asylum Research Inc		7416 Hollister Avenue, Santa Barbara, CA 93117, United States	Common stock	100
Oxford Instruments Australia Pty Limited		C/O ECOVIS, Suite 7, 13 Hickson Road, Dawes Point, New South Wales, Australia	Ordinary shares	100
Oxford Instruments Funding Limited	1	PO Box 175, Frances House, Sir William Place, St Peter Port, GY1 4HQ, Guernsey	Ordinary shares	100
Oxford Instruments GmbH		Borsigstrasse 15a, 65205, Wiesbaden, Germany	Ordinary shares	100
Oxford Instruments Holdings 2013 Inc		300 Baker Avenue, Suite 150, Concord MA 01742, United States	Common stock	100
Oxford Instruments Holdings Europe Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX England	Ordinary shares	100
Oxford Instruments Holdings GmbH		Borsigstrasse 15a, 65205, Wiesbaden, Germany	Ordinary shares	100
Oxford Instruments India Private Limited		Plot No. A-279, Ground Floor Road No. 16A, Ambica Nagar, Wagle Industrial Estate, Thane (West), Thane, MH, 400604, India	Equity shares	100
Oxford Instruments Industrial Products Holdings Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Industrial Products Limited		Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Italia s.r.l.,		Via Della Chiusa 15, 20123, Milan, Italy	Capital stock	100
Oxford Instruments KK		IS Building, 3-32-42 Higashi-Shinagawa, Shinagawa-ku Tokyo, 140-0002, Japan	Ordinary shares	100
Oxford Instruments Molecular Biotools Limited	2	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Nanotechnology Tools Holdings Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Nanotechnology Tools Limited		Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Nordiska AB		C/o TMF Sweden AB, Sergels Torg 12, 111 57, Stockholm, Sweden	Shares	100
Oxford Instruments Overseas Holdings 2008 Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Overseas Holdings Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Overseas Marketing GmbH		Borsigstrasse 15a, 65205, Wiesbaden, Germany	Ordinary shares	100
Oxford Instruments Overseas Marketing Limited		Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments Private Limited		Messrs Tan Rajah & Cheah, 80 Raffles Place, #58-01 UOB Plaza 1, 048624, Singapore	Ordinary shares	100
Oxford Instruments SAS		9 Avenue du Canada, Immeuble "Le Méridien", 91940 Les Ulis, France	Ordinary shares	100
Oxford Instruments Technologies Oy		Technopolis Innopoli 1, Tekniikantie 12, Espoo, 02150, Finland	Ordinary shares	100
Oxford Instruments Technology (Shanghai) Co. Ltd		Floor 1, Building 60, 461 Hongcao Road, Xuhui District, Shanghai, China	Registered capital	100

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Year ended 31 March 2023 continued

(e) Investments continued

Company name	Note	Address	Ownership interest	% of class held
Oxford Instruments UK 2013 Limited	4	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	Ordinary shares	100
Oxford Instruments X-Ray Technology Inc		360 El Pueblo Road, Scotts Valley CA 95066, United States	Common stock	100
Spectral Applied Research Inc		199 Bay Street, Suite 5300, Commerce Court West, Toronto ON M5L 1B9, Canada	Common shares	100
WITec (Beijing) Scientific Technology Co. Ltd.	3	Unit 1307A, Air China Plaza Tower 1, No. 36 Xiaoyun Road, Chaoyang District, 100027, Beijing, China	Registered capital	100
WITec Pte. Ltd.	3	25 International Business Park, #03-59A German Centre, 609916, Singapore	Ordinary shares	100
WITec Wissenschaftliche Instrumente und Technologie GmbH		Lise-Meitner-Str. 6, D-89081 Ulm, Germany	Ordinary shares	100

1. UK tax resident.
2. Dormant entity.
3. Financial year end is 31 August.
4. Entity to take advantage of s479A Companies Act 2006 (s479A) audit exemption for the year ending 31 March 2023. Oxford Instruments plc will issue a guarantee pursuant to S479A in relation the liabilities of the entity.

(f) Trade and other receivables

	2023 £m	2022 as restated[1] £m
Amounts falling due after one year:		
Amounts owed by subsidiary undertaking	41.8	35.9
Amounts falling due within one year:		
Amounts owed by subsidiary undertaking	18.5	17.8
Other receivables	0.3	0.9
Prepayment and accrued income	1.4	1.4
	62.0	56.0

(1) Details of restatement of prior year numbers can be found in the accounting policies.

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

The company has no immediate intention to recall £41.8m (2022: £35.9m) of these balances in the short term and so these amounts are classified as amounts falling due after more than one year.

(g) Trade and other payables

	2023 £m	2022 as restated[1] £m
Amounts falling due within one year:		
Trade payables	0.3	3.1
Amounts owed to subsidiary undertaking	85.7	94.5
Tax, social security and sales-related taxes	1.7	1.5
Accruals and deferred income	12.2	3.6
	99.9	102.7

(1) Details of restatement of prior year numbers can be found in the accounting policies.

