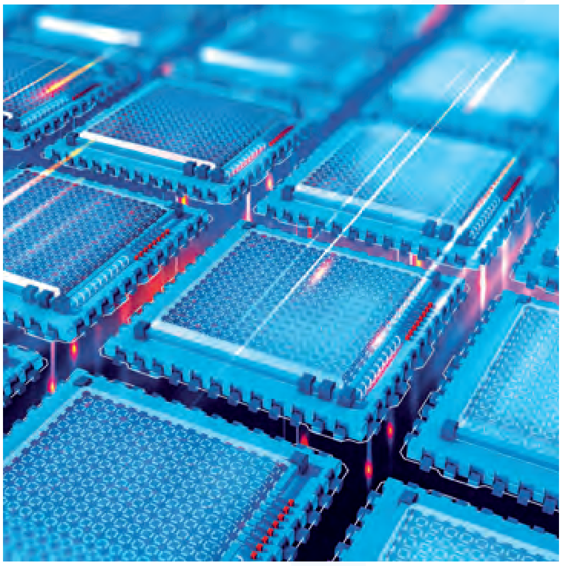
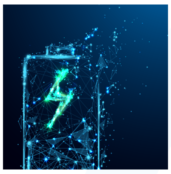
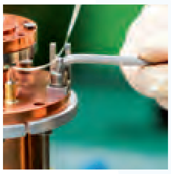
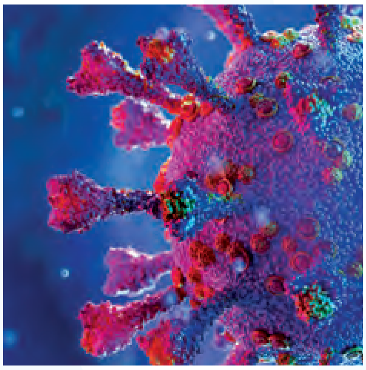
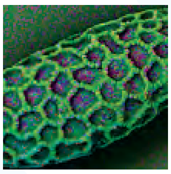





Oxford Instruments plc

Report and Financial Statements 2021

How do we make a material difference?

Contents

FTSE 250 constituent

Our Purpose

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

We provide high technology products and services to the world's leading industrial companies and scientific research communities, exploiting our world-class ability to image, analyse and manipulate materials down to the atomic and molecular level.

We make a material difference by…

… enabling a greener economy

Find out more on page 10

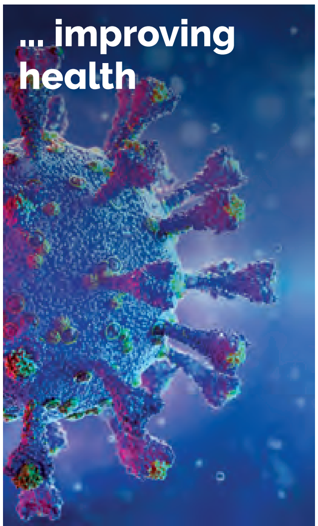
Our solutions are being used to develop next generation batteries.

… increasing connectivity

Find out more on page 11

We enable the development of more compact devices, faster processing and improved efficiency for data communications.

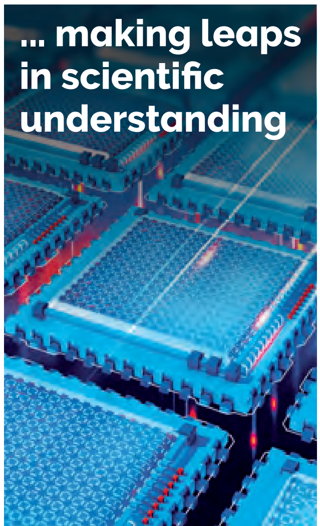
… improving health



Find out more on page 12

We play an important role in advancing knowledge regarding the covid virus.

… making leaps in scientific understanding



Find out more on page 13

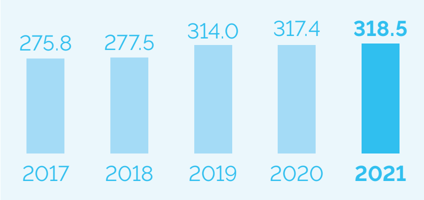
We are at the forefront of enabling quantum progress.

Performance Highlights

Revenue (£m)

£318.5m

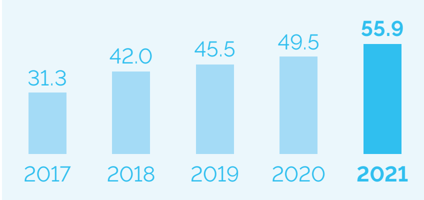
+0.3%



Adjusted[1] profit before taxation (£m)

£55.9m

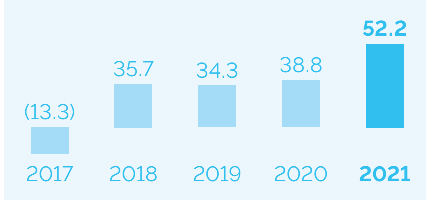
+12.9%



Statutory profit before taxation (£m)

£52.2m

+34.5%



Adjusted[1] (continuing operations)	Year ended 31 March 2021	Year ended 31 March 2020	% change reported	% change constant currency[5]
Revenue	**£318.5m**	£317.4m	**+0.3%**	+1.7%
Adjusted operating profit	**£56.7m**	£50.5m	**+12.3%**	+13.3%
Adjusted operating profit margin	**17.8%**	15.9%	**+190 bps**	
Adjusted profit before taxation	**£55.9m**	£49.5m	**+12.9%**	
Adjusted basic earnings per share	**78.6p**	70.2p	**+12.0%**	
Cash conversion[3]	**101%**	124%		
Net cash[4]	**£97.6m**	£67.5m		

1. Adjusted items exclude the amortisation and impairment of acquired intangible assets, acquisition items, profit or loss on disposal of operations, other significant non-recurring items, and the mark-to-market movement of financial derivatives. A full definition of adjusted numbers can be found in the Finance Review and Note 1.
2. Return on sales is defined as adjusted profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.
3. Cash conversion measures the percentage of adjusted cash from operations to adjusted operating profit, as set out in the Finance Review.
4. Net cash includes total borrowings, cash at bank and bank overdrafts but excludes IFRS 16 lease liabilities, as set out in Note 20.
5. Constant currency numbers are prepared on a month-by-month basis using the translational and transactional exchange rates which prevailed in the previous year rather than the actual exchange rates which prevailed in the year. Transactional exchange rates include the effect of our hedging programme.

Financial Highlights

1.7%

Revenue growth of 1.7% at constant currency against challenging backdrop. Strong growth in orders of 5.3% to £353.7m (+6.7% at constant currency).

£198.1m

Reported order book grew by 13.2% (17.8% at constant currency) to £198.1m.

17.8%

Strong growth in adjusted operating profit, with margin rising to 17.8% (2020: 15.9%).

£97.6m

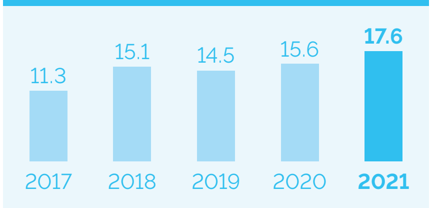
Cash conversion remains high, with increase in net cash to £97.6m.

17.0p

Dividend for the year of 17.0p per share (comprising interim dividend of 4.1p and proposed final dividend of 12.9p).

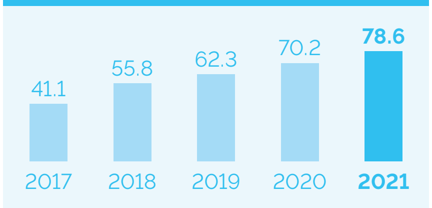
Return on sales[2] (%)

17.6%



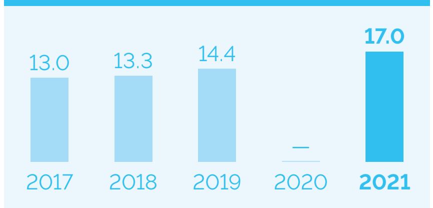
Basic adjusted[1] earnings per share (pence)

78.6p



Dividend per share (full year) (pence)

17.0p



Statutory (continuing operations)	**Year ended 31 March 2021**	Year ended 31 March 2020	**% change reported**
Revenue	**£318.5m**	£317.4m	**+0.3%**
Operating profit	**£53.0m**	£39.8m	**+33.2%**
Operating profit margin	**16.6%**	12.5%	**+410 bps**
Profit before taxation	**£52.2m**	£38.8m	**+34.5%**
Basic earnings per share	**72.8p**	55.9p	**+30.2%**
Dividend per share for the year	**17.0p**	—	**n/a**

Operational Highlights

Robust performance in the face of significant covid disruption reflects resilience of business model and strong position in diverse, attractive end markets.

Strong profit growth and enhanced margin performance driven by significant gains from Horizon initiatives in a number of the businesses and the accelerated transformation of our service offering.

Strengthened order book provides increased visibility for the year ahead.

Order growth across academic and commercial customers driven by buoyant demand across semiconductor, quantum and advanced materials markets; good growth in North America and Asia offset by modest decline in Europe.

Maintained investment in R&D with increased focus on strategic product development driven by enhanced market intimacy, providing a healthy pipeline of future product launches.

Underlying long-term growth drivers in our end markets remain strong.

Considerable progress with our sustainability agenda, with significant reduction in our environmental footprint.

At a Glance

What do we do?

We enable our customers to make new scientific discoveries, accelerate their R&D, and increase their productivity.

Materials & Characterisation

Products and solutions that enable the fabrication and characterisation of materials and devices down to the atomic scale, predominantly supporting customers across applied R&D as well as the production and manufacture of high technology products and devices.

Find out more on pages 34 to 39

Revenue
£148.6m +13.1%
(2020: £145.8m) +14.4% constant currency

Adjusted[2] operating profit
£20.3m
(2020: £21.0m)

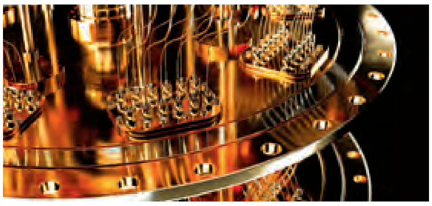
Research & Discovery

Provides advanced solutions that create unique environments and enable imaging and analytical measurements down to the molecular and atomic level, predominantly used in scientific research and applied R&D.

Find out more on pages 40 to 43

Revenue
£113.4m (8.7)%
(2020: £117.8m) (2.0%) constant currency

Adjusted[2] operating profit
£19.5m
(2020: £14.5m)



Service & Healthcare

Provides customer service and support for our own products.

Find out more on pages 44 and 45

Revenue
£56.5m +5.0%
(2020: £53.8m) +5.9% constant currency

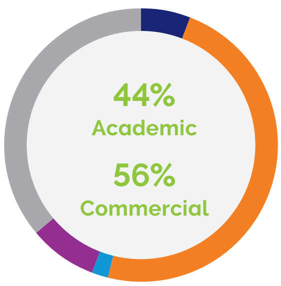
Adjusted[2] operating profit
£16.9m
(2020: £15.0m)

Who do we do it for?

We focus on attractive end markets where our technology and services can create long-term value for our customers across materials and life science applications.

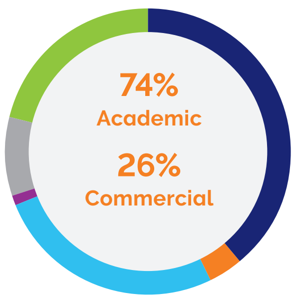
Materials & Characterisation

End market segment revenue
47% of Group revenue



Research & Discovery

End market segment revenue
35% of Group revenue



Service & Healthcare

18% of Group revenue

Healthcare & Lifescience

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

Semiconductor & Communications

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

Quantum Technology

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

Energy & Environment

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

Advanced Materials

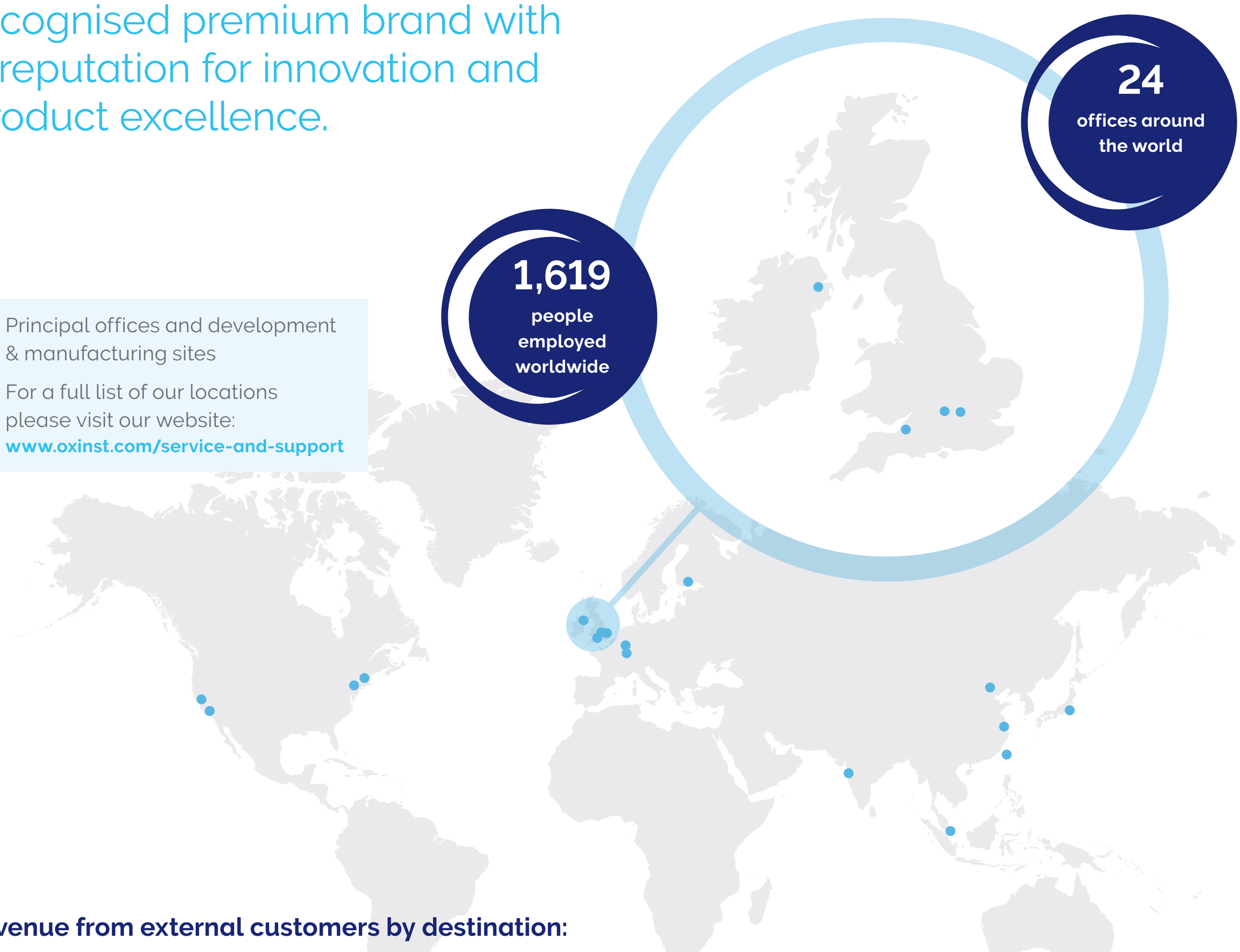
Where there is increased investment into new materials to enable higher and often disruptive performance, as well as demand for more sustainable use of valuable and finite natural resources.

Research & Fundamental Science

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

Where do we operate?

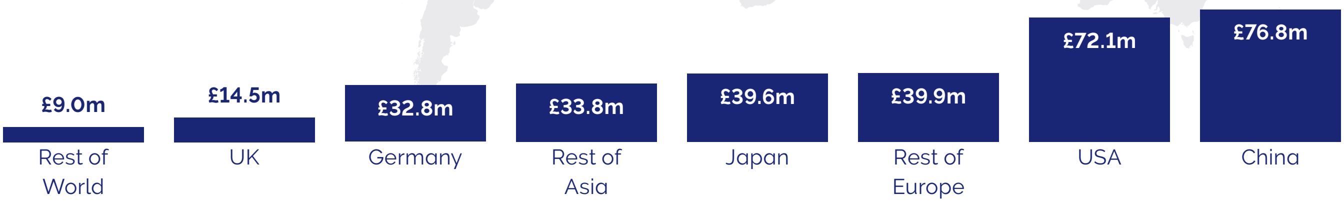
We are proud to be a globally recognised premium brand with a reputation for innovation and product excellence.



- Principal offices and development & manufacturing sites

For a full list of our locations please visit our website: **www.oxinst.com/service-and-support**

Revenue from external customers by destination:



Why invest?

CONFIDENCE IN STRATEGY

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

STRONG FINANCIAL POSITION

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

WORLD-CLASS BRAND REPUTATION

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

FOCUS ON SUSTAINABILITY

Our sustainability agenda is focused on ensuring that we proactively manage our business risks and the impact on the world and communities in which we operate. We have aligned with three of the UN's Sustainability Development Goals in areas where we have the most potential to influence and shape a sustainable future. Our sustainability strategy goes beyond the impact of how we operate, with our core purpose being to support our customers in addressing some of the world's most pressing challenges, enabling a greener economy, increased connectivity, improved health and leaps in scientific understanding.

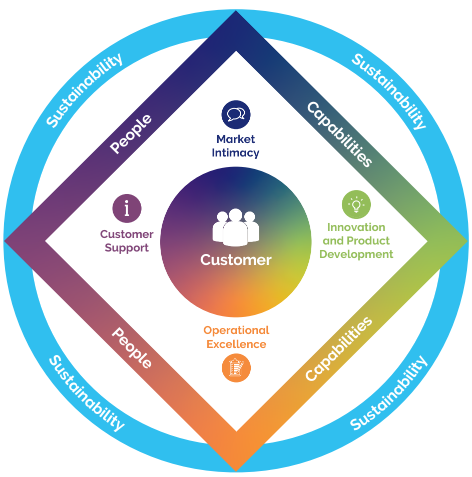
ACCESS TO ATTRACTIVE MARKETS

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

Our Culture and Purpose

How are we making a material difference?

At Oxford Instruments, we want our employees to feel proud to work for a company that is recognised as a leader in our field.



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

Through Horizon, we have put our customers at the centre of everything we do and have been increasing our levels of accountability. We have a shared responsibility in the Group to earn the trust of each other, of our customers, our Shareholders and other partners we work with, taking responsibility for solving problems and ensuring we do what we say we'll do.

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

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

Focusing on our purpose allows us to be mindful of what we do and why we do it, while our culture and values let us focus on how we do business. These are the guiding principles that drive our success and help make us unique.

Our values are:

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

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

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

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

Our culture

Being Oxford Instruments

Employee Pride in working for us and making a difference

Respect being inclusive and valuing our employees

Reputation for positive contribution to society

Accountability for our actions

Health and Safety ensuring everyone is safe

Trust our people to deliver

Our cultural KPIs

99% new starters say we're friendly and welcoming	**90%** employees feel trusted to do a good job	**4,701** online training courses completed
84% employees proud to work at Oxford Instruments	**39%** staff work outside UK	**23%** female workforce

Making a Material Difference...

Enabling a greener economy

Many people believe we are on the cusp of a power revolution. Over recent years, technology has made huge leaps forward, whilst the batteries powering it have remained largely unchanged for decades. A number of drivers are creating the demand for new advanced batteries, with the choice of materials, structure and composition impacting a battery's ability to store and output energy, and how often it can be charged and discharged.

An example we are all familiar with is our smartphones, with amazing processing capabilities in the palm of your hand, their main let down is just how often they need to be charged.

Battery researchers are looking for alternative materials to replace finite and expensive components such as lithium, nickel and cobalt. By finding more sustainable alternatives, such as silicon, manufacturers hope to produce cheaper, lighter and more powerful batteries that allow for faster charging, and longer lifetime for the devices and technology they support.

Our imaging and analysis solutions are being used to develop these next generation battery materials and structures as well as to help quality assurance and control in the manufacture of existing battery solutions.

Find out more on page 39

Making a Material Difference...

Increasing connectivity

With over a 40% increase in global internet traffic during the pandemic, the need for fast internet connectivity, increased data bandwidth and non-stop operating capacity is higher than ever before. This growth comes on the top of rising demand across digital services and an exponential growth in data volumes.

This brings the spotlight on the data centres and telecommunication networks such as 5G that facilitate this expanding level of connectivity and data processing.

These centres and networks are moving to new devices and components that can process data and information more quickly and with significantly lower energy consumption to meet the growing demands in an efficient and affordable manner.

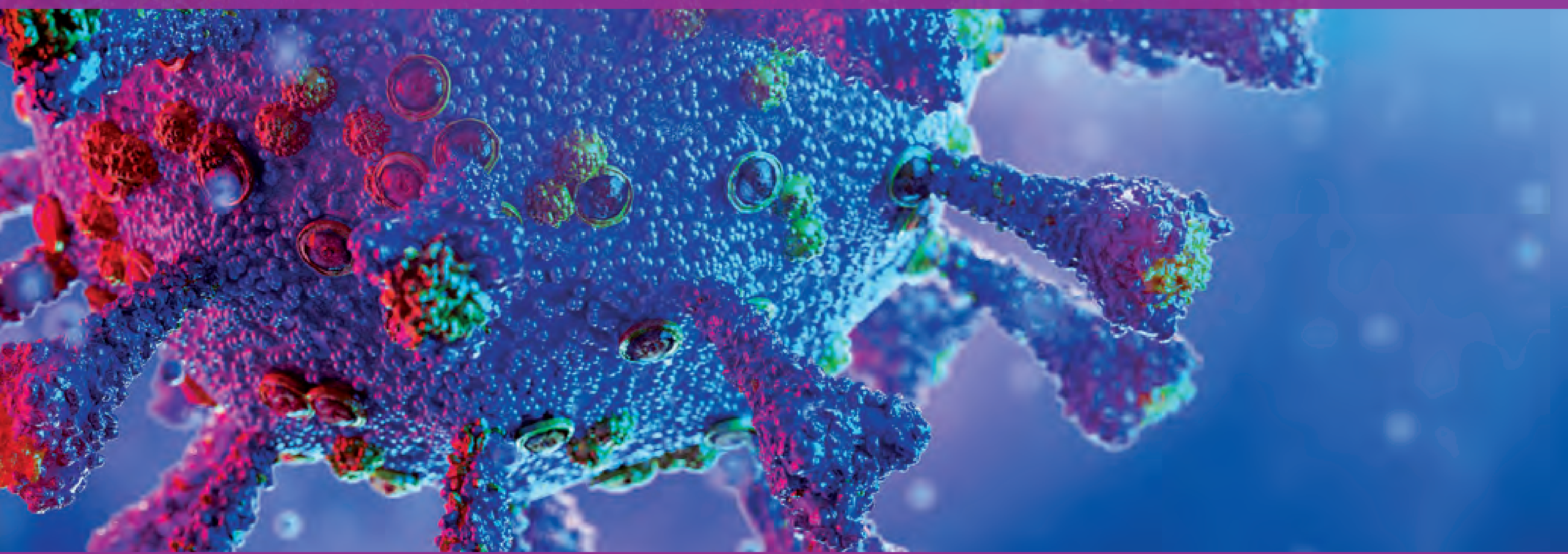
Compound semiconductors are being increasingly deployed across central processing units, memory, networking and infrastructure to reduce power consumption whilst increasing bandwidth and information processing speeds.

Our etch and deposition solutions are being used to help produce the enabling compound semiconductor devices based on, for example, gallium nitride (GaN) and indium phosphide (InP). Our leading expertise in the processing of these materials enables our customers to develop more compact devices, faster processing speeds, increased bandwidth and improved efficiency at the economic cost of production required to support the growing demands being placed on communication infrastructure.

Find out more on page 37

Making a Material Difference...

Improving health



When we first heard about covid, few could have predicted the impact it would have. In the first eleven months of the pandemic, there were over 71 million recorded cases, with a higher proportion of cases with severe infection and a higher mortality than seasonal flu. To bring such a pandemic to an end, we need a large share of the world to have immunity, and the safest way of doing so is through a vaccination programme. To enable scientists to develop an effective vaccine it is essential to develop a better understanding of the virus you are trying to stop.

Through research it is possible to map the virus structure, learn more about how it spreads, the impact it has on the body and possible ways of replicating it. With this knowledge, researchers can find ways to induce a response at a molecular level, helping to get the immune system ready to respond quickly to any further exposure to the virus. Globally, nearly 2 billion people have received at least one dose of a covid vaccination.

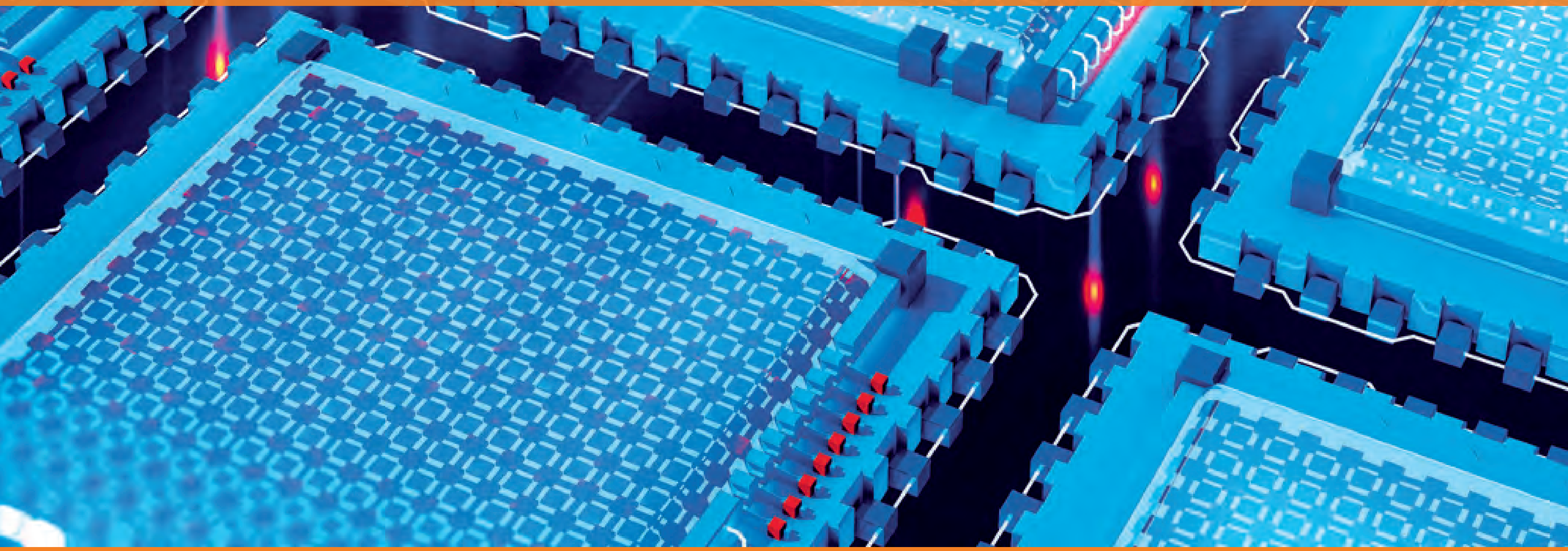
Our atomic force microscopes (AFMs) and scientific cameras play an important role in advancing the knowledge of those working in this field.

Our AFMs can image the virus and measure changes in response to possible treatments, while our laser sources, cameras and microscopy solutions are being used in gene sequencing to identify the mutation, as well as in diagnostic analysers and research laboratories, helping scientists develop better and more accurate treatments and providing a foundation of knowledge to aid vaccine development.

Find out more on page 42

Making a Material Difference...

Making leaps in scientific understanding



The world continues its journey through the second quantum revolution, as significant scientific and technical breakthroughs in the field are accelerating the timeline for disruptive quantum computers. Quantum computers are capable of processing calculations that are currently considered intractable by traditional computers, providing commercial and strategic advantage to those who can harness their potential.

As a result of being able to make calculations that can handle uncertainty, it is predicted quantum computing could change the world, transforming medicine and logistics, helping to create more efficient products and fighting climate change.

Recently, Google has claimed they have achieved quantum supremacy, the first time a quantum computer has outperformed a traditional one. While there has been great progress in recent years, we are still a number of years from harnessing the full potential of quantum.

While not intended to replace regular computing, quantum computing's ability to address the complex challenges beyond the scope of current computers and its potential to benefit all in society continues to drive government and commercial funding.

We are at the forefront of enabling quantum progress through our cryogenic environments, scientific cameras, characterisation solutions and state-of-the-art fabrication capabilities used across fundamental research through to the development and scale-up of quantum computers.

Find out more on page 43

Chair's Statement

Oxford Instruments is a provider of high technology products and services to the world's leading industrial manufacturers and scientific research institutes.

Neil Carson
Non-Executive Chair

Stakeholder engagement

Engaging with our stakeholders is key to the long-term success of the Group, alongside taking into account the impact our business decisions will have on them.

Read more on pages 26 to 29.

Covid response

Our rapid and agile response to the pandemic ensured we kept our employees safe while offering business continuity for our customers.

Read more on pages 17 and 18.

Sustainability programme

Our role in supporting all our stakeholders has never been clearer than during the covid pandemic and the ongoing battle against global environmental challenges.

Read more on pages 46 to 55.

Board evaluation

The Board is operating in an open and transparent way with good transparency from the Executive.

Read more on pages 82 and 83.

We have a reputation for innovation and product excellence, helping our customers accelerate their R&D, increase their productivity in high tech manufacturing and deliver ground-breaking scientific advances.

Our technologies enable our customers to address some of the world's most pressing challenges, by facilitating a greener economy, increasing connectivity, improving health, and empowering leaps in scientific understanding.

Our deep insight into our markets and customers enables us to stay ahead of developments, with practical solutions that meet their needs both today and tomorrow.

Strong performance through exceptional challenges

In response to the covid pandemic, the Board and executive team made it our priority to protect the health and wellbeing of our employees and to continue to support our customers and other stakeholders, whilst maintaining our investment in the long-term future of the business. The Group responded with agility to the evolving situation including the rapid implementation of a hybrid workplace model, new working practices and tailored support for those working in our facilities and remotely. Our approach has enabled us to maintain business continuity throughout the year and support our customers around the new challenges covid has brought.

I have been extremely pleased with the resilience of our strategic approach, the capabilities it has embedded across the Group and the operational improvements it continues to deliver. Our focus on diversified, attractive end markets and our continuous drive to improve operational performance, has enabled us to deliver both growth and improved profitability, despite the significant disruption caused by the pandemic.

Having made several changes over recent periods, I am encouraged by the strength of the leadership team now in place across the Group, the breadth of skills they offer, and how they are continuing to drive sustainable growth and margin improvement through the execution of our strategy.

We delivered a strong set of results despite the backdrop of the covid-19 pandemic. Adjusted operating profit grew by 12.3% to £56.7m (2020: £50.5m) and statutory operating profit grew by 33.2% to £53.0m (2020: £39.8m). Alongside a strong order book, which provides continued confidence, and further strengthening in our financial position, the Board has proposed a final dividend of 12.9p per share, which is subject to Shareholder approval at the Annual General Meeting. Together with the 4.1p per share interim dividend, this would result in a total dividend of 17.0p per share.

Our purpose

As a leading technology company, the Board recognises the role we play in creating a better future for all in society, and through our Horizon strategy we have positioned the Group to support our customers in addressing many of the world's most pressing challenges.

I am proud of the part we play in enabling a greener economy, improving health, increasing connectivity, and empowering leaps in scientific understanding. In the year, this has included:

- the use of our key enabling technologies directly in the global fight against covid;
- the development and manufacture of semiconductors to support the dramatic increases in digital communication; and
- accelerating the development of advanced materials and quantum technologies, which have the potential to disrupt a broad range of end markets, from transport and construction to drug discovery, logistics and financial services.

Benefitting from new ways of working

The Group has been quick to embrace the digital evolution over the past year, demonstrating tremendous agility in adapting to new ways of working and using these as an opportunity to establish new and improved approaches to the business.

We have utilised remote working and digital connectivity to keep our employees safe and connected, and to maintain exceptional support for our customers, including remote installations and remote access to their systems. With travel restrictions in place, the Board has used digital meetings to maintain direct communication with employees throughout the year and has used virtual meetings as an opportunity to engage with a broader cohort of employees, providing increased insights and wider engagement.

Board changes

As a Board, we recognise the importance of diversity and inclusion as a key element in delivering business excellence. In the year we welcomed Alison Wood to the Board, and in January she assumed the role of Chair of the Remuneration Committee. I have been delighted by the engagement Alison has achieved across the Group and the wealth of experience and expertise she has brought to the Board.

Thomas Geitner, who was appointed in January 2013, has agreed that given the length of his tenure, he will stand down at the forthcoming Annual General Meeting. Steve Blair has also advised the Board that he will not be putting himself forward for re-election. At the AGM, Alison Wood will assume the role of Senior Independent Director. We will commence recruitment for a new Non-Executive Director, taking this opportunity to increase the diversity of the Board across several areas.

Oxford Instruments has always had a strong sustainability agenda, driven by our purpose, values and culture. In the year we formed a Board sustainability committee, which I chair, bringing together the various aspects of our sustainability initiatives. This will support our commitment as a Group to increase the positive impact we have on the world whilst reducing our environmental footprint. You can read more about this and how we are embedding sustainability across the Group in the Chief Executive's Review.

Emerging stronger

I would like to thank the Board for their continual support during the year and, on behalf of the Board, I would like to thank all our people for their commitment and magnificent response to the challenges covid has brought. Our agility in responding to change rapidly, enabling our teams to work safely and remain operational, has ensured that we continued to support our customers, often finding new and innovative ways to help them address the challenges the pandemic has brought them.

Our robust performance this year is testament to the resilience of Oxford Instruments' positioning in its diversified markets and gives me confidence that we will emerge from this as an even stronger Group, with a platform for sustainable growth and further margin improvement.

Neil Carson
Non-Executive Chair

7 June 2021

Chief Executive's Review

I have been extremely pleased with the robust performance and resilience of the Group in the year.

Ian Barkshire
Chief Executive

Revenue
£318.5m
+0.3%
(2020: £317.4m)

Adjusted profit before tax
£55.9m
+12.9%
(2020: £49.5m)

Operating margin
17.8%
+190 **basis points**
(2020: 15.9%)

Introduction

The continued execution of our Horizon strategy has provided the capabilities to deliver continued progress in the face of exceptional challenges from the global pandemic. This, together with the commitment and agility of our employees, and our diversified end markets, has enabled us to deliver a robust performance in the year.

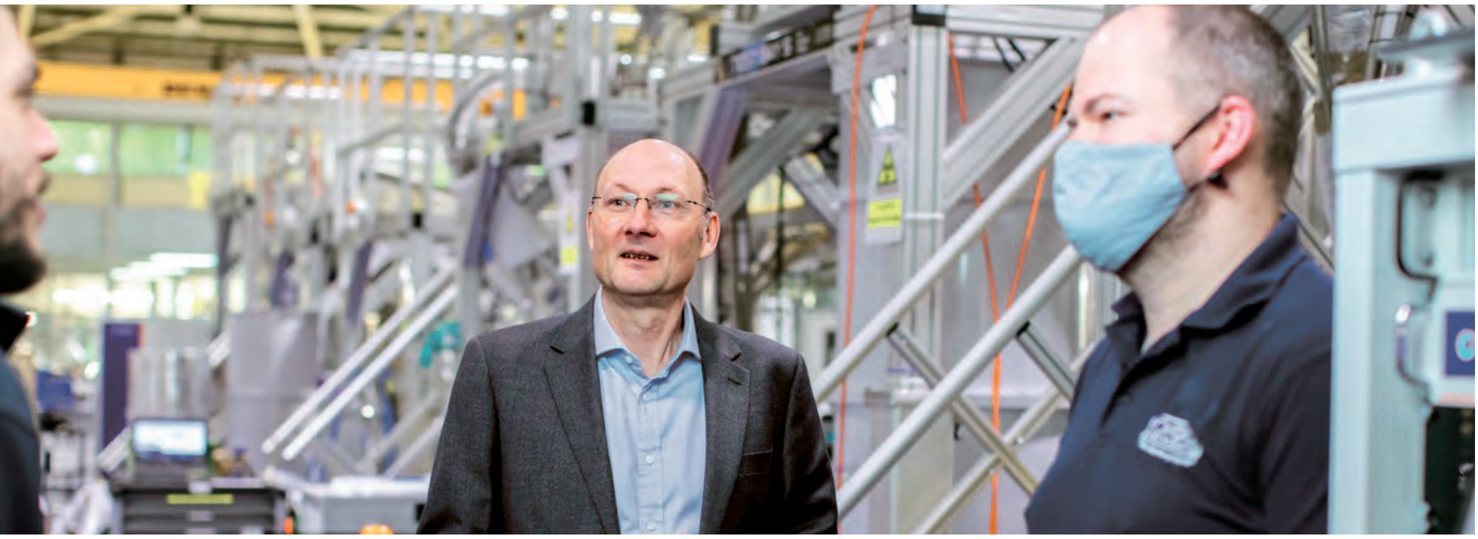
We delivered strong order, profit, and margin growth, with revenue slightly ahead of the previous year.
The momentum in orders reflected the underlying strength and breadth of our chosen end markets and their fundamental growth drivers. Increased profit and margins were supported by tangible gains realised as a direct result of the improved commercial processes and operational efficiencies that we have implemented through Horizon. Whilst revenue was ahead of last year, growth was subdued due to the impact of covid, which has included reduced access to customer sites, protracted administrative processes and travel restrictions.

The pandemic has impacted all aspects of our business throughout the year. From the onset, we prioritised the health and wellbeing of our employees whilst maintaining business continuity and supporting our customers' changing needs wherever possible. To support this, we implemented and continued to develop our hybrid workplace model to adapt to the evolving situation.

The Group's H1 performance was impacted by changes at our customer sites, as well as reduced manufacturing capacity at our own sites, as we implemented covid-safe working practices, particularly in the first quarter. Through our actions and revised working practices, we delivered sustained order growth and revenue momentum with quarter-on-quarter growth.

Our sustainability agenda is focused on ensuring that we proactively manage our business risks and the impact on the world and communities in which we operate. We have clear goals with respect to our environmental impact, the effect on our employees, the communities and societies we operate in; and governance practices that ensure we operate to our own high standards and within the relevant legislative requirements.

Within the year we have continued to make significant progress in our drive to reduce our environmental footprint, with a reduction in emissions from our own facilities and reducing our waste to landfill levels.



Throughout the year we have prioritised the health and wellbeing of our employees, and the support for our customers with their own evolving needs.

However, our sustainability strategy goes beyond the impact of how we operate, with our core purpose being to support our customers in addressing some of the world's most pressing challenges:

- **Enabling a greener economy**, leading to enhanced energy efficiency, increased productivity, and reduced resource consumption.
- **Increasing connectivity**, supporting current and future technologies to meet the exponentially growing demand for digital data and communications.
- **Improving health**, providing the insights and understanding of fundamental disease mechanisms leading to new paradigms for the rapid and cost-effective development of medicines and immunotherapies, such as vaccines.
- **Making leaps in scientific understanding**, providing the pathway to new technologies that create opportunities for dramatically improving the quality of life for all in society.

Our actions during the year have been aligned with our purpose and values, helping us contribute to a positive future for all our stakeholders. I have been encouraged by how our teams have come together to support each other, and our customers. I am proud of the role Oxford Instruments has played in the fight against covid, both in helping researchers understand more about the virus and in supporting those essential services that keep people safe and connected.

Adapting to covid and building a better-connected business

At the start of the pandemic, I established a dedicated covid leadership team to direct and co-ordinate our rapid and agile response to the evolving business situation. Throughout the year we have prioritised the health and wellbeing of our employees, and the support for our customers with their own evolving needs, as well as maintaining investment in the business for the long term. Through our phased approach we took swift action to help keep employees safe, provide continuity of service for our customers globally and control our discretionary costs. The implementation of social distancing guidelines within our facilities, revised working practices, shift working, the enablement of our teams to work efficiently and securely from home and embracing a digital marketing and sales approach allowed us to maintain business continuity and progress our strategic product developments even at the peaks of the pandemic.

In the early stages of the pandemic, we undertook several measures to protect the business, including a freeze on non-critical recruitment and capex spend, a deferral in the payment of performance-related bonus schemes related to the 2019/20 year and a reduction in non-executive Board fees and salary for myself and the Finance Director by 20% for a three-month period.

In the first quarter we prudently utilised the Government's Job Retention Scheme (JRS) as we established safe working practices across our sites and as we chose to retain our employees on full pay.

As business conditions and market uncertainty improved through Q2, we reversed the cash conservation measures, moving our focus to future growth. This included investment in a new purpose-built, state-of-the-art manufacturing, development and research facility for our Plasma Technology business, providing the capacity for further growth. Furthermore, in line with our values, we chose to repay the UK Government JRS support to allow it to be used for those in need across our communities.

Chief Executive's Review continued

Adapting to covid and building a better-connected business continued

In line with our customer-centric approach, we extended our engagement with customers to help them address new and urgent requirements resulting from the pandemic. This included enhancing our digital connectivity with customers to maintain their productivity, as well as using our expertise and systems to support them to connect securely into their equipment and local digital infrastructure, allowing effective data sharing and remote working. Through this approach, we have been able to create additional value for our customers, as well as valuable insights into the future needs across our diverse customer base, which we are incorporating into our digital and customer services transformation programmes. We are creating new value through our customer relationships by helping them to find ways to adapt to and plan for their new working environments and challenges. In support of this, we enhanced our market intimacy programmes and accelerated the delivery of our customer services transformation.

The processes and procedures that had been put in place through Horizon have provided us with the capabilities and digital infrastructure needed to ensure continuity in our operations, with the strategic work to streamline our supplier base enabling us to build closer, mutually beneficial relationships, which helped ensure continuity in supply throughout the year.

By further developing and embracing these changes and through continuing to evolve our business practices, we have become more connected with our employees globally and have created a more effective and efficient means of reaching and supporting customers. We continue to enhance our support for customers, through increased remote and local service delivery, as we embrace this new way of working. I have been pleased at how these changes have helped to build stronger links between our businesses and functions, delivering further synergies across the Group.

Moving forward, we will build on the approaches we developed during the pandemic, retaining a flexible but structured hybrid working model, creating an attractive working environment for our employees and higher quality customer relationships.

Results

Orders of £353.7m grew by 5.3% (2020: £336.0m), representing an increase of 6.7% at constant currency, with our customer-centric approach supporting strong growth from both commercial and academic customers. Revenue was impacted by covid-related disruptions, resulting in subdued growth relative to orders of 0.3% to £318.5m (2020: £317.4m). Growth in adjusted operating profit of 12.3% to £56.7m (2020: £50.5m) and an increase in operating margin of 190 basis points to 17.8% (2020: 15.9%) was driven by continued execution of our Horizon strategy. Statutory operating profits grew 33.2% to £53.0m (2020: £39.8m) and statutory operating margins increased 410 basis points to 16.6% (2020: 12.5%). Adjusted profit before tax grew by 12.9% to £55.9m (2020: £49.5m). Statutory profit before tax increased by 34.5% to £52.2m (2020: £38.8m).

Whilst the underlying growth drivers for our end markets remain robust, covid-related issues such as temporary end customer site closures and restricted access, combined with protracted administrative processes, impacted individual application segments and customers across different regions by varying amounts throughout the year.

From an end market perspective, we saw strong, reported order growth across Semiconductor & Communications (up 17%), Quantum Technology (up 16%) and Advanced Materials (up 8%) segments, with growth in Healthcare & Lifescience (up 2%). Overall order growth was partially offset by a slightly lower contribution from the Energy & Environment (down 4%) segment and a significant reduction from Research & Fundamental Science (down 24%), where end customers were more significantly impacted by covid-related disruptions.

Positive market conditions and our market-leading product portfolio led to 14.4% constant currency order growth in the Materials & Characterisation sector, despite covid-related reductions within some end applications. Customers and end markets in the Research & Discovery sector were more impacted by covid, particularly in the first quarter of the year, but with positive momentum building through the year in line with the easing of customer-related restrictions resulting in a net decline in reported orders of 5.1% at constant currency. The initial phase of the transformation of our customer services approach and broader portfolio of support products was well aligned with the changing needs of our customers, resulting in 11.8% constant currency order growth in the Service & Healthcare sector.

At a regional level, continued strong order growth across Asia and North America was partially offset by a modest decline in Europe where customer activity, local restrictions and reduced access have been more pronounced. Within Asia, reported orders in China grew 14%, supported by strong growth within the Semiconductor and Advanced Materials end markets.

Revenue for the Group was impacted throughout the year due to covid-related disruption to the fulfilment of orders and delays in obtaining export licence approvals. The former was most pronounced in the first quarter of the year due to access restrictions at customer sites and as we implemented covid-safe working practices at our manufacturing sites, which reduced capacity. With restrictions easing at customer sites and a ramping to normal capacity at our manufacturing sites, revenue momentum built strongly throughout the second half of the year, more than offsetting the first-half decline.

Revenue for Materials & Characterisation was slightly ahead of the previous year, up 1.9%, representing 3.2% at constant currency. Research & Discovery revenue was down 3.7%, 2.0% at constant currency, representing a strong second half. The Service & Healthcare sector delivered good revenue growth, up 5.0% and 5.9% on a reported and constant currency basis, supported by increased demand for services related to our own products.

The disruption to fulfilling orders was more pronounced to commercial customers, resulting in the proportion of revenue from academic customers increasing slightly to 54.8% (2020: 52.0%).

From an end market perspective, we had strong constant currency revenue growth for the Semiconductor & Communications and Quantum Technology customer segments, representing 27.6% and 11.4% of Group revenue, respectively. Healthcare & Lifescience (21.6% of revenue) and Advanced Materials (27.6% of revenue) built momentum through the second half of the year as customer site access improved, ending marginally behind the previous year despite strong order growth. Revenue for Research & Fundamental Science (8.2% of revenue) was down in line with orders, due in part to delays in the release of grant funding and deferred tendering processes.

From a geographic perspective, regional government and customer responses to the pandemic dominated revenue profiles in the first half of the year, particularly impacting North America and Europe. Customer site access improved through the second half of the year, resulting in revenue in Europe being broadly in line with the previous year with North America down 15.2%, representing a fall of 11.9% at constant currency. Customer site access and government restrictions eased earlier across Asia, supporting strong revenue growth across the region, up 13.1% on a constant currency basis.

Growth in adjusted operating profit and operating margin were supported by tangible improvements in the performance across several business units as well growth and improved efficiencies within our service sector. This resulted in an increase in adjusted operating profit of 34.5% within Research & Discovery to £19.5m (2020: £14.5m) and an adjusted operating margin of 17.2% (2020: 12.3%), an increase of 490 basis points. Statutory operating profit of £13.1m (2020: £13.3m) was down 1.5% owing to the profit on disposal of our shareholding in Scienta in the comparative period. Within Materials & Characterisation, the disproportionate delay in the shipment of higher-margin products and increased investment within the sector for future growth held back adjusted operating profit at £20.3m (2020: £21.0m).

This also impacted adjusted operating margin in the year to 13.7% (2020: 14.4%). Statutory operating profit grew by 35% to £16.6m (2020: £12.3m). Revenue growth and improved efficiencies related to our own products within the Service & Healthcare sector increased adjusted operating profit by 12.7% to £16.9m (2020: £15.0m) with adjusted operating margin up 200 basis points to 29.9% (2020: 27.9%). Statutory operating profit was £16.9m (2020: £15.0m), up 12.7%.

The combination of strong end customer demand for our products and the covid-related impact on the fulfilment of orders in the period resulted in a positive book-to-bill ratio of 1.11, with the order book, representing orders for future deliveries, up 13.2% to £198.1m (2020: £175.0m), 17.8% growth at constant currency. Order book growth was predominantly within the Materials & Characterisation sector, up 40% in the year, supported by 9% growth for Service & Healthcare, with Research & Discovery's order book in line with the previous year.

Continued focus on operational and commercial improvements within the year supported strong cash conversion, which after an additional payment to the pension fund, resulted in an improved net cash after borrowings position of £97.6m (2020: £67.5m) at year end.

Strategy: well positioned in diverse, attractive end markets with clear drivers only accentuated by covid

We have continued to focus on attractive end markets where our technology and services can create long-term value for our customers across materials and life science applications. By proactively engaging with customers across the full technology cycle, including academic, commercial R&D and high-tech manufacturing, we are well positioned to benefit from each wave of commercialisation and technology disruption.

Realising the benefits of the Horizon programme

In the year we have seen tangible financial gains due to the realisation of ongoing improvements in the commercial processes and operational efficiencies in a number of our business units.

Throughout the year, we continued to invest in and further develop the capabilities across the Group to drive growth and progress our business improvement journey. This included the investment in the development of our employees as well as selective recruitment to further enhance essential skills.

Our agile and flexible approach throughout the pandemic has enabled us to maintain our focus on improved market intimacy, enhanced delivery of R&D programmes, operational excellence and our customer services transformation.

Market intimacy

We have used the cessation of traditional face-to-face meetings during the year to develop effective new ways of communicating with our customers for sales and marketing activities, which enabled us to reach a wider audience and to gain valuable market insights. Our approach included running our own online conferences, increasing our portfolio of digital content and establishing new ways to reach our customers, including webinars and virtual product demonstrations, which proved invaluable in the launch of new products and the ongoing promotion of our portfolio.

By changing our approach, we have strengthened our relationships with many of our existing customers, improved our lead generation efficiency and gained valuable market insights to better inform our product and service roadmaps.

Whilst we look forward to being able to engage in face-to-face meetings and attend conferences in the near future, we will deploy a hybrid model building on our experiences and successful deployment of enhanced digital approaches in the past year.

Chief Executive's Review continued

Strategy: well positioned in diverse, attractive end markets with clear drivers only accentuated by covid continued

Realising the benefits of the Horizon programme continued

Innovation and product development

Providing highly innovative products and key enabling technologies with differentiated technical and performance leadership that are driven by customer insight, remains a central theme within our strategy. Throughout the year, we have remained focused on our strategic R&D programme maintaining our progress and investment, providing a healthy pipeline of future products. Our experience with, and utilisation of, secure remote working practices and collaboration tools in previous years, which has aided the exploitation of technical synergies across the Group, helped us to maintain progress across our strategic product development programme through the pandemic.

We continued to develop our long-term product roadmaps in line with our usual business timetable, refining priorities according to the changing demands within our markets, including the acceleration of further digital connectivity across our portfolio. We continue to develop and protect our portfolio through the identification and generation of valuable IP, which allows us to create barriers to entry and support the sustainable differentiation of our products.

Operational excellence

The continued execution of our operational improvement programme has contributed to tangible financial gains in year. Our ongoing procurement strategy focuses on developing our supply chain to build long-term strategic partnerships with fewer suppliers. This helps to reduce lead times and allows us to better leverage our scale.

The strengthened relationships cultivated with our suppliers has strongly supported our performance during the year and, by working closely with our suppliers, including being sensitive to their covid challenges and offering our support where appropriate, we have ensured our supply chain has remained robust throughout the year.

Customer support

We have made excellent progress with the early phase of our customer services transformation, with changes in the market and to customers' perceptions having allowed us to accelerate the development and deployment of our digital and remote service capabilities.

Our ability to deliver remote support has been an essential part of our portfolio during the pandemic and we will continue to grow this part of our portfolio as we look to create ongoing value for customers through the lifetime utilisation of our products.

We have driven synergies across our global customer support teams, enhancing our local support capabilities and response times, whilst reducing our own travel requirements. We also invested in additional resources to help drive our thinking, appointing regional leaders across our service teams to augment our existing capabilities and to drive efficiencies and synergies.

End markets

Whilst the pandemic has affected individual applications and regions to a greater or lesser extent, our end markets have overall remained robust with long-term underlying fundamental growth drivers. In many cases, the pandemic has strengthened or enhanced the drivers; this includes increased recognition around the world and across funding bodies of:

- the capabilities of new technologies to improve healthcare and accelerate drug development as highlighted by the rapid development of covid vaccines;
- the surge in demand for improved connectivity and bandwidth, which will continue to grow with the further development of the Internet of Things, increases in remote communications and the migration towards autonomous vehicles and factories;
- the imperative to address global warming and the re-energised commitments, initiatives and directives to deliver a greener economy; and
- the significant breakthroughs in the development of quantum technologies, increasing the level of global investment and accelerating practical commercial exploitation of this technology.

As part of our strategy, we have repositioned the Group to focus on markets with long-term growth drivers where we can maintain leading positions within global niches. The markets include Healthcare & Lifescience; Semiconductor & Communications; Quantum Technology; Energy & Environment; Advanced Materials; and Research & Fundamental Science.

In the semiconductor market the push for more power-efficient devices, increased connectivity and the increased demand for semiconductor chips across consumer electronics are increasingly relevant.

With advanced materials being the building blocks of modern society, enabling higher and often disruptive performance is driving increased investment into new materials as well as the need for manufacturers to consider more sustainable use of valuable and finite natural resources.

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

As a result of an increasing and ageing population, healthcare markets are looking to develop more affordable and effective therapies and treatments, through gathering more detailed understanding of the fundamental disease mechanisms as well as enabling a new paradigm in the speed, cost, and efficacy of drug development. The rapid delivery of covid vaccines is an example of how researchers are working together to accelerate medical advances.

The progress that researchers have made with quantum technology has led to significant advances and has brought forward the promise of practical commercial quantum computers, with the potential to disrupt industries and markets such as drug discovery, logistics, and financial services. This has led to an increase in national programmes and additional funding from commercial organisations.

With the rate of change in technology and the potential to disrupt entire markets, Governments are increasing their investment in fundamental research to equip themselves and their workforces, and provide the technical leadership required to support sustainable economic growth.

Significant progress with our sustainability agenda

We have continued to execute our initiatives around sustainability despite the covid disruption. As an organisation, we recognise the role we play and the impact we have on the environment, society and the world around us. As part of our purpose, we are driving positive outcomes for all our stakeholders, with a focus on how we do business and by looking after our employees, customers, external partners, and the environment.

We have aligned with three of the UN's Sustainability Development Goals in areas where we have the most potential to influence and shape a sustainable future. The three we have chosen are:

3. Ensure healthy lives and promote wellbeing for all at all ages.
7. Ensure access to affordable, reliable, sustainable and modern energy for all.
9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

Within the year we have continued to make significant progress in our drive to reduce our environmental footprint. Building on the progress over the past five years, this included a further 90% reduction in CO_2 emissions from our own facilities in the year with all consumed electricity at our manufacturing sites now being sourced from certified renewables, and with continued progress with our actions to reduce our waste to landfill levels. We are committed to ensuring new facilities are environmentally sensitive, including our new site in Bristol which will incorporate a range of energy-saving technologies to reduce environmental impact.

Whilst the impact our facilities have on the environment is relatively small, the positive impact we make through our customers is considerable and we aim to support our customers to deliver their sustainability objectives. We continue to explore opportunities to further embed sustainability into our products and our increasing portfolio of digital support offerings reflects our commitment to this.

In the year we restructured the leadership of our sustainability programme, creating a Board sub-committee and executive-led sub-groups with a focus on the environmental, social and governance activities across the Group. This has provided increased visibility of our sustainability initiatives across all levels of the organisation from the Board to each of our operating sites and increased engagement with employees.

We recognise the importance of diversity and inclusion as a key element in delivering business excellence. Our objective is to ensure that we have a high capability, diverse workforce that enables us to better understand our customers and markets. Building an organisation with a broad range of perspectives and experiences increases our ability to innovate, make the right decisions and exceed customers' expectations. In order to retain, attract and enable the best people to perform, we worked hard to create an inclusive environment and culture, where difference is valued and everyone can contribute to their full potential.

In response to the unprecedented challenges in the year we put in place a number of additional measures to support our employees. We increased the connectivity between our teams, building a structure to ensure each employee had regular contact with colleagues, we enhanced our focus on and range of mental health support, offering it to our employees and members of their family. When several of our employees in California were impacted by flooding and forest fires, we ensured that they were well supported by providing temporary shelter and food.

We are committed to making further progress with our sustainability agenda, setting meaningful targets that reflect our commitment to having a positive impact on those around us, making the world a better place now and for future generations.

R&D

Our enhanced customer-centric, market-driven approach is identifying increasingly attractive development opportunities, enriching our IP portfolio and driving our investment decisions across the Group. In the year we invested £28.9m in R&D (2020: £26.8m), representing 9.1% of sales. We monitor the proportion of revenue which originates from products launched in the last three years (our vitality index). In the period, our vitality index was 39% (2020: 39%) representing a continued healthy pipeline and performance of newly launched products.

People

I have been extremely proud of how our employees and leadership teams have embraced the changes we have had to make and for their professionalism and fortitude during these challenging times. They have worked tirelessly to help meet the changing needs of all our stakeholders. We have built a culture, where our employees are trusted to deliver and are held accountable for their actions; this has helped us to deliver the strong financial results and maintain business continuity during the year.

I would like to thank all our employees for their commitment and resilience during the year. It is through their efforts that we have been able to ensure our customers, and each other, have felt supported despite the challenges we have all faced.

Summary and outlook

We have made good progress during the year as our people have demonstrated outstanding agility to adapt to new ways of working to protect each other and our customers, whilst driving forward with our strategy for increased end market focus and operational effectiveness.

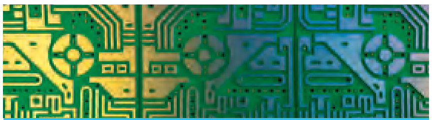
Our robust performance, strong order book and breadth of diversified end markets demonstrate the resilience of our business model, positioning us well for good progress in the year despite anticipated currency headwinds and the ongoing uncertainties as global economies look to recover from covid.

Ian Barkshire
Chief Executive

7 June 2021

Market Context

We are well positioned to address a broad and diverse range of attractive markets and industrial sectors.



Semiconductors

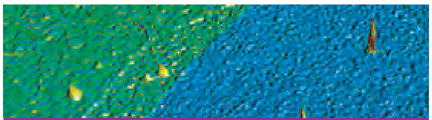
With the rise of the data economy, the proliferation of semiconductor chips within consumer electronics and higher emphasis on environmental impacts, there is a need for more semiconductor chips and devices but also with an increasing emphasis on higher performing and more energy efficient devices. This is driving demand for more compact devices, better energy efficiency, faster access to ever increasing data volumes and improved connectivity. These are all essential to meet the needs of IOT, AI, autonomous vehicles and high speed 5G networks. It is also vital for those that are producing these new and demanding solutions that they can do so repeatedly and to the required volumes and quality.

Market drivers:

- Increased demand for more efficient and faster power devices to support a green economy, e.g. enabling greater electric vehicle range, faster charging times and reduced energy wastage.
- Increased investment supporting the drive for improved connectivity, with the need to develop capacity and bandwidth. The pandemic helped illustrate the importance of connectivity and the resulting increase in data requirements.
- Buoyant compound semiconductor market and strong ramp up in demand for mainstream silicon semiconductor chips and devices.

Our response:

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



Advanced Materials

As the building blocks of society, the demand for lighter, stronger, higher functioning materials is present in a wide range of markets, from those designing safer cars, developing more efficient battery storage to those creating new materials for medical implants. Being able to accurately measure the composition and structure of materials down to the nanoscale is helping develop the next generation of materials and in quality control for high volume manufacturing.

Market drivers:

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

Our response:

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

Energy & Environment

Ever increasing environmental demands are being placed on energy generation, which is leading to diversification of energy sources towards building a low carbon economy. With the growing population there is more focus on sustainable food production, increasing requirements for food safety and the characterisation of food composition. Another key area in this market is the need for accurate and traceable testing within forensic investigations.

Market drivers:

- Drive for improved battery technology with less reliance on finite and expensive components, and more efficient and effective alternative energy sources, such as wind and solar.
- Increasing importance being placed on accurate and rapid forensic testing, however this market was subdued during the pandemic due in part to reduced levels of travel.

Our response:

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

We are focusing on those areas where our key enabling technologies are driving long-term success for our customers and where we can achieve and maintain leadership positions.

Healthcare & Lifescience

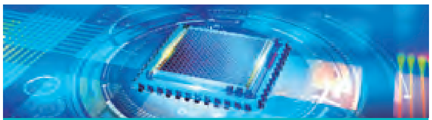
Increasing and ageing populations and the continued drive to improve the health and wellbeing of society is resulting in a need for further understanding of how the body works, how it fights diseases, how these diseases spread and how they respond to treatment. To do this, more accurate and sensitive solutions are needed in order to develop that vital understanding of health at a cellular and molecular level.

Market drivers:

- The quest to find a cure for life-threatening illnesses is driving further research into the pathology of disease states to aid understanding about their origins and progression. This is creating a demand for advanced and personalised treatment plans.
- Current drive to understand the covid virus in order to create more effective treatments and vaccines.

Our response:

- Our advanced imaging and analysis solutions, including our scientific cameras, microscopy systems and AFMs, are helping to reveal sub-cellular detail, while allowing observation of real-time interactions to help understand our immune response to foreign organisms.
- Our cameras are being used in gene sequencing, helping researchers learn more about the genetic makeup of covid. They are also being used in analysers testing for the virus.
- Through our MRI service team in Japan, we continue to ensure these vital systems are running efficiently and effectively.



Quantum Technology

The market is in a state of transition, with significant scientific and technical breakthroughs accelerating the timeline for practical quantum computers and sensor-based systems. Quantum computing could revolutionise end markets from drug discovery, climate change, logistics and financial services by helping solve complex problems beyond the capability of current computers.

Market drivers:

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

Our response:

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

Research & Fundamental Science

The fundamental shifts in technology and capability are driving increased research and applied development as we continue to understand the world around us. This is helping make advances in new material and device development as well as fundamental research in the physical sciences, including astrophysics.

Market drivers:

- Increasing academic interest is driving international funding for research into superconductivity and magnetism.
- Continued interest in astronomy driven by the exploration of the universe, the tracking of space debris and the monitoring of solar activity.
- Market activity subdued by covid-19.

Our response:

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

Business Model

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

Driven by

Our purpose

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

Our strategy enables us to provide more value to our existing customers and expand into new attractive markets and applications areas, focusing on those segments where we can achieve and maintain leadership positions.

Our solutions are being used by customers to find cures for cancer, advance space exploration and develop the next generation of electronics, advanced materials and quantum technologies.

Impacted by

Our people

Empowering our employees to own the challenge and solution.

Read more on page 26 and 27.

Our customers

Aligning our business with our chosen customer segments and applications.

Read more on page 28 and 29.

Our Shareholders

Delivering business growth and maximum shareholder returns over the long term.

Read more on page 26 and 27.

Our suppliers

Building lasting relationships on trust and respect.

Read more on page 28 and 29.

Our communities

Being mindful of our potential impact on the world around us.

Read more on page 26 and 27.

How we add value

Our core activities

Fundamental research

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

Read more on page 22 and 23.

Applied R&D

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

Read more on page 22 and 23.

High tech manufacturing

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

Read more on page 22 and 23.

Underpinned by our purpose, values and culture

We have refreshed our values and what they represent.

Our values are:

Inclusive

Innovative

Trusted

Purposeful

Read more on page 9.

Distinctively Oxford Instruments

By addressing academic fundamental research, applied R&D, and high technology commercial segments.

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

Driven by our strategic objectives

1. Being customer-centric, market driven

Read more on pages 30 and 31.

2. Maintaining product and technical leadership

Read more on pages 30 and 31.

3. Transforming customer services

Read more on pages 30 and 31.

4. Delivering operational excellence

Read more on pages 30 and 31.

5. Developing capability and culture for success

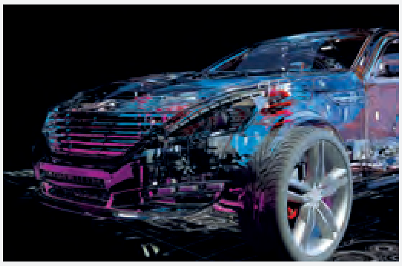
Read more on pages 30 and 31.

We are engaged throughout the technology cycle and are well positioned to benefit from each wave of commercialisation and market disruption.

Read more about our investment proposition on page 7.

Our operations

Through our sectors

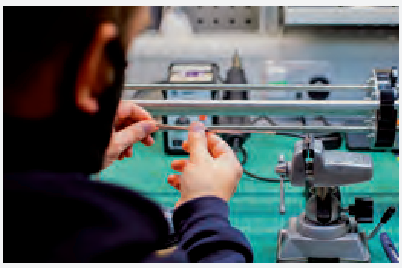


Materials & Characterisation

Read more on pages 34 to 39.

Research & Discovery

Read more on pages 40 to 43.



Service & Healthcare

Read more on pages 44 and 45.

Outcomes

Adjusted basic earnings per share

78.69p

Revenue

£318.5m

Dividend per share – full year

17.0p

Group gender split

77:23

male : female

Reduction in carbon emissions

90%

Engaging with Stakeholders

Engagement with our stakeholders allows us to grow and execute our strategy; we therefore consider the impact we have on them as well as what they consider important when developing our plans for continued success.

Our stakeholders		Their material issues
Local communities	We work hard to ensure that we have a positive impact on those around us and give back to our local communities. We believe the work we do and what we enable others to do is important and both benefits and advances society.	• Local investment • Opportunity for local employment • Impact on local environment
Employees	Our employees are fundamental to our business success. We continually invest in our people, developing the capabilities that we will need to succeed over the longer term. We are committed to being the company where the best in our sector want to work and strive to offer opportunities that will attract, motivate and retain talented employees, enabling them to give their best.	• To work in a diverse and inclusive culture • The opportunity for development and progression • Consideration of their health and wellbeing • To be trusted to do an excellent job and encouraged to contribute • To be supported through engagement programmes and regular communications
Shareholders	The Group places considerable importance on regular communications with its Shareholders, with whom it has an ongoing programme of dialogue. Our goal is to deliver shareholder returns through profitable, sustainable growth with strong cash conversion and efficient use of capital.	• Current and future financial performance • Sustainability • Good governance • Strong dividend position

Section 172 Statement

Engaging with our stakeholders and acting in a way that promotes the long-term success of the Company, while taking into account the impacts of our business decisions on our stakeholders, is central to our strategic thinking and is in line with our statutory duty in accordance with Section 172(1) of the Companies Act 2006 (s.172). This constitutes our s.172 Statement, as required under the Companies (Miscellaneous Reporting) Regulations 2018.

We set out in the table below our key stakeholder groups, their material issues and how we engage with them. We deploy a tailored engagement approach to each stakeholder group to foster effective and mutually beneficial relationships. By understanding our stakeholders, we can factor into Boardroom discussions the potential impact of our decisions on each stakeholder group and consider their needs and concerns, in accordance with s.172 of the Companies Act 2006.

How we engage	2020 highlights	Further links
We are committed to helping the generations coming up through all stages of education to see the importance of choosing STEM subjects and the career opportunities this will offer them. Our sites run school visits, work experience programmes and offer industrial postdoctoral placements, allowing students the opportunity to gain meaningful industrial experience. We also encourage our sites to support their local communities through charity and community activities.	• Maintained support of science prizes to help individuals producing innovative research • Undertook 3D printing of PPE for local hospitals where possible • Maintained R&D investment to continue developing products that benefit and advance society	• Pages 51 and 52, diversity and inclusion • Page 53, social and community involvement
It is important for our employees to feel connected to our purpose. Within the Group we continue to enhance commercial focus and core capabilities across and within the Group at an operational level. This is a dual approach of investing in our existing employees as well as looking outside the organisation for individuals with specific capabilities and experience to accelerate our progress. We regularly conduct global employee engagement surveys and feedback sessions to find out more from our employees about their experiences of working for Oxford Instruments across all our businesses and the regions in which we operate. We work hard to create a sense of belonging for our employees and recognise that in order to retain, attract and enable the best people to perform, we need to create an inclusive environment and culture, where difference is valued and everyone can contribute to their full potential.	• Enhanced engagement and communications during pandemic, additional mental health support and wellbeing portal • Hybrid working model including revised covid-safe practices • Health and safety checks for remote working • Continued investment in capability development	• Pages 50 and 51, our employees • Page 52, developing capability • Page 50, health and wellbeing
We take a proactive approach to investor relations and actively engage with Shareholders throughout the year to ensure they understand the performance of the business. We hold numerous Shareholder meetings and roadshows, publish the Report and Financial Statements, and undertake full-year and half-year results announcements. All Shareholders are encouraged to participate in the AGM, at which the Chair and Chief Executive present an overview of the Group's business, review the results and make comments on strategy and current business activity. The Non-Executive Directors meet informally with Shareholders both before and after the AGM and respond to Shareholder queries and requests. The Chair and the Senior Independent Director make themselves available to meet Shareholders as required.	• Sustainability section developed on website, supporting creating of Board sustainability committee • Engagement with Shareholders on sustainability agenda • Virtual meetings with Shareholders to ensure continued communications	• Pages 74 to 81, Company leadership and purpose • Pages 97 and 98, corporate performance and annual bonus • Page 84, investor relations

Engaging with Stakeholders continued

Our stakeholders		Their material issues
Suppliers	The Group recognises that relationships built on trust and respect with our business partners establish mutually beneficial relations. Our supply chain plays a vital role in supporting sustainable growth and efficiency across the business. The Group outsources many sub-assemblies and we also purchase a wide variety of raw materials. It is essential to ensure we attain the highest quality and service for our customers whilst we enhance the efficiency of our business and reduce risk. As a result, we develop strong working partnerships with our suppliers, providing them with the visibility to extend our supply chain through their supply base too, in order to create added value.	• Long-term partnerships and fair agreements • Sustainability and trust • Opportunity for growth • Visibility to forecast requirements • Potential disruption during pandemic
Customers	We provide advanced technology solutions for a diversified range of end markets, supported by new product offerings and personalised customer support. We have a wide range of academic and corporate customers across many different industries and end applications. Our product and service solutions, which image, analyse and manipulate materials down to the atomic and molecular level, support our customers to address some of the world's most pressing challenges; enabling a greener economy, increased connectivity, improved health, and leaps in scientific understanding.	• High standard of business conduct • Appropriate use and storage of personal information • Fair pricing strategy • Appropriate engagement and support through buying cycle • Excellent ongoing customer support • High quality products and technical expertise • Remote access and continuity of supply and support during disruption

How we engage	2020 highlights	Further links
We have reviewed, and improved, our supplier due diligence and audit procedures. We have a zero-tolerance approach to all forms of modern slavery, including servitude, forced, bonded and compulsory labour and human trafficking and we expect our suppliers to adopt the same approach. We have a Group supplier management process in place that promotes a common supply chain strategy, driving the business towards fewer, high level, quality suppliers. It is crucial to provide our suppliers accurate forward visibility in order to align our customers' requirements with our total supply capabilities. We share the output from our sales & operations planning process with them, and we have dedicated Category Managers to help reduce risk and improve efficiency. We must ensure our extended supply chain adheres to our strict environmental compliance, whilst challenging them to provide improvements to quality. Our key suppliers are also encouraged to become part of our new product introduction process, to allow them to add value to our process.	• Continued consolidation of supply base, allowing risk reduction and added volume to key partners • Continuity of supply during pandemic reflecting strength of supplier relationships • Supported suppliers during covid, mindful of their different needs • Shared supply chain experience with suppliers, helping build their understanding of stockholding and forecasting	• Page 20, Operational Excellence • Pages 30 and 31, Our Strategy • Page 18 to 20, Chief Executive's Review
By being customer-centric and market driven, the Group seeks to continuously increase our depth of understanding of customer needs. Through a deeper understanding of our target market segments and the diverse challenges faced by our customers, we have changed the way we communicate and reach our prospective and existing customers, more clearly identifying the value our products can add. Our portfolio focuses on those areas where our key enabling technologies are driving long-term success for our customers. This has allowed us to help our customers accelerate their applied R&D, increase productivity in high tech manufacturing and make ground-breaking discoveries. Insights from our stronger customer relationships are informing and aligning our innovation and product development initiatives to customers' strategic roadmaps to allow us to create differentiated products and solutions that will provide significant value for our customers.	• Accelerated transformation of service offering with digital connectivity helping maintain productivity through remote access and remote service • Utilising cross-business capabilities to deliver quicker response times and increased local support installations • Continued investment in R&D to deliver cutting-edge products and services	• Pages 44 and 45, Service & Healthcare • Page 20, Customer Support • Page 19, Market Intimacy • Pages 30 and 31, Our Strategy

Our Strategy

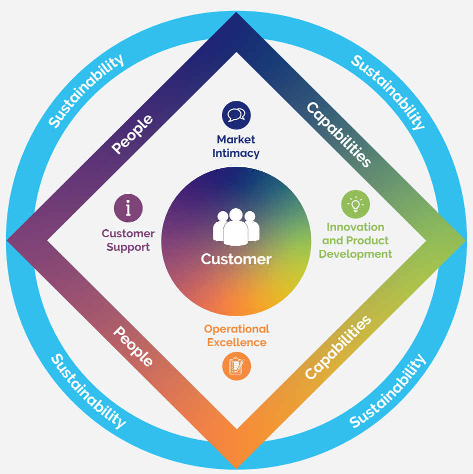
Horizon is now well embedded across the Group and is delivering tangible financial benefits.

Horizon

Horizon enables us to deliver long-term sustainable growth and margin improvement by growing our presence and market reach both organically and through acquisition, across materials and life science end markets. Through our purpose we focus on supporting our customers to enable a greener economy, increased connectivity, improved health, and leaps in scientific understanding.

Our transformational strategy focuses on positioning the Group in attractive global niche markets where we can maintain leadership through offering sustainable differentiation for our customers. We achieve this through our customer-centric, market-driven approach combined with relentless product innovation and our continuous drive to improve our operational efficiency. We create value for our customers through our leading product performance, tailored solutions and broad range of aftermarket services, accelerating our customers' outcomes and increasing their productivity.

Our key enabling technologies address a diverse range of end markets with different growth and funding cycles. This, alongside our proactive management through the full technology cycle, provides resilience for our business and positions us well to benefit from each wave of commercialisation and technology disruption.



Link to sustainability and SDGs

We have aligned with three of the UN's Sustainability Development Goals in areas where we have the most potential to influence and shape a sustainable future.

Strategic priorities	Description
Being customer-centric and market driven	Building an in-depth understanding of our customers, applications and markets to help us strengthen relationships whilst developing a commercially strong sales engine, equipped with the tools for success.
Maintaining product and technical leadership	Focusing our R&D investment on higher growth segments, prioritising our efforts on the most valuable product development opportunities, aligning with market developments and customer needs. Protecting our investments with intellectual property (IP).
Transforming customer services	Providing a broad range of aftermarket products and services to accelerate customer outcomes and maximise their productivity.
Delivering operational excellence	Providing a world-class experience for our customers and continuing to drive improvements through continuous improvements in procurement, operational efficiency and logistics.
Developing capability and culture for success	Identifying and developing the key capabilities needed to support our growth and strategic priorities, creating a culture that empowers our teams to own the challenge and solution.

Through our Horizon focus we help our customers accelerate their R&D, increase their productivity and make ground-breaking discoveries.

Progress in 2021	Priorities for 2022
Our market intimacy approach has allowed us to strengthen relationships with customers despite restricted travel and face-to-face meetings. We have adapted and developed new ways of efficiently and effectively reaching customers, enabling growth.	Further develop end market segmentation and tailored marketing materials. Enter new markets using our market intimacy to adapt our commercial practices to maintain the enhanced connection we have built with customers.
We have remained focused on our strategic R&D programme, maintaining our progress and investment, providing a healthy pipeline of future product launches. Maintained the generation of IP to protect our developments and product leadership.	Continue to deliver long-term product roadmaps, refining priorities according to the changing demands of our existing customers and expansion into new markets. Acceleration of our product connectivity programme to enhance customer productivity.
Our ability to deliver remote support has been an essential part of our portfolio during the pandemic. We have driven synergies across our global customer support teams, enhancing our local support capabilities and response times, whilst reducing our own travel requirements.	Continue to grow the digital offerings in our portfolio as we look to create ongoing value for customers through their lifetime utilisation of our products. Driving further efficiencies through exploiting our global footprint. Creating more value through tailoring service products to the specific needs of market segments.
The continued execution of our operational improvement programme has contributed to tangible financial gains in year. The strengthened relationships cultivated with our suppliers has strongly supported our performance during the year and has ensured our supply chain has remained robust throughout the year.	Developing our supply chain to build stronger long-term strategic partnerships with fewer suppliers, helping to reduce lead times and to better leverage our scale.
We have continued to invest in the development of our employees and undertake selective recruitment to further enhance the specific skills and capabilities needed for future growth. We have provided access to online courses and tutorials, with bespoke training packages and pathways developed for different job families and levels in the organisation.	Continue to attract and retain the best people, including those with the potential to take on more complex and higher-level roles in the future, building on the inclusive environment and culture we have created, where difference is valued, and everyone can contribute to their full potential.

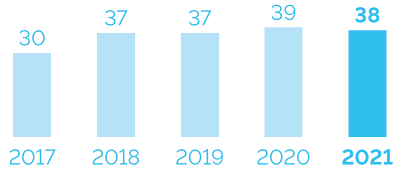
Key Performance Indicators

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

Strategic KPIs

Inventing the future[1]

(%)



What we measure

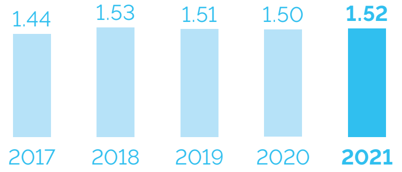
Proportion of revenue coming from products launched in the previous three years[1]

Why we measure

To measure the effectiveness of our R&D programmes

Link to strategy

Adding personal value



What we measure

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

Why we measure

To measure efficiency

Link to strategy

Note: Key performance indicators have been restated to remove the results of discontinued operations from previous years.

1. To ensure this metric better reflects the performance of those businesses which invest in R&D, the revenue from the Group's MRI Service division has been excluded from this metric.
2. Adjusted items exclude the amortisation and impairment of acquired intangible assets, acquisition items, profit or loss on disposal of operations, other significant non-recurring items, and the mark-to-market movement of financial derivatives. A full definition of adjusted numbers can be found in the Finance Review and Note 1.
3. Adjusted operating profit margin is defined as adjusted operating profit expressed as a percentage of revenue from continuing operations.
4. Cash conversion measures the percentage of adjusted cash from operations to adjusted operating profit, as set out in the Finance Review.
5. Calculated as adjusted operating profit less amortisation of intangible assets divided by capital employed. Capital employed is defined as assets (excluding cash, pension, tax and derivative assets) less liabilities (excluding tax, debt, derivative and pension liabilities).

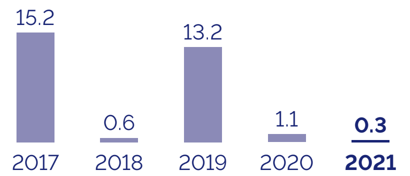
Strategic goals

- Market Intimacy
- Customer Support
- Operational Excellence
- Innovation and Product Development

Financial KPIs

Goal: To deliver shareholder returns through profitable, sustainable growth and strong cash conversion and efficient use of capital.

Revenue growth (%)

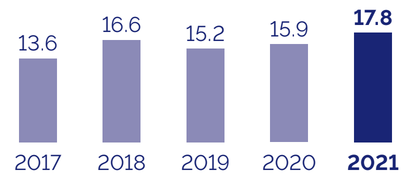


Why we measure

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

Link to strategy

Adjusted[2] operating profit margin[3] (%)

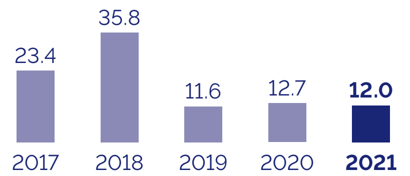


Why we measure

To consistently maintain underlying operating margins

Link to strategy

Adjusted[2] earnings per share (EPS) growth (%)

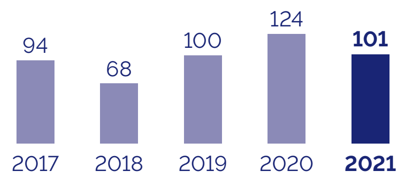


Why we measure

To achieve long-term growth in EPS

Link to strategy

Cash flow conversion[4] (%)

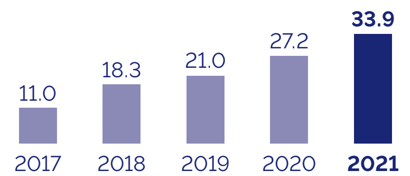


Why we measure

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

Link to strategy

Return on capital employed (ROCE[5]) (%)



Why we measure

To deliver ROCE in excess of our cost of capital

Link to strategy

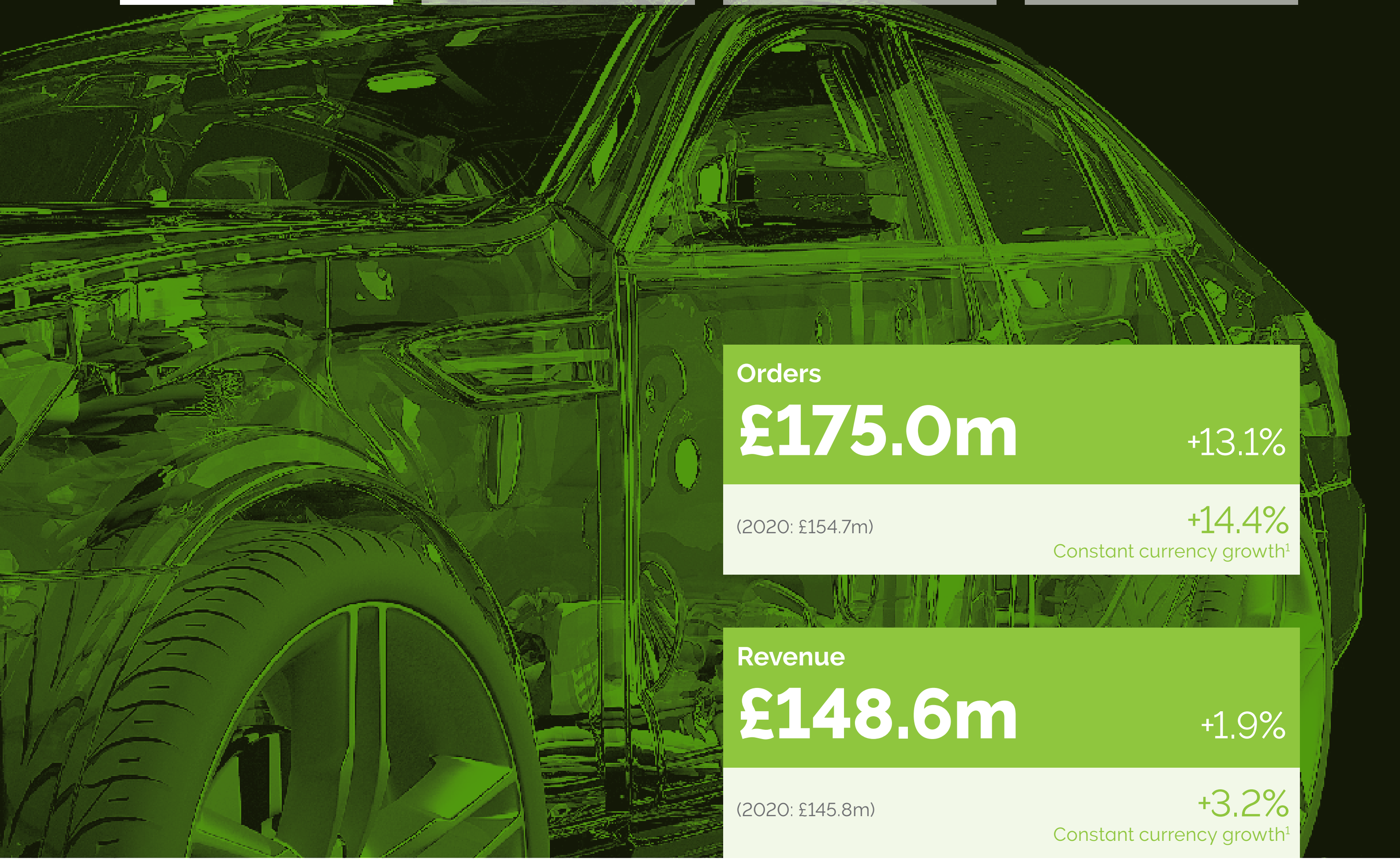
Materials & Characterisation

Materials & Characterisation provides products and solutions that enable the fabrication and characterisation of materials and devices down to the atomic scale, predominantly supporting customers across applied R&D, as well as the production and manufacture of high technology products.

The Materials & Characterisation sector comprises Asylum Research, NanoAnalysis, Magnetic Resonance and Plasma Technology. In the period we transferred the Magnetic Resonance business to this sector, better aligning the portfolio with end customer applications and enabling further exploitation of synergies across the sales, marketing, and service teams.

The sector has a broad customer base across a wide range of applications for the imaging and analysis of materials down to the atomic level as well as the fabrication of semiconductor devices and structures through our range of advanced semiconductor etch and deposition process systems. Our portfolio of imaging and analysis systems includes our range of market-leading X-ray and electron analysis systems used in conjunction with electron and ion microscopes as well as our performance-leading atomic force microscopes and magnetic resonance analysers.

The sector has a strong focus on supporting and accelerating our customers' applied R&D, enabling the development of new devices, next generation higher performance materials and enhancing productivity in advanced manufacturing, quality assurance (QA) and quality control (QC). We provide leading product performance, improved ease of use and enhanced productivity, through advanced analytics, to aid in the interpretation of acquired data and provide actionable insights.



Orders
£175.0m +13.1%
(2020: £154.7m)
+14.4%
Constant currency growth[1]

Revenue
£148.6m +1.9%
(2020: £145.8m)
+3.2%
Constant currency growth[1]

This sector's products are used in a wide range of applications, including the following:

- Advanced compound semiconductor power devices to enable faster charging times and improved energy efficiency for consumer electronics and electric vehicles.
- Semiconductor laser and high-speed devices used within communication systems and hyperscale data centres to support the exponential growth in data volumes and digital services.
- Advanced polymers used within medical implants and higher performing displays through to car bumpers and tyres.
- Quality control and assurance within high technology manufacturing of batteries, semiconductor devices and pharmaceutical tablets.

Adjusted[2] operating profit
£20.3m
(2020: £21.0m)

Adjusted[2] operating margin
13.7%
(2020: 14.4%)

Statutory operating profit
£16.6m
(2020: £12.3m)

1. For definition refer to note on page 2.
2. Details of adjusting items can be found in Note 1 to the Financial Statements.

Materials & Characterisation

Demand outstripped ability to supply due to covid disruption, resulting in a particularly strong order book

Materials & Characterisation delivered strong growth in reported orders, up 13.1% to £175.0m (2020: £154.7m), reflecting buoyant demand for our products from our Semiconductor & Communications, Advanced Materials, Healthcare & Lifescience, and Quantum Technology end markets in particular. Covid-related disruptions held back the shipment to and installation of product at customers' facilities, resulting in more subdued growth in reported revenue, up 1.9% to £148.6m (2020: £145.8m). The disproportionate delay in shipments of our higher-margin imaging and analysis systems, alongside increased investment within the sector to enhance future growth, led to adjusted operating profit and margin slightly behind the previous year at £20.3m (2020: £21.0m) and 13.7% (2020: 14.4%). However, the combination of the buoyant demand and the delayed shipments drove a 40% increase in the order book to £74.7m (2020: £53.4m), giving us greater visibility into the current financial year, as we leverage our investments.

Successful launches of added-value products that expand our addressable markets

Strong reported order growth was supported by the success of recently launched products and our relentless customer-centric approach, which exploits our market insights to tailor product offerings for specific end customer applications, increasing the product value and expanding our addressable markets.

Strong demand from academic and commercial customers, with greater disruption to commercial installations

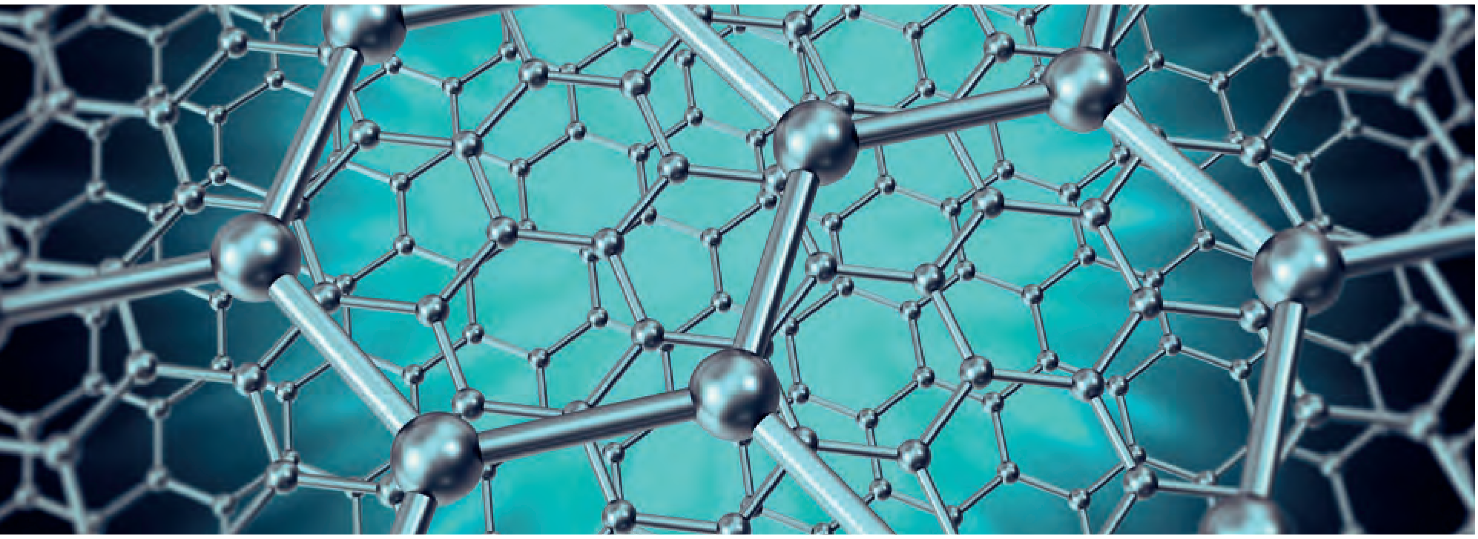
We had strong order growth from both academic and commercial customers, which translated into good revenue growth from academic customers whilst covid-related disruption to shipments held back revenue growth from commercial customers. Academic customers accounted for 44.2% of the sector's revenue (2020: 44.0%).

Strong growth across Asia, aided by Europe; good North American demand was tempered by covid disruption

Order growth was particularly strong across Asia, supported by good growth in North America with Europe broadly in line with the previous year. Covid-related disruption varied by region, resulting in revenue growth in Asia and Europe and a decline in North America despite the underlying demand and positive order intake.

Strong demand from global niche markets with long-term growth drivers

Looking at our end markets, building on a positive first half to the year we continued to see sustained underlying demand for our products leading to strong order growth in the year across the Semiconductor & Communications, Advanced Materials, Healthcare & Lifescience, and Quantum Technology end market segments. Orders from customers in Energy & Environment markets were marginally below previous year despite strong growth into battery applications.



The combination of regional variations within our end markets and the varying extent of covid-related disruptions resulted in strong revenue growth in Semiconductor & Communications (representing 48.3% of sales for the sector), Healthcare & Lifescience (5.8% of sales) and Quantum Technology (1.7% of sales) market segments. Revenues to customers in Advanced Materials and Energy & Environment were disproportionally impacted by covid-related disruption relative to order intake and represented 35.5% and 8.5% of sales, respectively (2020: 38.6% and 11.1%).

Semiconductor & Communications – well positioned for structural growth trends

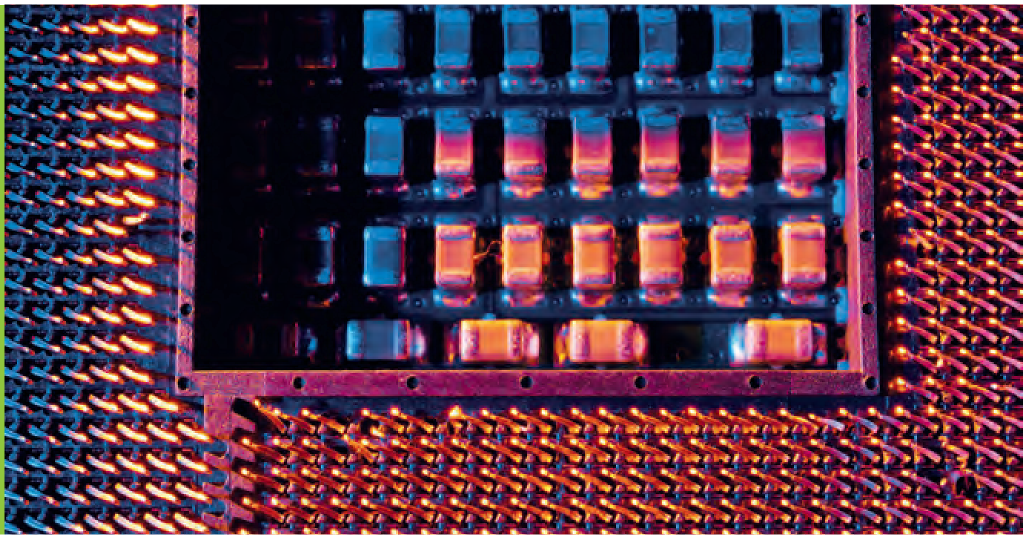
The Semiconductor & Communications segment remains a significant focus for the sector. The continued drive for improved energy efficiency, increased connectivity, faster data transmission and growing consumer electronics volumes continues to elevate the importance of semiconductors within the global economy. Our expertise in semiconductor processing and the characterisation of devices, as well as the breadth of our reach across research, development and production leaves us in a strong position to capitalise on the long-term growth opportunities.