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

(h) Bank overdraft

	2023 £m	2022 £m
Bank overdraft	0.2	0.1
At the end of the year	0.2	0.1

(i) Deferred tax asset

	2023 £m	2022 £m
Balance at 1 April	0.1	1.7
Statement of income debit	(0.8)	(0.1)
Other comprehensive income credit/(debit)	3.0	(1.5)
Balance at 31 March	2.3	0.1

The amounts of deferred tax assets are as follows:

	Recognised 2023 £m	2022 £m
Excess of depreciation over corresponding capital allowance	0.4	0.5
Employee benefits - pension and share scheme	1.9	(0.4)
	2.3	0.1

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 25% as utilisation will 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 £2.8m (2022: £1.8m).

(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 (2022: £10.0m) in respect of bank overdraft facilities, of which £nil (2022: £nil) was drawn at the year end.

(l) Commitments

At 31 March 2023, capital commitments contracted were £nil (2022: £nil) and authorised were £nil (2022: £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 144 to 173. There were no other significant transactions with key management personnel in either the current or preceding year.

HISTORICAL FINANCIAL SUMMARY

Consolidated Statement of Income	2019 £m	2020 £m	2021 as restated[2] £m	2022 as restated[2] £m	2023 £m
Revenue from continuing operations	314.0	317.4	318.5	367.3	444.7
Adjusted operating profit from continuing operations[1]	47.7	50.5	56.7	66.3	80.5
Other operating income	–	–	–	–	–
Acquisition-related costs	–	–	(0.4)	(0.4)	–
Restructuring costs	–	(0.2)	–	–	–
Restructuring costs - relating to associate	(0.3)	–	–	–	0.4
Past service cost on defined benefit pension scheme	(0.3)	0.6	–	–	–
WiTec post-acquisition gross margin adjustment	–	–	–	(1.7)	(0.5)
Restructuring costs	–	–	–	–	(0.4)
Intellectual property litigation costs	–	–	–	–	(0.5)
Share of impairment recognised by associate	0.6	–	–	–	–
Inventory impairment	–	(0.4)	–	–	–
Profit on disposal of associate	–	6.5	–	–	–
Impairment of capitalised development costs	–	(7.1)	(1.3)	–	(0.8)
Amortisation of acquired intangibles	(8.8)	(8.7)	(8.4)	(9.5)	(9.3)
Fair value movement on financial derivatives	(1.5)	(1.4)	6.4	(6.4)	3.0
Operating profit from continuing operations	37.4	39.8	53.0	48.3	72.4
Net financing (costs)/income	(3.1)	(1.0)	(0.8)	(0.7)	1.1
Profit before taxation from continuing operations	34.3	38.8	52.2	47.6	73.5
Income tax expense	(6.5)	(6.8)	(10.4)	(9.0)	(14.9)
Profit for the year from continuing operations	27.8	32.0	41.8	38.6	58.6
Adjusted profit before tax from continuing operations	45.5	49.5	55.9	65.9	82.0

Consolidated Statement of Financial Position	2019 £m	2020 £m	2021 as restated[2] £m	2022 as restated[2] £m	2023 £m
Property, plant and equipment	24.2	21.8	21.1	31.7	59.3
Right-of-use assets	8.8	8.2	7.3	17.9	31.4
Intangible assets	152.5	135.5	122.6	140.7	132.1
Investment in associate	4.6	–	–	–	–
Long-term receivables	0.3	–	–	–	0.5
Deferred and current tax	7.1	2.7	3.9	(5.4)	(2.9)
Inventories	60.8	58.8	58.7	65.3	81.4
Trade and other receivables	79.4	72.0	76.0	95.8	115.2
Trade and other payables	(118.0)	(128.6)	(121.4)	(141.0)	(160.6)
Lease payables	(3.0)	(2.1)	(2.6)	(3.5)	(5.2)
Net assets excluding net cash	216.7	168.3	166.6	201.5	251.2
Cash and cash equivalents	74.6	119.5	128.0	96.4	112.7
Bank overdrafts	(39.4)	(24.1)	(30.4)	(8.7)	(11.2)
Bank borrowings	(28.5)	(27.9)	–	(1.8)	(1.3)
Net (debt)/cash	6.7	67.5	97.6	85.9	100.2
Lease payables	(6.0)	(6.5)	(4.9)	(14.9)	(26.2)
Provisions	(8.7)	(8.4)	(9.4)	(7.8)	(7.6)
Retirement benefit obligations	(6.5)	30.7	16.3	51.7	26.4
Net assets employed/capital and reserves attributable to the company's equity holders	202.2	251.6	266.2	316.4	344.0

Consolidated Statement of Income	2019 £m	2020 £m	2021 as restated[2] £m	2022 as restated[2] £m	2023 £m
Cash flows from continuing operations					
Net cash from operating activities	40.8	55.2	42.0	49.1	66.5
Net cash generated from/(used in) investing activities	(9.2)	6.0	(5.1)	(45.6)	(36.4)
Net cash used in financing activities	(22.1)	(11.4)	(30.5)	(15.7)	(16.6)
Net (decrease)/increase in cash equivalents from continuing operations	9.5	49.8	6.4	(12.2)	13.5
Per ordinary share	pence	pence	pence	pence	pence
Earnings – continuing	48.6	55.9	72.8	67.1	101.6
Adjusted earnings[1]	62.3	70.2	78.6	94.3	112.7
Dividends	14.4	–	17.0	18.1	19.5
Employees					
Average number of employees	1,579	1,585	1,619	1,878	2,027

(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.

(2) Details of restatement of prior year numbers can be found in the accounting policies.