In the year we had strong order and revenue growth with increased demand across our imaging and analysis solutions in the silicon semiconductor and consumer electronics markets, as well as our portfolio of semiconductor etch and deposition processing solutions in the compound semiconductor markets. The increased volumes and improved performance requirements of semiconductor chips needed to satisfy the growing consumer electronics markets as well as the proliferation of use with the trend towards autonomous vehicles is driving both increased production capacity and the investment in next generation devices. We have had strong growth across our imaging and analysis systems in support of new and next generation device R&D as well as in the quality control and quality assurance (QA and QC) in high volume manufacturing where our solutions are used to inspect wafers and devices for defects and structural integrity down to the nanoscale. With device dimensions shrinking to provide the necessary improvements in processing power, speed and reduced cost, the ability to characterise and control the composition and structure at ever-smaller dimensions becomes increasingly important. We have continued to develop new solutions to meet these new challenges. For example, Jupiter, our recently launched large sample atomic force microscope system, is being used to detect and remove contamination on photomasks with particles below a nanometre in scale, which are now leading to critical defects in device production.

Governments around the world are identifying improved connectivity as a critical component for future economic growth, whilst exponential growth in data volumes and digital services is being driven by increased demands from digital streaming, online conferencing, autonomous vehicles, and gaming. This is increasing investment in production capacity and the development of higher performing compound semiconductor devices. As a result of these trends, we have had strong growth in our indium phosphide and gallium arsenide compound semiconductor processing solutions to commercial customers developing and manufacturing the optical devices such as lasers, switches, amplifiers, and receivers utilised within hyperscale data centres and within fibre optic communication systems. These compound semiconductor devices enable faster and more efficient transfer of vast data volumes above and beyond that of conventional silicon-based devices. We have also seen good growth across other optoelectronics applications including 3D sensors for facial recognition and micro LEDs for use in displays and consumer electronics.

Operations Review continued

Materials & Characterisation



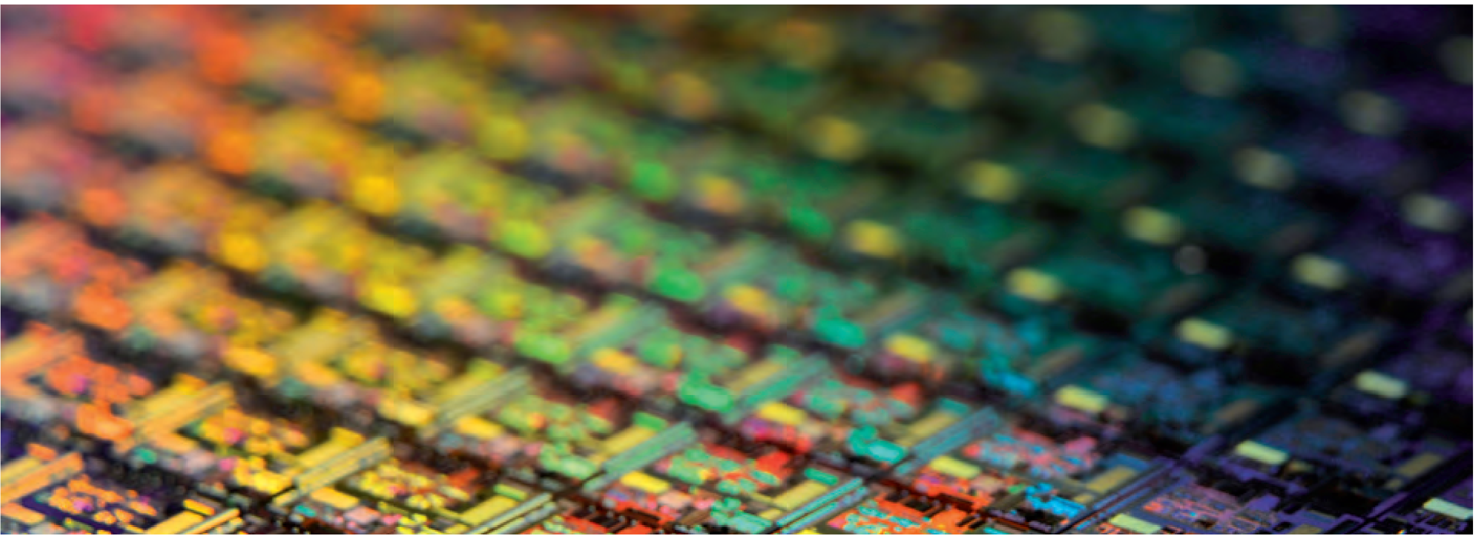
The pressing need to find solutions to enable a greener economy is driving a move away from higher polluting fuels such as oil and gas towards sustainable electricity generation and the need for higher energy efficiency power conversion devices. Power electronics are the enabling technologies to efficiently use, distribute and generate electrical energy. With a significant and increasing proportion of global energy consumption being electrical, the move to advanced compound semiconductors utilising silicon carbide (SiC) or gallium nitride (GaN) devices have the potential to improve electrical efficiency by up to 30%, providing a significant contribution towards meeting the world's global emission targets. In the year we continued to improve the performance of our SiC process solutions used for high power devices enabling faster electric vehicle charging times and larger driving ranges and our GaN solutions being deployed in the more cost-sensitive consumer electrics markets aiding faster charging and better battery life for mobile phones, tablets and laptops. Our advanced solutions are providing the required device performance improvements with increased yields and reduced manufacturing costs.

Advanced Materials – building on our strong market positions across a range of applications

Within the Advanced Materials segment we continued to see strong growth across our market-leading portfolio of imaging and analysis systems, supported by the strive to develop and manufacture stronger, lighter and higher-performing materials, whilst increasing productivity, sustainable manufacturing and the reduction in the use of essential and finite resources. Our key enabling technologies allow researchers to image and manipulate materials that are used in everything we do, own or use down to the nanoscale. Within the sector, we saw good growth in our advanced solutions with manufacturers developing new steels and super alloys. These advanced high strength materials offer significant improvements in strength and allow parts to be made with less material, at lower weight and cost, and improving fuel/ energy efficiency. Our systems are also enabling the analysis of the layered structures in 2D materials such as graphene, offering ten times better resolution to improve accuracy in the characterisation of these revolutionary materials. We have also seen increased sales into the development of advanced polymers across a diverse range of end applications.

Advanced polymers provide the opportunity to replace more conventional materials because of their lower cost and ability to be flexible, biocompatible and biodegradable, with a high strength-to-weight ratio. These polymers have applications from medical devices and implants, to membranes within batteries through to displays and car tyres. Our products are used to characterise and control the structure and composition of polymers at the nanoscale, which determines their value and utility for each application.

Through our market intimacy focus we continue to look for additional opportunities to expand into more routine testing markets, extending our reach to customers that would not have used our equipment before. This has driven increased demand for our cost-effective tools for routine material analysis where our solutions are helping undertake the QA and QC of products ranging from simple screws through to components for driverless vehicles. The growth in demand for our products across steels and polymers has been partially offset by the ongoing weakness in the mainstream automotive and aerospace markets, which have been severely impacted by covid.



Good growth in Quantum Technology

We continue to see good growth in quantum technology markets, where we have developed dedicated solutions building on our expertise in semiconductor processing and characterisation. For many quantum applications, such as computers and sensors, the uniformity, high purity, and surface structure are critical to achieve the desired quantum properties with useable lifetimes.

Energy & Environment – growth in battery offset by certain subdued markets

Within Energy & Environment, orders and revenue were down, with strong growth across battery applications being more than offset by subdued markets across forensics, environmental monitoring, and photovoltaic R&D. With batteries offering affordable and flexible energy storage and delivery, they form a key element in the transition to a greener economy. This is leading to increased production volumes and investment in battery innovation to provide higher-performing and more energy efficient systems. We are using our experience from other markets to provide dedicated research and production support solutions for this exciting market.

This has led to good growth in the quality control of the raw materials used for anode and cathode manufacturing, improving yield, minimising manufacturing waste, and avoiding catastrophic failure. Our analysis solutions are also being used to develop next generation battery materials and structures with the goal of improved lifetime, increased storage capacity, faster charging times and lower environmental impact.

Healthcare & Lifescience – strong growth across a range of applications

Our continued focus on tailored solutions for the Healthcare & Lifescience market has resulted in strong revenue growth in the segment across a range of end applications. Our AFM systems are helping researchers develop the scaffolding materials that are used in cell growth, increasing throughput from hours to minutes. We have also seen increased demand for our dedicated regulatory-approved pharmaceutical software used by manufacturers to screen for foreign body contamination within and on the surface of medicine tablets. Another growth area for our solutions has been in the characterisation of biomaterials, especially those used in medical devices. Here it is important to understand the size and distribution of the nanoscale precipitates that are contained in medical devices, as some can cause variable and unpredictable reactions in the body.

Research & Discovery

Research & Discovery provides advanced solutions that create unique environments and enable imaging and analytical measurements down to the atomic and molecular level, predominantly used across scientific research and applied R&D.

The Research & Discovery sector includes Andor Technology, NanoScience and X-Ray Technology. We build on our relationships with customers, working on breakthrough applications in research to gain insights and support future commercial applications. We have strong brand recognition and leading product performance in our chosen market segments.

The sector's products play a key role in applications including:

- Supporting the global fight against covid, including the use of scientific cameras within diagnostic testing equipment, and a range of products helping researchers to study the virus.
- Rapid gene sequencing for research into cancer and other disease states.
- Advancing quantum technologies and the development of commercially viable quantum computers.
- Fundamental research into material properties, disease mechanisms and space exploration.

Significant profit growth realised from Horizon initiatives, despite revenues and orders being held back by covid

Revenues and orders for the sector were impacted by significant covid-related disruptions to certain end application segments at the start of the year which were not fully offset by a return to growth in the second half of the year in most markets. The severity of the impact in the first quarter was a combination of reduced activity at many of our customers' sites, due to temporary closures, reduced occupancy, or restricted access, and constraints to our manufacturing capacity, as we adapted sites to covid-safe workplaces and established new working practices.

Orders

£115.7m (6.9)%

(2020: £124.3m)

(5.1)%
Constant currency growth[1]

Revenue

£113.4m (3.7)%

(2020: £117.8m)

(2.0)%
Constant currency growth[1]

This resulted in a 6.9% reduction in reported orders to £115.7m (2020: £124.3m) and a 3.7% decline in reported revenue to £113.4m (2020: £117.8m). However, profitability for the sector was significantly improved through the realisation of the culmination of business improvements in commercial practices and operational efficiencies made through our ongoing Horizon programme. This supported an increase in reported adjusted operating profit of 34.5% to £19.5m (2020: £14.5m) and an improvement in reported adjusted operational margin of 490 basis points to 17.2% (2020: 12.3%), representing an increase of 450 basis points at constant currency.

Adjusted[2] operating profit

£19.5m

(2020: £14.5m)

Adjusted[2] operating margin

17.2%

(2020: 12.3%)

Statutory operating profit

£13.1m

(2020: £13.3m)

1. For definition refer to note on page 2.
2. Details of adjusting items can be found in Note 1 to the Financial Statements.

Research & Discovery

Growth in academic markets more than offset by disruption to commercial customers. Strong revenue growth in Asia, held back by customer disruption in North America and Europe

Revenue growth into academic customers was more than offset by a decrease to commercial customers, resulting in an increased proportion of sales within the sector into academic or Government-funded customers of 74%.

From a geographical perspective, strong revenue growth in Asia was more than offset by the reduction across North American and Europe, due primarily to end customer disruption.

Demand building in most end markets, albeit reduced customer activity continued to hold back Research & Fundamental Science

The disruption to orders was most severe in the first quarter, with continued improvement quarter on quarter across most of our end markets; however, there continued to be subdued activity from customers involved in Research & Fundamental Science applications. The strong recovery in end markets in the second half resulted in significant full-year order growth across Quantum Technology and Advanced Materials, good growth into Semiconductor and an in-line performance in Healthcare & Lifescience.

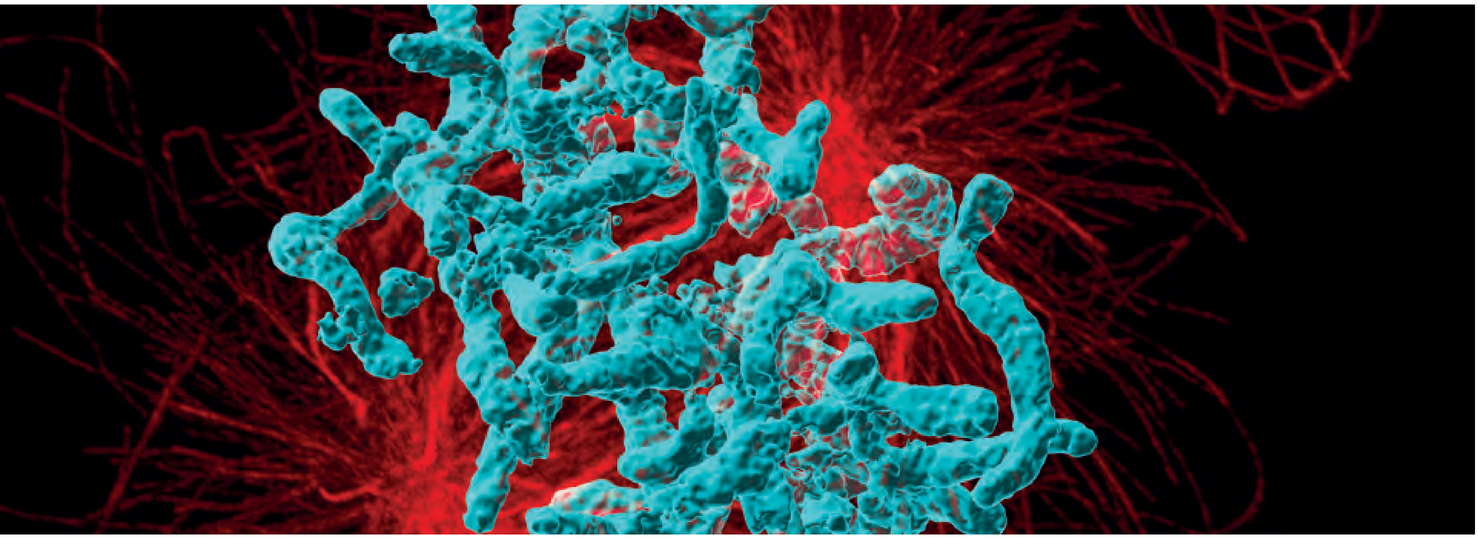
Research & Fundamental Science ended significantly down on the previous year, reflecting continued subdued customer activity from customers.

Healthcare & Lifescience – supporting the renewed fight against old and new diseases

Healthcare & Lifescience saw significant covid disruption to the working practices of our customers in the first quarter, as well as the reallocation of resources and deferred funding programmes throughout the year. This included the temporary or partial site closures at some research facilities and central laboratories in the first quarter in particular. The long-term fundamental market drivers of improving the health and wellbeing of society remain robust, driven by the need to better understand fundamental disease mechanisms at the cellular and molecular level, and for the development of new treatments, therapies, and personalised medicines. The positive momentum that built over the year, with many laboratories starting to reopen, brought good year-on-year growth in the second half, with orders for the year broadly in line with previous year but constant currency revenue down 7.7% due primarily to the phasing of orders.

We had strong growth for products that were used to support the global fight against covid, including the use of our scientific cameras within diagnostic testing equipment, and our broad range of products helping researchers study the virus to understand its genetic sequence, mutations, impact on patient cells and the immune response it generates.

We had increased demand for our Dragonfly 200 microscopy system for rapid gene sequencing, which is used for research into cancer and other disease states. Dragonfly can provide very fast, easy-to-use multicolour imaging and when synchronised with complex fluid handling systems provides an easy-to-use platform for this advanced application which helps drive forward a much deeper understanding of how genes influence the behaviours of individual cells and the corresponding responses to cancer. We also increased sales of our cameras in the growing application of cancer diagnostics and drug discovery in the year. The closure of customer facilities as well as the reprioritisation of work and resources towards covid-related initiatives negatively impacted sales in Europe and in North America into central research facilities as well as customers involved in cell biology. This impacted sales across the portfolio including our higher-end research microscopy systems in the year. In support of our customers' changing working practices, sales of our analysis and visualisation software increased in the year with our "satellite manager function" being particularly popular, allowing customers to work remotely and share data efficiently across their teams and with collaborators regardless of location.



Quantum – strong order and revenue growth as the timeline for practical applications accelerates

The quantum market is in a state of acceleration, with significant scientific and technical breakthroughs in the field dramatically accelerating the timeline for disruptive quantum computers and sensor-based systems and making useful systems a possibility today. This progress has driven a rise in the number of national and corporate programmes and an increase in the associated funding being made available, which resulted in very strong growth in demand for our cryogenic platforms and high field magnet systems across fundamental research, and increasingly across applied R&D. The achievements already delivered in this area have resulted in Governments and commercial organisations looking to harness the "quantum advantage" in the near term where marginal practical improvements can be achieved relative to existing computers, such as the calculations to quote derivative prices in real time rather than taking several hours. In the year, we have made good progress with the consortium project with Rigetti to deliver the UK's first commercial quantum computer which will provide cloud-based access for customers. We have completed the facility build at our Tubney Woods site near Oxford, installed the cryogenic platform, with Rigetti working on installation of the quantum computing device. Collaboration partners from financial, materials design, energy and pharmaceuticals applications are awaiting access to the machine. Most experts believe we are a number of years away from systems with 1000 qubits which could fundamentally disrupt a number of end markets, with the potential to benefit all in society by removing the limitations that hold back progress in a plethora of areas from drug discovery, through financial services, to climate change and logistics.

Continued underlying customer demand drove strong revenue and order growth across Advanced Materials

Growth in the Advanced Materials segment reflected the ongoing demand for our cryogenic platforms, high field magnet systems, scientific cameras and optical components. With end applications such as sensors, semiconductors and batteries, our solutions are helping researchers analyse and characterise the fundamental properties of exotic materials such as graphene and their use in next generation devices.

Energy & Environment and Research & Fundamental Science particularly impacted by covid

Whilst not a significant market for the sector, our sales into Energy & Environment were impacted by the dramatic reduction in global air travel and airport footfall which led to significantly reduced demand from our OEM customers for our technologies used within airport security solutions. However, we expect to see the market strengthen once travel restrictions are lifted.

Covid-related site closures at many research institutions impacted sales into Research & Fundamental Science. However, we have continued to see long-term interest in our key enabling technologies, such as our magnet systems and high-end scientific cameras across a wide range of areas, including fundamental physics and chemistry. There was positive momentum in the second half of the year, as multi-site collaborative teams progressed research remotely. In the year, a third of the systems for the Institute of Physics in Beijing were installed as part of the multisystem order into their extreme environments laboratory.

Service & Healthcare

The Service & Healthcare sector comprises the Group's maintenance service contracts, billable repairs, training and support services, and spare part sales related to Oxford Instruments' own products; and the support and service of third-party MRI scanners in Japan.

Improved profitability as we meet increased demand for our services more efficiently

Throughout the pandemic we maintained high levels of support for our customers, meeting increased demand for services related to our own products, the ongoing requirements for the essential MRI equipment for our hospital customers in Japan, and for our broader range of service products. This was reflected in a 10.5% increase in reported orders to £63.0m (2020: £57.0m) and a 5.0% increase in reported revenue to £56.5m (2020: £53.8m).

Our increased local provision of services, combined with enhanced digital and remote offerings, supported improved profitability, leading to a 12.7% increase in reported adjusted operating profit to £16.9m (2020: £15.0m), with the operating margin up 200 basis points to 29.9% (2020: 27.9%).

Accelerated the transformation of our customer service approach

Our service offerings are a key differentiator for us in our markets and covid has provided us with new opportunities to further enhance the value of our relationships with our customers. In the year we continued with the accelerated transformation of our customer support services, adapting existing and developing new service offerings to ensure we continued to meet our customers' changing needs. This has included the provision of increased digital products, remote servicing and installations, and better leveraging of our global footprint.

We have helped our customers work outside their laboratories, providing remote access to their systems and facilitating data sharing between teams to allow them to progress their research.

Whilst covid has made access to our customer sites challenging, by improving online accessibility to our technical support teams and developing the capabilities of our in-country support teams, we have been able to respond quickly to customer queries without the same requirement for travel. Our customers are increasingly getting used to having their issues fixed much quicker than pre-covid, which is driving the continual development of our support to meet this demand.

Orders

£63.0m +10.5%

(2020: £57.0m)

+11.8%
Constant currency growth[1]

Revenue

£56.5m +5.0%

(2020: £53.8m)

+5.9%
Constant currency growth[1]

Adjusted[2] operating profit

£16.9m

(2020: £15.0m)

Adjusted[2] operating margin

29.9%

(2020: 27.9%)

Statutory operating profit

£16.9m

(2020: £15.0m)

As we continue to build a better understanding of how our customers are using our products, we are tailoring our service offerings for the individual needs of the different groups. Our goal is to increase our customers' productivity, enhance their capabilities and create more value from their initial investment. In support of this, and as part of our transformation, we are developing our managed services offering which provides enhanced lifetime support options. This allows us to take care of training users, upgrading their software and hardware where appropriate, providing more relevant data, with more actionable insights and assurance of result accuracy. Whilst we are at the early stages of our services transformation, we have built a healthy pipeline of opportunities to further support our customers in the future.

1. For definition refer to note on page 2.
2. Details of adjusting items can be found in Note 1 to the Financial Statements.

Sustainability

Making a material difference

Staff survey completion

81%

+6%

(2020: 75%)

Global carbon footprint

520 tCO_2e

(90%)

(2020: 5,382 tCO_2e)

Accidents in year

34 minor

1 major

(2020: 43 minor, 5 major)

Employee peer recognition scheme

1,230 badges awarded

n/a; new scheme introduced in the year

A culture of sustainability

We take our role in the world seriously and recognise that how we do business is as important as what we do. Internally, we work to minimise the environmental footprint of our products and services, while investing in our employees to keep them safe and help them develop their career. Externally, we work collaboratively with our customers and suppliers to provide key enabling technologies to benefit and advance society.

Our role in supporting all our stakeholders has never been clearer than during the covid pandemic and the ongoing battle against global environmental challenges.

Our purpose is to support our customers to address some of the world's most pressing challenges. Rarely has our work to enable a greener economy, increased connectivity, improved health and leaps in scientific understanding seemed as pressing as it has throughout 2020/21.

Despite the challenges, our shared sense of purpose united our employees around the world and increased their engagement in the work we did throughout the year with all our distinct stakeholder groups.

In support of our ongoing sustainability drive, this year we have formed a Board sustainability committee, chaired by Neil Carson, bringing together the various aspects of our sustainability programme and supporting our focus on proactively managing our business risks and the impact on the world and communities in which we operate.

Our guiding principles for our approach to sustainability are:

Environment	We recognise the role we have in addressing environmental issues including climate change through our operations and products.
Employees	We create an inclusive environment and culture, with continued investment in our people to help them succeed.
Governance	We maintain high standards of corporate governance and are committed to conducting business responsibly.
Health and safety	We provide a safe workplace and working environments for all our employees, ensuring our people work injury free and with support for their health and wellbeing
Customers	We deliver value for our customers, helping them to achieve their own sustainability objectives and address some of the world's most pressing challenges.
Compliance	We are united by strong standards and values and through our policies have created transparency for our stakeholders on how we do business and what we expect of ourselves and those we work with.

We have aligned with three of the UN's Sustainability Development Goals in areas where we have the most potential to influence and shape a sustainable future. The three we have chosen are:

3. Ensure healthy lives and promote wellbeing for all at all ages

7. Ensure access to affordable, reliable, sustainable and modern energy for all

9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Whilst Oxford Instruments has a low impact on the environment with a relatively low carbon footprint, chemical and water use, we recognise the need for all businesses to be mindful of the effect they have on climate change and the planet.

We have clear goals with respect to our environmental impact, the effect on our employees, the communities and societies we operate in; and governance practices that ensure we operate to our own high standards and within the relevant legislative requirements.

Whilst Oxford Instruments has a low impact on the environment with a relatively low carbon footprint, chemical and water use, we recognise the need for all businesses to be mindful of the effect they have on climate change and the planet.

Environment

The Group has continued on its journey to minimise the environmental footprint of our operations, products and services, recognising the ongoing threat climate change plays to the world.

Encouraged by a strong level of employee engagement, we have established a "Go Green" committee at each site to deliver a local environment agenda and promote positive behaviours amongst peers. The committees are focused on finding innovative ways to help further improve our environmental impact. This has included energy reduction initiatives, wildflower seed gifts, removing single-use plastic from our sites, installing electric vehicle charging points and reducing our food miles by offering seasonal food in our canteens.

As our business continues to grow, we are taking the opportunity to make an investment in sustainable infrastructure. Our new Plasma facility is being designed from the start to be energy efficient, with LED lighting, reusing heat from the building's cooling and heating systems, and harvesting rainwater. We have also had solar panels installed on our X-Ray Technology site in California and have moved our other California business, Asylum, to a more environmentally friendly building.

Energy and emissions

A key achievement in the year was the global move to source our electricity from certified renewable sources. We have moved 100% of the electricity consumed by our manufacturing activities to renewable sources and are now looking to transition our remaining office facilities across. We continue to look at ways to reduce our fossil fuel consumptions. However, some of our sites currently rely on oil and gas for heating and, due to the pandemic, we had to run our heating systems more intensely to increase the air circulation in our buildings to reduce the possible transmission of the virus. This has meant that our oil and gas usage has increased in the year.

Oxford Instruments consumed a total of 11.85 GWh of energy globally during 2020/21. This figure consisted of 10.01 GWh of electricity (2019/20: 10.13 GWh), 1.270 GWh of gas (2019/20: 1.03 GWh) and 0.570 GWh of oil (2019/20: 0.512 GWh).

With continued focus on energy efficiency we have been able to reduce usage per million pound of revenue to 37.17 MWh/£m (2020: 37.92 MWh/£m) despite increased heating and air circulation requirements.

The Group's Scope 1 and 2 global carbon footprint for 2021 was significantly reduced to 520 tCO_2e from 5,382 tCO_2e in the previous year. Our significant reduction was due to our commitment in moving our manufacturing to renewably sourced energy – which accounted for 94% of our energy consumption.

Water and waste

While we measure our water usage, the level is minimal and not material so has been excluded from this report. We have also excluded our use of hydrofluorocarbons as our usage falls below 5kg. Three of our main manufacturing sites are zero waste to landfill, where our waste is recycled either directly or indirectly, for example general waste being used to generate electricity at dedicated incinerator sites.

Transport

Our biggest impact on the environment after energy is transport, which was significantly reduced due to covid-related restrictions and our adoption of new ways of working. By introducing a range of new digital communication and support tools we have been able to grow the business despite the restrictions on travel. As we move towards the global recovery and the increased ability to travel, we are further embedding our hybrid working model utilising digital and remote communications. This will allow us to continue to leverage our regional offices and global digital tools to reduce our ongoing travel requirements.

Air travel was down 94% during the year, primarily due to the covid pandemic. This drop equated to around 14 million km, which reduced the UK and US air travel carbon equivalent to 130.31 tCO_2e.

Air travel 2020/21	=	900,074 km
Carbon equivalent	=	130.31 tCO_2e

Car fuel

The car fuel figures are drawn from fuel card and business mileage expense claim records and these totalled 52,389 litres of fuel used in the last year.

UK car fuel carbon equivalent calculation: $\dfrac{52{,}389 \text{ litres}}{2.54039 \text{ kg/litre}}$ = **133.1 tCO_2e**

Electricity consumption as carbon

	Purchased electricity (tCO_2e)	Secondary fuel (tCO_2e)	Fugitive emissions (tCO_2e)	Total (tCO_2e)
UK	0 (2020: 2,101.9)	379.84 (2020: 321.15)	0 (2020: 0)	379.84 (2020: 2,423.05)
North America	54.14 (2020: 371.9)	0 (2020: 0)	0 (2020: 0)	54.14 (2020: 371.9)
Europe	Excluded – very low use (2020: 18.35)	0 (2020: 0)	0 (2020: 0)	0 (2020: 18.35)
Asia	86.63 (2020: 95.8)	0 (2020: 0)	0 (2020: 0)	86.63 (2020: 95.8)
Total	**140.77 (2020: 2,587.95)**	**379.84 (2020: 321.15)**	**0 (2020: 0)**	**520.61 (2020: 2,909.1)**

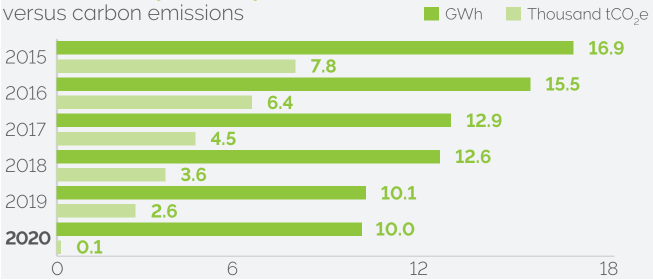
Environmental Directives

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

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

Total electricity consumption 2015-2020

versus carbon emissions



Streamlined Energy and Carbon Reporting (SECR) regulations

The Streamlined Energy and Carbon Reporting (SECR) regulations came into force from 1 April 2019 and Oxford Instruments are required to comply with these regulations. The cost of carbon compliance has been transferred to our energy bills via an increase in the Climate Change Levy. The cost burden of the above change will be neutral to the business.

SECR responsibility and methodology

The Group Health, Safety and Environment Manager is responsible for collating energy data, on a monthly basis, and reporting to the Board on an annual basis. He is further responsible for compiling the SECR report to submit to senior management for sign off. Data collected for compiling the SECR report is gathered by various methods, including:

- submetering;
- direct meter readings; and
- direct readings from energy bills.

With regard to carbon equivalence, the 2020 GHG conversion factors have been used:

- Purchased grid electricity = 0.23314 kg/kWh
- Natural gas consumption = 0.18387 kg/kWh
- Gas oil consumption = 0.25672 kg/kWh

SECR carbon intensity measure from energy use

Oxford Instruments has a statutory duty to report greenhouse gas emissions as tonnes of carbon dioxide equivalent (tCO_2e). The Company's chosen carbon intensity measure for energy use is tonnes of carbon dioxide equivalent (tCO_2e) per £m of revenue.

Carbon emissions	520.4[1] tCO_2e	=	**1.63[3] tCO_2e/£m of revenue**
Revenue	£318.5m[2]		

1. (2019/20: 2,909.1 tCO_2e)
2. (2019/20: £317.4m)
3. (2019/20: 9.17 tCO_2e/£m)

The data from the SECR report for 2020/21 gives an emissions ratio for energy of 1.63 tCO_2e/£m of revenue (2019/20: 9.17 tCO_2e/£m). The UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations require the SECR report to be included as part of the Directors' Report in the Report and Financial Statements.

During 2020/21 all six manufacturing sites were supplied with electricity from guaranteed renewable sources. This removed the carbon equivalent of 1,928.58 tCO_2e from UK electricity and 261.58 tCO_2e from the North America electricity numbers.

Beyond SECR

It is our objective to be carbon net zero before 2050. The business is currently analysing our options in detail, including engaging with energy specialists to look at ways we can reduce our energy usage now.

Sustainability continued

One significant positive from the pandemic has been the increased levels of communication at all levels.

Social

Employees

Our people vision is that all employees are proud to work for a company that is recognised as the leaders in what we do and understand the positive difference we make in the world. Our objective is to ensure that we have a high capability, diverse workforce that enables us to better understand our customers and markets. Building an organisation with a broad range of perspectives and experiences increases our ability to innovate, to make the right decisions and to exceed our customers' expectations.

Health and wellbeing

Our Health and Safety function is led by Vicki Potter, Group HR Director, who has responsibility across the Oxford Instruments Group. Protecting the health and wellbeing of our employees, whilst continuing business operations and supporting our customers, has been our priority this year. As the pandemic spread around the world, we were quick to adapt our working practices to protect our staff and our business interests. By enabling people to work remotely and implementing covid-safe workplaces at our manufacturing sites, we were able to keep our businesses safely open throughout the year. Our sites and facilities have remained open throughout the pandemic, although many employees were encouraged to work from home to reduce the number of people on site at any time. This reduced site occupancy has also been instrumental in reducing the number of accidents.

Early in the year we introduced a number of additional resources to support employee health and wellbeing. This included a focused H&S risk assessment for those working remotely and increasing the amount of communication and support for employees to ensure their emotional wellbeing during the early stage of the pandemic. We created an employee wellbeing portal on our intranet providing information, support and access to resources such as our global Mental Health First Aider network, employee assistance programmes and, for our UK-based employees, unlimited access to a wellbeing app. As part of our covid-safe working environment, we introduced additional precautions such as sanitising stations, distanced workstations and one-way systems.

We are continuing to promote our "Push for Zero" programme to raise employee awareness of hazards and risks and to maintain our focus on preventative measures to reduce accident numbers. Our new Health and Safety software platform, SHIELD, is now fully embedded across our manufacturing sites and this investment is beginning to show good results through an increased focus on reporting hazards so that we can prevent accidents before they happen.

With 1,000+ safety observations and 70+ near misses being recorded in 2020/21, this was an increase from 481 safety observations and 23 near misses recorded in the previous year. In turn, this increase has been instrumental in reducing the total number of accidents recorded worldwide during 2020/21 from 48 to 35. The ratio of accidents per 1,000 employees has reduced to 21.5 from 33 the previous year, a positive benchmark against industry norms.

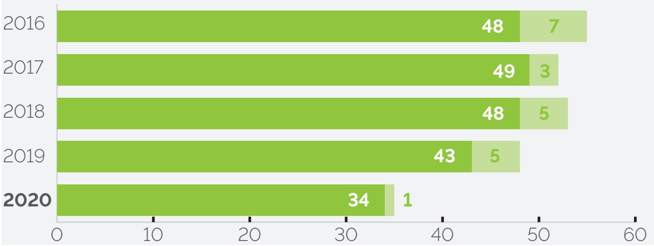
Most of the accidents recorded were very minor in nature, but we are committed to achieving, promoting and maintaining a high standard of health and safety for all our employees and everyone involved in, or affected by, our activities. Recording even the smallest cuts and abrasions helps us to identify and remove hazards before they can escalate into more serious accidents. We recorded one serious accident in year, which was a reduction from five serious accidents in the previous year.

Whilst safety observation reporting is now firmly established in our manufacturing sites, we are now focusing on the employees in our office workplaces around the world. We want all our employees, wherever they work, to feel safe in their working environments. To facilitate this, a team has been drawn together to promote wellbeing, health and safety and expand our safety observation reporting for all employees, under a theme of "safety is the choice you make" and this forms part of our "Push for Zero" programme.

Communicating with our employees

We work hard to create a sense of belonging for all of our employees. We know from our annual employee survey that we have a high level of employee engagement and this is driven by our efforts to ensure that everyone in the organisation feels included and valued. One significant positive from the pandemic has been the increased levels of communication at all levels that has been enabled through embracing and proactively managing a wider digital communication strategy, including online meetings. Through our approach, overseas and cross-functional teams have built stronger, more effective relationships, supporting each other with the challenges they have been facing during this time.

Five-year view of accidents in ongoing businesses showing severity Excludes disposals



We recognised that moving the majority of employees to remote working represented a risk to our company culture and so we redoubled our efforts to increase leadership visibility and communication over the course of the year. From regular CEO and leadership updates in blogs and vlogs, to films showing how our products were supporting the fight against covid or how travel restrictions have changed how we support our customers, we increased the cadence and variety of channels for our internal communications. As a result, our annual employee survey showed improved employee sentiment for questions relating to leadership communications.

Engagement

We have enjoyed great success building our culture through a wide range of activities that help connect employees across our businesses and countries. We continue to build on these activities, finding new ways to engage despite covid restrictions. We have introduced a new employee-to-employee recognition scheme to acknowledge colleagues who go out of their way to support and encourage each other. So far 1,230 awards have been given between colleagues.

As many of our regular social events were not possible during the pandemic, many sites introduced virtual events, including regular coffee mornings, online quizzes and photo competitions. Over the holiday period, all employees received a gift to say thank you for their contribution during the year. We had an online choir singing Christmas songs, which had participation from all of our sites.

As the pandemic eased at some of our sites, specifically socially distanced re-orientation events were organised to help individuals feel safe and welcome when returning to the workplace.

Employee survey

For the third year running, we conducted a Company-wide employee engagement survey. Over 80% of our employees responded to the survey, which is our highest participation rate since we implemented an annual survey cycle.

Despite the challenges of the year, we were pleased that employee engagement levels remain high around the world. Our staff feel prouder to work for us than the global benchmark (84% positive) and we have seen improvements since the last survey in intention to stay (+2%) and likelihood to recommend us as an employer (+3%).

Raising awareness of career development and promotion opportunities across the Group was a key action from our 2019 survey. We were pleased to see a significant improvement in the perception that there are opportunities for our employees to develop their careers with us (+9%). Following the success of our new Sales Careers framework in improving sentiment in this job family, over the next year we will be launching new career frameworks, capability and experience models and indicative pathways for more job families.

Diversity and inclusion

Being inclusive is a core company value and is based on respect for the individual and creating a sense of belonging. Our people vision is that all employees are proud to work for a company that is recognised as the leader in what we do and understand the positive difference we make in the world. In support of this, and to attract, retain and enable the best people to perform, we are dedicated to creating an inclusive environment and culture, where difference is valued, and people are recognised for what they deliver and bring to the team.

We are pleased that our employees recognise the work we have done to ensure everyone is treated with respect regardless of who they are. We continue to look for ways to further enhance our activities here and our Management Board is committed to a range of actions to help increase the visibility of our approach to diversity and inclusion and we are proud to be partnering with an external organisation as a global diversity champion.

We have analysed the findings of our recent engagement survey to look for statistically significant differences in responses across gender. There were no topics where sentiment among our female employees was significantly behind our male employees, while we saw our female employees were more positive about our senior leadership communications and had a better understanding of how their work contributes to our strategic objectives.

The high level of support we saw for our celebration of International Women's Day this year demonstrates that there is a desire and enthusiasm across the Company to make a difference in this area.

Social continued

Diversity and inclusion continued

During the year we published our fourth gender pay gap report, available on our website at **www.oxinst.com/gender-pay-review**. The mean pay gap has decreased, while the median pay gap has increased since last year. We also achieved a slight increase in the proportion of female employees. The high level of support we saw for our celebration of International Women's Day this year demonstrates that there is a desire and enthusiasm across the Company to make a difference in this area.

Having met our objective to ensure shortlists for Director-level appointments included at least one candidate from a group that is under-represented in the Company, we have now extended this to introduce "balanced shortlists" for all levels of recruitment. 57% of our appointments were made from a balanced shortlist, against our target of 50%. We have increased our target for next year to 60%. In the year we developed and introduced a new e-learning programme for hiring managers, including a course on unconscious bias.

Our values

As we continue to evolve as an organisation it is important that we ensure our values also evolve and reflect us as an organisation. Through engagement with our business leaders and employee focus groups around the world, we have refreshed our values and what they represent.

Our values are:

- **Inclusive:** by seeking out different perspectives and diverse collaboration, we deliver better solutions and lasting success.
- **Innovative:** through our knowledge, expertise and focused curiosity, we create new possibilities for ourselves and for our customers.
- **Trusted:** we build successful, long-term relationships based on accountability, integrity and respect.
- **Purposeful:** we care, and our passion and commitment drive positive change in the world.

Developing capability

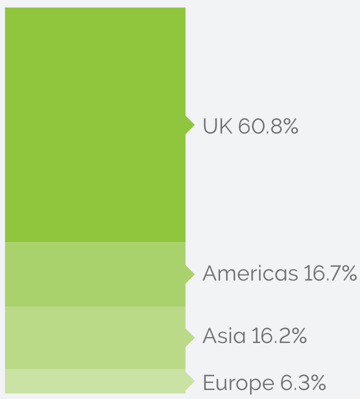
We regularly undertake capability reviews to ensure we have the skills we need to deliver long-term sustainable growth. We have continued to invest in the development of our employees and undertake selective recruitment to further enhance specific skills and capabilities to provide the foundations for future growth. Using an online Learning Management System embedded in our human resource information system, we have given all employees access to online courses and tutorials, with bespoke training packages and pathways developed for different job families and levels in the organisation.

- Our flagship Management Development Programme covers the skills needed to be a successful manager in Oxford Instruments.
- Our Project Leadership Programme ensures our technical managers are equipped with the hard and soft skills they need to successfully deliver all projects.

Gender

	Male	Female
Global Oxford Instruments	77%	23%
Plc Board	67%	33%
Management Board	86%	14%
Managers	81%	19%
Employees	75%	25%

Geographical spread of employees



- Our Aspire Programme is for high potential employees representing all our job families and regions.
- Our Apprentice Scheme supports future business requirements for talent with hard and soft skills that can be hard to find externally. Our apprentices achieve external qualifications and develop specific skills used in the production of our products as well as the broader capabilities that enable career development within other technical, engineering and wider business roles.
- We have structured career development frameworks for our sales and our technical staff. Competency frameworks and careers ladders offer our employees in these roles a clear future career path that can take them in the direction that suits them best.

Our communities

We believe that the work we do, and our products and services, enable our customers to benefit and advance society. To ensure this continues, we are committed to raising the profile of STEM subjects among young people at all stages of education. Unfortunately, like many other organisations, we were unable to host our usual school and undergraduate student visits to our sites due to lockdown restrictions.

We are aware that there is a critical and often difficult stage for many between completing their PhD and gaining a permanent research position. We therefore like to help individuals who are producing innovative work through our science prizes.

As an organisation we supported our communities in ways which were more immediately relevant to the situation around the world. At a local level, many of our sites set up initiatives such as food donation points over the Christmas period or fundraising events for mental health charities and our sites equipped with 3D printers also manufactured and donated PPE to their local hospitals.

Sustainability continued

Governance

Our Board is committed to conducting business responsibly and maintaining high standards of corporate governance. This commitment extends to driving the Group's long-term objectives and overseeing the Group's operations to ensure competent and prudent management, continuous leadership development and ongoing succession planning.

Throughout the disruption, the Board and executive team have made it their priority to protect the health and wellbeing of our employees, support our customers and other stakeholders, and secure the long-term future of the business.

We recognise the importance of building positive and constructive relationships with our suppliers and other partner organisations. We have continued with the rollout of our new ERP system, which offers a more efficient means to do business with us, including how we purchase materials, how we work with our suppliers and how we serve our customers. In addition, we perform regular inspections and audits, and strategic reviews are in place for key suppliers. In accordance with ISO 9001 and ISO 14001, only quality approved organisations are used. There is a Group supplier management process in place that promotes a common supply chain strategy split by commodity, driving stronger relationships with a smaller number of high level and quality suppliers.

Compliance

We are a company united by strong standards and values. Through our policies, we have created transparency for our stakeholders on how we do business and what we expect of ourselves and those we work with. The main Group-wide governance documents are the Oxford Instruments Code of Business Conduct and Ethics together with the policies that can be found on our website. This also provides all our employees with the confidence that they are taking the right actions in various situations.

In addition to the Code there are a number of other compliance-related policies and procedures which look at discrete areas of ethical importance. These are:

- Anti-bribery and Anti-corruption Policy – sets out expectations and requirements for employees and any third party acting on our behalf, including guidance on the giving and receiving of gifts and hospitality.
- Reporting a Business Malpractice Policy – this procedure explains how to report any type of ethical issue an employee may witness or be concerned with around the Group. Alternatively, there is an external route available to all employees via the confidential and independent Safecall hotline.
- Share Dealing Policy and Procedure – this policy helps employees understand the Market Abuse Regulations and explains the procedure for dealing in Oxford Instruments shares.

Anti-bribery and corruption

Our Code of Business Conduct and Ethics is available in hard copy in every site around the world, as well as electronically on our intranet. It is also included in the offer paperwork for all new hires. It clearly sets out how we do business and what we expect of ourselves and those we work with. It covers topics such as bribery and corruption, hospitality and gifts, human rights and modern slavery and gives advice and guidance for dealing with concerns, including the contact details of a confidential and independent whistle-blowing service.

Human rights and modern slavery

Our Human Rights Policy is guided by the United Nations Guiding Principles on Business and Human Rights. It states our intent to be inclusive, supportive and safe, covering matters including forced labour, child labour, discrimination and the right to form or join a trade union and to bargain collectively.

We expect every employee to adhere to the spirit of our policy and it is fully supported by our Board. All members of the Group's Executive Committee take responsibility for ensuring implementation within their part of the Group. We also extend our expectations on human rights to other organisations we work with, such as our partners, contractors and suppliers.

We are committed to preventing acts of modern slavery and human trafficking from occurring within our business and supply chain and put in place effective systems and controls in order to do so. We have a zero-tolerance approach to all forms of modern slavery, including servitude, forced, bonded and compulsory labour and human trafficking and we expect our suppliers to adopt the same approach.

Privacy and data protection

We have a Global Privacy Standard which sets out the principles underpinning our approach to handling personal data. We achieve these principles through several policies, including our Global IT (Infrastructure & Use) Policy, our local GDPR Data Protection Policy and several policies and FAQs guidance documents for our marketing and sales teams.

Our commitment to our UK and EU-based employees regarding our handling of their personal data in compliance with the GDPR is set out in our GDPR Privacy Notice for Employees which is distributed to employees by local HR teams, along with addendums for specific processing activities from time to time, and addendums for compliance with local laws throughout the EU.

To ensure our employees understand what is required from them when handling personal data in their role, we require them to take mandatory data protection training, which is now accessible through our digital training platform in several languages.

Data security

Along with privacy and data security controls listed above, we apply a multi-layered approach to data security. The Global IT Infrastructure and Use Policy details both the Company's and employees' responsibilities in managing and controlling the use of IT systems, services and data.

Non-financial information statement

In line with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006, the table below, and the information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

	Key policies and standards	Additional information
Employees	• Health and Safety Policy • Working at Oxford Instruments Policy • Leaving Oxford Instruments Policy • IT Infrastructure and Use Policy • Conflicts of Interest Policy • Business Travel Policy • Crisis Management Policy • Reward and Recognition Policy • Performance Management Policy • Opportunity and Career Policy • Dissemination of Price Sensitive Information	**www.oxinst.com/corporate-content/health-and-safety** **www.oxinst.com/CBCE** **www.oxinst.com/corporate-content/employees** **www.oxinst.com/corporate-content/diversity-and-inclusion** **https://careers.oxinst.com/working-here** Employee engagement: pages 26 and 27; 50 and 51 How we look after our employees: pages 50 to 53 **www.oxinst.com/investors-content/compliance/dissemination-of-price-sensitive-information**
Environment	• Health and Safety Policy • Group Energy Policy • Environmental Policy • Supplier Due Diligence and Audit Procedures	**www.oxinst.com/corporate-content/sustainability** **www.oxinst.com/CBCE** **www.oxinst.com/corporate-content/supplier-and-partner-engagement** Sustainability – protecting the environment: pages 46 to 54
Social matters	• Export Control Policy • Privacy Policy • Code of Business Conduct and Ethics • Group Sanctions Policy • Global Marketing Policy • Group Export Controls	**www.oxinst.com/corporate-content/privacy** **www.oxinst.com/CBCE** Community engagement: pages 26 and 27. **www.oxinst.com/investors-content/compliance/group-export-controls-policy**
Human rights	• Global Human Rights Policy • Modern Slavery Statement • Gender Pay Report • Privacy Policy	**www.oxinst.com/corporate-content/human-rights-policy** **www.oxinst.com/corporate-content/modern-slavery** **www.oxinst.com/corporate-content/gender-pay-report** **www.oxinst.com/corporate-content/privacy** Ethics – human rights: page 54
Anti-corruption and anti-bribery	• Anti-bribery and Anti-corruption Policy • Reporting a Business Malpractice Policy • Share Dealing Policy • Supplier Code of Conduct • Conflicts of Interest Policy • Supplier Due Diligence and Audit Procedures	**www.oxinst.com/CBCE** Ethics – anti-bribery and corruption: page 54 Supplier engagement: pages 28 and 29.
Additional disclosure	• Group Tax Strategy	**www.oxinst.com/investors-content/compliance/group-tax-strategy** Investment case: page 7 Business Model: pages 24 and 25 Strategy: pages 30 and 31 KPIs: pages 32 and 33 Principal Risks: pages 66 to 70

Finance Review

We delivered strong growth in profit and margin, with good cash conversion enhancing our robust financial strength.

Gavin Hill
Group Finance Director

Strong order growth
up 5.3% to £353.7m

Read more on page 58.

Order book growth
up 13.2% to £198.1m

Read more on page 58.

Improved margin
17.8%

Read more on page 59.

High cash conversion
£97.6m net cash

Read more on page 62.

Summary

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

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

In January 2020, the Group disposed of its minority equity stake in the Scienta Omicron joint venture to existing Shareholders. In the following month, the Group completed the disposal of its OI Healthcare business in the US. For the purpose of comparative reporting, OI Healthcare is classified as a discontinued operation.

Orders increased by 5.3% to £353.7m (2020: £336.0m), an increase of 6.7% at constant currency. At the end of the period, the Group's order book for future deliveries stood at £198.1m (31 March 2020: £175.0m). The order book grew 13.2% on a reported basis and 17.8% at constant currency.

Revenue on a continuing basis increased by 0.3% to £318.5m (2020: £317.4m). Revenue from continuing operations, excluding currency effects, increased by 1.7%, with the movement in average currency exchange rates over the year reducing reported revenue by £4.4m.

Adjusted operating profit from continuing operations increased by 12.3% to £56.7m (2020: £50.5m). Adjusted operating profit, excluding currency effects, increased by 13.3%, with a currency headwind in the year of £0.5m. Adjusted operating margin from continuing operations increased by 190 basis points to 17.8% (2020: 15.9%). Excluding currency effects, adjusted operating margin increased by 180 basis points to 17.7%.

Statutory operating profit includes the amortisation of acquired intangibles of £8.4m, business reorganisation items of £0.4m, impairment of capitalised development costs of £1.3m and a credit of £6.4m relating to the movement in the mark-to-market valuation of uncrystallised currency hedges for future years. Statutory operating profit of £53.0m (2020: £39.8m) grew by 33.2%.

Adjusted profit before tax from continuing operations grew by 12.9% to £55.9m (2020: £49.5m), representing a margin of 17.6% (2020: 15.6%).

Statutory profit before tax from continuing operations grew by 34.5% to £52.2m (2020: £38.8m), representing a margin of 16.4% (2020: 12.2%).

Continuing adjusted basic earnings per share grew by 12.0% to 78.6p (2020: 70.2p). Continuing basic earnings per share were 72.8p (2020: 55.9p), growth of 30.2%.

Cash generated from operations of £49.7m (2020: £62.3m) represents 101% (2020: 124%) cash conversion.

Net cash increased from £67.5m on 31 March 2020 to £97.6m, aided by good operating cash flow, and is stated after an additional contribution to the UK defined benefit pension scheme of £8.1m that was made in March 2021.

At the end of March, our revolving credit facility remained undrawn, leaving approximately £100m of committed facilities. This represents total headroom of just under £200m. At the end of March 2021, the Group repaid outstanding private placement loan notes of £27.9m from its cash balances.

Income Statement

The Group's Income Statement is summarised below.

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m	Change
Revenue	**318.5**	317.4	+0.3%
Adjusted operating profit	**56.7**	50.5	+12.3%
Amortisation of acquired intangible assets	**(8.4)**	(8.7)	
Non-recurring items	**(1.7)**	(0.6)	
Mark-to-market movement of currency hedges	**6.4**	(1.4)	
Statutory operating profit	**53.0**	39.8	+33.2%
Net finance costs	**(0.8)**	(1.0)	
Adjusted profit before taxation	**55.9**	49.5	+12.9%
Statutory profit before taxation	**52.2**	38.8	+34.5%
Adjusted effective tax rate	**19.3%**	18.8%	
Effective tax rate	**19.9%**	17.5%	
Continuing adjusted earnings per share – basic	**78.6p**	70.2p	+12.0%
Continuing earnings per share – basic	**72.8p**	55.9p	+30.2%
Dividend per share (total)	**17.0p**	—	

Finance Review continued

Income Statement continued

Orders and revenue

An internal reorganisation during the year means that our Magnetic Resonance business and research and development facility in Finland are now reported within the Materials & Characterisation segment, having been previously presented within Research & Discovery. This has led to a small change in the comparative split of revenue across the two segments.

Total orders grew by 5.3% (+6.7% at constant currency) to £353.7m. Orders grew by 13.1% (+14.4% at constant currency) for Materials & Characterisation and by 10.5% (+11.8% at constant currency) for Service & Healthcare but declined by 6.9% (-5.1% at constant currency) for Research & Discovery.

Revenue of £318.5m (2020: £317.4m) increased by 0.3% (+1.7% at constant currency). Revenue grew by 1.9% for Materials & Characterisation (+3.2% at constant currency), with growth for our semiconductor processing tools and scanning probe microscopes offsetting a small decline in deliveries of our analysers for electron microscopes due to covid-related customer site access restrictions and supply chain constraints. Growth in revenue was also moderated by the impact of delays and frustrations in obtaining export licences. Strong revenue growth for our cryogenic and complex magnets was offset by a decline in deliveries from our imaging and microscopy business, resulting in a fall in reported revenue for Research & Discovery of 3.7% (-2.0% at constant currency). The decline in shipments of our imaging products was impacted by a slowdown in production due to supply chain constraints and the adoption of covid working practices. Revenue growth from service of our own products resulted in growth of 5.0% (+5.9% at constant currency) for Service & Healthcare.

The book-to-bill ratio (orders received to goods and services billed in the period) for the year was 111% (2020: 106%).

On a geographic basis, revenue grew by 2.7% in Europe (+1.2% at constant currency). Revenue for North America declined by 14.3% on a reported basis and by 10.8% at constant currency, partly impacted by covid-related delays to customer acceptances; orders for the region grew by 3.0% (+6.9% at constant currency). Asia delivered strong growth of 9.9% (+11.9% at constant currency) and remains our largest region by revenue.

Geographic revenue growth

	2020/21		2019/20				
£m	£m	% of total	£m	% of total	Change £m	% growth	% growth at constant currency
Europe	**87.2**	**27%**	84.9	27%	**+2.3**	**2.7%**	**1.2%**
North America	**76.7**	**24%**	89.5	28%	**(12.8)**	**(14.3%)**	**(10.8%)**
Asia	**150.2**	**47%**	136.6	43%	**+13.6**	**10.0%**	**11.9%**
Rest of World	**4.4**	**2%**	6.4	2%	**(2.0)**	**(31.2%)**	**(31.3%)**
	318.5	**100%**	317.4	100%	**+1.1**	**0.3%**	**1.7%**

The total order book grew by 13.2% (17.8% at constant currency) to £198.1m. The order book, at constant currency, compared to 31 March 2020, increased by 39.9% for Materials & Characterisation, with strong growth across all constituent businesses. Strong order growth in the final quarter means that related shipments are scheduled to be made in the 2021/22 financial year. Research & Discovery was broadly flat, with strong growth for our imaging and microscopy products offset by a decline in our X-Ray Technology business due to the phasing of a large regular order that slipped into the following year. Continued focus on own product service resulted in growth of 9.4% from Service & Healthcare.

£m	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total
Revenue[1]: 2019/20	145.8	117.8	53.8	317.4
Constant currency growth/(decline)	4.7	(2.4)	3.2	5.5
Revenue at constant currency: 2020/21	150.5	115.4	57.0	322.9
Foreign exchange	(1.9)	(2.0)	(0.5)	(4.4)
Revenue: 2020/21	**148.6**	**113.4**	**56.5**	**318.5**
Revenue growth: reported	1.9%	(3.7%)	5.0%	0.3%
Revenue growth: constant currency	3.2%	(2.0%)	5.9%	1.7%

1. From continuing operations.

Gross profit

Gross profit grew by 4.0% to £164.8m (2020: £158.4m), representing a gross profit margin of 51.7%, an increase of 180 basis points over last year, assisted by procurement savings and operating efficiencies delivered from our operational excellence programme.

Adjusted operating profit and margin

An internal reorganisation during the year resulted in our Magnetic Resonance business and research and development facility in Finland being reported within the Materials & Characterisation segment, having been previously presented within Research & Discovery. This has led to a small change in the comparative split of adjusted operating profit across the two segments.

Adjusted operating profit from continuing operations increased by 12.3% to £56.7m (2020: £50.5m), representing an adjusted operating profit margin of 17.8%, an increase of 190 basis points against last year. At constant currency, the adjusted operating profit margin was 17.7%, an increase of 180 basis points.

Materials & Characterisation adjusted operating profit fell by 3.3% (a decline of 1.9% at constant currency) with margin declining by 70 basis points to 13.7% (2020: 14.4%). This was attributable to lower revenue from our higher-margin imaging and analysis systems, additional investment in the sector, and a warranty provision on a particular product in their portfolio which had been withdrawn from sale in the year.

Research & Discovery's adjusted operating margin increased to 17.2% (2020: 12.3%), growth of 490 basis points. At constant currency, the margin was 16.8%, an increase of 450 basis points. Our cryogenic and complex magnet business has delivered a material uplift in profitability, supported by improved commercial practices, operational efficiencies, and a high level of customer acceptances in the year. In addition, lower discretionary costs in our optical imaging business have led to an improvement in margin. These positive performances more than offset the loss of profit following the sale of our shareholding in Scienta Omicron at the end of last year (recording a profit of £0.7m in the comparative period).

Service & Healthcare margin increased by 200 basis points to 29.9% (2020: 27.9%). At constant currency, the margin was 30.2%, an increase of 230 basis points, owing to our focus on improving service revenue on our own products.

Currency effects (including the impact of transactional currency hedging) have reduced reported adjusted operating profit by £0.5m when compared to blended hedged exchange rates for the comparative period.

£m	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total
Adjusted operating profit[1]: 2019/20	21.0	14.5	15.0	50.5
Constant currency growth/(decline)	(0.4)	4.9	2.2	6.7
Adjusted operating profit at constant currency: 2020/21	20.6	19.4	17.2	57.2
Foreign exchange	(0.3)	0.1	(0.3)	(0.5)
Adjusted operating profit: 2020/21	**20.3**	**19.5**	**16.9**	**56.7**
Adjusted margin[2]: 2019/20	14.4%	12.3%	27.9%	15.9%
Adjusted margin[2]: 2020/21	13.7%	17.2%	29.9%	17.8%
Adjusted margin[2] (constant currency): 2020/21	13.7%	16.8%	30.2%	17.7%

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

Statutory operating profit and margin

Statutory operating profit from continuing operations increased by 33.2% to £53.0m (2020: £39.8m), representing an operating profit margin of 16.6%, an increase of 410 basis points against last year. Continuing statutory operating profit includes the amortisation and impairment of acquired intangible assets; acquisition items; profit or loss on disposal of operations; other significant non-recurring items; and the mark-to-market of financial derivatives. The growth in statutory operating profit is primarily due to an increase in the operating margin and a large credit from the mark-to-market gain on the valuation of financial derivatives.

Finance Review continued

Income Statement continued

Adjusting items

Amortisation of acquired intangibles of £8.4m relates to intangible assets recognised on acquisitions, being the value of technology, customer relationships and brands.

Non-recurring items include £0.4m of one-off professional fees and property-related costs, and an impairment charge of £1.3m relating to delays in market launch of some specific development projects within the Materials & Characterisation segment.

The Group uses derivative products to hedge its short-term exposure to fluctuations in foreign exchange rates. Our hedging policy allows for forward contracts to be entered into up to 18 months forward from the end of the next reporting period. The Group policy is to have in place at the beginning of the financial year hedging instruments to cover approximately 80% of its forecast transactional exposure for the following twelve months and, subject to pricing, up to 20% of exposures for the next six months. The Group has decided that the additional costs of meeting the extensive documentation requirements of IFRS 9 to apply hedge accounting to these foreign exchange hedges cannot be justified. Accordingly, the Group does not use hedge accounting for these derivatives.

Net movements on mark-to-market derivatives in respect of transactional currency exposures of the Group in future periods are disclosed in the Income Statement as foreign exchange and excluded from our calculation of adjusted profit before tax. In the current year this amounted to a credit of £6.4m (2020: £1.4m charge). The year-end asset reflects an uncrystallised gain arising from a rise in the value of Sterling at the balance sheet date against a blended rate achieved on US Dollar, Euro and Japanese Yen forward contracts that will mature over the next 18 months.

Net finance costs

The Group's adjusted net interest costs rose by £0.7m to £1.7m (2020: £1.0m) due to the inclusion of a refund of overpaid interest of £0.4m in last year's comparative. Interest credit on pension scheme net assets of £0.9m (2020: £nil) arising from the pension surplus brings net finance charges to £0.8m (2020: £1.0m).

Adjusted profit before tax and margin

Continuing adjusted profit before tax increased by 12.9% to £55.9m (2020: £49.5m). The adjusted profit before tax margin of 17.6% (2020: 15.6%) was above last year due to an increase in the adjusted operating margin and lower net finance costs.

Reconciliation of statutory profit before tax to adjusted profit before tax	**Year ended 31 March 2021 £m**	Year ended 31 March 2020 £m
Statutory profit before tax	**52.2**	38.8
Add back:		
Amortisation of acquired intangible assets	**8.4**	8.7
Non-recurring items (Note 1)	**1.7**	0.6
Mark-to-market movement of currency hedges	**(6.4)**	1.4
Adjusted profit before tax	**55.9**	49.5

Statutory profit before tax and margin

The continuing statutory profit before tax increased by 34.5% to £52.2m (2020: £38.8m). Continuing statutory profit before tax includes the amortisation and impairment of acquired intangible assets; acquisition items; profit or loss on disposal of operations; other significant non-recurring items; and the mark-to-market of financial derivatives. The profit before tax margin of 16.4% (2020: 12.2%) was above last year due to an increase in the operating margin, lower net finance costs and a large credit from the mark-to market gain on the valuation financial derivatives.

Taxation

The adjusted tax charge from continuing operations of £10.8m (2020: £9.3m) represents an effective tax rate of 19.3% (2020: 18.8%). The tax charge from continuing operations of £10.4m (2020: £6.8m) represents an effective tax rate of 19.9% (2020: 17.5%). The movements reflect a change in the geographical mix of profits earned.

Earnings per share

Continuing adjusted basic earnings per share increased by 12.0% to 78.6p (2020: 70.2p); continuing adjusted diluted earnings per share grew by 11.7% to 77.6p (2020: 69.5p). Continuing basic earnings per share increased by 30.2% to 72.8p (2020: 55.9p); continuing diluted earnings per share grew by 30.0% to 71.9p (2020: 55.3p).

The number of undiluted weighted average shares increased to 57.4m (2020: 57.3m).

Foreign exchange

The Group faces transactional and translational currency exposure, most notably against the US Dollar, Euro and Japanese Yen. For the year, approximately 19% of Group revenue was denominated in Sterling, 46% in US Dollars, 21% in Euros, 12% in Japanese Yen and 2% in other currencies. Translational exposures arise on the consolidation of overseas company results into Sterling. Transactional exposures arise where the currency of sale or purchase transactions differs from the functional currency in which each company prepares its local accounts.

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

£m (equivalent)	Revenue	Adjusted operating profit
Sterling	61.5	(69.3)
US Dollar	145.0	64.1
Euro	68.4	36.8
Japanese Yen	37.9	21.9
Chinese Renminbi	4.8	2.7
Other	0.9	0.5
	318.5	**56.7**

The Group maintains a hedging programme against its net transactional exposure using internal projections of currency trading transactions expected to arise over a period extending from 12 to 24 months. As at 31 March 2021, the Group had currency hedges in place extending up to 18 months forward.

For the full year 2021/22, our assessment of the currency impact is, based on hedges currently in place and current currency rates, a headwind of approximately £18.5m to revenue and £2.5m to profit. Current rates are: GBP:USD 1.42; GBP:EUR 1.17; GBP:JPY 155. For the full year 2022/23, using the same assumptions, there is an additional headwind of £6.4m to profit owing to the unwinding of currency hedges that have a positive benefit in 2021/22. This impact does not affect the underlying future growth of the Group and is prior to mitigating actions. Uncertain volume and timing of shipments and acceptances, currency mix and FX volatility may significantly affect full-year currency forecast effects.

Disposal of Scienta Omicron

On 29 January 2020, the Group sold its 47% share in Scienta Omicron to a group of existing Shareholders in the joint venture for a consideration of SEK 147m (£11.7m). Within adjusted operating profit for the comparative period the Group recorded a profit of £0.7m. A gain of £6.5m on disposal is treated as a non-recurring item in the comparative period.

Disposal of OI Healthcare – discontinued operations

On 24 February 2020, the Group sold the OI Healthcare business in the US to MXR Imaging, Inc, for a consideration of $14.9m (£11.5m). The business has been treated as a discontinued operation. A loss of £0.5m after taxation has been recorded under discontinued operations in the prior year.

Dividend

The Group's policy is to increase the dividend each year in line with the increase in underlying earnings, considering movements in currency. Following the high uncertainty created by the impact of covid, the Group did not pay a dividend for the 2019/20 financial year. After a resilient year of trading, the Board has proposed a final dividend of 12.9p per share. This results in a total dividend of 17.0p per share, equivalent to a two-year compound annual growth rate of 8.7% from 2018/19. An interim dividend of 4.1p per share was paid on 14 April 2021. The final dividend will be paid, subject to Shareholder approval, on 15 October 2021 to Shareholders on the register as at 10 September 2021.

Finance Review continued

Cash flow

The Group cash flow is summarised below.

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Adjusted operating profit	**56.7**	50.5
Depreciation and amortisation	**9.1**	9.9
Adjusted[1] EBITDA	**65.8**	60.4
Working capital movement	**(2.7)**	10.1
Equity settled share schemes	**1.8**	3.1
Share of profit from associate	**—**	(0.7)
Non-recurring items	**0.3**	(0.6)
Pension scheme payments above charge to operating profit	**(15.5)**	(10.0)
Cash from operations	**49.7**	62.3
Interest	**(1.6)**	(1.0)
Tax	**(6.3)**	(6.1)
Capitalised development expenditure	**(0.9)**	(2.8)
Expenditure on tangible and intangible assets	**(4.0)**	(4.3)
Proceeds from sale of associate	**—**	11.7
Decrease in long-term receivables	**—**	1.4
Dividends paid	**—**	(8.2)
Proceeds from issue of share capital and exercise of share options	**0.2**	0.7
Payments made in respect of lease liabilities	**(2.8)**	(3.3)
Decrease in borrowings	**(27.9)**	(0.6)
Net increase in cash and cash equivalents from continuing operations	**6.4**	49.8

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

Cash from operations

Cash from operations of £49.7m (2020: £62.3m) represents 101% (2020: 124%) cash conversion. Cash conversion is defined as cash from operations before non-recurring items and pension scheme payments above charge to operating profit, less capitalised development expenditure, capital expenditure and payments made in respect of leases liabilities, divided by adjusted operating profit.

Reconciliation of cash generated from operations to adjusted operating cash flow	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Cash from operations	**49.7**	62.3
Non-recurring items	**(0.3)**	0.6
Pension scheme payments above charge to operating profit	**15.5**	10.0
Capitalised development expenditure	**(0.9)**	(2.8)
Expenditure on tangible and intangible assets	**(4.0)**	(4.3)
Payments made in respect of lease liabilities	**(2.8)**	(3.3)
Adjusted cash from operations	**57.2**	62.5
Cash conversion % (adjusted cash from operations/adjusted operating profit)	**101%**	124%

Working capital increased by £2.7m. Inventories rose by £1.3m and receivables increased by £10.5m following a high number of shipments and acceptances at the year end compared to the corresponding period, which was impacted by covid. Payables and customer deposits increased by £9.1m.

Looking forward, we would expect capital expenditure of approximately £32m to complete the construction and fit-out of our new facility near Bristol for our Plasma Technology business. It is expected that costs of approximately £20m will be incurred in the financial year 2021/22, with the remainder falling into the following year. The business will enter a 20-year lease on completion of construction, which is anticipated to commence at the end of the first half of the 2022/23 financial year.

Pension

Pension payments above charge to operating profit of £15.5m included a one-off contribution of £8.1m to the UK defined benefit pension scheme, in addition to the current recovery payments.

Interest

Net interest paid was £1.6m (2020: £1.0m), the increase reflecting a receipt of overpaid interest of £0.4m in the comparative period.

Tax

Tax paid was £6.3m (2020: £6.1m), with cash tax in both years benefitting from utilisation of prior year losses carried forward.

Investment in Research and Development (R&D)

Total cash spend on R&D in the year was £28.9m, equivalent to 9.1% of sales (2020: £26.8m, 8.4% of sales). A reconciliation between the adjusted amounts charged to the Income Statement and the cash spent is given below:

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
R&D expense charged to the Income Statement	30.0	26.6
Depreciation of R&D-related fixed assets	(0.1)	—
Amounts capitalised as fixed assets	0.6	0.1
Amortisation and impairment of R&D costs capitalised as intangibles	(2.5)	(2.7)
Amounts capitalised as intangible assets	0.9	2.8
Total cash spent on R&D during the year	**28.9**	26.8

Net cash and funding

Net cash

Good cash generation in the year increased the Group's net cash position from £67.5m to £97.6m. Cash generated from operations was £49.7m (2020: £62.3m) after the inclusion of an additional contribution to the UK defined benefit pension scheme that increased deficit recovery payments to £15.5m. The Group invested in capitalised development costs of £0.9m and tangible and intangible assets of £4.0m, with investments in semiconductor processing development tools, quantum computing related assets and infrastructure, and expenditure to increase production capacity.

Movement in net cash	£m
Net cash after borrowings as at 31 March 2020	67.5
Cash generated from operations	49.7
Interest	(1.6)
Tax	(6.3)
Capitalised development expenditure	(0.9)
Capital expenditure on tangible and intangible assets	(4.0)
Other items	(6.8)
Net cash after borrowings as at 31 March 2021	**97.6**

In early 2021, the Financial Reporting Council (FRC) conducted a review on the Group's Report and Financial Statements for the year ended 31 March 2020. Following completion of this review we have concluded that overdraft balances should be presented gross, rather than netted off against cash and cash equivalents. As a result, the Consolidated Statement of Financial Position as at 31 March 2020 has been restated. Full details can be found in the Accounting Policies note. The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the 2020 financial year.

Net cash and funding continued

Return on capital employed (ROCE)

ROCE measures effective management of capital employed relative to the profitability of the business. ROCE is calculated as adjusted operating profit less amortisation of intangible assets divided by average capital employed. Capital employed is defined as assets (excluding cash, pension, tax and derivative assets) less liabilities (excluding tax, debt and derivative liabilities). Average capital employed is defined as the average of the closing balance at the current and prior year end. ROCE has risen to 32.7%, with the change principally reflecting a higher level of earnings.

Return on capital employed	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Adjusted operating profit	56.7	50.5
Amortisation of acquired intangible assets	(8.4)	(8.7)
Adjusted operating profit after amortisation of acquired intangible assets	**48.3**	41.8
Property, plant and equipment	21.1	21.8
Right-of-use assets	7.3	8.2
Intangible assets	122.6	135.5
Inventories	58.7	58.8
Trade and other receivables	75.6	71.1
Non-current lease payables	(4.9)	(6.5)
Non-current provisions	(0.7)	(0.9)
Trade and other payables	(126.1)	(125.1)
Current lease payables	(2.6)	(2.1)
Current provisions	(8.7)	(7.5)
Capital employed	**142.3**	153.3
Average capital employed	**147.8**	174.1
Return on capital employed (ROCE)	**32.7%**	24.0%

Return on invested capital (ROIC)

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

Return on invested capital	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Adjusted operating profit	56.7	50.5
Taxation	(10.8)	(9.3)
Adjusted operating profit after taxation	**45.9**	41.2
Total equity	266.2	251.6
Net cash (including lease liabilities)	(90.1)	(58.9)
Invested capital	**176.1**	192.7
Average invested capital	**184.4**	198.8
Return on invested capital (ROIC)	**24.9%**	20.7%

Net cash including lease liabilities	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Net cash after borrowings	97.6	67.5
Lease liabilities	(7.5)	(8.6)
Net cash and lease liabilities after borrowings	**90.1**	58.9

Funding

On 2 July 2018, the Group entered into an unsecured multi-currency revolving facility agreement, which is committed until June 2024 with one-year extension options at the end of the first and second years. The facility has been entered into with two banks and comprises a Euro-denominated multi-currency facility of €50.0m (£43m) and a US Dollar-denominated multi-currency facility of $80.0m (£56m).

We are in discussions to extend the facility by one year to June 2025.

The Group repaid bilateral private placement notes of £27.9m on 31 March 2021 from its cash balance.

Debt covenants are net debt to EBITDA less than 3.0 times and EBITDA to interest greater than 4.0 times. As at 31 March 2021 the business had net cash.

Pensions

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

On an IAS 19 basis, the surplus arising from our defined benefit pension scheme obligations on 31 March 2021 was £16.3m (2020: £30.7m). The value of scheme assets increased to £340.2m (2020: £321.4m). Scheme liabilities increased to £323.9m (2020: £290.7m) due to movements in the discount rate and inflation rate. The discount rate decreased from 2.5% to 2.1%, because of a reduction in bond yields that followed low central bank rates due to the covid pandemic. The inflation rate has increased from 2.6% to 3.1%, reflecting economic conditions at the balance sheet date.

The scheme's actuarial valuation review, rather than the accounting basis, determines our cash payments into the scheme. The cash contributions into the scheme are expected to continue until early 2026, at which point we expect, based on current assumptions, the scheme to achieve self-sufficiency. In 2021, these contributions amounted to £15.5m, of which £8.1m was an additional one-off payment made at the end of the year, following which we will further de-risk the investment strategy of the scheme. The scheme rules provide that in the event of a surplus remaining after settling contractual obligations to members, the Group may determine how the surplus is utilised.

Going concern

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

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

Forward-looking statements

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

Gavin Hill
Group Finance Director

7 June 2021

Risk Management

Principal risks and uncertainties

The Group's approach to risk management has evolved over the course of the last financial year with the aim of making risk reviews more effective. The result is a more targeted quarterly risk review by the Audit and Risk Committee, which is underpinned by a detailed risk review at business unit and Group level. This approach supports the Group in mitigating against the adverse impacts of material risks which could hinder the achievement of strategic plans and objectives. Group risk management also piloted a sustainability risk review with the NanoScience business unit and it is planned that sustainability risk reviews will be conducted at all business units during 2021/22. This forms a key element of the Group's review of emerging risks.

The first phase of the risk management process has not changed and continues with a detailed assessment of key risks in all operating business units which are reported to Group on a quarterly basis. This standardised approach with scores for the gross risk and residual risk forms the basis of risk discussions between Group risk management and the business units and the compilation of the quarterly Group risk register.

The key change in the risk management process comes in reporting risks to the Audit and Risk Committee. Group risk management reports common risks across business units, categorised under key themes. This reporting facilitates comparison across business units and the sharing of good practice in one business unit amongst others.

At a business unit level, the risk management process has not changed significantly. The update and review of individual business units' risk registers remains a core part of recurring activities of the senior management teams. The output is discussed with Group risk management on a quarterly basis to ensure that key risks have been effectively communicated and that mitigating actions are appropriate. These discussions play a key role in informing Group risk management of the most significant risks to report to the Audit and Risk Committee.

Response to covid

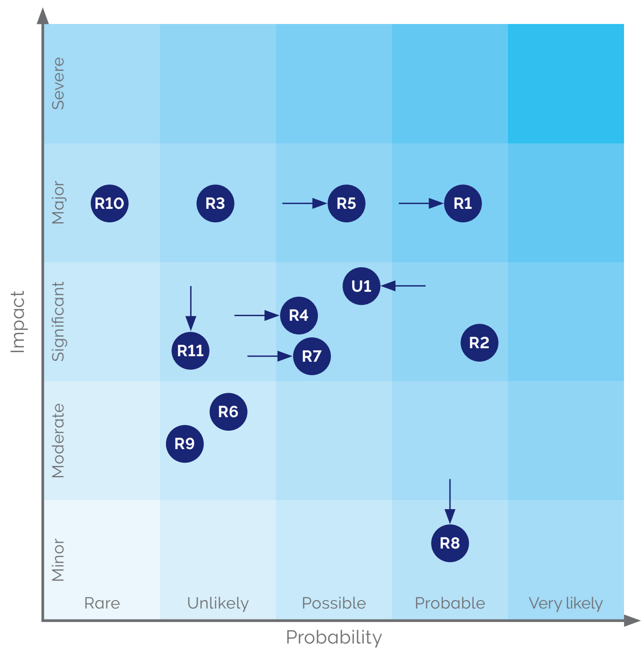
In addition to the actions taken at Board level to prepare for the possible adverse impacts that might arise from covid, the Group established a working group involving senior management and employee representatives from across Head Office and all of the UK's operating business units.

The working group met between May and September 2020 to consider and address the key issues that arose, notably in relation to operational practices, health and wellbeing. Further, across the globe, our service teams adapted and implemented new tools and techniques to deliver remote support to customers when travel restrictions were in effect.

Principal risks matrix

For the first time in the Report and Financial Statements, the principal risks and uncertainties have been mapped onto a probability and impact matrix ("PI matrix") to facilitate comparison of the relative importance of the risks at a Group level. The PI matrix includes arrows which show the direction of travel for each risk.

The methodology for mapping the risks is based on the Group's assessment of the residual risk i.e. the probability of the risk occurring and the potential impact it may have based on the mitigating actions and controls that are in place to manage the risk. The output of this assessment is shown in the chart below.



Key:

- U1 Covid
- R1 Geopolitical risk
- R2 OEM route to market
- R3 New product innovation (NPI)
- R4 Supply chain
- R5 Cyber
- R6 Legal & regulatory breach
- R7 Foreign exchange
- R8 Brexit
- R9 People
- R10 Business interruption
- R11 Pension

Arrows indicate movement compared to the prior year

1 Specific uncertainty 1: Impact of covid-19

Context: While the Group has demonstrated resilience to the economic impact of covid, the pandemic might still cause further disruption to supply chains, production and service operations, and customers. The Group will continue with the customer-centric approach that is a key pillar of the Horizon strategy to focus on growth markets.

Risk factor/uncertainty
- Fall in demand due to reduced funding for academic customers in key markets/ deferral of capex for industrial customers
- Short-term supply chain disruption
- Workforce disruption in production
- Ongoing travel restrictions for service personnel

Possible impact
- Short-term reduction in sales volumes and contribution
- Potentially unable to meet delivery deadlines/reduction in capacity
- Installations and on-site service activities disrupted
- Negative cash flow/liquidity risk

Management actions
- Customer intimacy
- Working closely with key supplier base
- Safe ways of working and changes to shift patterns to maximise capacity
- Remote service activities
- Iterative financing review and review of cost base

Mitigation
- Sales and operational planning process
- Contractual protection
- Strategic procurement, working with supply chain to mitigate risk
- Strong balance sheet and options for external funding

Change in the year:

1 Specific risk 1: Political risk

Context: The Group operates in global markets and can be required to secure export licences from Governments. As an example, China accounts for 24% of annual revenue.

Risk
- Changes in the geopolitical landscape or an escalation in global trade tensions resulting in major obstacles to trade with customers in key markets. This could arise from export licence refusals, trade tariffs or nations seeking to reduce reliance on foreign imports in strategic technologies through the development of domestic competition and/or protectionist measures.

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

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

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

Change in the year:

2 Specific risk 2: Routes to market

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

Risk
- Vertical integration by OEMs

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

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

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

Change in the year:

Risk Management continued

3 Specific risk 3: Technical risk

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

Risk

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

Possible impact

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

Control mechanisms

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

Mitigation

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

Change in the year:

4 Specific risk 4: Supply chain risk

Context: The Group operates a strategic "make or buy" policy which places reliance on key partners, notably single-source suppliers, in terms of pricing and on-time delivery.

Risk

- Operational disruption, due to supply chain shortages
- Change of ownership resulting in loss of supply
- Regulatory changes or economic viability causing suppliers to discontinue production, impacting the long-term availability of key components

Possible impact

- Reduction or halt to production output
- Lost revenue
- Decreased margins
- Increased lead times
- Poor customer service
- Increased inventory leading to cash flow reduction
- Negative impact on quality

Control mechanisms

- Group consolidated risk database plus sales and operational planning process
- Group strategic sourcing programme to manage key supplier risks
- Focused efforts on higher-risk suppliers identified
- Long-term contracts with key suppliers

Mitigation

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

Change in the year:

5 Specific risk 5: Cyber risk

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

Risk

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

Possible impact

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

Control mechanisms

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

Mitigation

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

Change in the year:

6 Specific risk 6: Legal/compliance risk

Context: The Group operates in a complex regulatory and technological environment. The Group may at times experience unintentional non-conformance with regulations and competitors may seek to protect their position through intellectual property rights.

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

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

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

Mitigation
- Confirmation of "Freedom to Operate" during new product development stage gate process
- Compliance monitoring programme

Change in the year:

7 Specific risk 7: Adverse movements in long-term foreign currency rates

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

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

Possible impact
- Reduced revenue and profitability

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

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

Change in the year:

8 Specific risk 8: Brexit-related risks

Context: Although the UK has entered into a Free Trade Agreement with the EU, non-tariff barriers to trade may damage cross-border trade with EU customers and suppliers.

Risk
- EU customers might favour competitors within the EU
- Lower participation in EU-funded research projects
- Additional costs in the supply chain/additional freight costs
- UK becomes less attractive to EU nationals as a place to work

Possible impact
- Lower sales and profitability
- Increased input costs and reduced margins
- Salary inflation
- Loss of key skills and/or increased recruitment and/or salary costs

Control mechanisms
- Sales production matching and resource planning
- Customer intimacy and monitoring of funded projects
- Strategic sourcing programme
- Product pricing reviews
- Skills and capabilities reviews

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

Change in the year:

Risk Management continued

9 Specific risk 9: People

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

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

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

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

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

Change in the year:

10 Specific risk 10: Operational risk

Context: Business units' production facilities are typically located at a single site.

Risk
- Sustained disruption to production arising from a major incident at a site

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

Control mechanisms
- Contingency plans are in place for all manufacturing sites
- Contractual clauses to limit financial consequences of delayed delivery

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

Change in the year:

11 Specific risk 11: Pensions

Context: The actuarial pension deficit is sensitive to changes in the actuarial assumptions.

Risk
- The actuarial pension deficit is sensitive to movements in actuarial assumptions and returns on investments

Possible impact
- Variations to the current deficit recovery plan
- Increase in the annual levy paid to the Pension Protection Fund

Control mechanisms
- Ongoing review of investment strategy, including active control of risk, by the trustee's investment sub-committee
- Liability hedging programme to mitigate exposure to movements in interest rates and inflation
- Reduced exposure to equity markets

Mitigation
- The Group closed its UK defined benefit pension scheme to future accrual in 2010
- The Group has a funding plan in place to eliminate the actuarial deficit by 2025/26.

Change in the year:

Viability Statement

In accordance with the UK Corporate Governance Code 2018, the Directors are required to perform an assessment of the Group's viability over a period longer than the twelve months required for the going concern statement. As in all previous years since it was introduced in 2016, the viability assessment period extends over three years. The Directors consider that three years continues to be the most appropriate time frame for assessing the Group's longer-term viability. Due to the uncertainty relating to covid, the methodology used in the viability assessment for the year ended 31 March 2020 varied from the methodology used in all preceding years. The viability assessment for the year ended 31 March 2021 reverts to a methodology that is broadly consistent with that used in all preceding years, albeit with some adaptations. While covid continues to create some uncertainty, the Group's experience in the last twelve months suggests that the potential volatility in financial performance considered last year was too pessimistic. This year's assessment covers the period from 1 April 2021 to 31 March 2024 (the "Viability Assessment Period").

Key criteria applied in the assessment

In keeping with the prior year, the Group starts the Viability Assessment Period with a positive net cash position and the criteria used to assess the Group's viability remain the same as the prior year. The Directors hold the view that either maintaining a positive net cash position during the Viability Assessment Period or, alternatively, operating within agreed debt arrangements (particularly relevant if retained cash is used to fund acquisitions), would demonstrate the Group's liquidity to meet its liabilities as they fall due. Currently, the Group has committed credit facilities of approximately £100m. There are covenants associated with the facilities which principally require the Group to operate within a ratio of three times EBITDA to net debt. These covenants therefore could limit the headroom available from facilities and are factored into the viability assessment calculations where relevant.

Methodology and sensitivities applied

In performing the assessment, the Group has considered the potential impact of the principal risks and uncertainties and their likelihood of arising to categorise the risks and uncertainties by the nature of the impact. The list of key risks and uncertainties that have been considered in this assessment are disclosed on the preceding pages 67 to 70 of the Report and Financial Statements.

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

Sensitivity	Risk areas	Potential impact
1	Political, routes to market, technical and Brexit-related risks	Loss of revenue due to lower volumes
2	Supply chain risk, operational risk	Sustained disruption to production at a single business unit, resulting in lost output and hence lost revenue for a significant period
3	Foreign exchange risk	Lower revenue and margin in Sterling
4	Legal/compliance, people and pensions risks	Additional non-recurring overhead costs

The potential impact of cyber risk (e.g. disruption to business as usual operations arising from a cyber-attack, malware, etc.) has not been estimated through the inclusion of a specific sensitivity. This is partly because the impact is unpredictable (it would depend on the nature and duration of the issue) and also because the downside impact assessed from the impact of the other risks is considered to be sufficient to account for this risk. Further, although uncertainty over the potential impact of covid remains, the Directors do not consider it necessary to include additional downside beyond sensitivities 1 to 4.

Sensitivity one considers the potential reduction in revenue and contribution margin that could arise from the risks identified. It is the most significant of all the sensitivities applied in value terms. In each year of the Viability Assessment Period, a common reduction to forecast growth was applied to the forecasts for all business units with the exception of Japan MRI, which faces dissimilar risks to the other business units in relation to these risks.

The second sensitivity applied has the second largest impact on operating profit and is designed to simulate the impact of major disruption to production at a single business unit for a period of months. It was applied to the NanoAnalysis business unit in year three of the Viability Assessment Period to quantify the impact of losing several months' production to an event causing major operational disruption.

The potential impact of foreign exchange risk is estimated in all years of the Viability Assessment Period. As treasury is managed at Group level, the potential impact of this risk is quantified at Group level also. Since the short-term hedging programme affords significant risk mitigation in year one, the estimated impact is more significant in years two and three. The estimate is supported by a detailed calculation linked to the expected net exposure against key currencies (i.e. US Dollar, Euro and Japanese Yen).

The fourth of the sensitivities deals with risks that would likely cause an isolated (or non-recurring) increase in overhead costs. This sensitivity was also applied at a Group level rather than at an individual business unit level.

Viability Statement continued

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

The Forecast includes cash flow forecasts for each year of the Viability Assessment Period at Group level only, starting with operating profit, before considering working capital movements, investing activities, tax, dividends paid, etc. to forecast the net cash flow in each year. The viability assessment uses the same model as the Forecasts to estimate annual movements in net cash.

The cumulative impact of the sensitivities applied is to reduce revenue by £130m (18% of the Baseline total) and operating profit by roughly 58% compared to the Baseline in the three-year period covered by the assessment. However, the only elements of the cash flow forecasts that have been adjusted in the viability assessment relate to the movements in working capital and the tax payment. All other cash flows including, but not limited to, capital expenditure, R&D expenditure and dividends, have not been adjusted in the viability assessment. In practical terms, in the event of serious adverse movements in profitability, the Group would take actions to mitigate the net cash impact. However, in order to exercise a high level of prudence, the Group has not quantified the potential impact of such mitigating actions in the viability assessment.

Outcome

In each year of the Viability Assessment Period, the sensitised forecasts show that the Group would remain profitable and would continue to generate a positive operating cash flow in each year. The net movement in cash in the viability assessment would be positive in year one but negative in years two and three, with the cumulative impact being a net outflow of less than £10m. Consequently, the Group would still retain a healthy net cash balance at the end of the Viability Assessment Period.

The forecast level of net cash, combined with banking facilities of approximately £100m, indicate that during the Viability Assessment Period, the Group's forecasts show substantial headroom available. Consequently, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years.

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

Going concern statement

The Group's business activities and factors that are considered likely to affect its performance and position in the future are set out in the Strategic Report on pages 1 to 72. The Finance Review on pages 56 to 65 discloses information relevant to the Group's financial position, its cash flows, borrowing facilities and liquidity.

The Directors have considered the Group's current financial position and future prospects and, as set out in the viability statement above, have performed an assessment of longer-term viability up to 31 March 2024. On this basis, the Directors conclude that there is a reasonable expectation that the Group will continue in operational existence for the foreseeable future and that there are no material uncertainties that may cast significant doubt over its ability to continue as a going concern.

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

Governance

Governance is an important element of our Board environment. To support how we do business and how we serve our stakeholders, it needs to be relevant, authentic and meaningful.

Board Leadership and Company Purpose

See pages 74 to 78 of the Corporate Governance Report.

Division of Responsibility

See pages 79 to 81 of the Corporate Governance Report.

Composition, Succession and Evaluation

See pages 82 to 87 of the Corporate Governance Report.

Audit, Risk and Internal Control

See pages 88 to 96 of the Corporate Governance Report.

Remuneration

See pages 97 to 119 of the Corporate Governance Report.

Relations with Shareholders

See pages 120 and 121 of the Corporate Governance Report.

Report of the Directors

See pages 122 to 124 of the Corporate Governance Report.

Board Leadership and Company Purpose

Chair's Introduction

Throughout the disruption, we have made it our priority to protect our employees, support our customers and other stakeholders, and secure the long-term future of the business.

Neil Carson
Chair

The Board is committed to conducting business responsibly and maintaining high standards of corporate governance. This commitment extends to driving the Group's long-term objectives and overseeing the Group's operations to ensure competent and prudent management, continuous leadership development and ongoing succession planning. Throughout the covid disruption, the Board and executive team have made it their priority to protect the health and wellbeing of our employees, support our customers and other stakeholders, and secure the long-term future of the business. Over the year and into the new financial year, the governance model has stood up well to managing these challenges.

Dear Shareholders,

I am pleased to introduce the Group's Corporate Governance Report on behalf of the Board. The Corporate Governance Statement provides an insight into how the Board operated during the year.

The Board is committed to conducting business responsibly and maintaining high standards of corporate governance and is collectively responsible for the long-term success of the Group. This will, when underpinned by our business strategy and close attention to operations, finance and risk, enhance performance and grow the business of Oxford Instruments. The Board remains committed to driving the Group's long-term objectives, overseeing the Group's operations to ensure competent and prudent management, continuous leadership development and succession planning. The approach to governance is set by the Board and the Management Board ensures that the approach is effectively implemented across Oxford Instruments' businesses around the world.

The main Group-wide governance documents are the Oxford Instruments Code of Business Conduct and Ethics together with the policies which sit within our statement on sustainability. These can be found on our website at **www.oxinst.com/investors-content/sustainability**. During the year, the Board has been debating and agreeing its strategy towards sustainability and ESG. It has also decided to establish a new committee of the Board, the sustainability committee, which will be led by a Non-Executive Director of the Board. Initially, this committee will be chaired by me. The terms of reference are in the process of being drawn up and processes are being established within the business to report into this committee. I will report on the work of the sustainability committee next year.

The ethics programme is actively managed by a cross-functional team, the CBCE Forum, which regularly reviews the policies and works with the Group's businesses to ensure that employee communications relating to the ethics programme are delivered in a consistent and engaging manner.

There is a policy portal on the intranet which makes it easy for employees to access those policies and procedures that are relevant to them. There are an established set of values which inform the way in which we all work throughout the Group. With the help of our business leadership teams and contributions from focus groups and individuals around the world, we have refreshed our values. These values, Inclusive, Innovative, Trusted and Purposeful, have been communicated to all staff.

These policies and statements set out the values and standards that we expect our employees to meet. These documents, together with our policies, govern how we conduct our business and set the standards that drive performance. Compliance training and, in some areas, standard procedures, help to enforce this. Board oversight, reviews and audits form part of the monitoring and supervision process. Risk processes are embedded and reviewed on an ongoing basis across the organisation.

Ordinarily, the Board would have carried out its triennial external Board evaluation this year. However, given the constraints that have been present during the year due to the pandemic and our view that an external evaluation carried out remotely could not be as insightful as usual, I agreed with the Board that we would carry out an internal evaluation in the early months of 2021 and carry out an in-depth external evaluation of the strategic process and strategy for the Group during 2021/22. I am pleased to confirm that the conclusion drawn from the effectiveness review is that we continue to have a committed, engaged and effective Board that is operating well. More details on the findings of the evaluation are outlined on pages 82 and 83.

Given the restrictions during the year, and the covid working practices introduced onto our sites to maintain the safety of those employees who need to be on site to manufacture product, the Board has not been able to visit sites. However, I have been able to hold video meetings with all our business Managing Directors during the year and individual Directors have continued to hold meetings with management. To allow the Board to continue to function effectively, managers have presented remotely to the Board on their areas of expertise. Our people have shown their resilience during the year, changing their working practices as necessary.

All businesses continue to have strong new product pipelines and are fully committed to the advancement of the Oxford Instruments strategy. It is clear that we continue to have committed and enthusiastic teams of people who deliver leading-edge products that help their customers meet their varied needs. The Chief Executive's Review on pages 16 to 21 and the Operations Review on pages 34 to 45 give full details of the year's activities.

I encourage all Shareholders to engage with us ahead of the AGM which will be held on 21 September 2021. Notice of, and details of the arrangements for, the AGM will be provided to Shareholders at the usual time and will take into account legislative requirements and the circumstances at the time.

Neil Carson
Chair

7 June 2021

Board Leadership and Company Purpose continued

Board of Directors

Neil Carson (64)
Non-Executive Chair

Appointed to the Board
December 2018

Appointed Chairman
December 2018

N R

Background
Over 30 years' experience of operations management in the UK and the US, technical innovation and strategic planning, culminating in ten years as Chief Executive at the FTSE 100 science/R&D based company, Johnson Matthey. In 2016 Neil was awarded an OBE for services to the chemical industry.

External appointments
Non-Executive Director and Chair of Remuneration Committee:
Royal Dutch Shell plc

Director:
The Goldsmiths' Company Charity

Previous experience
Chairman:
TT Electronics plc

Deputy Chairman:
TI Fluid Systems plc

Non-Executive Director:
Paypoint plc
Amec Foster Wheeler plc

Founder Member:
Prince of Wales' Corporate Leaders Group on Climate Change

Honorary President:
SCI (the Society of Chemical Industry)

Chief Executive:
Johnson Matthey plc

Ian Barkshire (55)
Chief Executive

Appointed to the Board
November 2015

Appointed Chief Executive
May 2016

Background
Holds a BSc and DPhil in physics from the University of York, is a Chartered Physicist, a Member of the Institute of Physics and a Fellow of the Royal Academy of Engineering. Ian has worked for Oxford Instruments since 1997 in a number of senior leadership roles, including NanoCharacterisation Divisional Head, Group Technical Director and Chief Operating Officer.

Previous experience
Senior Principal Scientist:
GEC Marconi Materials Technology

Research Fellow:
University of York

Gavin Hill (53)
Group Finance Director

Appointed to the Board
May 2016

Background
Holds a BA in economics and agricultural economics from the University of Exeter. Gavin is a Chartered Accountant and an Associate Member of the Association of Corporate Treasurers.

Previous experience
Group Finance Director:
Synergy Health plc

Director, Corporate Finance:
Serco Group plc

Senior finance positions:
Syngenta AG and AstraZeneca plc

Steve Blair (61)
Independent Non-Executive Director and Senior Independent Director

Appointed to the Board
July 2017

A N R

Background
Holds an engineering degree from the University of Sheffield. Extensive experience in established and high-growth emerging markets, strategic planning and portfolio development.

External appointments
Chief Executive:
Ordnance Survey

Previous experience
Chief Executive:
e2v

Director:
Spectris plc

Key to Committees

A Audit and Risk
N Nomination
R Remuneration
Chair of Committee

Mary Waldner (51)
Independent
Non-Executive Director

Appointed to the Board
February 2016

A N R

Background
Holds an MA in physics from the University of Oxford and is a Fellow of the Chartered Institute of Management Accountants. Mary started her career at Coopers & Lybrand Management Consultancy Services and then went on to hold senior financial positions in a number of major businesses.

External appointments
Chief Financial Officer:
Lloyd's Register

Previous experience
Group Finance Director:
Ultra Electronics plc

Director, Group Finance:
QinetiQ plc

Thomas Geitner (65)
Independent
Non-Executive Director

Appointed to the Board
January 2013

A N R

Background
A graduate of the Technische Universität München and holds an INSEAD MBA. Having spent over 30 years in businesses operating across the globe, Thomas has extensive international experience in the technology and engineering sectors.

External appointments
Non-Executive Director:
Bibliotheca RFID Library Systems AG Switzerland

Supervisory Board:
HolidayCheck Group AG

Previous experience
Executive Director:
Vodafone Group Plc
Henkel AG & Co. KGaA
RWE AG

Chairman:
Bibliotheca RFID Library Systems AG Switzerland

Non-Executive Director:
BBC Worldwide Limited

Supervisory Board:
Haniel & Cie GmbH Duisburg
Constantia Flexibles GmbH

Professor Sir Richard Friend (68)
Independent
Non-Executive Director

Appointed to the Board
September 2014

A N R

Background
Richard's research encompasses the physics, materials science and engineering of semiconductor devices made with carbon-based semiconductors. Richard is a Fellow of the Royal Society and of the Royal Academy of Engineering and a Foreign Member of the US National Academy of Engineering.

External appointments
Professor of Physics and a Fellow of St. John's College at the University of Cambridge

Non-Executive Director:
Cambridge Photon Technology Limited
Eight19 Limited
Helio Display Materials Limited

Previous experience
Council member:
The Engineering and Physical Sciences Research Council

Alison Wood (57)
Independent
Non-Executive Director

Appointed to the Board
September 2020

A N R

Background
Holds a BA in engineering, economics and management from the University of Oxford and an MBA from Harvard Business School. Alison has a wide experience in strategic planning, business development and M&A across a variety of sectors and is a highly experienced Non-Executive Director and Committee Chair.

External appointments
Non-Executive Director and Remuneration Committee Chair:
TT Electronics plc
Cairn Energy PLC
British Standards Institute

Senior Independent Director and Remuneration Committee Chair:
Costain Group PLC

Previous experience
Non-Executive Director and Remuneration Committee Chair:
Cobham plc

Senior Independent Director:
e2v plc

Non-Executive Director:
BTG plc
THUS plc

Susan Johnson-Brett
Company Secretary

Committee membership
Secretary:
A N R

Appointed January 2007

Background
Holds a BA from the University of Keele and has previously worked in the Secretariats of St. Modwen Properties plc, Hydro Agri (UK) Limited and TSB Group plc.

Board Leadership and Company Purpose continued

Corporate Governance Report

Board priorities during the year

Strategic	• Annual strategy day and technology strategy session to consider progress and provide challenge on the Horizon strategy and next steps. • Reviewed, challenged and approved the strategic direction of the Group's medium-term plan. • Regular reviews of business development activities and acquisition proposal pipeline. • Deep-dive reviews into aspects of the strategic plan.
Operations	• Received regular operational updates. • Monitored performance and provided challenge in key areas of operations, such as health and safety, operational excellence, human resources, innovation and business development. • Closely monitored and reviewed the impact of covid on global operations, employees and other stakeholders. • Authorised relocation of Plasma Technology site to a new building in Bristol.
Leadership and people	• Continued the focus on organisation capability and succession planning within the senior leadership teams and more generally across the organisation. • Completed search for, and appointed, a Non-Executive Director with strong remuneration committee experience. • Commenced search for a Non-Executive Director. • Orderly transition of Chair of Remuneration Committee.
Finance	• Monitored progress against the 2020/21 financial plan and considered and approved the 2021/22 financial plan. • Reviewed and approved the financial elements of the Group's medium-term plan. • Continued to monitor the progress of Project Connect (the new ERP system) and its implementation. • Updates on major tax matters. • Oversight of appointment and transition of new auditors. • Approved the Report and Financial Statements, half-year results and presentations to analysts. • Considered and approved the Group's going concern and viability statements. • Review of the interim and final dividends.
Governance and ethics	• Development of sustainability strategy. • Agreed to establish a sustainability committee. • Carried out an internal Board evaluation, discussed the output openly and transparently and agreed opportunities for improvement. • Reviewed feedback from institutional Shareholders. • Regular meetings of the Non-Executive Directors without management being present.

Compliance

The Board endorses the main and supporting principles and the provisions set out in the UK Corporate Governance Code (2018) ("the Governance Code") and considers that, throughout the period under review, save for delaying its triennial externally facilitated board evaluation by one year as explained below, the Group has complied with the provisions recommended in the Governance Code.

Taken together with the reports of the Nomination Committee, Audit and Risk Committee, and the reports on remuneration and sustainability, this Statement explains how Oxford Instruments has applied the principles of good corporate governance as set out in the Governance Code.

Thomas Geitner and Steve Blair are standing down at the forthcoming AGM. Resolutions for the re-election of all other Directors will be put to Shareholders at the Company's forthcoming AGM. It has also been agreed that Alison Wood will succeed Steve Blair as Senior Independent Director. Once the resolutions have passed, this will continue to deliver a Board which meets the requirements of Principle G of the Governance Code.

Preservation of value

The basis on which the Group generates and preserves value over the longer term and the strategy for delivering the objectives of the Group are to be found in the Strategic Report.

Division of Responsibility

Board of Directors and management structure

Board of Directors

As at the date of this report, the Board comprises the Chair, five Non-Executive Directors and two Executive Directors. The Directors' biographies and details of length of service are shown on pages 76 and 77. All the Directors have written letters of appointment that have been approved by the Board and which are available for inspection at the Company's Annual General Meeting.

The Chair is responsible for leadership of the Board and for ensuring its effectiveness in all aspects of its role. The division of responsibilities between the role of the Chair and the Chief Executive has been agreed by the Board and documented in the Board Reference File.

The Board is responsible to Shareholders for good corporate governance, setting the Group's strategic objectives, values and standards, and ensuring the necessary resources are in place to achieve the objectives.

The Board has delegated Group responsibility for the management of health, safety and the environment to Ian Barkshire and he reports to the Board on these matters at each meeting.

Board members' length of service

Thomas Geitner	8 years
Richard Friend	6 years
Ian Barkshire	5 years
Mary Waldner	5 years
Gavin Hill	5 years
Steve Blair	4 years
Neil Carson	2 years
Alison Wood	1 year

Management Board

The Board delegates management of the business to the Chief Executive. To assist in this, the Chief Executive has created a Management Board that consists of the Executive Directors, senior managers with Group-wide functional responsibilities and the Managing Directors of the principal operating businesses.

The Management Board meets monthly, either in person or by video or telephone conference, and focuses on Group-wide performance, strategy and risk management.

Operation of the Board

The Board is responsible to Shareholders for delivering sustainable incremental shareholder value through entrepreneurial leadership within a framework of controls for managing risk. The Board sets the Group's strategy and maintains the policy and decision-making framework in which this strategy is implemented. Further, it verifies that the necessary financial and human resources are in place to meet strategic aims, monitors performance against key financial and non-financial indicators, oversees the system of risk management and sets values and standards in governance matters.

The details of the way the Board operates, including a schedule of matters reserved to the Board for decision, are set out in the Board Reference File, which also includes the documented policies and procedures and sets out the roles and delegated authorities applying to the Directors, the Board and the Board Committees. The Board Reference File is reviewed annually as part of the annual governance review undertaken by the Chair.

The Board retains control over strategy, investments and capital expenditure, and limits the decisions which can be taken by management in the areas of strategic and financial management and shareholder reporting. The Board also decides on the Group's capital structure, corporate actions, mergers and acquisitions, major contracts and other commitments, litigation and regulatory proceedings, remuneration and share incentive plans.

Where the Board delegates authority to management it is on a structured basis, which requires that proper management oversight exists at the appropriate level. Compliance with the delegation of authorities is monitored by the Group's internal audit function.

The Board meets on a regular basis, at least seven times a year, and otherwise as required. Board meetings are held at a number of Group and other locations during the year. The Board holds one meeting specifically to discuss the Company's strategic direction during the year.

Board meetings involve reviews of financial and business performance against the plan approved by the Board. Risk management review, both at Group level and also for each of the Group's businesses, is embedded in the reporting system. On a rotating basis, the Board receives presentations from the businesses and key functional areas, enabling it to explore specific issues in more detail. Matters requiring a decision by the Board are supported by a pre-circulated paper analysing all relevant aspects of the proposal and recommending a course of action.

Board papers are distributed in advance of the relevant meeting in sufficient time to allow the Directors to prepare for meetings. Minutes of Committee meetings are circulated to the relevant Directors. In the very few instances when a Director has not been able to attend Board or Committee meetings, his/her comments on the papers to be considered at the meeting are communicated in advance to the relevant Chair.

The Non-Executive Directors meet without the Executive Directors after most Board meetings, with the Chair leading these meetings. The Non-Executive Directors also meet annually without the Chair in attendance. The Senior Independent Director chairs these meetings.

The Company Secretary and the Company Secretary's office are responsible for implementing Board procedures and for advising the Board on corporate governance matters.

Division of Responsibility continued

Corporate Governance Report continued

Board balance and independence

The Governance Code requires the Board to be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that there is a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making. The Board is committed to promoting diversity and inclusiveness of all kinds, both on the Board and throughout the Group. The Board recognises that diversity, construed in its broadest sense and including gender, religious and ethnic diversity, social and economic backgrounds, age and cognitive and personal strengths, is an important factor in Board and, indeed, operational effectiveness.

The way in which the Board manages diversity within the Board is reported on more fully in the Nomination Committee Report on pages 85 and 86 and diversity is more generally reported on pages 51 and 52 in the Sustainability Report. The composition of the Board and the combination of diverse backgrounds and expertise of the Non-Executive Directors meet these principles.

Neil Carson, Chair, was appointed to the Board as Non-Executive Chair in December 2018. Neil has a proven track record of delivering growth as a leader of Johnson Matthey, a FTSE 100 science/R&D based company, where he worked for over 30 years, including from 2004 until his retirement in 2014 as Chief Executive, gaining experience of operations management, technical innovation and strategic planning; all skills which are highly complementary to the Company's needs. He has also worked across a wide range of industry sectors, having served as a Non-Executive Director to a number of UK listed companies, on a number of Government bodies and has worked with the Corporate Leaders Group on Climate Change. In June 2019, Neil was appointed as a Non-Executive Director of the Board and Chair of the Remuneration Committee of Royal Dutch Shell plc.

Neil is also Chair of the Nomination Committee and a member of the Remuneration Committee.

Steve Blair was appointed to the Board in July 2017. Prior to his appointment, he was Chief Executive of Teledyne e2v Limited (previously e2v technologies plc), a manufacturer of sensors, radio frequency generators and semiconductors and a listed company until its acquisition by Teledyne Technologies in March 2017. Previously he was Business Group Director for Spectris plc. He has broad operational experience and a breadth of experience covering established and high-growth emerging markets, strategic planning and portfolio development.

Steve is Senior Independent Director and also a member of the Audit and Risk, Remuneration and Nomination Committees.

Steve is standing down at this year's AGM.

Richard Friend was appointed to the Board as an independent Non-Executive Director in September 2014. Richard is a Fellow of the Royal Society and Fellow of the Royal Academy of Engineering. He is also Professor of Physics and a Fellow of St. John's College at the University of Cambridge and a Director of the Winton Programme for the Physics of Sustainability and of the Maxwell Centre. He was knighted for services to physics in the Queen's Birthday Honours List in 2003. He has also been directly involved in the commercialisation of technology through several spin-off companies from the University of Cambridge.

His research encompasses the physics, materials science and engineering of semiconductor devices made with carbon-based semiconductors, particularly polymers. His research advances have shown that these materials have significant applications in LEDs, solar cells, lasers, photovoltaics and electronics. Richard's knowledge and understanding of the science that underpins the Group's businesses and research and development programmes bring unique insights to the Board.

Richard is a member of the Audit and Risk, Remuneration and Nomination Committees.

Thomas Geitner was appointed to the Board as an independent Non-Executive Director in January 2013. He is a graduate of the Technische Universität München and holds an INSEAD MBA.

Thomas has extensive international experience in the technology and engineering sectors, having spent more than 30 years in businesses operating across the globe. Having worked in a number of global companies, he understands the importance of remuneration connecting with strategy to appropriately incentivise the executive team.

Thomas is a member of the Audit and Risk, Remuneration and Nomination Committees and was Chair of the Remuneration Committee until January 2021.

Having served on the Board for more than eight years, Thomas is standing down at this year's AGM.

Mary Waldner was appointed to the Board as an independent Non-Executive Director in February 2016. She is Chief Financial Officer at Lloyd's Register. She has a Masters degree in physics from Oxford University and is a Fellow of the Chartered Institute of Management Accountants.

Mary has a broad range of financial experience in high technology companies that operate internationally and has worked in a number of senior financial roles within major public limited companies, including as Group Finance Director of Ultra Electronics plc and Director, Group Finance, at QinetiQ Group plc. She is also a member of the remuneration committee of St Edmund Hall, University of Oxford.

The Board believes that Mary's background gives her the various insights needed to be a well-qualified Chair of the Audit and Risk Committee.

Mary is Chair of the Audit and Risk Committee and also a member of the Remuneration and Nomination Committees.

Alison Wood was appointed to the Board as an independent Non-Executive Director in September 2020. She holds a BA in Engineering, Economics and Management from the University of Oxford and an MBA from Harvard Business School.

Alison has wide experience in strategic planning, business development and M&A across a variety of sectors. She previously held various leadership roles in business development and strategy in BAE Systems plc and was Global Director of Strategy and Corporate Development at National Grid. Alison is a highly experienced Non-Executive Director and Remuneration Committee Chair. She is currently a Non-Executive Director and Remuneration Committee Chair of TT Electronics plc, Cairn Energy plc and British Standards Institute (non-listed), Senior Independent Director and Remuneration Committee Chair of Costain plc. She was previously a Non-Executive Director at e2V plc, Cobham plc, BTG plc and THUS plc.

Having sat on and chaired a number of remuneration committees at FTSE listed companies over a number of years, the Board believes that her skills, experience and knowledge make Alison well suited to chair the Remuneration Committee. Alison succeeded Thomas Geitner as Chair of the Remuneration Committee in January 2021 and she is also a member of the Audit and Risk and Nomination Committees.

Independence of Non-Executive Directors

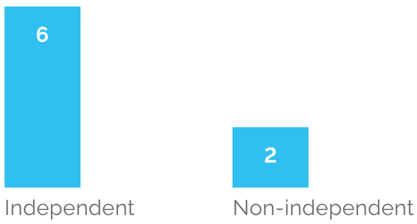
In the opinion of the Board, Steve Blair, Richard Friend, Thomas Geitner, Mary Waldner and Alison Wood are independent and Neil Carson, Chair of the Board, was independent on appointment.

The Board considers that they are each independent in character and judgement, provide constructive challenge and do not have relationships which are likely to affect their judgement. This opinion is based on current participation and performance on both the Board and Board Committees, including consideration of the length of service at Oxford Instruments plc.

Term of appointment of Non-Executive Directors

Each Non-Executive Director was appointed for an initial term of three years. In line with Provision 18 of the Governance Code, the Board has determined that all Directors of the Board are to be subject to annual re-election by Shareholders and, accordingly, the appropriate resolutions will be put to Shareholders at the Company's forthcoming AGM.

Composition of the Board



Composition, Succession and Evaluation

Corporate Governance Report continued

Board development and evaluation

Board development

On appointment, Directors undertake an induction process which is designed to develop knowledge and understanding of the Group's businesses through visits to various Group operating sites, discussion of relevant technology, as well as product demonstrations, briefings from management and familiarisation with investor perceptions of the Group. This induction is supported by briefing papers prepared by the Company Secretary.

The operating businesses' senior management teams and functional leaders present to the Board on a regular basis. Non-Executive Directors are encouraged to meet individual members of the senior management team and are invited to participate in relevant events. This they have done during the year under review.

Throughout the year, Non-Executive Directors attend Oxford Instruments events, exhibitions and award presentations.

The Company Secretary and her office act as advisers to the Board on matters concerning governance and ensure compliance with Board procedures. All Directors have access to this advice and a procedure also exists for Directors to take independent professional advice at the Group's expense. No such advice was sought during the year. The appointment and removal of the Company Secretary are matters for the Board as a whole.

Board evaluation

To comply with the provisions of Principle L of the Governance Code, the Board expects to carry out an externally facilitated review of Board effectiveness at least triennially. It underwent such an externally facilitated evaluation in 2018, in which ICSA Board Evaluation carried out a full evaluation of the performance of the Board of the Company and concluded that: the Board was performing well in all areas that were reviewed; the Board comprised a strong team of Executive and Non-Executive Directors; the Committees of the Board were effective; and the Board has adopted high governance standards throughout.

The Board was planning to have an externally facilitated Board effectiveness review this year. However, in light of the restrictions on meeting in person imposed by covid and wanting such a review to deliver good value, it was agreed to delay this review until later in 2021, once meetings in person become viable again.

This year, therefore, the Chair determined with the rest of the Board that the annual evaluation of the performance and effectiveness of the Board, its principal Committees and its Directors should be subject to an internal review. This exercise was under the control of the Chair, using detailed questionnaires completed by all Directors in relation to the key areas of Board accountability and the arrangements in place to enable effective focus on these areas. Topics covered included Group strategy, performance, delegation and accountability, success, development and reward, Board and Committee composition and Committee effectiveness, Board training, internal control and risk management. The output of the questionnaires was shared with all Directors. The Chair had one-to-one discussions with each Director at which they discussed individual performance and the operation of the Board and its Committees in some detail. Each Committee followed the same process and the Chair of each held similar meetings with members of their Committees.

The Senior Independent Director discussed with the Non-Executive Directors the effectiveness of the Chair of the Board. The process culminated in a round table discussion, chaired by the Chair, at which each Chair reported on his/her findings and led an open and frank discussion on the effectiveness of the operation of the Board and Committees. The Board came to a collective view around what worked well and where there were areas for improvement. The process as a whole allows the Chair, with the Board, to objectively evaluate the overall balance and effectiveness of the Board and its Committees.

The Chair noted that after every Board meeting the NEDs and Chair discuss both the effectiveness of the meeting and the key messages, which are then fed back to the Executive as necessary. This was considered to be the most impactful way of monitoring the effectiveness of the Board and Committees and leads to continuous improvement.

The Board concluded that it is well balanced, collegiate and challenging. It works well as a team with each member participative and able to say what they think with the range of people around the Board table allowing challenges to be looked at through different lenses. The Board is operating in an open and transparent way with good transparency from the Executive. All Board members feel able to express their opinions, creating an appropriate environment to take effective decisions and providing appropriate challenge and support to the Executive Directors. The Board noted that good progress has been made on the areas of attention identified as part of last year's effectiveness review. In summary, this year's evaluation found that the Board and each Committee was considered to be working well and meeting its legal obligations. In terms of possible areas of attention in the future, the Board evaluation process highlighted the following as areas for improvement:

- The restrictions imposed by covid severely limited the interactions between the Board and employees. However, as covid has expanded the use, and acceptance, of meeting virtually throughout the organisation, new opportunities are opening up for the Board to meet effectively with a more diverse range of employees at all its locations around the world. This will benefit both the Board and employees.
- Board meetings are run efficiently and effectively and often finish ahead of time. This provides an opportunity for wider ranging Board discussions at the end of meetings.
- The focus on strategy at each meeting was welcomed. There is benefit in "prodding and probing" to allow the strategic thinking within the Board to go in different directions. The Board has agreed that there will be an externally facilitated strategic review over the summer to think more broadly about its future direction.

The Chair of the Audit and Risk Committee confirmed that she had concluded that her Committee is operating effectively, meeting its legal and governance obligations and providing an appropriate focus on risk. The FRC letter, received in January, although requiring a change to the balance sheet disclosure of cash and overdrafts, had no impact on reported profit, earnings per share, net assets or cash flow. The change in auditor from KPMG to BDO was welcomed and the members of the Committee commented that the handover has gone well. The questionnaires and individual meetings put forward some helpful suggestions on how to further improve the effectiveness of the Committee:

- There has been good progress in the way the Committee and the Board look at risk and this continues to evolve. The Committee will continue to focus on the principal risks facing the business.
- The Group has effective processes in place for managing the cyber risk through the IT lens. There would be additional benefit from looking more widely at cyber risk and considering how this might be used to benefit the business more widely in terms of product and service development.

The Chair of the Nomination Committee reported that the consensus was that the Committee was operating well and had carried out its duties effectively. The process for appointing a new NED was appropriate and delivered a well-qualified director with strong remuneration credentials.

The Chair of the Remuneration Committee reported that no significant issues were identified in the questionnaires or one-to-one meetings and that the Committee was considered to be well run and effective. The quality and clarity of advice from the Committee's adviser helps the Committee steer its way through guidance and external expectations to develop appropriate remuneration packages. The key areas of focus during 2021/22 include factoring ESG measures into remuneration, keeping up with changes in the remuneration landscape and assuring that there is appropriate transparency around remuneration with the Executive Directors.

Overall, the Board concluded that it and its Committees had performed satisfactorily in the year under review.

To complete the internal Board evaluation, the Chair reviewed the performance of each Board member and has confirmed with the Nomination Committee that all Directors continue to perform effectively and demonstrate commitment to their roles. In May 2021, the Chief Executive was appraised by the Chair and the Non-Executive Directors, and the Group Finance Director was appraised by the Chair, the Non-Executive Directors and the Chief Executive. Led by the Senior Independent Director, the Non-Executive Directors carried out an evaluation of the Chair's performance and concluded that they were satisfied with the Chair's commitment, effectiveness and performance.

Attendance at meetings

Only the Committee Chair and members are entitled to be present at a meeting of the Audit and Risk, Nomination or Remuneration Committees, but others may attend by invitation. No Director votes on matters where he or she has a conflict of interest. Further details of the individual Committees' activities are described below and in the Committee reports.

The following table sets out the frequency of, and attendance at, Board and principal Board Committee meetings for the year to 31 March 2021:

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings held	8	4	6	2
Neil Carson	8	4[1]	6	2
Ian Barkshire	8	4[1]	3[1]	1[1]
Gavin Hill	7	4[1]	2[1]	1[1]
Steve Blair	8	4	6	2
Richard Friend	8	4	6	2
Thomas Geitner	8	4	6	2
Mary Waldner	8	4	6	2
Alison Wood[2]	3	2	2	1

1. Attended by invitation.
2. Alison Wood attended all meetings since her appointment on 8 September 2020.

Composition, Succession and Evaluation continued

Corporate Governance Report continued

Board Committees

The Board has formed the following Committees: Audit and Risk, Nomination, Remuneration, and Administration. The Board is establishing a sustainability committee.

Membership of Board Committees, which is set out on pages 76 and 77 and above, is determined by the Board and is reviewed regularly. The written terms of reference of the Board Committees are reviewed annually by each Committee and the Board and are available on the Company's website at **www.oxinst.com/investors** and from the Company on request. They will be available at the Annual General Meeting.

Detail on the operation of each of the Audit and Risk, Remuneration and Nomination Committees is to be found within the relevant Committees' reports.

Nomination Committee

The Nomination Committee comprises all the Non-Executive Directors and is chaired by the Chair of the Board. The Nomination Committee is responsible for leading the process in the formal selection and appointment of Directors and ensures plans are in place for an orderly succession of Board and senior management positions and oversees the development of a diverse pipeline for succession.

The report on the work of the Nomination Committee is on pages 85 to 87.

Remuneration Committee

The Remuneration Committee comprises all the independent Non-Executive Directors and the Chair of the Board. In January 2021, Alison Wood replaced Thomas Geitner as the Chair of the Committee. The Board considers that Alison, with her wealth of experience as a remuneration committee chair of other listed companies and her wide operational experience, has an appropriate blend of skills to make a successful Chair of the Remuneration Committee. The members of the Committee are appointed by the Board.

The Remuneration Committee has responsibility for determining the policy for the remuneration packages for Executive Directors and the bonus and share option strategy for the Group's executive management. Independent professional advice is sought when considered necessary. The Chair and the Executive Directors are responsible for fixing the remuneration of the Non-Executive Directors and the Remuneration Committee is responsible for fixing the remuneration of the Chair. No Director is involved in the process that sets his/her own remuneration.

The Chief Executive is invited to attend all or part of Remuneration Committee meetings as deemed appropriate, for example when consideration is being given to the performance of other Executive Directors and on significant Group-wide changes in salary structure and terms and conditions affecting other employees at senior executive level.

Full details of the operation and the work of the Remuneration Committee are included in the Directors' Remuneration Report set out on pages 97 to 119.

Audit and Risk Committee

The Audit and Risk Committee comprises all the independent Non-Executive Directors and its Chair is Mary Waldner. Other members of the Board, senior management and the external auditor are invited to attend all or part of any meetings. The Board has determined that Mary, with her background in financial management, is the designated financial expert and is a well qualified Audit Committee Chair.

The Audit and Risk Committee's main responsibilities are focused on financial reporting, external audit, internal audit, internal controls and risk management.

Full details of the operation and the work of the Audit and Risk Committee are included in the Audit and Risk Committee Report set out on pages 88 to 96.

Administration Committee

The Administration Committee consists of a minimum of two Directors and deals with items of a routine and administrative nature. At each of its meetings, the Board receives a summary outlining all matters decided by the Administration Committee since the previous Board meeting.

Annual General Meeting (AGM)

The AGM is an opportunity for the Board to meet Shareholders. At its AGM, the Group complies with the provisions of the Governance Code relating to the disclosure of proxy votes, the separation of resolutions and the attendance of Committee Chairs. The Group arranges for the Report and Financial Statements and related papers to be posted on its website and, where Shareholders have elected to receive paper copies, posted to Shareholders so as to allow at least 20 working days for consideration prior to the AGM.

The next AGM will be held on 21 September 2021.

Investor relations

The Group places considerable importance on regular communications with its Shareholders, with whom it has an ongoing programme of dialogue. All Shareholders are encouraged to participate in the AGM and are encouraged to raise questions in the period leading up to the AGM through the dedicated email address AGM@oxinst.com.

The Non-Executive Directors meet informally with Shareholders both before and after the AGM and respond to Shareholder queries and requests. The Chair and the Senior Independent Director make themselves available to meet Shareholders as required.

All Group announcements are posted on the Group website, **www.oxinst.com/investors**, as soon as they are released. The Investor Relations section of the website provides financial and other information on the Group and the website itself carries additional information on the Group's products, services and markets.

Nomination Committee Report

The Committee continues to focus on ensuring that the composition of the Board is appropriate for the delivery of the Group's strategy.

Neil Carson
Chair of the Nomination Committee

Key responsibilities

- The Committee is responsible for assisting the Board in the formal selection and appointment of Directors. It considers potential candidates and recommends appointments of new Directors to the Board.
- The Committee considers succession planning for the Board and the top level of senior management.
- Annual performance appraisal of the Chief Executive, Group Finance Director and Chair.
- Annual review of the Committee's terms of reference.

Attendance at meetings year ended 31 March 2021

	Nomination Committee	Date of appointment to Committee
Number of meetings held	2	
Number of meetings attended:		
Neil Carson (Chair)	2	1 December 2018
Steve Blair	2	1 July 2017
Richard Friend	2	1 September 2014
Thomas Geitner	2	15 January 2013
Mary Waldner	2	4 February 2016
Alison Wood	1/1	8 September 2020
Number of meetings in attendance:		
Ian Barkshire[1]	1[1]	
Gavin Hill[1]	1[1]	

1. Attended by invitation.

Dear Shareholder,

I am pleased to introduce the Nomination Committee Report for 2020/21. The Committee's key objective is to support the Board in fulfilling its responsibilities to ensure there is a formal, rigorous and transparent process for the appointment of new Directors to the Board and to ensure that effective succession planning processes are in place across the Group.

The Committee continues to focus on ensuring that the present and future composition of the Board is appropriate for the delivery of the Group's strategy and to maintain and, where applicable, broaden, the range of expertise, experience and diversity of those serving on the Board.

During the year, we recruited Alison Wood onto the Board as a Non-Executive Director with wide experience in strategic planning, business development and M&A across a variety of sectors. She is also an experienced remuneration committee chair and in January 2021 she succeeded Thomas Geitner as Chair of our Remuneration Committee.

Thomas is stepping down from the Board at the Annual General Meeting in September 2021. Steve Blair has also indicated that he too will not be standing for re-election. We have agreed that Alison Wood will be appointed Senior Independent Director when Steve leaves the Board. As part of the last annual Board effectiveness review, we identified that the Board would benefit from recruiting a Non-Executive Director who had experience in one of a number of areas relevant to our strategic direction. We have started a search for such an individual and have retained Russell Reynolds to help us in this task.

Nomination Committee Report continued

Members of the Committee are pleased to see the strength of the leadership teams in place across the Group and the breadth of skills that they now offer. Succession planning and processes that encourage both the onboarding of new talent and further development of the careers and capabilities of employees across all businesses and functions have continued during the year. During the year, we have seen management maintain its focus on building an organisation with a broad range of perspectives and experiences. There continues to be momentum in developing the pipeline of talent and capabilities throughout the Group that we will need to be successful into the future.

The Committee will continue to work to ensure all relevant requirements in the UK Corporate Governance Code 2018 (the "Governance Code") are met.

Our objective is to ensure that we have a high capability, diverse workforce that enables us to better understand our customers and markets. Building an organisation with a broad range of perspectives and experiences increases our ability to innovate, to make the right decisions and to exceed our customers' expectations. In order to retain, attract and enable the best people to perform, we work hard to create an inclusive environment and culture, where difference is valued and everyone can contribute to their full potential.

Neil Carson

Chair of the Nomination Committee

7 June 2021

The Nomination Committee comprises all the Non-Executive Directors, under the chairmanship of the Chair of the Board.

The composition of the Committee is therefore compliant with Provision 17 of the Governance Code. Full details of the Committee's responsibilities are set out in its terms of reference, which can be found on our website at **www.oxinst.com/investors-content/advisers-and-company-secretary**, and include all matters required by the Governance Code.

The main responsibilities of the Committee are summarised below:

- the Committee is responsible for assisting the Board in the formal selection and appointment of Directors. It considers potential candidates and recommends appointments of new Directors to the Board:
  - there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, the prime responsibility for which is delegated to the Committee;
  - the purpose of the Committee's selection process is to identify the most suitably qualified candidates who will complement and balance the current skills, knowledge and experience of the Board:
    - recommendations for appointments seek to strengthen the Board by selecting the best candidate based on merit and against objective criteria, including time available and the commitment that will be required of the potential Director;
    - each appointment process begins with an evaluation of the balance of skills, knowledge, experience and diversity existing on the Board that is drawn up through a series of meetings between the Committee Chair and Directors;
    - the Board recognises that diversity, construed in its broadest sense and including gender, religious and ethnic diversity, age, personality and background, is an important factor in Board and operational effectiveness;
    - in drawing up long and shortlists of potential candidates, the Committee considers not only relevant skills, experience and knowledge but also diversity; and
    - the Committee actively considers diversity, in all its forms, before making a recommendation to appoint to the Board;
  - the Committee takes external advice when considered appropriate and will only engage executive search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice;
- the Committee considers succession planning for the Board and the top level of senior management;
- annual performance appraisal of the Chief Executive;
- annual effectiveness review of the Committee; and
- annual review of the Committee's terms of reference.

Principal activities of the Committee during the year

Succession planning

The Committee followed up on its 2019/20 annual review of the succession plan for the Board which determined that an additional Non-Executive Director was needed and a process to recruit and subsequently appoint such a Director was carried out. It was recognised that Thomas Geitner, who was first appointed in 2013, was likely to be standing down at the 2021 Annual General Meeting and thus it would be necessary for his successor as Chair of the Remuneration Committee to be identified. This was effected during the year.

The Committee, following its annual review of the balance of skills on the Board and those needed for the future, lengths of tenure and diversity agreed that it would be beneficial to recruit an additional Non-Executive Director, preferably with experience in sustainability and ESG.

The Group HR Director and the Chief Executive presented the work that had been carried out within the business on succession planning, talent management, and leadership, including at Management Board and Executive Director level.

Constitution of the Board

In the first part of the year, the Committee undertook a search for, and appointed, Alison Wood as a Non-Executive Director of the Board.

- The Committee set up a process to identify potential candidates and develop a shortlist for consideration by the Board.
  - The Committee established a sub-committee comprising the Chair, CEO and Group HR Director.
  - The sub-committee's work comprised:
    - establishing a clear specification of requirement and drawing up a description of the role and desired capabilities for candidates;
    - taking external advice on market conditions and expectations;
    - considering diversity, including gender, religion, ethnicity, age, personality and background, reviewing a longlist of potential candidates, whittling it down to a shortlist, undertaking interviews as appropriate;
    - drawing up a shortlist of candidates for discussion with the Committee; and
    - all members of the sub-committee met with the preferred candidates.
  - All members of the Committee met with, in person or by video conference, the final choice of candidate.
  - Appropriate references were taken up for the final shortlisted candidates.
  - The Committee convened a meeting where it considered each Director's feedback and agreed its recommended candidate.
- The Board convened a meeting at which the Committee's recommended candidate was considered and approval was given to appoint the preferred candidate.
- Following successful completion of the search, on 8 June 2020, the Company announced that Alison Wood was to be appointed a Non-Executive Director with effect from 8 September 2020.
- The resolution put to Shareholders at the Annual General Meeting in September 2020 confirming the appointment passed with 93% of votes cast.

Towards the end of the year, the Committee agreed to undertake a search for a further Non-Executive Director to join the Board. The Committee identified the skills and experience that the new appointment could usefully bring to the Board. The process to be followed is similar to that described above and will be reported on in next year's report.

Thomas Geitner, who was appointed in January 2013, has agreed that given the length of his tenure, he will stand down at the forthcoming Annual General Meeting. Steve Blair has also advised the Chair of the Committee that he will not be putting himself forward for re-election.

The Committee, taking into account both the performance and value that each Director brings to the Board, has considered whether each of the Non-Executive and Executive Director appointments should be renewed for a further year and, accordingly, a resolution to re-appoint the rest of the Board will be put to Shareholders at the Company's forthcoming Annual General Meeting.

Performance review of Executive Directors

The members of the Committee also carried out their annual review of the performance of:

- the Chief Executive;
- with the help of the Chief Executive, the Group Finance Director; and
- excluding the Chair, reviewed the performance of the Chair.

Other

Annual review of the performance of the Nomination Committee and of its terms of reference.

Audit, Risk and Internal Control

Introduction

Risk management

Within the Group there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that is embedded in all business units. Day-to-day management of this process has been delegated by the Board to the Executive Directors. Details of the process are set out in the Audit and Risk Committee Report on page 96. This process has been in place throughout the financial year and up to the date of approval of the Report and Financial Statements. It is regularly reviewed by the Board of Directors and accords with the principles of the Governance Code.

The Board has carried out a robust assessment of the principal risks facing the Group, including those which threaten its business model, future performance, solvency and liquidity. Details of all major risks identified, and the mitigating actions adopted, are reported to and reviewed by the Board and the Audit and Risk Committee on at least a quarterly basis. The principal risks set out on pages 66 to 70 provide an overview of the major risks and uncertainties faced by the Group. All operating businesses follow a standard process for risk identification and reporting. The process is further described on page 96. On a regular basis, each business reviews and updates its risk register which is then reported to the Chief Executive. If a material risk changes or arises, the Managing Director of the business reports this to the Chief Executive, at which time there is a discussion on the adequacy of the mitigating actions taken. In addition, the Board and the Audit and Risk Committee consider risks to the Group's strategic objectives which arise at a Group level and develop appropriate actions to manage and mitigate these risks where possible.

Internal audit and assurance

The Group's internal audit function assesses the adequacy and effectiveness of the management of significant risk areas and provides oversight of operational management's front line and assurance activities. Further details of the scope of internal audit activities are set out in the Audit and Risk Committee Report on pages 95 and 96.

Internal control

The Board has accountability for reviewing and approving the adequacy and effectiveness of internal controls operated by the Group. This covers financial, operational and compliance controls and risk management. The management of each business is responsible for risk management and control within their business and, through the Management Board, implementing Board policies on risk and control.

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

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

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

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

- there is a formal schedule of matters reserved to the Board for decision; other than these matters, the Board delegates to the Chief Executive and reviews the delegation of authorities throughout the management structure;
- the Group's management structure is headed up by the Management Board. Its membership comprises the Executive Directors, senior managers with Group-wide functional responsibilities and the heads of the principal businesses of the Group's activities. Day-to-day responsibility for the management of the Group is delegated to the Management Board. The responsibility is based on the identification of separate businesses for each of the Group's activities for which there are clearly defined lines of management responsibilities at all levels up to and including the Group Board and the Group's accounting and reporting functions reflect this organisation;
- financial executives within Group businesses report to their own operational head but there is also a well-established and acknowledged functional reporting relationship through to the Group Finance Director;

- the Board reviews strategic issues and options formally once a year during the annual strategic planning process and during the year as appropriate. In addition, the Executive Directors maintain a five-year planning model of the Group and its individual businesses;
- annual budgets are prepared for each of the Group's businesses which include monthly figures for turnover, profit, capital expenditure, cash flow and borrowings. The budgets are reviewed through the Group management structure and result in a Group financial budget which is considered and approved by the Board;
- the businesses prepare monthly management accounts which compare the actual operating result with both the budget and the prior year. The businesses also prepare rolling reforecasts for orders, turnover, operating profit and cash. Both are reviewed by the Board at each of its scheduled meetings;
- the Board approves all acquisition and divestment proposals and there are established procedures for the planning, approval and monitoring of capital expenditure;
- for all major investments, the performance of at least the first twelve months against the original proposal is reviewed by the Board;
- an internal audit is carried out through a system of regular reviews of the financial and non-financial internal controls at each site. This is further reported on in the Audit and Risk Committee Report on pages 90 to 96. These reviews are co-ordinated by the Group Risk, Assurance & International Trade Compliance Manager;
- the Board receives regular updates on pensions, sustainability, business ethics and health and safety and the Audit and Risk Committee receives regular updates on treasury, tax, insurance and litigation;
- authorisation limits are set at appropriate levels throughout the Group; compliance with these limits is monitored by the Group Finance Director and the Group Risk, Assurance & International Trade Compliance Manager;
- there is a detailed and risk-based delegation of authority structure in place for sales contracts and managing commercial risks. Contracts with onerous terms and conditions (such as unlimited liability contracts) require approval by either the Chief Executive or Group Finance Director;
- the International Trade Committee monitors, considers action and makes recommendations around the management of key risks relating to international trade, including sanctions, export controls and tariffs; and
- with respect to the UK pension scheme, the Group nominates half of the trustee directors of the corporate trustee to the pension scheme, involves as appropriate its own independent actuary to review actuarial assumptions, agrees the investment policy with the trustee, works with the trustee on its investment sub-committee to deal with day-to-day investment matters, ensures there is an independent actuarial valuation every three years and agrees funding levels to provide adequate funding to meet the benefit payments to the members as they fall due.

Susan Johnson-Brett
Company Secretary

7 June 2021

Audit, Risk and Internal Control continued

Audit and Risk Committee Report

The Committee continues to review and adapt its activities to consider the most significant risks faced by the Group while retaining its core focus on corporate governance.

Mary Waldner
Chair of the Audit and Risk Committee

Key responsibilities

- Financial reporting.
- External audit.
- Internal controls and risk management.
- Internal audit.
- Business malpractice reporting.

Attendance at meetings year ended 31 March 2021

	Audit and Risk Committee	Date of appointment to Committee
Number of meetings held	4	
Number of meetings attended:		
Mary Waldner (Chair)	4	4 February 2016
Steve Blair	4	1 July 2017
Richard Friend	4	1 September 2014
Thomas Geitner	4	15 January 2013
Alison Wood	2	8 September 2020
Number of meetings in attendance:		
Neil Carson	4[1]	
Ian Barkshire	4[1]	
Gavin Hill	4[1]	

1. Attended by invitation.

Dear Shareholder,

It goes without saying that the last twelve months have generated many challenges for business and society across the globe and Oxford Instruments has not been immune to the effects of the pandemic. I write this in the context of the UK emerging from its second national lockdown and the Group's management and operations continuing to adapt to the changing paradigm. The pandemic has impacted the ways of working across all functions and a key future challenge lies in the Group finding and adopting the most effective solutions to continue its innovation journey.

Looking back on the past year, and the potential challenges anticipated as a result of covid, I take encouragement from the Group's response to the pandemic and its overall resilience and financial performance. In the immediate aftermath of the pandemic, faced with significant uncertainty over the potential impacts of covid, the Group took prudent actions to preserve liquidity and maintain operations in a covid secure manner. By the half year, with positive operating cash flow and a strong balance sheet, it was apparent that the Group was well placed to manage the challenges presented by the pandemic and, as a result, it repaid in full the furlough funding that had been received from the UK Government.

While this is testimony to the resilience of the Group, the Audit and Risk Committee remains vigilant and continues to fulfil its remit in corporate governance and to seek assurance over the identification and management of the key risks that are faced by Oxford Instruments.

The Group's risk and assurance function has continued to adapt its focus to the areas of greatest risk. The key area of international trade compliance was formally adopted into the remit of Group risk and assurance and an internal compliance programme around customs and export controls was developed during 2020/21 to be rolled out in 2021/22. Further, following a review of key risk areas in 2020/21, assurance will collaborate with the Group Head of Quality to oversee a product compliance review to be delivered in the current financial year.

The scope of the Committee's remit and oversight is broadly the same as in the prior year although, as set out on page 66, it has driven changes to the risk reporting process. The core elements of corporate governance have been fulfilled with reviews on the effectiveness of external and internal audit and the monitoring of non-audit services. Further, at the half year and year end the Committee assessed the impact of significant accounting estimates and judgements on the Financial Statements and considered whether, in their entirety, they are fair, balanced and understandable.

In early 2021, the Financial Reporting Council (FRC) submitted a request for further information on the Group's Report and Financial Statements for the year ended 31 March 2020. The Group responded fully to the matters raised in the correspondence and has restated the relevant sections of this year's accounts to reflect this. The restatement impacted the balance sheet reported in the 2020 Report and Financial Statements as detailed in the Accounting Policies Note. The FRC's enquiry did not result in any changes to reported profit, earnings per share, net assets, or the cash flows reported in the 2020 financial year. The Chair of the Audit and Risk Committee has been involved in reviewing the Group's response to the points raised and is satisfied that the matters have been addressed effectively, with additional or amended disclosure adopted in this year's Annual Report and Accounts.

Largely as a result of the travel restrictions arising from the pandemic, risk and assurance plans were modified to address matters that could be performed remotely. Further, the forensic accounting experience within Group risk and assurance was put to effective use in responding to a completion accounts dispute related to the disposal of the OI Healthcare business in February 2021 which was successfully resolved. This limited the assurance activity performed in the first half of 2020/21.

The Audit and Risk Committee retained its focus on key non-financial audit topics including new product innovation, IT and cyber-security, human resources and health and safety. Despite the impact of covid, internal audits on key risk areas have continued. Assurance work relating to revenue recognition, sales process compliance and the implementation of CSI at the NanoAnalysis business unit were delivered in the second half of the year. Group risk and assurance has also played an active role, collaborating with colleagues in Group Finance and Group Business Systems, to perform a review of post Brexit trade between the UK and the EU.

Risk reporting has continued to evolve over the year with greater focus on significant changes in risks or new risk areas. The quarterly Group risk register provides the foundations for risk management review, and this is complemented by the provision of more detailed commentary on both key and emerging risks. From the start of 2021/22 the areas of focus will be grouped by theme, to provide a clearer view of how similar risks are being managed across the business units. Risk management also piloted a sustainability risk review with the NanoScience business unit and plans to roll this out further in 2021/22.

Looking to the year ahead, the internal audit programme for 2021/22 includes assurance over key financial controls (focused on two regional offices and one operating business unit in the US) but is focused primarily on other key risk areas such as international trade compliance, the ongoing implementation of CSI and oversight of product-related compliance work. The Audit and Risk Committee, together with Group management, will continue to monitor the risk environment and will adapt and refocus assurance activities if required.

The principal areas of focus for the Committee over the last financial year are summarised below:

- review of the Financial Statements, the key accounting judgements used to compile them and an assessment as to whether, taken as a whole, they are fair, balanced and understandable;
- review of the Group's viability statement together with the methodology used and associated calculations;
- review of the statement issued at the AGM and the statements issued at the half year and year end;
- review and discussion of the Group's risk register and supporting commentary at each of its meetings;
- a recurring annual review of treasury and tax matters;
- a biannual litigation review of significant areas of ongoing litigation and potential litigation risks;
- assessment of internal audit's effectiveness;
- review of external audit's effectiveness;
- review of cyber-security risks and controls;
- further development of the international trade compliance programme; and
- the implementation of CSI at NanoAnalysis.

The remainder of the Audit and Risk Committee Report is set out in the following sections:

- composition and terms of reference;
- role and responsibilities;
- summary of activities during the year;
- significant matters relating to the Financial Statements;
- external auditor and auditor independence;
- internal audit, internal control and risk management; and
- whistle-blowing.

As in previous years, I am planning to attend the AGM in September. In the meantime, if you have any questions or comments I would be delighted to hear from you.

Mary Waldner
Audit and Risk Committee Chair

7 June 2021

Audit, Risk and Internal Control continued

Audit and Risk Committee Report continued

Composition and terms of reference

The Audit and Risk Committee was strengthened by the appointment of Alison Wood in September 2020. Four of the five members of the Audit and Risk Committee have served throughout the year. Mary Waldner continues in the role of Chair. The other members are Richard Friend, Thomas Geitner, Steve Blair and Alison Wood, who was formally appointed at the AGM in September 2020.

Guidance from the FRC relating to the composition of an audit committee requires that at least one of its members has recent and relevant financial experience. Mary Waldner, the Committee's Chair, is the Chief Financial Officer of Lloyd's Register and previously held senior roles in finance at a number of listed companies. On this basis, the Board considers that this FRC requirement is fulfilled. All members of the Audit and Risk Committee are considered to be independent and they bring both corporate and academic experience in the science and technology sectors to provide appropriate challenge and insight to bear.

The Audit and Risk Committee reviews the Group risk register at each meeting and uses it, along with other reports from management, the external auditors and subject matter experts, to assess the actions taken by the Group to identify and address the key risk areas that it faces. It has regular meetings with the external auditors to discuss audit-related matters and can do so without the Executive Directors in attendance.

Role and responsibilities

The Committee's responsibilities are set out in its terms of reference. These can be found on our website at **www.oxinst.com/investors-content/advisers-and-company-secretary**. These are subject to periodic review by the Committee and, if it considers that any changes are required, it recommends amendments to the Board. The Committee's principal responsibilities are as follows:

Financial reporting

- The Committee reviews the Financial Statements and the results announcements at the half year and full year. It also advises the Board whether it considers that the Report and Financial Statements, taken as a whole, are fair, balanced and understandable. The Committee also considers whether the information and disclosures in the Financial Statements are sufficient to enable Shareholders to assess the Group's strategy, performance, business model and risks.
- The review includes consideration of matters that require significant financial reporting judgement, accounting policies and compliance with accounting standards. Comments from the Chair of the Committee on significant financial reporting judgement are set out on pages 94 and 95. The Committee's review also assesses whether all material matters have been treated appropriately.
- The Committee also monitors compliance with relevant statutory and listing requirements.

External audit

- The Committee maintains oversight of the external audit relationship. This includes making recommendations to the Board regarding the appointment of the external auditor.
- There are regular meetings with BDO to discuss key matters such as audit planning, audit risk areas and reporting.
- The Committee reviews and approves the annual audit plan, reviews audit findings and is responsible for evaluating the effectiveness of the external audit process.
- It also monitors and assesses the external auditor's independence and objectivity, is responsible for the Group's non-audit services policy and reviews the level of non-audit services provided.
- At both the half year and year end the Committee reviews the key external audit findings and considers whether any adjustments to the Financial Statements are required as a result.

Internal controls and risk management

- Monitors the adequacy and effectiveness of the internal control environment.
- Performs a review of risk management processes and reviews the Group risk register and associated reports on a quarterly basis.

Internal audit

- Undertakes an annual assessment of the effectiveness of the internal audit function.
- Approves the annual internal audit programme, reviews all risk and assurance reports.

Compliance, fraud and whistle-blowing

- Monitors compliance with the UK Corporate Governance Code.
- Reviews the Group's procedures and controls relating to the prevention and detection of fraud.
- Reviews the adequacy of the Group's whistle-blowing procedures and a summary report of the outcome into the investigation of any whistle-blowing reports received.

Reporting

- Reports on the Committee's activities, in accordance with the UK Corporate Governance Code.
- Reports to the Board on any matter it considers requires action or improvement.
- Provides advice to the Board on Directors' responsibilities relating to the Financial Statements.

Activities of the Committee during the financial year ended 31 March 2021

The Committee continues to oversee a range of risk areas that are key to the Group's long-term success or compliance with relevant regulations. In addition to its core remit regarding financial controls, the Committee also reviews assurance activities relating to key non-financial areas such as new product innovation, IT and cyber-security, people and health and safety. Further, the Committee receives ad hoc reports on non-recurring areas of risk and regular reports on recurring matters such as treasury and tax, litigation and intellectual property disputes. Findings from Group financial internal audit reports are reported at every meeting, in addition to findings from the recurring health and safety audits. As the risk environment evolves, the Committee will continue to review its areas of focus so that its activities address the areas of greatest importance.

The majority of the Committee's work derives from a structured programme that is designed to fulfil its responsibilities as set out in the terms of reference. The table below summarises the key activities at each meeting since last year's Report and Financial Statements:

Agenda item	Sep 2020	Nov 2020	Jan 2021	Jun 2021
Review draft Financial Statements, appropriateness of accounting policies and going concern assumption (reports from management and external auditors)		●		●
Review and recommend for approval the half-year and year-end announcements, interim management and AGM statements and the Report and Financial Statements		●		●
Review of significant financial reporting issues and judgements		●		●
Review viability statement				●
Assess the effectiveness of the external audit process	●			
Review the year-end external audit plan			●	
Consider the independence and objectivity of the external auditor			●	
Review internal management representation letters				●
Review and agree the internal audit plan			●	
Review the output of financial and non-financial internal audit work	●	●	●	
Review the effectiveness of the Audit and Risk Committee				●
Discussion with external auditors without Executive Directors present	●	●	●	
Review of cyber-security	●		●	
Review litigation register		●		●
Evaluate the effectiveness of the internal audit function			●	
Review the internal control framework				●
Review the risk management processes				●
Review the Group risk register and supporting commentary	●	●	●	●
Review of whistle-blowing arrangements			●	
Review systems and controls for detecting fraud and the prevention of bribery and corruption				●
Annual review of insurance		●		
Annual review and approval of policy relating to non-audit services			●	
Annual review of tax arrangements			●	
Annual review of treasury arrangements			●	

The UK Corporate Governance Code (2018) requires the Directors to prepare the Report and Financial Statements and to state that they consider them, taken as a whole, to be fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group's position and performance, business model and strategy. The Board requested that the Committee advise it as to whether the Report and Financial Statements meets those requirements. This work formed part of the review of the draft Financial Statements that was undertaken by the Committee in May and June 2021.

Audit, Risk and Internal Control continued

Audit and Risk Committee Report continued

Significant matters relating to the Financial Statements

The Committee performs a review of significant matters that relate to the Financial Statements. The matters that the Committee considers are significant in respect of the 2021 Financial Statements are set out below:

Revenue recognition

Revenue is recognised in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue is recognised using principles-based criteria and the trigger point for recognition is fulfilment of the performance conditions in the contract with the customer. The Group applies prescriptive rules relating to revenue recognition that are appropriate to both products and services. As a result of the adoption of IFRS 15, revenue recognition is less subjective than in the past, although revenue cut-off remains an area of audit focus. The Committee has received no reports of any significant error in revenue recognition.

UK defined benefit pension scheme

Under IAS 19, the Group is required to recognise in the balance sheet any difference between the net present value of the pension scheme's liabilities and the fair value of its assets as at 31 March 2021 as either a pension scheme asset or deficit.

The Group is required to appoint an external actuary to advise on suitable assumptions to be used to calculate the net present value of the scheme's liabilities at the half year and year end. Aon Hewitt, the pension scheme's actuary, has been retained to perform biannual valuations to satisfy this requirement.

Aon Hewitt recommended assumptions on a consistent basis with those adopted at the previous year end. The net present value of the scheme's liabilities increased during the year, largely as a result of remeasurement losses. River and Mercantile (the scheme's investment manager) provided a valuation of the scheme assets in accordance with market practice for the valuation of investment assets. The methodology used for valuations has not changed.

As disclosed in Note 25 to the Financial Statements, the actuarial surplus for the UK scheme has reduced from £30.7m in the prior year to £16.3m at 31 March 2021. This was largely due to the remeasurement losses on the value of the scheme's liabilities which were partially offset by increases to the asset valuation and additional contributions of £8.1m above those recommended by the trustee.

Product quality related provisions

During the year, a quality issue was identified with a component that is incorporated into a customer's system. The underlying cause is currently being investigated. At the year end, the affected business unit recognised a provision of £1.9m in respect of the potential costs to remediate this issue. The Committee has reviewed management's calculations in support of this provision and the external auditor's report on the matter. While it is likely that the ultimate outcome will differ from the amount provided, the Committee is satisfied that the Group has adopted an appropriate and prudent approach in this matter.

Provisions for intellectual property claims

The Group faces potential exposure to third-party claims in relation to alleged intellectual property infringement.
The Audit and Risk Committee obtains management reports and analysis on potential claims twice a year. The Committee has reviewed the information and explanations provided by management relating to the provisions for intellectual property claims that have been recognised in the Financial Statements. This also covers claims for which no provision has been recognised. The external auditor has also reported on intellectual property provisions. As at 31 March 2021, the value of the provisions recognised in the Financial Statements is not material but, nonetheless, it remains an area of significant accounting judgement and estimation. The Committee has verified that the approach and calculations performed to estimate the level of provisions required is reasonable and is consistent with the prior year. It should be noted that the outcome of each specific case is likely to vary from the amount provided but the Committee has concluded that no adjustments to the provisions are required.

Adjusted profit and EPS

The Group applies adjustments to the statutory definition of profit and EPS to present adjusted profitability and earnings, as the Board considers that they present a clearer picture of the financial performance of the Group. These adjustments are set out at Note 1 to the Financial Statements. For the year ended 31 March 2021, the aggregate sum of the adjustments to operating profit was £3.7m. At £8.4m, the amortisation charge relating to capitalised intangible assets was the most significant in value terms. The Group also recognised additional charges against the carrying value of capitalised development costs of £1.3m as a result of the annual impairment review.

The Group also incurred transaction costs of £0.4m related to a potential acquisition. The Group recognised gains of £6.4m arising from the mark-to-market impact of currency hedging contracts. The Committee has reviewed Group reports setting out the nature of the adjustments and the methodologies used to calculate them and as a result concluded that adjustments have been applied consistently. Further, the Committee is satisfied with disclosure of these adjusting items in the 2021 Financial Statements.

Misstatements

Group management reported to the Committee that they were not aware of any material misstatements or immaterial misstatements that had been made with the intent of achieving a particular presentation in the Financial Statements. The Committee also reviewed the report from BDO relating to unadjusted audit differences and these were discussed during the Audit and Risk Committee meeting in June 2021. Following this review process, the Committee concluded that no adjustment to the Financial Statements was necessary as the unadjusted audit differences were not material. The Committee also concluded that the external auditor had fulfilled its duties with diligence and with a suitable level of professional scepticism.

Based on the Committee's review of management reports and information and explanations provided by BDO, it was satisfied that key estimates and critical judgements required in the preparation of the Financial Statements had been appropriately addressed with regard to both the information disclosed and also in value terms. The Committee also concluded that there had been suitable scrutiny of the key assumptions used to determine the value of assets and liabilities reported in the Financial Statements and that these had been subject to appropriate challenge.

External auditor

The Committee monitors the performance, objectivity and independence of the external auditor and makes recommendations for its appointment or re-appointment. Following the call for tender process in the year ended 31 March 2020, BDO was selected to replace KPMG as external auditor with effect from the 31 March 2021 year end. As a result, the Committee confirms that the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 have been complied with. The Committee also bears the responsibility for approval of the external auditor's fees.

The Audit and Risk Committee received BDO's presentation on its audit strategy and planning memorandum at its January 2021 meeting. The audit strategy and planning memorandum set out the proposed audit methodology, scope and planned materiality for its audit of the Financial Statements for the year ended 31 March 2021. It also identified the principal areas of audit risk and the planned approach for addressing them. The audit strategy was informed in part through meetings with various stakeholders such as the Chair of the Audit and Risk Committee, the Chair of the Board and the Group Finance Director. Following its review and discussion, the Committee approved the audit strategy and planning memorandum that was presented by BDO.

The Committee maintains responsibility for assessing the effectiveness of the external audit process. This assessment includes reports from the external auditor at both the half year and year end and feedback from key members of the Group's finance team. The Committee's evaluation of external audit's effectiveness for the year ended 31 March 2021 is scheduled to take place in September 2021.

Auditor independence

The Committee obtains confirmation of any relationships between the Group and the external auditor that may have a bearing on its independence as part of its work to evaluate the external auditor's independence. It also receives confirmation from the external auditor that it considers itself to be independent.

The Committee oversees a strict policy that governs the provision of non-audit services by the external auditor. This policy is reviewed annually and sets out a list of prohibited services and a series of authority levels for permitted services. All non-audit related engagements require formal approval by the Committee. Note 4 (page 149) to the Financial Statements sets out the value of audit fees for the year, together with fees for non-audit services. In the year ended 31 March 2021, audit fees paid to BDO were £549,000 and non-audit fees were £50,000 This represents a non-audit to audit fee ratio of 0.09:1.

Internal audit and internal control

Internal audit provides assurance over the effectiveness of internal controls. The annual assurance programme is approved by the Audit and Risk Committee and it includes audits that address the effectiveness of internal financial controls. These audits are performed on a rotational basis across operational business units and the principal regional offices. To complement the core audits on financial controls, the programme includes risk-based audit areas which are agreed with the Executive Directors and the Committee.

Audit, Risk and Internal Control continued

Audit and Risk Committee Report continued

Internal audit and internal control continued

CSI implementation will continue in 2021/22 and a post-implementation at one business unit is included in the programme. Other areas of focus include international trade compliance audits and oversight of product-related compliance. The internal audit plan for 2021/22 was approved by the Committee at its meeting in January 2021.

The Head of Risk and Assurance can report directly to the Chair of the Audit and Risk Committee and they hold regular discussions to discuss key areas of risk and findings from audit work. The external auditor is provided with all internal audit reports once issued.

The Committee undertakes an annual assessment of the effectiveness of the internal control environment. This is informed by reports from a variety of sources, including both internal and external audit reports. Further, the Committee has discussions with the Head of Internal Audit at each meeting. The Committee reviewed the system of internal financial control on behalf of the Board and concluded that the Group has met the required standards both for the year ended 31 March 2021 and up to the date of approval of this Report and Financial Statements. The Committee received no reports in the year about concerns of possible improprieties in matters of financial reporting.

Risk management

Key risk management activities performed by the Group are summarised on page 66. In addition to reviewing Group risk reports at each of its meetings, the Committee has directed Group risk and assurance to adapt its risk reporting to provide greater focus on key risk areas across the Group. The reporting of risks in the Report and Financial Statements has also been enhanced, to provide a heat map of the principal risks and uncertainties. This is set out on page 66, preceding the principal risks and uncertainties which are disclosed on pages 67 to 70. The potential impact of covid continues to be disclosed as a key uncertainty. The Committee will continue to review risk reporting and risk management activities during the year ahead. This will include additional focus on sustainability risks and other areas of emerging risks.

Whistle-blowing

Employees can report concerns of non-compliance, ethical issues or malpractice via a confidential reporting route that is delivered by a third-party provider. Reports can be made anonymously if required and are covered by the Group's whistle-blowing policy which provides for protected disclosure. The Group recognises the importance of other reporting channels such as via line management and HR. Further, a reporting route to the Senior Independent Director is also available. Employees are informed of the reporting channels through the Code of Business Conduct and Ethics. Irrespective of the reporting channel used, the Group operates a formal protocol for the independent investigation of reports which is overseen by the Group HR Director and Group Compliance.

The Committee performs an annual review of its whistle-blowing policy and receives a summary report into the outcome of investigations during the year. It also receives a report from management on its activities in this area. The latest report and review took place in January 2021 and all matters raised in the year to date had been resolved. There were no significant matters arising.

Summary

The Committee concludes that, on the basis of its activities throughout the year, it has acted in accordance with its terms of reference and fulfilled its responsibilities. I will be available at the AGM in September to answer any questions.

Mary Waldner
Audit and Risk Committee Chair

7 June 2021

Remuneration

Directors' Remuneration Report

We operated the policy carefully in 2020/21 and have ensured that the remuneration outcome for executives is aligned to the experience of Shareholders, employees and wider stakeholders.

Alison Wood
Chair of the Remuneration Committee

Key responsibilities

- Determining the Remuneration Policy for the Executive Directors and senior management.
- Determining the total executive remuneration packages.
- Designing effective performance-related incentive plans aligned to the business strategy and the wider workforce.
- Reviewing the Group's Remuneration Policy periodically.
- Determining the policy for pension arrangements, service agreements, recruitment terms and termination payments.

Attendance at meetings year ended 31 March 2021

	Remuneration Committee	Date of appointment to Committee
Number of meetings held	6	
Number of meetings attended:		
Thomas Geitner, Chair (to 26 January 2021)	6	15 January 2013
Alison Wood, Chair (from 26 January 2021)[2,3]	3/3	8 September 2020
Neil Carson	6	1 December 2018
Steve Blair	6	1 July 2017
Richard Friend	6	1 September 2014
Mary Waldner	6	4 February 2016
Number of meetings in attendance:		
Ian Barkshire[1]	3	
Gavin Hill[1]	2	

1. Attended by invitation.
2. Alison Wood took over as Chair of the Committee on 26 January 2021.
3. Alison Wood has attended all meetings of the Committee since her appointment on 8 September 2020.

Executive Directors' remuneration at a glance

Total remuneration payable for 2020/21

	Base salary £'000	Benefits £'000	Pension £'000	Annual bonus £'000	LTIP £'000	Other £'000	**Total £'000**
Ian Barkshire	424	52	55	451	1,261	1	**2,244**
Gavin Hill	330	22	43	352	984	1	**1,732**

Annual bonus

Link to strategy
As in previous years, the Committee set stretching performance targets for the annual bonus which are clearly linked to the strategy and financial performance of the Group (see page 78 for details).

- **42.5%** Adjusted PBT
- **21.25%** Adjusted operating profit margin
- **21.25%** Cash conversion
- **15%** Strategic objectives

Performance Share Plan (three-year performance)

Link to strategy
The performance targets ensure a continued focus on growing profitability and a close link to the business strategy by rewarding efficient redeployment of capital for the performance period ending in the year under review.

- **50%** Earnings per share growth
- **50%** Return on capital employed

Directors' Remuneration Report continued

Remuneration report at a glance

Base salary + **Benefits** + **Pension** + **Annual bonus** + **LTIP** = **Total remuneration**

Fixed | **Variable**

Adjusted PBT Threshold: £43.6m Target: £46.6m Max: £53.6m	Actual: **£55.9m**
Adjusted operating profit margin Threshold: 15.6% Target: 16.1% Max: 17%	Actual: **17.8%**
Cash conversion Threshold: 82% Target: 85% Max: 92%	Actual: **101%**
Strategic objectives Targets based on a range of objectives – see pages 111 and 112 for details	Actual: **Strong**

Adjusted earnings per share growth (% CAGR p.a.) Threshold: 4% p.a. CAGR Max: 12% p.a. CAGR	Actual (CAGR over three years to 31 March 2021): **12.0%**
Return on capital employed Threshold: 16% Max: 20%	Actual (2020/21): **33.9%**

Dear Shareholder,

In January 2021, I took over as Chair of the Committee from Thomas Geitner. I would like to thank Thomas for chairing the Remuneration Committee since 2013 and I am looking forward to continuing to build on the good work that the Committee has done during his tenure.

We delivered a strong set of results despite the backdrop of the covid pandemic. Adjusted operating profit grew by 12.3% to £56.7m alongside a strong order book, which provides continued confidence. Recognising the further strengthening in our financial position, the Board has resumed the payment of interim and final dividends, resulting in a total dividend of 17.0p per share payable for 2020/21. In addition to resuming dividend payments, the shareholder experience over the year has been very positive with our share price currently at an all-time high.

Operation of the Remuneration Policy in 2020/21, response to covid and incentive plan payments

Our priority during the year has been the health and wellbeing of all of our employees, supporting our customers, and the prudent management of the business throughout this period of global crisis. Recognising the need to conserve cash within the business, we suspended the payment of the 2019/20 interim and final dividends and we also took advantage of Government support through the Coronavirus Job Retention Scheme up until July 2020. We received no other UK Government financial support during the year, and later in the year we repaid all furlough money received by the UK Government. To ensure the wellbeing of all furloughed employees, we continued to pay full salaries where these were above the furlough limit.

As announced last year, with effect from 6 April 2020, the Chief Executive and Group Finance Director, together with the rest of the Board, agreed that their base salary and fees should be reduced by 20% for the three-month period that some employees were furloughed. The reduction in salary and fees has not been repaid to the Directors. We also delayed the payout of the bonuses earned for 2019/20 and the implementation of any pay increases for both the Executive Directors and most of the workforce, until we had better visibility of the financial consequences for the Company. As the business recovered strongly in the middle part of the year we were able to resume payment of full salaries, pay 2019/20 bonuses and implement the planned 2% workforce salary increase (delayed from July for our mid to high earners) to November (including the CEO and GFD and the rest of the Board).

The Committee's consideration of the performance targets for the annual bonus and PSP awards for 2020/21 was deferred until later in the year, to a time when there was a better understanding of the impact of covid and which subsequently resulted in the targets being set at a more stretching level than if they had been set at the more usual time at the start of the financial year. The grant of the 2021 to 2023 Performance Share Plan award is subject to EPS growth over the performance period and ROCE targets to be achieved in 2022/23, which were considered appropriately stretching at that time. The Committee has carefully reviewed these target ranges at the end of the year and concluded that the EPS target range remained appropriately pitched, requiring growth of 3%-8% CAGR over the three years. However, it reviewed the 20.5% to 23.4% ROCE range in light of updated business plan numbers and has used discretion to increase the target range to 24% to 30%. There is also an explicit requirement on vesting for the Committee to consider whether there has been any windfall due to a bounce-back from the current covid-impacted environment.

The annual bonus for 2020/21 has been determined by a combination of cash, operating margin, profit and non-financial strategic targets. As in previous years, the Committee set stretching performance targets which were clearly linked to the strategy and financial performance of the Group. Group financial performance was again strong, as highlighted above, and the annual bonus payout was 100% of base salary for the CEO and GFD. A portion of the bonus will be paid in shares, which are deferred for three years.

Awards granted under the Performance Share Plan (PSP) in 2018 were based on performance over the three years to 31 March 2021. The EPS performance condition, applied to 50% of the award, was met in full with compound EPS growth of 12.0%. The Company's ROCE was outstanding, at 33.9% for the year ended 31 March 2021, which exceeded the stretch target, resulting in 100% of this element vesting. Accordingly, across both measures, 100% of the total award vests and shares are now required to be held for a further two years.

The Committee reflected on the formula-driven outturn from these incentive plan payments in the context of the broader environment and employee and shareholder experience. In relation to employees there have been good bonus payments across the Group with all businesses receiving at least a target level of bonus (and where performance had been indicating a below-target level payout this has been topped up). In addition, recognising the exceptional commitment and resilience of all of our employees globally in these very challenging circumstances, an additional "thank you" award of £300 was paid in April 2021. In relation to the shareholder experience, despite suspending dividend payments during the year the Committee recognised the strong shareholder return (50%+) over the bonus year and the significantly higher total shareholder return over the three-year performance period of the PSP award cycle. Payment of dividends to Shareholders resumed in October 2020.

Operation of the Remuneration Policy in 2020/21, response to covid and incentive plan payments continued

Given the strong performance of the business over both 2020/21 and the longer three-year performance period of the PSP award, the Committee is comfortable that there has been a robust link between reward and performance and alignment with investor returns. Accordingly, the Committee is satisfied the policy has operated as intended and has concluded that there are no circumstances arising where it would need to exercise discretion to adjust any of the 2020/21 variable pay outcomes.

Operation of the Remuneration Policy in 2021/22

We consulted with our major Shareholders in 2020 in relation to the base salary positioning of our Chief Executive and had initially proposed a one-off increase to £500,000 per annum to recognise his development in role, the strong performance of the business under his leadership and his relatively low market positioning on and since his appointment. In 2020, in light of the uncertainties introduced by the pandemic, the Committee and the Chief Executive agreed that last year was not the right time to propose a significant salary increase. As signalled last year, we consulted again with our major Shareholders in early 2021, with a view to implementing the salary increase in 2021/22 and having received support, will now be increasing the Chief Executive's salary from £451,452 to £500,000 on 1 July 2021 (a year later than originally envisaged). The salary for the GFD will be increased by 2% to £359,406, in line with the average increase for the UK workforce. The Committee intends to review the base salary positioning for the GFD within the next twelve months, recognising the strong business and individual performance and the broadening of the GFD's role in taking on wider operational responsibilities.

Notwithstanding that the new Directors' Remuneration Policy, which Shareholders approved at the 2020 AGM, increased the maximum opportunity under the annual bonus scheme to 125% of salary, the Committee agreed that the annual bonus for 2020/21 would continue to be capped at 100% of base salary to ensure that there was no increase to potential remuneration at that time. The policy also brought in a new requirement such that half of any bonus paid above the target bonus level will be paid in shares which must be held for at least three years. This feature has been applied to the 2020/21 bonus (even though the Committee did not increase the bonus opportunity).

In early 2021, the Committee consulted again and received support from our major Shareholders to implement the increase to the annual bonus maximum potential to 125% of salary from 2021/22 as business circumstances better supported the timing of such an increase to maximum bonus potential.
The performance measures for 2021/22 continue to be based on profit growth (55% of salary), cash generation (27.5% of salary), operating margin improvement (27.5% of salary) and strategic objectives (15% of salary).

PSP awards will continue to be based 50% on ROCE and 50% on earnings per share, with stretching targets set for each measure, building on the excellent performance delivered recently.

Non-Executive Directors' fees

The Chair's fee and the Non-Executive Directors' fees were increased by 2%, in line with the workforce average increase, with the increase taking effect at the same time as the Company-wide salary increase on 1 November 2020. We intend to increase fees with effect from 1 July 2021 in line with the 2% workforce average.

Broader employee remuneration considerations

During the year, the Committee aligned the timing of pay rises and payment of bonus for Directors with those for all employees, albeit employees earning below a specified threshold received their pay rises in July (rather than delayed to November). We pay above minimum wages across the world and above the living wage in the UK and we aim to offer benefits above the statutory minimums where appropriate. The Committee continues to monitor the gender pay gap and was pleased to see the steps being taken to close the gap. The structures of bonus plans throughout the organisation are aligned to incentivise the behaviours which deliver value, both financial and non-financial, to Shareholders and all stakeholders. There are processes in place to address unconscious diversity and inclusion biases during recruitment, including the use of balanced shortlists, and decisions about career progression and remuneration. The increasing focus on matters relating to ESG and sustainability, as described in the Sustainability Report on pages 46 to 55, were particularly welcomed and during this coming year the Committee will be looking to establish how sustainability metrics can be most effectively incorporated into Director remuneration.

Conclusion

We have thought very carefully about the operation of the Remuneration Policy during 2020/21 and 2021/22 to ensure that there is a strong alignment between remuneration paid to the executives and the experience of Shareholders, employees and other stakeholders.
We have consulted Shareholders along the way and I hope you will be supportive of the annual advisory vote to approve the Annual Report on Remuneration, which sets out the remuneration outcomes for the year under review and how the policy will be operated for the year ahead. I look forward to our AGM on 21 September 2021.

Alison Wood
Chair of the Remuneration Committee

7 June 2021

PART A: Directors' Remuneration Policy

This part of the Directors' Remuneration Report sets out the Group's Remuneration Policy for its Directors. The policy was subject to a binding Shareholder vote at our AGM in September 2020 and the policy, unless changed with Shareholders' prior agreement, will continue until September 2023.

Policy overview

The Remuneration Policy promotes the delivery of the Group's strategy and seeks to align the interests of Directors, Shareholders and other stakeholders. The Committee regularly reviews the link between its incentive structures and strategy to ensure that remuneration packages are appropriate to attract, motivate and retain the high calibre executives that are needed to deliver the Group's strategy.

The Company seeks to reward executives fairly and responsibly based on Group performance and their individual contribution. The Company has a strategy aimed at delivering significant, balanced and sustainable long-term growth and it is important for motivation and retention that the remuneration of the executives reflects this.

The Committee considers carefully the motivational effects of the incentive structure in order to ensure that it is effective and does not have an unintentional negative impact on matters such as governance, environmental or social issues. More generally, the Committee ensures that the overall Remuneration Policy does not encourage inappropriate risk-taking.

The Committee's approach to determining the new policy

The Committee has considered the following factors when determining the new policy:

Principle	Committee approach
Clarity – remuneration arrangements should be transparent and promote effective engagement with Shareholders and the workforce.	• The metrics used in our annual bonus have a direct link to our Company KPIs, which are familiar to our Shareholders and the workforce. • Performance Shares are linked to our long-term business strategy, familiar to our Shareholders and the workforce. • The Remuneration Committee consults with Shareholders to explain and clearly set out any proposed changes to the policy and is committed to having an open and constructive dialogue with Shareholders.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	• Our Remuneration Policy is in line with market norms. • The application of the policy is described clearly each year in this report with a clear link between reward and performance.

Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	• The Committee has ensured that risks are identified and mitigated by:
	  • introducing discretion to override the formulaic outturn of incentives; and
	  • enhancing clawback and malus provisions.
	• Performance Shares (with holding periods), annual bonus deferral, together with stretching share ownership requirements, including post-employment share ownership requirements, ensure executives are not encouraged to make short-term decisions but to deliver sustainable shareholder returns over the long term for the benefit of all stakeholders.

Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	• The scenario chart on page 107 sets out the potential rewards available to the Executive Directors under three different performance scenarios. • Limits to incentive plans and the basis for the Committee to use discretion are clearly set out.

Remuneration continued

Directors' Remuneration Report continued

The Committee's approach to determining the new policy continued

Principle	Committee approach
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	• Variable pay comprises the majority of the Executive Directors' packages, with the individual limits and payout for different levels of performance set out in the policy on pages 102 to 105 and the scenario chart on page 107. • The performance conditions are aligned to strategy and the targets are set to be stretching to reward for delivering above-market returns. • The Committee retains discretion to override the formulaic outturns of incentives if the payout does not reflect broader Company performance and other factors.
Alignment to culture – incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	• The alignment of metrics to the medium and long-term strategy ensures behaviours consistent with the Company's purpose and values are being encouraged. • The presence of clawback and malus provisions discourages behaviours that are not consistent with the Company's purpose, values and strategy. • The Committee reviews the wider workforce pay and policies to ensure there is alignment with the Executive Directors' Remuneration Policy and that remuneration is designed to support the Company's people-centric culture. There is a broadly consistent cascade of the Remuneration Policy throughout the senior management team.

Consideration of Shareholder views

The Committee considers feedback from Shareholders received at each AGM, together with any feedback from additional meetings, as part of any review of Executive Director remuneration. In addition, the Committee engages proactively with Shareholders and their proxy advisers where any material changes to the Remuneration Policy are proposed and has done so during the year. During the period of consultation on revisions it wished to make to the Remuneration Policy, the Committee listened to the views of those it consulted with and amended the proposals put forward to address concerns raised.

Remuneration Policy

The Remuneration Policy of the Company is set out in the following table and is applicable for three years from the date of the 2020 AGM, 8 September, when the policy was approved. Explanations of how each element operates and how each part links to the corporate strategy have been provided.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	• To provide a competitive and appropriate level of basic fixed pay to recruit and retain superior talent and avoid excessive risk-taking that might otherwise result from an over-reliance on variable remuneration. • Reflects the experience, performance and responsibilities of the individual.	• Reviewed annually with any increase usually effective 1 July. • Takes account of experience, performance and responsibilities as well as the performance of the Company, the complexity of the role within the Group and salary increases for employees generally. • Set with regard to market data for comparable positions in similar companies in terms of size, internationality, business model, structure and complexity, including within the industry.	• There is no minimum or maximum annual increase. • Higher increases than the average percentage for the workforce may be appropriate; for example, where an individual changes role, where the complexity of the Group changes, where an individual is materially below market comparators or is appointed on a below-market salary with the expectation that his/her salary will increase with experience and performance.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity

Benefits	• Provided on a market-competitive basis, aids retention and follows the reward structure for all employees.	• Currently include, but are not limited to, the cost of:
		  • life assurance;
		  • private medical insurance;
		  • company car benefit (car, driver, car allowance, fuel); and/or
		  • overnight hotel accommodation where necessary to enable the executive to carry out his duties efficiently at the Head Office and other Company sites.
		• The benefits provided may be subject to amendment from time to time by the Committee within this policy.
		• Relocation costs and other incidental expenses may be provided as necessary and reasonable.
		• Benefits are not part of pensionable earnings.
			• The value of benefits varies from year to year depending on the cost to the Company and is not subject to a specific cap.
			• Benefit costs are monitored and controlled and represent a small element of total remuneration costs.

Pension	• To contribute towards the cost of living in retirement.	• Company contributions to a money purchase pension scheme. • Salary supplement where HMRC annual or lifetime allowances are exceeded.	• 14% of base salary based on the 2019/20 salaries for incumbents, which represents £61,964 and £48,363 per year for the CEO and GFD respectively. • Pension contributions for incumbents will reduce to the rate applying to the majority of the workforce at the end of the policy period. • Newly recruited Directors will receive a pension contribution in line with the rate applying to the majority of the workforce.

Remuneration Policy continued

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Annual bonus	• Drives and rewards the successful achievement of annual targets set at the start of the year.	• Performance targets based on the key performance indicators and strategic objectives of the business. • At least 70% of the bonus is based on financial metrics and the balance on non-financial strategic metrics. • Clawback and malus provisions apply for misstatement, error, misconduct, corporate failure or reputational damage. • For any bonus earned in excess of the target level, 50% will be paid in shares, which are beneficially owned and which must be held by the Executive Director for at least three years. • The Committee may use discretion to override the result of any formula-driven bonus payment.	• 75% of salary at year end payable at target performance. • 125% of salary at year end payable for maximum performance. • Bonuses start to be earned from 15% of salary for achieving threshold performance.
Long-term incentive (Performance Share Plan)	• To incentivise the executives and reward them for meeting stretching long-term targets linked to the business strategy. • To align the Directors' interests with those of Shareholders. • Facilitates share ownership to provide further alignment with Shareholders.	• Annual awards of Performance Shares with vesting subject to achievement of performance targets. Both the vesting and performance period will be over a minimum of three years. • The Committee will set targets each year based on long-term financial performance and/or a stock market-based metric. • 25% of the awards will vest at threshold performance under each performance condition. • Clawback and malus may be applied for misstatement, error, misconduct, corporate failure or reputational damage. • Vested awards must be held for a further two years before sale of the shares (other than to pay tax). • The Committee may use discretion to override the result of any formula-driven payment.	• The maximum normal award limit is 150% of salary. This limit may be exceeded in exceptional circumstances, e.g. recruitment, up to a limit of 200% of base salary. • Dividend equivalents may accrue on the PSP awards over the vesting period and would normally be paid out as shares in respect of the number of shares that have vested.
All-employee share schemes	• To encourage employee share participation.	• The Company may from time to time operate tax-approved share schemes (such as the HMRC-approved Share Incentive Plan (SIP)) for which Executive Directors could be eligible. • The SIP is open to all UK permanent staff employed for at least six months.	• The schemes are subject to the limits set by tax authorities.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Shareholding guideline	• To further align Executive Directors' interests with Shareholders'.	• The Committee has established shareholding guidelines which encourage the Executive Directors to build and retain a holding of Company shares equivalent to 200% of base salary. • Until the guideline is met in full, Executive Directors are expected to retain or acquire shares equivalent to the value of 50% of the net amount realised from exercise/vesting of share awards as appropriate after allowing for tax payable. • Post cessation of employment there will be a requirement to retain the lower of the level of shareholding at that time, or 200% of base salary, for two years (unless by genuine exception e.g. serious ill health). At the Committee's discretion, shares which have been purchased voluntarily may be excluded, so as not to discourage further self-purchases.	• Not applicable.
Non-Executive Director fees	• To remunerate the Chair and Non-Executive Directors.	• Reviewed annually. • Determined and reviewed taking into account time commitment, experience, knowledge and responsibilities of the role as well as market data for similar roles in other companies of a similar size and/or business to Oxford Instruments. • Out-of-pocket expenses including travel may be reimbursed by the Company in accordance with the Company's expenses policy including tax thereon "grossed up" as appropriate.	• There is no prescribed maximum or maximum annual increase.

Directors' Remuneration Report continued

Differences in the Remuneration Policy of the Executive Directors and the general employees

There are no material differences in the structure of remuneration arrangements for the Executive Directors and senior management population, aside from quantum and participation levels in incentive schemes, which reflect the fact that a greater emphasis is placed on performance-related pay for Executive Directors and the most senior individuals in the management team. Outside the senior management team, the Company aims to provide remuneration structures for employees which reflect market norms, business and personal performance. The Committee is regularly apprised of the remuneration policy throughout the Company to ensure that decisions in relation to executive pay are considered in the round.

The objectives and targets for all employees are cascaded through the organisation each year to ensure alignment with the Company strategy. The bonus plans for the workforce are designed around the same performance metrics as those set for the Executive Directors. The structure of senior management bonuses and long-term incentive plans directly reflects those of the Executive Directors, with some measures being Group-wide and others specific to their areas of control. This alignment is explained to the workforce at the time that objectives and targets are set each year.

Choice of performance measures and approach to setting targets

The Committee selects financial and strategic measures for the annual bonus that are key performance indicators for the business over the short term. For the long-term incentives, the Committee will select a combination of measures that provide a good focus on the outcomes of the Company strategy together with sustainable improvements in long-term profitability.

The Committee sets appropriate and demanding targets for variable pay in the context of the Company's trading environment and strategic objectives. The targets for the annual bonus plan will be set each year with reference to the Company's budget and business and strategic plan. The Committee will review the performance conditions and targets for awards under the PSP each year prior to awards being made, taking account of the Company's internal financial planning, market forecasts and the business environment.

Discretions retained by the Committee in operating its incentive plans

The Committee may adjust the formula-driven outturn for an annual bonus or PSP performance condition in the event that the Committee considers that the quantum would be inappropriate in light of wider Company performance or overall shareholder experience. Any such use of discretion would be detailed in the Annual Report on Remuneration in Part B and in the annual statement from the Chair of the Committee.

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the Committee may apply certain operational discretions. These include the following:

- selecting the participants in the plans;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments;
- determining the extent of vesting based on the assessment of performance;
- determining "good leaver" status and, where relevant, the extent of vesting in the case of the share-based plans;
- where relevant, determining the extent of vesting in the case of share-based plans in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- the annual review of weighting of performance measures and setting targets for annual bonus plan and discretionary share plans from year to year.

The Committee may adjust the targets and/or set different measures and alter weightings for existing annual bonus plans and share-based awards only if an event occurs which causes the Committee to reasonably consider that the performance conditions would not without alteration achieve their original purpose and the varied conditions are no less difficult to satisfy than the original conditions. Any changes, and the rationale for those changes, will be set out clearly in the Annual Report on Remuneration in respect of the year in which they are made.

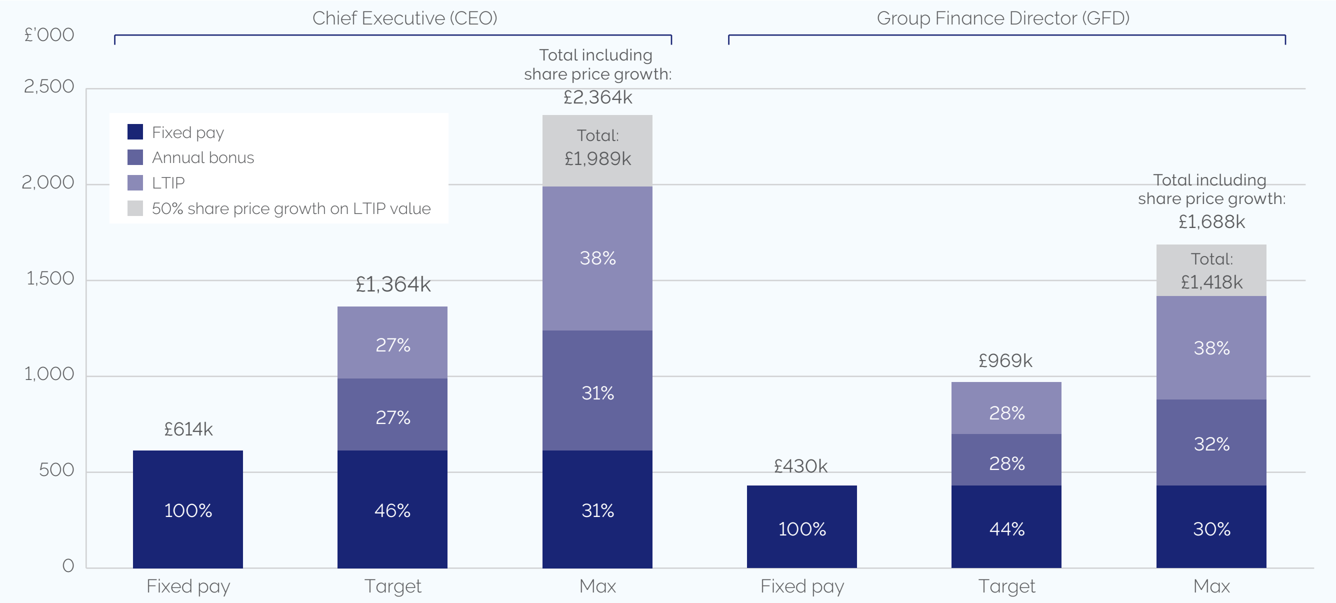
Legacy arrangements

In approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting or exercise of past share awards) that have been disclosed to and approved by Shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Remuneration scenarios for Executive Directors

The charts below show the level of remuneration potentially payable to Executive Directors under different performance scenarios for the financial year 2021/22 (see notes for assumptions):

Remuneration scenarios



Assumptions for charts above:

- Fixed pay comprises salary levels as at 1 July 2021, fixed pension contribution and the value of benefits received in 2020/21.
- The on-target level of bonus is 75% of salary.
- The on-target level of vesting under the annual PSP is taken to be 50% of the face value of the award at grant, i.e. 75% of salary.
- The maximum level of bonus and vesting under the PSP is 125% of the bonus opportunity and 100% of the face value of the PSP award at grant, i.e. 125% and 150% of salary, respectively.
- To show the impact of potential share price growth on the value of an Executive Director's package, the impact of share price growth of 50% on the PSP is used.

Recruitment and promotion policy for Executive Directors

In setting total remuneration levels and in considering quantum for each element of the package for a new Executive Director, the Committee takes into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

The Company seeks to align the remuneration package with the Remuneration Policy approved by Shareholders, including the maximum plan limit for the long-term incentives and an annual bonus entitlement in line with that of the other Executive Directors. Salary is provided at such a level as required to secure the most appropriate candidate. For new appointments, base salary and total remuneration may be set initially at below normal market rates on the basis that it may be increased once expertise and performance has been proven and sustained.

Specific variable remuneration performance targets can be introduced for an individual where necessary for the first year of appointment if it is appropriate to do so to reflect the individual's responsibilities and the point in the year in which he or she joined the Board.

Flexibility is retained to offer additional cash and/or share-based payments on appointment in respect of deferred remuneration or benefit arrangements forfeited on leaving a previous employer. The Committee would look to replicate the arrangements being forfeited as closely as possible and, in doing so, will take account of relevant factors including the nature of the deferred remuneration, performance conditions, attributed expected value and the time over which they would have vested or been paid. Such awards may be made under the terms of the PSP or as permitted under the Listing Rules.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation, legal and any other incidental expenses as appropriate.

Remuneration continued

Directors' Remuneration Report continued

Executive Directors' service contracts and policy on cessation

Details of the service contracts of the Executive Directors, available for inspection at the Company's registered office and at the Company's AGM, are as follows:

	Contract date	Unexpired term of contract
Ian Barkshire	11 May 2016	Twelve-month rolling contract
Gavin Hill	9 February 2016	Twelve-month rolling contract

Details of contractual terms and the policy on cessation of employment are summarised in the table below. Payments to departing Directors can only be made in line with this Shareholder-approved policy:

Contractual provision	Detailed terms
Notice period	Twelve months by the Company or by the Director.
Termination payment	A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, in the event of gross misconduct. For termination in other circumstances, the Company has a right to pay salary in lieu of the notice period (or part thereof) if it so determines. In addition, any statutory entitlements in connection with the termination would be paid as necessary, and, at the Committee's discretion if deemed necessary and appropriate, outplacement, legal fees and settlement of claims or potential compensation claims.
Remuneration entitlements	Pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards or deferred bonus shares (in certain circumstances – see below).
Change of control	No Executive Director's contract contains additional provisions in respect of a change of control.

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment for existing awards is that any unvested awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, injury, ill health, disability, retirement or other circumstances at the discretion of the Committee, "good leaver" status may be applied. Under the 2014 PSP, awards to good leavers will vest on the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and normally be scaled back to reflect the proportion of the original vesting period actually served. In the event of a good leaver there would be no early release from a post-vest holding period (again, unless by genuine exception, for example serious ill health). The Committee has discretion in exceptional circumstances to disapply time pro-rating, to measure performance to, and vest awards at, the date of cessation. Vesting at cessation would be the default position where a participant dies. Deferred bonus shares are beneficially owned by the executive from the time of the bonus payment, so are not at risk of forfeiture (other than in relation to clawback).

External appointments

The Board encourages Executive Directors to accept one appropriate external non-executive appointment provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Director concerned may retain fees paid for these services, which will be subject to approval by the Board. Currently, the Executive Directors do not hold any outside directorships.

Non-Executive Directors

For the appointment of a new Chair or Non-Executive Director, the fee arrangement would be in accordance with the approved Remuneration Policy in place at the time.

Non-Executive Directors do not have service contracts but are appointed under letters of appointment for an initial period of three years with subsequent reviews. Non-Executive Director appointments are now renewed for periods of one year, terminating at the next AGM. Their appointment can be terminated without notice and with no compensation payable on termination, other than accrued fees and expenses.

	Date of last appointment	Notice period
Neil Carson	1 December 2018	Rolling six months
Richard Friend	1 September 2014	None
Thomas Geitner	13 March 2017	None
Mary Waldner	4 February 2016	None
Steve Blair	1 July 2017	None
Alison Wood	8 September 2020	None

PART B: Annual Report on Remuneration

The financial information in this part of the report has been audited where indicated.

The Remuneration Committee (unaudited)

The Remuneration Committee (the "Committee") is responsible for recommending to the Board the remuneration packages for Executive Directors and has oversight of the pay, bonus and share incentive strategy for the Group's executive management. The Chair and the Executive Directors are responsible for determining the remuneration of the Non-Executive Directors, and the Remuneration Committee, in the absence of the Chair, is responsible for determining the remuneration of the Chair.

The role of the Committee includes:

- considering and determining the Remuneration Policy for the Executive Directors;
- within this agreed policy, considering and determining the various elements and total remuneration packages of each Executive Director of the Company;
- approving the structure and targets for all performance-related remuneration plans for executives as well as the overall payments made under such plans;
- reviewing and noting remuneration policy and trends across the Group and considering the Executive Directors' remuneration within this context; and
- determining the policy for pension arrangements, service agreements, recruitment terms and termination payments to Executive Directors.

The members of the Committee are appointed by the Board and currently comprise all the independent Non-Executive Directors: Alison Wood, Thomas Geitner, Steve Blair, Richard Friend, Mary Waldner, and the Chair of the Board, Neil Carson. Alison Wood served on the Committee from 8 September 2020 and all other members served throughout the year. Thomas Geitner was the Chair of the Committee until 26 January 2021. Recognising that Thomas will be standing down as a Director at the 2021 AGM, Alison Wood, who has significant experience chairing Remuneration Committees at other listed companies and prior remuneration committee experience as required under Provision 32 of the UK Corporate Governance Code 2018 (the "Governance Code"), was appointed Chair of the Committee from 26 January to assure an orderly handover.

The Chief Executive, the Group HR Director and other executives are invited to attend Committee meetings as deemed appropriate. For example, the Chief Executive is able to make a significant contribution when considering the performance of other Executive Directors and to discuss the wider Group remuneration policy affecting employees. However, no Executive Director is present when the Committee is determining his or her own remuneration.

The Committee acts within its agreed written terms of reference (which are published on the Company's website: **www.oxinst.com/investors**) and complies with the provisions of the Governance Code regarding remuneration.

The performance of the Committee is reviewed at least once a year as part of the Board evaluation process.

During the year, the Committee fulfilled its duties, as laid down in the Committee's terms of reference, in line with the normal annual cycle of remuneration-related matters, except as disclosed below. In particular, there was a consultation with major Shareholders and proxy agencies to ensure that they were supportive of the increase to the Chief Executive's salary and the increase to the maximum potential for the annual bonus scheme to 125%. In light of the impact of the covid pandemic on the business, there was significant thought given to how to set targets for the annual bonus and the awards under the PSP in 2019/20. After careful consideration, the Committee took the decision, in light of the unknown impact of the pandemic on performance, to delay the setting of the annual bonus metrics to the half year and the granting of awards under the PSP until September. The Committee noted that had they set the bonus metrics and performance targets at the usual time, based on the performance outlook at that time, the performance target ranges would have been lower.

Korn Ferry (KF) was the Committee's independent remuneration consultant during the year and continues with this appointment in 2021/22. KF is appointed by the Committee to provide advice on all aspects of executive remuneration as required by the Committee.

KF is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres to the Code. During the year, KF had discussions with the Committee Chair on remuneration matters relevant to the Company and on how best their team can work with the Committee to meet the Company's needs.

Fees are charged predominantly on a "time spent" basis. The total fees paid to KF for the advice provided to the Committee during the year were £35,357.

During the year KF also provided executive search related services to the Company (but not for Board appointments) through a separate part of the business. The Committee was comfortable that the controls in place at KF do not result in the potential for any conflicts of interest to arise.

Remuneration continued

Directors' Remuneration Report continued

Directors' remuneration (audited)

The remuneration paid to the Directors during the year under review and the previous year is summarised in the tables below:

Executive		Salary and fees[1] £'000	Benefits[2] £'000	Pension[3] £'000	Annual bonus[4] £'000	Long-term incentive awards[5] £'000	Other[6] £'000	Total fixed	Total variable	Total
Ian Barkshire	**2021**	**424**	**52**	**55**	**451**	**1,261**	**1**	**532**	**1,712**	**2,244**
	2020	440	88	55	279	1,104	1	584	1,383	1,967
Gavin Hill	**2021**	**330**	**22**	**43**	**352**	**984**	**1**	**396**	**1,336**	**1,732**
	2020	343	20	43	224	862	1	407	1,086	1,492
Total	**2021**	**754**	**74**	**98**	**803**	**2,245**	**2**	**928**	**3,048**	**3,976**
	2020	783	108	98	503	1,966	2	991	2,469	3,460

1. "Salary and fees" – As a response to the possible impact of covid on the business, the Directors waived 20% of their base salary remuneration from 6 April 2020 to 5 July 2020. This has not been repaid to Directors.
2. "Benefits" comprise provision of a car or car allowance, health insurance, life assurance, overnight hotel accommodation where necessary to carry out duties at the Head Office of the Company and, for Ian Barkshire, provision of a driver to allow him to make best use of his commuting time. For the year to 31 March 2021, a driver was provided from 1 April 2020 to 5 April 2020 and from 22 June 2020 to 31 December 2020. The provision of a driver accounted for £31,664 (2020: £66,534) of the total benefits for Ian Barkshire.
3. Each Executive Director is entitled to receive a contribution to a money purchase pension scheme for a fixed value, which is calculated as 14% of base salary earned on 1 April 2020. Where the contractual pension contribution exceeds the annual or lifetime allowance, any balancing payment is made by the Company as a cash allowance which, in line with the policy for all UK employees, is paid net of employer's national insurance contributions.
4. "Annual bonus" represents the full annual bonus for the year to 31 March 2021 and would usually be paid in the July 2021 payroll. Of the amounts disclosed, £56,431 and £44,045 will be paid in shares for the CEO and GFD respectively, which must be held for three years, as per the policy.
5. "Long-term incentive awards" are those awards where the vesting is determined by performance periods ending in the year under review and therefore reports the value of the PSP award granted on 3 July 2018. The value has been determined using the average share price over the three months to 31 March 2021, £19.10. Further details of how these sums are arrived at are set out on pages 113 and 114. The share price used on grant of the 2018 PSP award was £10.00 and the total face value at grant of the vested number of shares is £646,125 for the CEO and £504,300 for the GFD. On vesting (based on an average share price for the last three months of the financial year) the share price was £19.10, giving a total vested award value of £1,234,108 for the CEO and £963,213 for the GFD. The value of the PSP award that has been attributable to share price growth is, therefore, £587,983 and £458,913 for the CEO and GFD respectively. Dividend equivalents have been added to arrive at the total figure included in the table above. The value of the prior year awards has been restated using the share price on the vesting date of 25 September 2020 of £16.24, giving a total vested award value, including dividend equivalents, of £1,104,288 (before restatement £975,567) for the CEO and £861,873 (before restatement £761,410) for the GFD.
6. The Company operates a Share Incentive Plan (SIP) which is open to all UK permanent staff employed for at least six months. "Other" is the value of matching SIP shares attributable to the year. In 2020/21, Ian Barkshire and Gavin Hill participated in the SIP up to the maximum extent permitted by HMRC. The Company offers a 1:5 match for partnership shares purchased by employees and this amounted to £360 each of matching shares for Ian Barkshire and Gavin Hill.

Non-Executive		Fees[1] £'000	Benefits £'000	Pension £'000	Annual bonus £'000	Long-term incentive awards £'000	Total
Neil Carson	**2021**	**172**	**—**	**—**	**—**	**—**	**172**
	2020	180	—	—	—	—	180
Steve Blair	**2021**	**55**	**—**	**—**	**—**	**—**	**55**
	2020	57	—	—	—	—	57
Richard Friend	**2021**	**48**	**—**	**—**	**—**	**—**	**48**
	2020	50	—	—	—	—	50
Thomas Geitner[2]	**2021**	**53**	**—**	**—**	**—**	**—**	**53**
	2020	57	—	—	—	—	57
Mary Waldner	**2021**	**55**	**—**	**—**	**—**	**—**	**55**
	2020	57	—	—	—	—	57
Alison Wood[3]	**2021**	**31**	**—**	**—**	**—**	**—**	**31**
	2020	—	—	—	—	—	—
Total	**2021**	**414**	**—**	**—**	**—**	**—**	**414**
	2020	401	—	—	—	—	401

1. "Fees" – In response to the possible impact of covid on the business, the Directors waived 20% of their fees from 6 April 2020 to 5 July 2020. This has not been repaid to Directors.
2. Thomas Geitner was Chair of the Remuneration Committee until 26 January 2021.
3. Alison Wood was appointed a Non-Executive Director on 8 September 2020 and appointed Chair of the Remuneration Committee on 26 January 2021.

External appointments (unaudited)

The Board encourages Executive Directors to accept one appropriate external non-executive appointment provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Director concerned may retain fees paid for these services, which will be subject to approval by the Board. There were no such appointments during the year.

Details of annual bonus earned in year (audited)

As in previous years, the Committee set stretching performance targets for the annual bonus which are clearly linked to the strategy and financial performance of the Group. The targets set and the achievement against them are set out in the table below.

	Percentage of salary payable			Targets				
Measure	Threshold	On target	Maximum	Threshold £m	On target £m	Maximum £m	Actual £m	Payout % of salary
Adjusted PBT	7.5%	30%	42.5%	43.6	46.6	53.6	55.9	42.5%
Adjusted operating profit margin	3.75%	15%	21.25%	15.6%	16.1%	17%	17.8%	21.25%
Cash conversion	3.75%	15%	21.25%	82%	85%	92%	101%	21.25%
Strategic objectives	—	15%	—	—	—	—	See below	CEO 15% GFD 15%
								CEO 100% GFD 100%

The non-financial strategic objectives were set at the start of the year. Performance against them is set out below. The Committee in its review noted the exceptional performance in achieving the Horizon strategy objectives, laying the foundations for future growth and agreed that, when taking into account all the circumstances, a bonus of 15% out of the total 15% of salary available was appropriate for both Ian Barkshire and Gavin Hill. Details of the objectives and an assessment as to their achievement are set out below:

CEO objectives	Weighting	Achievements towards objectives/performance
Provide agile leadership of the business through the covid pandemic. In the short term, protecting the health and wellbeing of our employees, whilst supporting our customers and taking actions to ensure business continuity. For the long term, progressing key strategic development and growth initiatives that will enable the business to emerge from the pandemic period in a strong position.	2/3	• Outstanding grasp of financial implications of options presented to the Board. • Clear and responsive leadership through the pandemic. • Focused on employee welfare and supporting customers. • Led the business innovation and rapid response to changes in the markets and communities in which it operates. • An effective balance between short-term demands of the pandemic and investment in the long-term development and growth of the Company as evidenced by the financial performance delivered. 10 out of 10
Develop advanced business engagement with progressive environmental, social and governance standards that are aligned with our purpose and global impact and are clearly reflected in our investor relations communications.	1/3	• Established a comprehensive sustainability framework for the Company aligned with the relevant UN Sustainability Development Goals with clear ownership and active programmes in place as discussed elsewhere in this Report and Financial Statements. • Good improvements in the sustainability narrative both internally and externally. 5 out of 5
Total	**100%**	**15%**

Remuneration continued

Directors' Remuneration Report continued

Details of annual bonus earned in year (audited) continued

GFD objectives	Weighting	Achievements towards objectives/performance
Provide leadership of the business to ensure business continuity and liquidity throughout the covid market disruption.	1/2	• Measured and pragmatic decisions during the year as the business environment evolved rapidly. • Options presented to the Board and swift execution to ensure the business would continue to operate at a high level of performance notwithstanding the pandemic. • Strong levels of liquidity maintained throughout the year. 7.5 out of 7.5
Lead the operational excellence programme and deliver tangible financial gains.	1/2	• Took on overall leadership of the OpEx programme. • Brought new capabilities into the team. • Identified initiatives that are now delivering meaningful improvements. • Consistent Group-wide KPIs to measure tangible gains. • Structured approach served the businesses well during a period of significant turbulence with planning and procurement responding well to rapidly changing demands throughout the pandemic. • Actions resulted in an outstanding financial performance as shown in the financial results. 7.5 out of 7.5
Total	**100%**	**15%**

The on-target and maximum bonus potentials for the Executive Directors, as well as the amounts actually payable for the year ended 31 March 2021, are set out below.

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2020/21 (% of salary)[1]	Actual bonus payable[1,2] for 2020/21 (£'000)
Ian Barkshire	75%	100%	100%	451,452
Gavin Hill	75%	100%	100%	352,359

1. Bonus is calculated on salary as at 31 March 2021.
2. Of the amounts disclosed, £56,431 and £44,045 will be paid in shares for the CEO and GFD respectively, which must be held for three years, as per the policy.

Long-term incentive plans (audited)

The performance targets, performance against them and the resulting value in respect of the long-term incentive awards where vesting is determined by a performance period ending in 2020/21 are as follows:

Performance Share Plan (PSP)

The performance targets which applied to the awards made on 3 July 2018 for the performance period ending in the year under review and actual performance achieved against them were as follows:

50% of the award is based on EPS measured over a three-year performance period starting 1 April 2018:

Performance level	EPS growth required	% of award that will vest
Below threshold	Less than 4% per annum over three years	0%
Threshold	4% per annum over three years	25%
Between threshold and maximum	4% to 12% per annum over three years	25%-100%
Maximum	12% per annum and above over three years	100%
Actual EPS	78.6p	
Actual growth achieved over the period (per annum)	**12.0%**	**100%**

50% of the award is based on the Company's return on capital employed in the final year of the three-year performance period:

Performance level	ROCE[1] for the final year of the performance period	% of award that will vest
Below threshold	Less than 16%	0%
Threshold	16%	25%
Between threshold and maximum	Between 16% and 20%	25%-100%
Maximum	20% per annum and above	100%
Actual ROCE achieved in 2020/21	**33.9%**	**100%**

1. ROCE is calculated as EBIT/capital employed where EBIT is adjusted operating profit less amortisation of acquired intangibles, and capital employed is defined as documented in the Finance Review on page 64.

Based on the performance against targets as set out above, the PSP awards will vest on 3 July 2021 as follows:

	Date award granted	Total number of shares granted	Percentage of award vesting	Number of shares vesting	Value[1] of shares vesting (£'000)	Number of shares awarded as dividend equivalent[2]	Value[1] of shares vesting including dividend equivalent (£'000)
Ian Barkshire	3 July 2018	64,613	100%	64,613	1,234	1,416	1,261
Gavin Hill	3 July 2018	50,430	100%	50,430	963	1,105	984

1. As the awards vest after the date of this report, value has been calculated using the average mid-market closing price of the Company's shares over the three-month period ending 31 March 2021, £19.10. This will be restated for the actual value on vesting in next year's report.
2. Dividend equivalents have been calculated based on dividends paid up until the date of this report. If dividends are payable between the date of this report and the vesting date, additional dividend equivalents will be awarded.

Performance Share Plan awards made in the year and outstanding share incentive awards (audited)

Awards made under the PSP on 23 September 2020 were as follows:

	Date award granted	Total number of shares granted	Percentage of salary	Share price on day before award date	Vesting date
Ian Barkshire	23 September 2020	42,019	150%	£15.80	23 September 2023
Gavin Hill	23 September 2020	32,796	150%	£15.80	23 September 2023

The Committee carefully considered the performance targets for the PSP awards, which had been delayed until later in the year, to a time when there was a better understanding of the impact of covid and which subsequently resulted in the targets being set at a more stretching level than if they had been set at the more usual time at the start of the financial year. The EPS growth and ROCE targets to be achieved in 2022/23 were considered stretching at that time and were higher than if the target ranges would have been set if the grant had been made earlier in the year. The Committee has carefully reviewed these target ranges at the end of the year and concluded that the EPS target range remains appropriately pitched. However, the Committee has revisited the 20.5% to 23.4% ROCE range in light of updated business plan numbers and has used discretion to increase the target range to 24% to 30%.

Directors' Remuneration Report continued

Long-term incentive plans (audited) continued

Performance Share Plan awards made in the year and outstanding share incentive awards (audited) continued

Vesting of 50% of the award is based on EPS measured over a three-year performance period starting 1 April 2020 as follows:

Performance level	EPS growth over three years	% of award that will vest
Below threshold	Less than 3% per annum	0%
Threshold	3% per annum	25%
Between threshold and maximum	3% to 8% per annum	25%-100%
Maximum	8% per annum and above	100%

Vesting of the other 50% of the award is based on return on capital employed (ROCE) for the final year of the three-year performance period starting 1 April 2020:

Performance level	ROCE for the final year of the performance period	ROCE for the final year of the performance period	% of award that will vest
	Original target range	Revised target range	
Below threshold	Less than 20.5%	Less than 24%	0%
Threshold	20.5%	24%	25%
Between threshold and maximum	Between 20.5% and 23.4%	Between 24% and 30%	25%-100%
Maximum	23.4% per annum and above	30% per annum and above	100%

As at 31 March 2021, the outstanding options for Ian Barkshire and Gavin Hill under the Executive Share Option Scheme (ESOS) and the PSP[1] were as follows:

Name	Scheme	March 2021	Granted	Exercised	Lapsed	Dividend equivalents[1]	March 2020	Exercise price	Share price on date of grant	Date of grant	Earliest exercise	Latest exercise
Ian Barkshire[2]	ESOS	15,000					15,000	£9.90	£9.87	14/12/11	14/12/14	13/12/21
	ESOS	37,549					37,549	£10.28	£10.31	15/06/15	15/06/18	14/06/25
	PSP	80,973					80,973	Nil	£7.34	21/06/16	21/06/19	20/06/26
	PSP	67,998				2,368	65,630	Nil	£9.58	25/09/17	25/09/20	24/09/27
	PSP	64,613					64,613	Nil	£10.10	03/07/18	03/07/21	02/07/28
	PSP	48,319					48,319	Nil	£14.00	15/07/19	15/07/22	14/07/29
	PSP	42,019	42,019				—	Nil	£16.24	23/09/20	23/09/23	22/09/30
Gavin Hill	PSP	63,198					63,198	Nil	£7.34	21/06/16	21/06/19	20/06/26
	PSP	53,071				1,848	51,223	Nil	£9.58	25/09/17	25/09/20	24/09/27
	PSP	50,430					50,430	Nil	£10.10	03/07/18	03/07/21	02/07/28
	PSP	37,713					37,713	Nil	£14.00	15/07/19	15/07/22	14/07/29
	PSP	32,798	32,796				—	Nil	£16.24	23/09/20	23/09/23	22/09/30

1. Dividend equivalents are awarded on PSP shares vesting, for the period to vesting, in respect of the actual number of shares vesting.
2. Ian Barkshire was appointed to the Board on 10 November 2015. His ESOS options were granted to him as an employee of the Company prior to his appointment to the Board.

The market price of the shares at 31 March 2021 was £19.06 (2020: £12.80) and the range during the year was £11.36-£20.85 (2020: £9.55-£16.54).

Performance conditions for outstanding awards are described below:

PSP	50% of award	50% of award
3 July 2018[2,3]	EPS growth – 4% p.a. (25% vesting) to 12% p.a. (100% vesting)	ROCE[1] in the final year of the performance period – 16% (25% vesting) to 20% (100% vesting)
15 July 2019[2]	EPS growth – 4% p.a. (25% vesting) to 12% p.a. (100% vesting)	ROCE[1] in the final year of the performance period – 20.5% (25% vesting) to 23.4% (100% vesting)
25 September 2020[2,3]	EPS growth – 3% p.a. (25% vesting) to 8% p.a. (100% vesting)	ROCE[1] in the final year of the performance period – 20.5% (25% vesting) to 23.4% (100% vesting) – subsequently increased to 24%-30% by the Committee using Committee discretion

1. ROCE is calculated as EBIT/capital employed where EBIT is adjusted operating profit less amortisation of acquired intangibles, and capital employed is defined as documented in the Finance Review on page 64.
2. Three-year performance period commencing 1 April prior to date of grant.
3. The performance conditions relating to this award have been tested and have exceeded maximum vesting. They are included in this table as the awards vest after the date of this report.

Achievement of performance conditions (unaudited)

EPS and ROCE performance targets are tested using the audited accounts of the Company. Performance against targets and the resulting level of vesting is then verified by the Remuneration Committee.

Dilution limits (unaudited)

The Company's share plans provide that overall dilution through the issuance of new shares for employee share schemes should not exceed an amount equivalent to 10% of the Company's issued share capital over a ten-year period. The SIP scheme only uses market-purchased shares.

The Committee monitors the position prior to the making of any award under these share schemes to ensure that the Company remains within this limit. As at the date of this report, the Company's utilisation is under 2%, well within the available 10% headroom position.

Shareholding requirements (audited)

The Executive Directors are required to build and retain a shareholding in the Company equivalent in value to 200% of basic salary. Until the requirement is met, the Executive Directors are expected to retain or purchase shares equivalent to the value of 50% of the net amount realised on exercise of long-term incentive awards after allowing for tax payable. The value of vested but unexercised PSP awards may count towards the shareholding level, calculated at the net of tax value.

Executive Directors' shareholdings as at 31 March 2021[1] are shown in the table below.

	Beneficially owned	PSP and ESOS awards vested but unexercised	Percentage of salary held in shares under shareholding guideline[1]	Guideline met as at 31 March 2021	Unvested PSP awards[2]
Ian Barkshire	12,642	201,520	387%	yes	154,951
Gavin Hill	660	116,269	337%	yes	120,939

1. The tax rate used to determine the net value of the vested PSP awards is 47%. Value of vested ESOS options excluded from percentage of salary held calculation. Shares valued using the market price of the shares on 31 March 2021: £19.06.
2. Awards granted in July 2019 and September 2020 remain subject to performance conditions.

Pension arrangements

Executive Director pension arrangements (audited)

Executive Directors can decide to contribute to a pension plan of their choice. The Company contributes a fixed amount, calculated as 14% of base salary paid in year to 31 March 2020. Only base salary is pensionable. Where the Company's pension contribution exceeds the annual allowance, a balancing payment is paid by the Company to the Director, which is taxed as income. In line with the policy for all UK employees, this cash payment is reduced by 12.12% to cover employer's national insurance costs.

During the year, the Company contributed £4,000 (2020: £10,000) into the Company's Group Personal Pension Plan in respect of Ian Barkshire and £4,000 (2020: £10,000) into a personal defined contribution plan in respect of Gavin Hill. Balancing payments of £51,392 to Ian Barkshire and £39,340 to Gavin Hill (net of employer's national insurance contributions) were paid as cash.

Ian Barkshire is a deferred member of the defined benefit pension scheme and is no longer accruing benefits in the scheme. In accordance with the rules of the scheme, his deferred benefits are subject to increases in line with statutory revaluation. The transfer value of his accrued benefits at 31 March 2021 was £996,936 (2020: £958,367).

Payments to past Directors and for loss of office (audited)

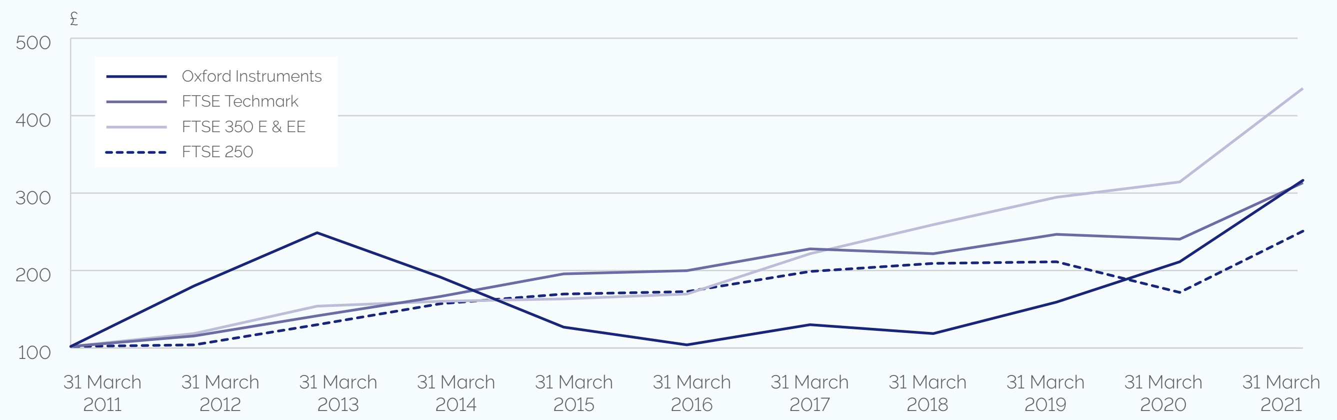
There were no payments to Directors for loss of office or any payments to past Directors.

Remuneration continued

Directors' Remuneration Report continued

Performance graph and CEO's remuneration (unaudited)

The graph below shows for the ten years ended 31 March 2021 the total shareholder return (TSR) on a holding of the Company's ordinary shares compared with the TSR of an equivalent value invested in the FTSE 250, FTSE Techmark and FTSE 350 Electronic and Electrical Equipment indices. These indices have been chosen as they are considered to be the most appropriate comparator groups for the Company. TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested.



This graph shows the value, by 31 March 2021, of £100 invested in Oxford Instruments plc on 31 March 2011 compared with the value of £100 invested in the FTSE 250, FTSE Techmark and FTSE 350 Electronic and Electrical Equipment indices. The other points plotted are the values at intervening financial year ends.

The total remuneration of the CEO over the last ten years is shown in the table below. The annual bonus payout and PSP vesting level as a percentage of the maximum opportunity are also shown.

						2017[1]					
Year ending 31 March	2012	2013	2014	2015	2016	DJF	IRB	2018	2019	2020	**2021**
Total remuneration (£'000)	3,464	2,348	1,179	579	743	64	620	791	1,957	1,967	**2,244**
Annual bonus outcome (%)	100%	69.1%	15.0%	7.5%	38.6%	0%	56.3%	63.7%	94.4%	62.9%	**100%**
ESOS[2] vesting (%)	100%	100%	100%	0%	0%	0%	N/A	N/A	N/A	N/A	**N/A**
SELTIS/PSP[2] vesting (%)	100%	100%	100%	0%	0%	0%	N/A	N/A	92.8%	100%	**100%**

1. 2016/17 financial year: remuneration shown separately for Jonathan Flint (DJF) who was CEO from 1 April to 11 May 2016 and Ian Barkshire (IRB) who was CEO from 12 May 2016 to 31 March 2017.
2. Executive Directors were last granted ESOS (market value share options) and SELTIS (nil cost options) in June 2014. PSP awards have been granted after June 2014 as the sole long-term incentive.

Ratio of Chief Executive pay to that of employees generally

The Chief Executive to employee pay ratio for 2020/21 and the prior financial year is set out below:

Financial year	Method	25th percentile	50th percentile	75th percentile
2020/21	A	72.6:1	55.0:1	39.8:1
2019/20	A	66.9:1	51.1:1	35.7:1

The pay for the CEO and the employees at the percentiles for the 2020/21 ratio are set out below:

	CEO	25th percentile	50th percentile	75th percentile
Salary	£424,202	£28,036	£37,370	£51,990
Total pay	£2,243,791	£30,891	£40,781	£56,284

The ratios have been calculated in accordance with Option A under the relevant regulations, as this is the most statistically accurate method. The CEO pay is compared to the pay of our UK employees at the 25th, 50th and 75th percentile, calculated based on full-time equivalent pay data for the full financial year to 31 March 2021. All UK employees employed at the end of the financial year who had worked the full year have been included, part-time employees have been included and pay has been converted to a full-time equivalent number by calculating total part-time pay and grossing up to the full-time equivalent for the role. Accordingly, any employees that left the Company or joined during the year have been excluded.

The calculations use the pay for Ian Barkshire as disclosed in the single figure table. The pay for all UK employees comprises salary, benefits, pension and annual bonus payments due for 2020/21. None of the employees at the percentiles received share awards.

The Committee is satisfied the pay of the employees identified for the quartiles appropriately reflects the employee pay structure in each quartile and the resulting pay ratios are consistent with the pay, reward and progression policies in place for all employees.

The CEO pay ratio has slightly increased this year at the 25th, 50th and 75th percentile as a result of the higher bonus outcome of 100% of maximum for 2020/21 compared to 62.9% of maximum for 2019/20. In addition, while the LTIP will also vest at 100% of maximum, in line with the LTIP vesting level last year, the estimated value of the July 2018 award is slightly higher due to share price. As set out in the Remuneration Committee Chair's letter, the CEO took a three-month 20% salary reduction effective 6 April 2020 and employee salaries continued to be paid in full during the year. This is reflected in the remuneration used to calculate the CEO pay ratio. Therefore, primarily as a result of the incentive payout levels for 2020/21, and as variable pay comprises a greater proportion of the remuneration package for the CEO compared to employees more generally, the ratio has slightly increased this year.

As the Committee is regularly apprised of the remuneration policy throughout the Company to ensure that decisions in relation to executive pay are considered in the round, the Committee is satisfied the pay of the employees identified for the quartiles appropriately reflects the employee pay structure in each quartile and the resulting pay ratios are consistent with the pay, reward and progression policies in place for all employees,

Percentage change in the remuneration of the Directors (unaudited)

The table below shows the percentage change in each of the Director's salaries, taxable benefits and annual bonus earned between 2019/20 and 2020/21, compared to that for the average UK-based employee of the Group (on a per capita full-time equivalent basis).

	Salary[2]			Benefits			Bonus[3]		
£'000	2020/21	2019/20	% change	2020/21	2019/20	% change	2020/21	2019/20	% change
Ian Barkshire	424.2	439.6	-3.6%	51.6	87.9	-41.3%	451.5	278.6	62.1%
Gavin Hill	329.5	343.1	-4.1%	22.5	20.8	8.2%	352.4	224.3	57.1%
Neil Carson	172.5	180.0	-4.3%	—	—	—	—	—	—
Steve Blair	55.2	57.2	-3.5%	—	—	—	—	—	—
Richard Friend	48.0	49.7	-3.4%	—	—	—	—	—	—
Thomas Geitner	53.2	57.2	-7.0%	—	—	—	—	—	—
Mary Waldner	55.0	57.2	-3.8%	—	—	—	—	—	—
Alison Wood[4]	30.6	—	—	—	—	—	—	—	—
Average employee pay[1]	41.7	42.0	-0.7%	1.4	1.5	-6.7%	3.9[3]	2.6	50%

1. Average employee includes all UK employees in service on 1 April 2019 and 31 March 2021 but excludes those who were on maternity leave, long-term sick leave and those who started or ended employment within the period.
2. The average pay increase across all employees in the UK in 2020/21 was 2%.
3. The value of the average employee bonus for the year ended 31 March 2021 (to be paid in July 2021) was not known at the time the Report and Financial Statements were approved and consequently the number included is management's best estimate of the bonus that will be paid.
4. Alison Wood joined the Board on 8 September 2020 and was appointed Chair of the Remuneration Committee on 26 January 2021.

Relative importance of the spend on pay

The following table shows the Group's employee costs relative to dividends and share buybacks:

	Year ended 31 March 2021	Year ended 31 March 2020	% change
Employee costs (£m)	101.9	100.3	1.6%
Dividends (£m)[1]	9.8	0	100%
Share buybacks (£m)	0	0	0%

1. For the year to 31 March 2020, the Board neither paid an interim nor a final dividend.

Remuneration continued

Directors' Remuneration Report continued

Statement of Shareholder voting (unaudited)

The resolution to approve the Directors' Remuneration Policy was passed at the 2020 AGM and received the following votes from Shareholders:

Resolution	Votes for	Votes against	% for	% against	Votes marked as abstain
To approve the Directors' Remuneration Policy	46,549,719	1,849,350	96.2	3.8	4,242

The resolution to approve the Annual Report on Remuneration at the 2020 AGM received the following votes from Shareholders:

Resolution	Votes for	Votes against	% for	% against	Votes marked as abstain
To approve the Annual Report on Remuneration	46,736,131	1,661,438	96.6	3.4	6,342

How the policy will be applied in 2021/22 (unaudited)

Base salaries

As explained in the report, the CEO's salary will be increasing from £451,452 to £500,000 effective from 1 July 2021. In line with the general workforce, the GFD will receive a salary increase of 2% for 2021/22 effective from 1 July 2021. The GFD's salary as a result of the increase will be £359,406 (from £352,359).

Benefits and pension

These will be awarded in accordance with the approved policy. Benefits will be in line with those received in 2020/21. Pension will be £61,964 for the CEO and £48,363 for the GFD (14% of the level of the (normal) salary rate at the start of 2020/21, frozen for the duration of this policy period).

Annual bonus

The maximum opportunity under the annual bonus plan for 2021/22 will be 125% of base salary for both the CEO and GFD, payable in cash up to the target level and then 50% in shares for any bonus earned in excess of the target payout level. Shares must be held for three years.

A combination of financial (85%) and non-financial strategic (15%) metrics will be used to determine the level of payment under the annual bonus for the CEO and GFD as detailed in the table below:

Measure	Weighting as a % of salary Maximum
Adjusted operating profit margin (%)	27.5%
Profit (£m)	55%
Cash conversion (%)	27.5%
Strategic objectives	15%

Non-financial strategic targets have been agreed. For the CEO and GFD, these objectives are linked to progressing opportunities identified through the strategic review and, for the CEO, establishing clear strategic goals across the broad sustainability agenda and, for the GFD, leadership and governance oversight of delivering a key capital project and broadening engagement with the investment community.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include matters which the Committee considers commercially sensitive. Retrospective disclosure of the performance against them will be made in next year's Annual Report on Remuneration.

Long-term incentives in respect of the 2021/22 financial year

The 2021/22 PSP awards will be over shares with a market value at grant of 150% of salary for the CEO and GFD. Vesting will be subject to the performance conditions as set out below measured over a three-year performance period commencing 1 April 2021. The range for the EPS measure has been increased from those set for last year's awards and for the ROCE measure is set at the same level as last year.

Half of the award	Half of the award
EPS growth – 4% p.a. (25% vesting) to 12% p.a. (100% vesting) over three financial years commencing with the 2021/22 financial year.	ROCE – 24% in the final year of the performance period (2023/24 financial year) (25% vesting) to 30% (100% vesting).

Non-Executive Directors' fees

The Committee and the Board, as appropriate, have reviewed the fees for the Chairman and Non-Executive Directors. In line with the general workforce, the basic fees for the Chairman and the Non-Executive Directors will increase by 2% for 2021/22, effective from 1 July 2021.

	2020/21	2021/22	% increase
Board Chair	£183,600	£187,272	2%
Additional fee for Deputy Chair	£5,100	£5,202	2%
Basic fee	£51,050	£52,071	2%
Additional fee for Senior Independent Director	£7,650	£7,803	2%
Additional fee for Committee Chair	£7,650	£7,803	2%

Note: The fees shown for 2020/21 and 2021/22 are the annual rates as at 1 November 2020 and 1 July 2021 respectively.

Approval

This report was approved by the Committee on 7 June 2021 and has been approved subsequently by the Board for submission to Shareholders at the Annual General Meeting to be held on 21 September 2021.

Alison Wood
Chair of the Remuneration Committee

7 June 2021

Relations with Shareholders

Financial calendar

4 March 2021	Ordinary shares quoted ex-dividend
5 March 2021	Record date for interim dividend
22 March 2021	Dividend reinvestment (DRIP) last date for election
31 March 2021	Financial year end
14 April 2021	Payment of interim dividend
8 June 2021	Announcement of preliminary results
8 June 2021	Announcement of final dividend
July 2021	Publication of Report and Financial Statements
21 September 2021	Annual General Meeting
9 September 2021	Ordinary shares quoted ex-dividend
10 September 2021	Record date for final dividend
24 September 2021	DRIP date
15 October 2021	Payment of final dividend
9 November 2021	Announcement of half-year results
March 2022	Ordinary shares quoted ex-dividend
March 2022	DRIP last date for election
March 2022	Record date for interim dividend
31 March 2022	Financial year end

Investor publications

The Group website provides up-to-date information on corporate and investor news, as well as a wide range of additional supporting documentation.

The Company's Annual and Interim Reports are available to download from the website, alongside recent recordings of the City results presentations. Find out more online at **www.oxinst.com/investors**

Administrative enquiries concerning shareholdings

You may view your shareholding and dividend history, register to receive your dividends direct to your bank account or elect to re-invest your dividends and register a change of address online at **www.signalshares.com**. To register to use this facility you will need your Investor Code (IVC), which can be found on your share certificate, dividend confirmation statement or proxy card.

Administrative enquiries concerning shareholdings in Oxford Instruments plc, such as the loss of a share certificate, dividend payments, or a change of address, should be directed, in the first instance, to the Registrar, Link Group, Link Group, Central Square, 10th Floor, 29 Wellington Street, Leeds, LS1 4DL.

Tel: +44 (0)371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales).

Email:
shareholder.enquiries@linkgroup.co.uk

Website: **www.signalshares.com**

Correspondence should refer to Oxford Instruments plc and state clearly the registered name and address of the Shareholder. Please notify the Registrar promptly of any change of address.

Dividend bank mandates

If you wish dividends to be paid directly into a bank or building society account and notification to be sent to your Shareholder register address, please update your details via **www.signalshares.com** (you will need your Investor Code if you have not registered before). Alternatively, you can contact the Company's Registrar at the address given above for a dividend mandate form. Overseas holders can also choose to receive payment directly into their bank account or can be sent a draft in local currency. Further details on international payments are available at **http://ips.linkassetservices.com**.

Tel: +44 (0)371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales).

Website: **www.signalshares.com**

Duplicate share register accounts

If you are receiving more than one copy of our report, it may be that your shares are registered in two or more accounts on our register of members. If that was not your intention you might consider merging them into one single entry. Please contact Link Group, who will be pleased to carry out your instructions.

Shareholder communications

Unless you have elected to continue to receive Shareholder communications by post, you will be notified by post or, where you have given us an email address for electronic notification, by email that Shareholder communications are available for viewing on the Company's website at **www.oxinst.com/investors**. The Company reserves the right to distribute any communication in hard copy if it deems this necessary.

Shareholder enquiries

Shareholders who have questions relating to the Group's business or who wish to have additional copies of the Report and Financial Statements should apply to:

Company Secretary

Oxford Instruments plc, Tubney Woods, Abingdon, Oxfordshire OX13 5QX

Tel: 01865 393200 Fax: 01865 393442

Email: info.oiplc@oxinst.com

Website: **www.oxinst.com**

Company registration

Registered office: Tubney Woods, Abingdon, Oxfordshire OX13 5QX

Registered in England number: 775598

Website: **www.oxinst.com**

Oxford Instruments has an extensive website which gives details of all its products and services, contact information, vacancies and latest news announcements. An interactive investor relations section gives information on recent trading reports, share price data and forthcoming events.

Analysis of Shareholders as at 31 March 2021

Size of shareholding	Number of holders	% of total	Total holding	% of total
Up to 5,000 shares	1,776	85.5	1,024,819	1.8
5,001 to 50,000 shares	169	8.1	3,122,623	5.4
50,001 to 500,000 shares	107	5.2	18,410,677	32.0
Over 500,000 shares	24	1.2	34,903,335	60.8
Total	**2,076**	**100**	**57,461,454**	**100**

Link Share Dealing Services

A quick and easy share dealing service to either sell or buy shares in many leading UK companies is provided by Link Share Dealing Services. An online and telephone facility is available, providing our Shareholders with an easy-to-access and simple-to-use service. There's no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade "real time" at a known price which will be given to you at the time you give your instruction. To deal online or by telephone all you need is your surname, Investor Code (IVC) reference number, full postcode, your date of birth and National Client Identifier. Your Investor Code can be found on a recent share certificate, statement or tax voucher. Should you not be able to locate your IVC number, please contact Link Group on +44 (0)371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales). Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service, or to buy and sell shares, please contact **www.linksharedeal.com** (online dealing) or +44 (0)371 664 0445 (telephone dealing). (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales). Full terms, conditions and risks apply and are available on request or by visiting **www.linksharedeal.com**.

This is not a recommendation to buy or sell shares. Remember the price of shares can go down as well as up, and you are not guaranteed to get back the amount that you originally invested.

Report of the Directors

The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2021.

Principal activity and business reviews

The Company is the ultimate holding company of a group of subsidiary undertakings (the "Group") engaged in the research, development, manufacture, sale and service of high technology tools and systems and is a leading provider of high technology products, systems and tools to the world's leading industrial companies and scientific communities. The Company is required to set out in this report a true and fair view of the business of the Group during the financial year ended 31 March 2021, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information which fulfils these requirements includes the Operations Review on pages 34 to 45, the Finance Review on pages 56 to 65 and the report on Sustainability on pages 46 to 55, which are incorporated in this report by reference. The operations, the strategic review, the Research and Development activities and likely future prospects of the Group are reviewed in the Strategic Report on pages 1 to 72.

Results and dividends

The results for the year are shown in the Consolidated Statement of Income on page 132. The Directors recommend a final dividend of 12.9p per ordinary share, which together with the interim dividend of 4.1p per ordinary share makes a total of 17.0p per ordinary share for the year (2020: nil). Subject to Shareholder approval, the final dividend will be paid on 15 October 2021 to Shareholders registered at close of business on 10 September 2021.

Risks and uncertainties

The Board exercises proper and appropriate corporate governance for the Group. It ensures that there are effective systems of internal controls in place to manage Shareholders' interests and the Group's assets, including the assessment and the management of the risks to which the businesses are exposed, and to monitor and manage the compliance with all the legal requirements that affect the Group's worldwide business activities. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Executive Directors report to the Board on changes in the business and in the external environment which may affect the risks which the Group faces. The Executive Directors also provide the Board with financial information at each Board meeting. Key performance indicators are reviewed periodically.

There are a number of risks and uncertainties which may have a material effect on the Oxford Instruments Group. These are described in Principal Risks on pages 66 to 70.

Directors

Biographies of all the Directors at the date of this report, including the Non-Executive Directors, appear on pages 76 and 77. There have been no changes to the Board during the year to 31 March 2021 other than the appointment of Alison Wood on 8 September 2020 as a Non-Executive Director. Thomas Geitner and Steve Blair have advised that they will not be putting themselves forward for re-election at this year's Annual General Meeting.

Directors' conflicts of interest

The Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts of interest, where appropriate. Only Directors with no interest in the matter under consideration may participate in the relevant decision and in doing so they must act in a way which they consider in good faith will be most likely to promote the Company's success. A conflicts policy has been drawn up, which is reviewed annually, and a register of conflicts and potential conflicts is maintained.

Directors' interests

The beneficial interests of the Directors in the Company's share capital, all in fully paid up shares at 31 March 2021, are shown below.

Details of share options for the Executive Directors are shown in the Remuneration Report on pages 113 and 114.

	31 March 2021 Shares	31 March 2020 Shares
Ian Barkshire	**12,642**	12,528
Neil Carson	**8,000**	8,000
Steve Blair	**—**	—
Richard Friend	**—**	—
Thomas Geitner	**—**	—
Gavin Hill	**660**	6,046
Mary Waldner	**1,000**	1,000
Alison Wood	**—**	n/a

No Director was beneficially interested in the shares of any subsidiary company at any time during the year.

In the year to 31 March 2021, no Director had a material interest in any contract of significance with the Company or any of its subsidiaries. Since the year end, there have been no changes to the above shareholdings apart from for Ian Barkshire and Gavin Hill, who each participate in the Oxford Instruments Share Incentive Plan and since the year end have each increased their beneficial holding by 64 shares.

Insurance cover and Directors' indemnities

For a number of years, the Group has purchased insurance to cover its Directors and Officers against their costs in defending themselves in legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. In addition, to the extent permitted by UK law, the Group indemnifies its Directors and Officers for liabilities arising from such proceedings.

Neither the insurance nor the indemnity provides cover for situations where the Director has acted fraudulently or dishonestly.

Share capital

The Company only has one class of share capital, which comprises ordinary shares of 5p each. All shares forming part of the ordinary share capital have the same rights and carry one vote each. There are no unusual restrictions on the transfer of a share.

The full rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Directors, are set out in the Company's Articles of Association, a copy of which is available on the Company's website. These can also be obtained from Companies House or by writing to the Company Secretary.

During the year to 31 March 2021, the Board issued 26,690 new shares (2020: 59,159) following the exercise of options under the Company's share option schemes. At 31 March 2021, the issued share capital of the Company was 57,461,453 ordinary shares of 5p each. In connection with the Company's equity incentive plans, a separately administered trust held 52,631 ordinary shares at 31 March 2021 (representing 0.1% of the total issued share capital of the Company). No shares in the Company were acquired by the Company during the year (2020: nil). Details of the share capital and options outstanding as at 31 March 2021 are set out in Notes 23 and 12 respectively to the Financial Statements.

At this year's Annual General Meeting, the Directors propose to renew the authorities granted to them at last year's AGM to:

- allot ordinary shares up to an aggregate nominal value of one-third of the Company's issued share capital and, where full pre-emption rights are applied, up to an aggregate nominal value of two-thirds of the Company's issued share capital;
- allot ordinary shares up to an aggregate nominal value of 10% of the Company's issued share capital without first offering them to existing Shareholders; and
- buy back up to 10% of the Company's issued share capital.

Shareholders will be requested to renew these authorities at the AGM, details of which are set out in the Notice of the Meeting.

Substantial shareholdings

The following are beneficial interests of 3% or more (where the holding is direct), or of 5% or more (where the holding is indirect), which have been notified to the Directors of the Company, in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules, of the Company's issued ordinary share capital, the only class of voting capital, at 2 June 2021:

	Direct/ indirect	Shares '000	% of total
Ameriprise Financial	Indirect/direct	7,447,548	13.0
BlackRock Investment Management (UK) Limited	Indirect	3,658,741	6.4
Sir MF and Lady KA Wood	Direct	3,003,030	5.2
Artemis Investment Management LLP	Indirect	2,909,731	5.1
Norges Bank	Direct	2,249,930	3.9

Report of the Directors continued

Tax strategy

The Group's tax strategy supports the strategic objectives of the Group and applies equally to both UK and non-UK taxes and to all forms of tax. The Group pays a significant amount of tax to national and local governments, including taxes on employment, corporate taxes on profits, customs and excise duty on purchases, withholding taxes and environmental taxes. We also administer VAT and similar sales taxes charged to our customers and withholdings on payments made to our employees. The Group's tax strategy is published on the Group's website at **www.oxinst.com/investors-content/tax-strategy**.

Payment of suppliers

The Group does not follow a standard payment practice but agrees terms and conditions for its business transactions with each of its suppliers. Payment is then made in accordance with these terms. At 31 March 2021, trade creditors of the Company and the Group's UK subsidiaries were equivalent to 12 days (2020: 15) and 48 days (2020: 45) of purchases respectively, based on the amounts invoiced by suppliers during the year and the amounts owed to trade creditors at the end of the year.

Charitable donations

During the year, the Group made charitable donations of £3,871 (2020: £11,986). There have been no political donations during the year.

Fixed assets

Whilst the market value of some fixed assets may differ from book value, the Directors believe that the differences are not material.

Disclosure of information to auditor

Pursuant to Section 418(2) of the Companies Act 2006, the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she might reasonably have been expected to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 21 September 2021 is set out in a letter to Shareholders together with explanatory notes relating to the resolutions.

External auditor

The resolution to appoint BDO LLP as auditor for the financial year 2020/21 was passed at the 2020 Annual General Meeting. Accordingly, during the year, the external audit services transitioned from KPMG LLP to BDO LLP. A resolution to re-appoint BDO LLP as auditor and to authorise the Directors to set their remuneration will be proposed at the Annual General Meeting.

Change of control arrangements

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover, such as banking agreements and Company share plans. On a change of control, the Company's committed credit facilities may be cancelled by lenders by giving not less than three days' notice. It is also possible that pension plan funding arrangements would need to be changed following a change of control if that resulted in a weakening of the employer covenant.

Corporate governance

The Board reviews its work on corporate governance in the Corporate Governance Report on pages 78 to 84.

Financial risk management

Details of the Group's financial risk management objectives and policies, including the exposure to price, credit and liquidity risk, are set out in Note 21 to the Financial Statements.

Diversity and inclusion

The Board recognises that its employees are fundamental to the Group's success. The Group's aim is to ensure there are equal opportunities for all employees and that there is an inclusive culture where differences are valued and people are given the environment in which they can do their best work. The Sustainability Report on pages 51 and 52 further describes how diversity and inclusion is managed within Oxford Instruments.

Greenhouse gas emissions

To meet the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, CO_2 emissions are reported on as part of our reporting on greenhouse gas emissions in Sustainability on page 49.

Material events

There were no material events since the year end to report.

By order of the Board

Susan Johnson-Brett
Company Secretary

7 June 2021

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 International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU") 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 IFRS as adopted by the EU;
- 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
Group Finance Director

7 June 2021

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Oxford Instruments Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 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 their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 ending 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is one year, covering the year ended 31 March 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

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

- Evaluating the Directors' method including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other.
- Reviewing the reverse stress test, testing the arithmetic accuracy of the model, challenging the assumptions applied and where possible agreeing the model to supporting documentation.
- Challenging management on whether the reverse stress test is appropriate and appropriately stresses the business.
- Reviewing the period assessed by management ensuring that it meets the requirements and challenging management on future events that may impact the assessment completed.
- Reviewing the adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment and any material uncertainties that may exist.
- Assessing the available bank facilities to understand the financial resources available to the Group during the forecast period, and considering any related covenants requirements.
- 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 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[1]	50% of Group profit before tax 36% of Group revenue 73% of Group total assets
Key audit matters	2021 Revenue recognition
Materiality	Group financial statements as a whole £2.6m based on 5% of profit before tax

1. These are areas which have been subject to a full scope audit by the Group engagement team.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

For the group audit we determined the individual components on which the scope of our work would be undertaken, and for each of these components we then determined whether they are significant, material or 'other in-scope'. We consider that a component is significant if it either represents around 10% of group revenues, or 15% of PBT. A full-scope audit was undertaken for the significant components, along with certain material components which had full-scope local reporting requirements. This gave total coverage of 69% of revenues and 53% of PBT, of which 36% and 50% respectively was performed by the group engagement team, with the remainder performed by BDO member firms. Full scope procedures gave coverage of 93% across total group assets. In addition specific procedures, including revenue testing, were performed on components representing 25% of group revenues and 36% of PBT, of which 13% and 34% respectively was performed 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 work on 8 of the 12 components was performed by component auditors, with the remainder, including the audit of the parent company, being performed by the Group audit team. All component audits were undertaken by BDO member firms, ensuring consistent audit methodology and quality. The group team instructed the component auditors with specific focus on the significant risk areas to be covered, including the Key Audit Matter detailed above. The component materialities were set by the group audit team, and ranged from £0.8m to £1.95m, having regards to the size and risk of the specific component in relation to the group as a whole.

The audit work by the group engagement team, as well as the components, was performed remotely, with the exception of the inventory counts, which were all attended in person.

The Group audit team were unable to visit component locations due to Covid related travel restrictions, however regular 'Teams' 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 at both the planning and completion stages, and additional work was undertaken as necessary.

An overview of the scope of our audit 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 £318.5 million; 2020: £317.4 million) Refer to page 94 (Audit Committee Report), page 141 (accounting policy).	**2020/2021 Sales:** There is a risk that product revenue is recognised before control has passed, particularly in the NanoScience business unit. 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, which is assessed by two factors, when shipping terms have been met and when the installation element of the sale has been completed. High-value systems sales can be individually significant to the Group's result for the year, and due to complexity in determining the point at which control has passed, this was considered a key audit matter.	Our procedures included: **Tests of detail:** 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 where installation has yet to occur, and verifying the shipping/delivery dates to carrier information. 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. For the NanoScience division, product and installation revenues are recognised 100% after installation has been completed per the Group policy; we obtained evidence of installation completion to verify that revenue has been recognised in the appropriate period. Testing, on a sample basis, whether service revenue transactions have been recognised over the appropriate service period, based on review of contracts and related journal entries. 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

Final materiality for the group financial statements as a whole was set at £2.6m, determined with reference to a benchmark of profit before tax.

Materiality for the parent company financial statements as a whole was set at £1.5m, determined with reference to a benchmark of company total assets, of which it represents 0.33%. The parent company's primary purpose is to hold investments in the group's subsidiaries.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £65,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

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 2021 £m	Parent company financial statements 2021 £m
Materiality	2.6	1.5
Basis for determining materiality	Profit before tax	Company total assets
Rationale for the benchmark applied	Considered to be the most relevant measure for the users of the financial statements	Considered to be the most relevant measure for the users of the financial statements
Performance materiality	1.56	0.9
Basis for determining performance materiality	60% of materiality	60% of materiality

Component materiality

We set materiality for each component of the Group based on a percentage of between 31% and 75% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.8m to £1.95m. In the audit of each component, we further applied performance materiality levels of 60% 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 £65,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Statement 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 72; and • The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate, set out on pages 71 and 72.
Other Code provisions	• Directors' statement on fair, balanced and understandable, set out on page 125; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 66; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on pages 88 and 89; and • The section describing the work of the audit committee, set out on pages 90 and 91

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.
Corporate governance statement	In our opinion, based on the work undertaken in the course of the audit the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in this information. In our opinion, based on the work undertaken in the course of the audit information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules. We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company.
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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:
  - The nature of the industry, including the design of the Group's remuneration policies, which reward the achievement of group performance targets;
  - Enquiries of management regarding: the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations;
  - Obtaining an understanding of the legal and regulatory framework in which the Group operates.
- We have responded to risks identified by performing procedures including the following:
  - Performance of sample cut-off procedures over revenue recognition around the year-end;
  - Enquiry of in-house management and external legal counsel concerning actual and potential litigation and claims;
  - Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud; and
  - Reading the minutes of meetings of those charged with governance.
- We have also considered the risk of fraud through management override of controls by:
  - Sample testing the appropriateness of journal entries and other adjustments; and
  - Assessing whether the judgements made in making accounting estimates are indicative of potential bias, in particular in respect of provisions for intellectual property-related claims and assumptions used in determining the defined benefit pension liability.
- Our testing was performed at a level we deemed capable of identifying material error.

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

7 June 2021

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

Consolidated Statement of Income

Year ended 31 March 2021

		2021			2020		
	Note	Adjusted £m	Adjusting items[1] £m	Total £m	Adjusted £m	Adjusting item[1] £m	Total £m
Revenue	3	**318.5**	**—**	**318.5**	317.4	—	317.4
Cost of sales		**(153.7)**	**—**	**(153.7)**	(158.6)	(0.4)	(159.0)
Gross profit		**164.8**	**—**	**164.8**	158.8	(0.4)	158.4
Research and development	5	**(30.0)**	**(1.3)**	**(31.3)**	(26.6)	(7.1)	(33.7)
Selling and marketing		**(44.5)**	**—**	**(44.5)**	(47.7)	—	(47.7)
Administration and shared services		**(34.5)**	**(8.8)**	**(43.3)**	(34.7)	(8.3)	(43.0)
Share of profit of associate, net of tax		**—**	**—**	**—**	0.7	6.5	7.2
Foreign exchange gain/(loss)		**0.9**	**6.4**	**7.3**	—	(1.4)	(1.4)
Operating profit		**56.7**	**(3.7)**	**53.0**	50.5	(10.7)	39.8
Interest credit on pension scheme net assets		**0.9**	**—**	**0.9**	—	—	—
Other financial income		**0.2**	**—**	**0.2**	0.3	—	0.3
Financial income	8	**1.1**	**—**	**1.1**	0.3	—	0.3
Financial expenditure	9	**(1.9)**	**—**	**(1.9)**	(1.3)	—	(1.3)
Profit/(loss) before income tax	3	**55.9**	**(3.7)**	**52.2**	49.5	(10.7)	38.8
Income tax (expense)/credit	13	**(10.8)**	**0.4**	**(10.4)**	(9.3)	2.5	(6.8)
Profit/(loss) for the year from continuing operations		**45.1**	**(3.3)**	**41.8**	40.2	(8.2)	32.0
(Loss)/profit from discontinued operations after tax	7	**—**	**—**	**—**	(0.5)	2.3	1.8
Profit/(loss) for the year attributable to equity holders of the parent		**45.1**	**(3.3)**	**41.8**	39.7	(5.9)	33.8
Earnings per share		**pence**		**pence**	pence		pence
Basic earnings per share	2						
– From continuing operations		**78.6**		**72.8**	70.2		55.9
– From discontinued operations		**—**		**—**	(0.9)		3.1
From profit for the year		**78.6**		**72.8**	69.3		59.0
Diluted earnings per share	2						
– From continuing operations		**77.6**		**71.9**	69.5		55.3
– From discontinued operations		**—**		**—**	(0.9)		3.1
From profit for the year		**77.6**		**71.9**	68.6		58.4
Dividends per share	14						
Dividends paid				**—**			14.4
Dividends proposed				**17.0**			—

1. Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in Note 1.

The attached notes form part of these Financial Statements.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2021

	2021 £m	2020 £m
Profit for the year	**41.8**	33.8
Other comprehensive (expense)/income:		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange translation differences	**(4.9)**	2.5
Net cumulative foreign exchange gain on disposal of subsidiaries recycled to the Income Statement	**—**	(4.4)
Items that will not be reclassified to profit or loss		
Remeasurement (loss)/gain in respect of post-retirement benefits	**(30.8)**	26.8
Tax credit/(charge) on items that will not be reclassified to profit or loss	**5.5**	(5.1)
Total other comprehensive (expense)/income	**(30.2)**	19.8
Total comprehensive income for the year attributable to equity Shareholders of the parent	**11.6**	53.6

Consolidated Statement of Financial Position

As at 31 March 2021

	Note	2021 £m	2020 as restated[1] £m
Assets			
Non-current assets			
Property, plant and equipment	15	**21.1**	21.8
Right-of-use assets	29	**7.3**	8.2
Intangible assets	16	**122.6**	135.5
Investment in associate	6	**—**	—
Long-term receivables	19	**—**	—
Derivative financial instruments	22	**1.1**	—
Retirement benefit asset	25	**16.3**	30.7
Deferred tax assets	17	**13.1**	17.3
		181.5	213.5
Current assets			
Inventories	18	**58.7**	58.8
Trade and other receivables	19	**75.6**	71.1
Current income tax receivable		**1.9**	0.2
Derivative financial instruments	22	**5.0**	0.9
Cash and cash equivalents	20	**128.0**	119.5
		269.2	250.5
Total assets		**450.7**	464.0
Equity			
Capital and reserves attributable to the Company's equity Shareholders			
Share capital	23	**2.9**	2.9
Share premium		**62.4**	62.2
Other reserves		**0.2**	0.2
Translation reserve		**6.6**	11.5
Retained earnings		**194.1**	174.8
		266.2	251.6
Liabilities			
Non-current liabilities			
Bank loans	24	**—**	—
Lease payables	29	**4.9**	6.5
Derivative financial instruments	22	**—**	0.9
Provisions	28	**0.7**	0.9
Deferred tax liabilities	17	**4.9**	10.2
		10.5	18.5
Current liabilities			
Bank loans and overdrafts	24	**30.4**	52.0
Trade and other payables	26	**126.1**	125.1
Lease payables	29	**2.6**	2.1
Current income tax payables		**6.2**	4.6
Derivative financial instruments	22	**—**	2.6
Provisions	28	**8.7**	7.5
		174.0	193.9
Total liabilities		**184.5**	212.4
Total liabilities and equity		**450.7**	464.0

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 7 June 2021 and signed on its behalf by:

Ian Barkshire
Director

Gavin Hill
Director

Company number: 775598

Consolidated Statement of Changes in Equity

As at 31 March 2021

	Share capital £m	Share premium £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
As at 1 April 2020	2.9	62.2	0.2	11.5	174.8	251.6
Total comprehensive income/(expense):						
Profit for the year	—	—	—	—	41.8	41.8
Other comprehensive (expense)/income:						
– Foreign exchange translation differences	—	—	—	(4.9)	—	(4.9)
– Net cumulative foreign exchange gain on disposal of subsidiaries recycled to the Income Statement	—	—	—	—	—	—
– Remeasurement loss in respect of post-retirement benefits	—	—	—	—	(30.8)	(30.8)
– Tax credit on items that will not be reclassified to profit or loss	—	—	—	—	5.5	5.5
Total comprehensive (expense)/income attributable to equity Shareholders of the parent	—	—	—	(4.9)	16.5	11.6
Transactions with owners recorded directly in equity:						
– Proceeds from exercise of share options	—	—	—	—	—	—
– Credit in respect of employee service costs settled by award of share options	—	—	—	—	1.8	1.8
– Tax credit in respect of share options	—	—	—	—	1.0	1.0
– Proceeds from shares issued	—	0.2	—	—	—	0.2
– Dividends	—	—	—	—	—	—
Total transactions with owners recorded directly in equity:	—	0.2	—	—	2.8	3.0
As at 31 March 2021	2.9	62.4	0.2	6.6	194.1	266.2
As at 1 April 2019	2.9	61.7	0.2	13.4	124.0	202.2
Total comprehensive income/(expense):						
Profit for the year	—	—	—	—	33.8	33.8
Other comprehensive income/(expense):						
– Foreign exchange translation differences	—	—	—	2.5	—	2.5
– Net cumulative foreign exchange gain on disposal of subsidiaries recycled to the Income Statement	—	—	—	(4.4)	—	(4.4)
– Remeasurement gain in respect of post-retirement benefits	—	—	—	—	26.8	26.8
– Tax charge on items that will not be reclassified to profit or loss	—	—	—	—	(5.1)	(5.1)
Total comprehensive (expense)/income attributable to equity Shareholders of the parent	—	—	—	(1.9)	55.5	53.6
Transactions with owners recorded directly in equity:						
– Proceeds from exercise of share options	—	—	—	—	0.2	0.2
– Credit in respect of employee service costs settled by award of share options	—	—	—	—	3.1	3.1
– Tax credit in respect of share options	—	—	—	—	0.2	0.2
– Proceeds from shares issued	—	0.5	—	—	—	0.5
– Dividends	—	—	—	—	(8.2)	(8.2)
Total transactions with owners recorded directly in equity:	—	0.5	—	—	(4.7)	(4.2)
As at 31 March 2020	2.9	62.2	0.2	11.5	174.8	251.6

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 52,631 (2020: 72,121) 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 2021

	Note	2021 £m	2020 £m
Profit for the year		**41.8**	33.8
Profit for the year from discontinued operations	7	**—**	(1.8)
Profit for the year from continuing operations		**41.8**	32.0
Adjustments for:			
Income tax expense	13	**10.4**	6.8
Net financial expense		**0.8**	1.0
Fair value movement on financial derivatives		**(6.4)**	1.4
Restructuring costs		**0.4**	0.2
Adjustments relating to defined benefit pension schemes		**—**	(0.6)
Profit on disposal of associate	6	**—**	(6.5)
Impairment of inventory		**—**	0.4
Impairment of capitalised development costs		**1.3**	7.1
Amortisation of acquired intangibles	16	**8.4**	8.7
Depreciation of right-of-use assets	29	**2.8**	3.4
Depreciation of property, plant and equipment	15	**3.8**	3.5
Amortisation of capitalised development costs	16	**2.5**	2.7
Amortisation of capitalised software costs	16	**—**	0.3
Adjusted earnings before interest, tax, depreciation and amortisation		**65.8**	60.4
Charge in respect of equity settled employee share schemes	12	**1.8**	3.1
Share of profit of associate		**—**	(0.7)
Restructuring costs received/(paid)		**0.3**	(0.6)
Cash payments to the pension scheme more than the charge to operating profit		**(15.5)**	(10.0)
Operating cash flows before movements in working capital		**52.4**	52.2
Increase in inventories		**(1.3)**	(2.3)
(Increase)/decrease in receivables		**(10.5)**	3.3
Increase in payables and provisions (includes FX movement of £3.3m (2020: (£1.9m))		**11.3**	2.5
(Decrease)/increase in customer deposits		**(2.2)**	6.6
Cash generated from operations		**49.7**	62.3
Interest paid		**(1.6)**	(1.0)
Income taxes paid		**(6.3)**	(6.1)
Net cash from operating activities – continuing operations		**41.8**	55.2
Net cash from operating activities		**41.8**	55.2

	Note	2021 £m	2020 £m
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		0.2	0.1
Acquisition of property, plant and equipment		(4.2)	(4.4)
Net cash flow on disposal of associate		—	11.7
Capitalised development expenditure		(0.9)	(2.8)
Decrease in long-term receivables		—	1.4
Net cash (used in)/generated from investing activities – continuing operations		(4.9)	6.0
Net cash generated from investing activities – discontinued operations		—	8.7
Net cash (used in)/generated from investing activities		(4.9)	14.7
Cash flows from financing activities			
Proceeds from issue of share capital		0.2	0.5
Proceeds from exercise of share options		—	0.2
Payments made in respect of lease liabilities	29	(2.8)	(3.3)
Repayment of borrowings		(27.9)	(0.6)
Dividends paid		—	(8.2)
Net cash used in financing activities – continuing operations		(30.5)	(11.4)
Net cash generated from financing activities – discontinued operations		—	—
Net cash used in financing activities		(30.5)	(11.4)
Net increase in cash and cash equivalents		6.4	58.5
Cash and cash equivalents at beginning of the year		95.4	35.2
Effect of exchange rate fluctuations on cash held		(4.2)	1.7
Cash and cash equivalents at end of the year	20	97.6	95.4

	Note	2021 £m	2020 £m
Cash and cash equivalents as per the Consolidated Statement of Financial Position	20	128.0	119.5
Bank overdrafts	24	(30.4)	(24.1)
Cash and cash equivalents in the Consolidated Statement of Cash Flows		97.6	95.4

Accounting Policies

Year ended 31 March 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Company has elected to prepare its Parent Company Financial Statements in accordance with FRS 101; these are presented on pages 175 to 185.

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 30 and 31. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 56 to 65.

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 29 June 2023. 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 71 and 72.

The Financial Statements were authorised for issuance on 7 June 2021.

(a) New accounting standards

No new accounting standards have been adopted during the year.

(b) Significant estimates and judgements

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

Significant judgements

In the opinion of the Group there are no judgements made in the preparation of the Financial Statements in respect of which taking a different view would have a material impact on the Financial Statements.

Significant estimates

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

Measurement of defined benefit scheme liabilities

The Group recognises and measures costs relating to defined benefit pension schemes in accordance with IAS 19 (Revised) Employee Benefits. In applying IAS 19 (Revised) the costs are assessed in accordance with the advice of independent qualified actuaries. This requires certain estimates and assumptions in relation to future changes in salaries and inflation, as well as mortality rates, expected returns on plan assets and the selection of suitable discount rates. The factors affecting these assumptions are influenced by wider macro-economic factors that are largely outside of the Group's control. A sensitivity analysis is set out in Note 25.

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 27).

(c) Basis of preparation and consolidation

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

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

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

Associates are those entities in which the Group holds more than 20% of the shares and voting rights and has significant influence, but not control, over the financial and operating policies.

The Group financial information includes the Group's share of the total comprehensive income of the associate on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in associate, the Group's carrying amount is reduced to £nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

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.

(f) Property, plant and equipment

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

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

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

(g) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries.

In respect of business acquisitions that have occurred since 31 March 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the assets, liabilities and contingent liabilities acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

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

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

(ii) Development costs

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

(iii) Acquired intangible assets

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

Accounting Policies continued

Year ended 31 March 2021

(g) Intangible assets continued

(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.

(ii) Defined benefit plans

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

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

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

(iii) Share-based payment transactions

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

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

Own shares held by ESOP trust

Transactions of the Group-sponsored ESOP trust are treated as being those of the Group and are therefore reflected in the Group Financial Statements. In particular, the trust's purchases and sales of shares in the Group are debited and credited directly to equity.

(m) Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision for warranty and product-related liability is recognised when the underlying products are sold. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision for a claim or dispute is made when it is considered probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated.

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

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

(n) Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently stated at amortised cost.

(o) Contract 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.

During the year the Group received £0.4m from the British Government as part of the UK furlough scheme. This was fully repaid during the year.

(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.

Accounting Policies continued

Year ended 31 March 2021

(r) Revenue continued

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

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

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

(s) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Tax positions are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included within current taxation liabilities.

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

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

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

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

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

Leases under which the Group acts as lessee

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

(u) Segment reporting

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

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

During the year, the Directors reviewed the composition of the aggregated operating segments. The customer base of the Magnetic Resonance operating segment was found to be more closely aligned to that of the Materials & Characterisation segment and the decision was taken to move the Magnetic Resonance segment from the Research & Discovery segment to the Materials & Characterisation segment. The management of the segment was also realigned at the same time. The segmental information for the prior year has been restated to reflect the amended aggregated operating segments.

(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

In early 2021, the Financial Reporting Council (FRC) submitted a request for further information on the Group's Report and Financial Statements for the year ended 31 March 2020. The review conducted by the FRC was based solely on the Group's published Report and Accounts and does not provide any assurance that the Report and Accounts are correct in all material respects.

Following completion of this review, the Directors have concluded that the overdraft balances of Group entities should be separately presented gross on the Consolidated Statement of Financial Position, rather than netted off against cash and cash equivalents held either by the same entity, or other Group entities, with the same bank. These overdrafts are held with the Group's relationship banks. As a result, the Consolidated Statement of Financial Position as at 31 March 2020 has been restated as follows:

Consolidated Statement of Financial Position	2020 (as reported) £m	Restatement £m	2020 (restated) £m
Current assets			
Cash and cash equivalents	95.4	24.1	119.5
Current liabilities			
Bank loans and overdrafts	(27.9)	(24.1)	(52.0)
Net assets	67.5	—	67.5

The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the 2020 financial year.

The impact on the opening Consolidated Statement of Financial Position as at 31 March 2019 is as follows:

Consolidated Statement of Financial Position	2019 (as reported) £m	Restatement £m	2019 (restated) £m
Current assets			
Cash and cash equivalents	35.2	39.4	74.6
Current liabilities			
Bank loans and overdrafts	(0.6)	(39.4)	(40.0)
Net assets	34.6	—	34.6

This did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the 2019 financial year.

Notes to the Financial Statements

Year ended 31 March 2021

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

	2021		2020	
	Operating profit £m	Profit before income tax £m	Operating profit £m	Profit before income tax £m
Statutory measure from continuing operations	53.0	52.2	39.8	38.8
Business reorganisation items	0.4	0.4	0.2	0.2
Adjustments relating to defined benefit pension schemes	—	—	(0.6)	(0.6)
Impairment of inventory	—	—	0.4	0.4
Impairment of capitalised development costs	1.3	1.3	7.1	7.1
Profit on disposal of associate	—	—	(6.5)	(6.5)
Amortisation and impairment of acquired intangibles	8.4	8.4	8.7	8.7
Fair value movement on financial derivatives	(6.4)	(6.4)	1.4	1.4
Total non-GAAP adjustments	3.7	3.7	10.7	10.7
Adjusted measure from continuing operations	56.7	55.9	50.5	49.5
Income tax expense		(10.8)		(9.3)
Adjusted profit for the year from continuing operations	56.7	45.1	50.5	40.2
Adjusted effective tax rates		19.3%		18.8%

Business reorganisation items

These represent the costs of professional fees on an acquisition project and property-related one-off costs.

In the year to 31 March 2020, these represent the costs of one-off changes to senior management within the Research & Discovery segment.

Adjustments relating to defined benefit pension schemes

During the year to 31 March 2020, the Group recognised a one-off accounting gain on the termination of its US defined benefit pension scheme. See note 25 for further details.

Impairment of inventory

During the year to 31 March 2020, the Group implemented a new ERP system at a site within the Research & Discovery division. In reconciling the inventory on the new system, a need for an impairment in respect of certain historic inventory differences was identified. This has been treated as an adjusting item due to its one-off nature.

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.

During the year to 31 March 2020, 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 the Materials & Characterisation segment; comprising software intangibles in Asylum Research, historical balances on general process development in Plasma Technology and product development in NanoAnalysis that has been affected by a reduction in orders as a result of covid.

Profit on disposal of associate

During the year to 31 March 2020, the Group made a profit on disposal of its shareholding in Scienta Scientific AB; see Note 6. This has been treated as an adjusting item due to its non-recurring nature.

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.

Share of taxation

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

	2021 £m	2020 £m
Net increase in cash and cash equivalents	6.4	58.5
Effect of exchange rate fluctuations on cash held	(4.2)	1.7
	2.2	60.2
Repayment of borrowings	27.9	0.6
Movement in accrued interest	—	—
Movement in net cash in the year	30.1	60.8
Net cash at start of the year	67.5	6.7
Net cash at the end of the year	97.6	67.5

Reconciliation of net cash to Statement of Financial Position

	2021 £m	2020 as restated[1] £m
Loan notes – unsecured	—	(27.9)
Overdrafts	(30.4)	(24.1)
Cash and cash equivalents	128.0	119.5
Net cash at the end of the year	97.6	67.5

1. Prior year numbers have been restated. Details can be found in the accounting policies.

Notes to the Financial Statements continued

Year ended 31 March 2021

2 Earnings per share

Basic and diluted EPS from continuing operations are based on the result for the year from continuing operations, as reported in the Consolidated Statement of Income. Basic and diluted EPS from total operations are based on the result for the year attributable to equity Shareholders of the parent. Adjusted and diluted adjusted EPS are based on adjusted profit for the year from continuing operations. The profit measures noted above are divided by the weighted average number of ordinary shares outstanding during the year, excluding shares held by the Employee Share Ownership Trust. The table below reconciles these different profit measures.

	2021 £m	2020 £m
Profit for the year attributable to equity Shareholders of the parent	41.8	33.8
Discontinued operations	—	(1.8)
Adjusting items:		
Business reorganisation items	0.4	0.2
Adjustments relating to defined benefit pension schemes	—	(0.6)
Impairment of inventory	—	0.4
Impairment of capitalised development costs	1.3	7.1
Profit on disposal of associate	—	(6.5)
Amortisation and impairment of acquired intangibles	8.4	8.7
Fair value movement on financial derivatives	(6.4)	1.4
Adjusted income tax expense	(0.4)	(2.5)
Adjusted profit for the year from continuing operations	**45.1**	40.2

The weighted average number of shares used in the calculation excludes shares held by the Employee Share Ownership Trust, and is as follows:

	2021 Shares million	2020 Shares million
Weighted average number of shares outstanding	57.5	57.4
Less: weighted average number of shares held by Employee Share Ownership Trust	(0.1)	(0.1)
Weighted average number of shares used in calculation of basic earnings per share	**57.4**	57.3

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

	2021 Shares million	2020 Shares million
Number of ordinary shares per basic earnings per share calculations	57.4	57.3
Effect of shares under option	0.7	0.6
Number of ordinary shares per diluted earnings per share calculations	**58.1**	57.9

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

3 Segment information

The Group has eight 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.

The results of the year to 31 March 2020 have been restated to reflect Magnetic Resonance moving from the Research & Discovery segment to the Materials & Characterisation segment. Further information can be found in the accounting policies.

Results from continuing operations

Year to 31 March 2021	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Total £m
Total segment revenue	148.6	113.4	56.5	318.5
Segment adjusted operating profit from continuing operations	20.3	19.5	16.9	56.7

Year to 31 March 2020 as restated	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Total £m
Total segment revenue	145.8	117.8	53.8	317.4
Segment adjusted operating profit from continuing operations	21.0	14.5	15.0	50.5

The adjusted profit after tax of £nil (2020: £0.7m) from the Group's associate is reported within the Research & Discovery segment.

Revenue in the Materials & Characterisation and Research & Discovery segments represents the sale of products. Revenue in the Service & Healthcare segment relates to service income.

As at 31 March 2021, the Group had unfulfilled performance obligations under IFRS 15 of £198.1m (2020: £175.0m). It is anticipated that £178.9m (2020: £144.8m) of this balance will be satisfied within one year. The remainder is anticipated to be satisfied in the following financial year.

3 Segment information continued

Reconciliation of reportable segment profit from continuing operations

Year to 31 March 2021	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Segment adjusted operating profit from continuing operations	20.3	19.5	16.9	—	56.7
Restructuring costs	(0.4)	—	—	—	(0.4)
Impairment of capitalised development costs	(1.3)	—	—	—	(1.3)
Amortisation of acquired intangibles	(2.0)	(6.4)	—	—	(8.4)
Fair value movement on financial derivatives	—	—	—	6.4	6.4
Financial income	—	—	—	1.1	1.1
Financial expenditure	—	—	—	(1.9)	(1.9)
Profit before income tax from continuing operations	16.6	13.1	16.9	5.6	52.2

Year to 31 March 2020 as restated	Materials & Characterisation £m	Research & Discovery £m	Service & Healthcare £m	Unallocated Group items £m	Total £m
Segment adjusted operating profit from continuing operations	21.0	14.5	15.0	—	50.5
Restructuring costs	(0.1)	(0.1)	—	—	(0.2)
Adjustments relating to defined benefit pension schemes	—	—	—	0.6	0.6
Impairment of inventory	—	(0.4)	—	—	(0.4)
Impairment of capitalised development costs	(6.3)	(0.8)	—	—	(7.1)
Profit on disposal of associate	—	6.5	—	—	6.5
Amortisation of acquired intangibles	(2.3)	(6.4)	—	—	(8.7)
Fair value movement on financial derivatives	—	—	—	(1.4)	(1.4)
Financial income	—	—	—	0.3	0.3
Financial expenditure	—	—	—	(1.3)	(1.3)
Profit/(loss) before income tax from continuing operations	12.3	13.3	15.0	(1.8)	38.8

Depreciation	2021 £m	2020 as restated £m
Materials & Characterisation	3.3	2.9
Research & Discovery	1.3	1.4
Service & Healthcare	0.6	1.1
Unallocated Group items	1.4	1.5
Total	6.6	6.9

Capital expenditure	2021 £m	2020 as restated £m
Materials & Characterisation	3.2	2.7
Research & Discovery	1.3	1.1
Service & Healthcare	0.1	0.1
Unallocated Group items	0.2	0.5
Total	4.8	4.4

Amortisation and impairment	2021 £m	2020 as restated £m
Materials & Characterisation	5.6	10.7
Research & Discovery	6.6	7.8
Service & Healthcare	—	—
Unallocated Group items	—	0.3
Total	12.2	18.8

Capitalised development costs	2021 £m	2020 as restated £m
Materials & Characterisation	0.8	2.4
Research & Discovery	0.1	0.4
Service & Healthcare	—	—
Unallocated Group items	—	—
Total	0.9	2.8

Revenue from continuing operations from external customers by destination	2021 £m	2020 £m
UK	14.5	13.4
China	76.8	69.7
Japan	39.6	38.5
USA	72.1	83.5
Germany	32.8	26.7
Rest of Europe	39.9	44.8
Rest of Asia	33.8	28.4
Rest of World	9.0	12.4
Total	318.5	317.4

Non-current assets (excluding deferred tax)	2021 £m	2020 £m
UK	146.0	170.2
Germany	2.9	4.0
USA	8.7	9.7
Japan	0.6	1.4
China	0.3	0.5
Rest of Europe	7.8	8.8
Rest of Asia	0.2	0.3
Rest of World	0.9	1.3
Total	167.4	196.2

4 Auditor's remuneration

	2021 £'000	2020 £'000
Audit of these Financial Statements	200	215
Amounts received by the auditor and its associates in respect of:		
– Audit of Financial Statements of subsidiaries pursuant to legislation	349	287
– Taxation compliance services	—	—
– Audit-related assurance services	44	28
– Other assurance services	6	—
Total fees payable to the auditor and its associates	599	530

Auditor remuneration in the year relates to the current auditor, BDO LLP. Auditor remuneration in the prior year relates to the previous auditor, KPMG LLP.

Notes to the Financial Statements continued

Year ended 31 March 2021

5 Research and development (R&D)

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

Year to 31 March 2021	Materials & Characterisation £m	Research & Discovery £m	Total £m
R&D expense charged to the Consolidated Statement of Income	20.2	9.8	30.0
Less: depreciation of R&D-related fixed assets	—	(0.1)	(0.1)
Add: amounts capitalised as fixed assets	—	0.6	0.6
Less: amortisation of R&D costs previously capitalised as intangibles	(2.3)	(0.2)	(2.5)
Add: amounts capitalised as intangible assets	0.8	0.1	0.9
Total cash spent on R&D during the year	18.7	10.2	28.9

Year to 31 March 2020 as restated[1]	Materials & Characterisation £m	Research & Discovery £m	Total £m
R&D expense charged to the Consolidated Statement of Income	16.0	10.6	26.6
Less: depreciation of R&D-related fixed assets	—	—	—
Add: amounts capitalised as fixed assets	0.1	—	0.1
Less: amortisation of R&D costs previously capitalised as intangibles	(2.1)	(0.6)	(2.7)
Add: amounts capitalised as intangible assets	2.4	0.4	2.8
Total cash spent on R&D during the year	16.4	10.4	26.8

1. Details of restatement of prior year numbers for changes in reporting segments can be found in the accounting policies.

6 Investment in associate

The Group held a 47% interest in the ordinary share capital of Scienta Scientific AB. Scienta Scientific AB is registered and has its principal place of business in Sweden. On 28 January 2020, the Group sold its holdings in Scienta Scientific AB for £11.7m in cash.

The Group's share of profit in its equity accounted associate for the period to 28 January 2020 was £0.7m. The Group did not receive any dividend from the associate in the current or prior periods.

The profit on disposal recognised in the accounts to 31 March 2020 was £6.5m.

7 Disposal of subsidiary and discontinued operations

On 21 February 2020, the Group disposed of its OI Healthcare business in the US for a final consideration of $14.9m, of which $1.5m was held in escrow for 18 months pending any claims from the purchaser. By 31 March 2021, the balance held in escrow had reduced to $0.6m given the resolution of certain purchase price adjustments.

In the year to 31 March 2020 the OI Healthcare business was classified as a discontinued operation. It was considered a major class of business on the basis of its size and that it was previously an operating segment and referred to in the Group's Strategic Report.

During the year to 31 March 2021 there were no transactions relating to discontinued operations.

	2021		2020	
Results of discontinued operations	**OI Healthcare £m**	**Industrial Analysis £m**	OI Healthcare £m	Industrial Analysis £m
Revenue	**—**	**—**	14.8	—
Expenses	**—**	**—**	(15.5)	—
Adjusted (loss)/profit before tax	**—**	**—**	(0.7)	—
Income tax credit/(charge)	**—**	**—**	0.2	—
Adjusted (loss)/profit after tax	**—**	**—**	(0.5)	—
Adjusting items:				
Restructuring costs	**—**	**—**	(0.1)	(0.2)
Amortisation of acquired intangibles	**—**	**—**	(0.8)	—
Income tax on adjusting items	**—**	**—**	0.3	—
(Loss)/profit after tax	**—**	**—**	(1.1)	(0.2)
Gain on disposal	**—**	**—**	3.1	—
Tax on gain on disposal	**—**	**—**	—	—
Profit from discontinued operations after tax	**—**	**—**	2.0	(0.2)
Cash flows from discontinued operations				
Net cash generated from operating activities	**—**	**—**	—	—
Net cash generated from investing activities	**—**	**—**	7.4	1.3
Net cash used in financing activities	**—**	**—**	—	—

Earnings per share from discontinued operations

	2021 pence	2020 pence
Adjusted basic loss per share	**—**	(0.9)
Adjusted diluted loss per share	**—**	(0.9)
Total basic earnings per share	**—**	3.1
Total diluted earnings per share	**—**	3.1

8 Financial income

	2021 £m	2020 £m
Interest receivable	**0.2**	0.3
Interest credit on pension scheme net assets	**0.9**	—
	1.1	0.3

9 Financial expenditure

	2021 £m	2020 £m
Bank interest payable	**1.8**	1.2
Interest on lease liabilities	**0.1**	0.1
	1.9	1.3

10 Personnel costs

	2021 £m	2020 £m
Wages and salaries	**85.6**	87.8
Social security costs	**10.5**	10.8
Contributions to defined contribution plans (Note 25)	**4.0**	3.6
Defined benefit (income)/expense (Note 25)	**(0.5)**	0.4
Charge in respect of employee share options	**1.8**	3.1
	101.4	105.7

Directors' emoluments are disclosed in the Remuneration Report on pages 97 to 119 of this Report and Financial Statements.

Included in the prior year total above is £5.3m in respect of discontinued operations.

11 Employees

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

	2021 Number	2020 Number
Production	**628**	611
Sales and marketing	**405**	394
Research and development	**367**	365
Administration and shared services	**219**	215
	1,619	1,585

12 Share option schemes

The Group operates three share option schemes:

All-employee Share Incentive Plan (SIP)

All UK employees are eligible to participate in the Group's HM Revenue and Customs-approved SIP. Participating employees make a cash contribution to the plan each month. The Group contributes a further amount equal to 20% of the employee's contribution. Independent trustees then purchase matching shares in the market on behalf of the employees. The matching shares vest on the completion by the participating employee of a further three years' service and can be withdrawn from the plan tax-free after five years' service.

Medium-Term Incentive Plan Scheme (MTIP)

Options awarded under the Medium-Term Incentive Plan are made annually to certain senior managers. The exercise prices are £nil. Options have a life of ten years with vesting subject to achievement of performance targets and a vesting period of a minimum of three years (but may be up to five years).

Performance Share Plan Scheme (PSP)

Under the Performance Share Plan awards of performance shares (or nil-cost options) are made annually to certain senior managers. Awards have a life of ten years with vesting subject to achievement of performance targets and a vesting period of a minimum of three years (but may be up to five years).

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

Executive Share Option Scheme (ESO)

Options awarded under the Executive Share Option Scheme were made annually to certain senior managers. The exercise prices were determined according to the mid-market closing share price on the day before the date of grant. Options have a life of ten years and a vesting period of three years.

Some of the ESO options used total shareholder return (TSR) as a performance condition. As TSR is a market-based performance condition, the accounting treatment differs from that for options subject to non-market performance conditions. This means that the TSR performance conditions were incorporated into the calculation of the fair value as a discount in calculating the fair value.

Performance conditions

The ESO, MTIP and PSP schemes are or were subject to performance conditions which can be found in the Remuneration Report on pages 97 to 119.

Administrative expenses include a charge of £1.8m (2020: £3.1m) 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 2021 and 2020, the fair value per option granted and the assumptions used in the calculation are as follows:

	Medium-Term Incentive Plan Scheme September 2020	Performance Share Plan Scheme September 2020	Medium-Term Incentive Plan Scheme July 2019	Performance Share Plan Scheme July 2019
Fair value at measurement date	£15.68	£15.68	£13.58	£13.58
Share price at grant date	£15.80	£15.80	£14.00	£14.00
Exercise price	£nil	£nil	£nil	£nil
Expected volatility	42.4%	42.4%	38.2%	38.2%
Expected option life (expressed as weighted average life used in the modelling)	3 years	3 years	3 years	3 years
Expected dividend yield	0.3%	0.3%	1.0%	1.0%
Risk-free interest rate	(0.1%)	(0.1%)	0.5%	0.5%

The options existing at the year end were as follows:

	2021			2020
	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				
January 2011	—	£7.05	07/01/14 – 06/01/21	2,700
December 2011	22,426	£9.90	14/12/14 – 13/12/21	34,945
June 2015	150,831	£10.28	15/06/18 – 14/06/25	164,181
June 2016	18,000	£7.38	21/06/19 – 20/06/26	18,000
November 2016	43,849	£6.27	29/11/19 – 28/11/26	49,750
Total options subsisting on existing ordinary shares	235,106			269,576
Percentage of issued share capital	0.4%			0.5%
Medium-Term Incentive Plan				
September 2017	48,532	£nil	25/09/20 – 24/09/27	99,398
July 2018	85,294	£nil	03/07/21 – 02/07/28	91,867
July 2019	90,149	£nil	15/07/22 – 14/07/29	97,514
September 2020	80,376	£nil	23/09/23 – 22/09/30	—
Total options subsisting on existing ordinary shares	304,351			288,779
Percentage of issued share capital	0.5%			0.5%
Performance Share Plan				
June 2016	137,783	£nil	21/06/19 – 20/06/26	148,475
September 2017	116,853	£nil	25/09/20 – 24/09/27	116,853
July 2018	115,043	£nil	03/07/21 – 02/07/28	115,043
July 2019	86,032	£nil	15/07/22 – 14/07/29	86,032
September 2020	74,815	£nil	23/09/23 – 22/09/30	—
Total options subsisting on existing ordinary shares	530,526			466,403
Percentage of issued share capital	0.9%			0.8%

Notes to the Financial Statements continued

Year ended 31 March 2021

12 Share option schemes continued

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

	2021		2020	
	Weighted average exercise price	Number of options	Weighted exercise average price	Number of options
Outstanding at the beginning of the period	£2.44	1,024,758	£4.68	1,210,599
Granted during the year	£0.00	155,191	£0.00	188,660
Forfeited during the year	—	(59,735)	£3.26	(41,051)
Exercised during the year	£5.97	(45,850)	£9.03	(307,450)
Lapsed during the year	£9.91	(4,381)	£9.83	(26,000)
Outstanding at the year end	£2.04	1,069,983	£2.44	1,024,758
Exercisable at the year end	£4.05	538,274	£5.97	418,051

The weighted average share price at the time of exercise of the options was £16.78 (2020: £13.55).

The total consideration received from exercise of options in the year was £0.2m (2020: £0.7m).

13 Income tax expense

	2021 £m	2020 £m
Recognised in the Consolidated Statement of Income		
Current tax expense		
Current year	9.7	9.1
Adjustment in respect of prior years	(3.2)	(0.8)
	6.5	8.3
Deferred tax expense		
Origination and reversal of temporary differences	2.0	(1.6)
Adjustment in respect of prior years	1.9	0.1
	3.9	(1.5)
Total tax expense	10.4	6.8
Reconciliation of effective tax rate		
Profit before income tax	52.2	38.8
Income tax using the weighted average statutory tax rate of 21% (2020: 22%)	11.0	8.5
Effect of:		
Tax rates other than the weighted average statutory rate	0.4	0.1
Change in rate at which deferred tax recognised	0.1	0.1
Profit on disposal	—	(1.3)
Non-taxable income and expenses	0.3	0.6
Movement in unrecognised deferred tax	(0.1)	—
Adjustment in respect of prior years	(1.3)	(1.2)
Total tax expense	10.4	6.8
Taxation (credit)/charge recognised directly in other comprehensive income		
Deferred tax – relating to employee benefits	(5.5)	5.1
Taxation credit recognised directly in equity		
Deferred tax – relating to share options	(1.0)	(0.2)

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. However, in the Budget on 11 March 2020, it was announced that this reduction would be reversed, which was substantively enacted on 17 March 2020. Consequently, the UK corporation tax rate will remain at 19%. The UK deferred tax liability at 31 March 2020 was calculated based on that rate.

On 5 March 2021 it was announced that the rate of UK corporation tax would be increased to 25% from 1 April 2023; however, at the reporting date, this change has not been substantively enacted. As such, the UK deferred tax assets and liabilities have been calculated based on the enacted rate of 19%.

The Group carries tax provisions in relation to uncertain tax positions arising from the possible outcome of negotiations with tax authorities. The provisions have been calculated based on the probable outcome of those negotiations from a range of possibilities and assume that the tax authorities have full knowledge of the facts. Such provisions are a reflection of the geographical spread of the Group's operations and the variety of jurisdictions in which it carries out its activities.

On 2 April 2019 the EU Commission announced that it believes that in certain circumstances the UK's Controlled Foreign Company (CFC) regime (introduced in 2013) for certain finance income constituted State Aid. The Commission instructed the UK Government to recover any such aid from affected parties. The Group has claimed the benefit of this exemption, and therefore may be required to repay State Aid. The maximum amount of State Aid repayable as at 31 March 2020 was £1.2m in respect of tax and £0.1m in respect of interest, unless the decision is successfully challenged in the EU Courts. The Group believed that £0.2m might ultimately have been payable and a provision was made for that amount in the year to 31 March 2020. In early 2021, HM Revenue and Customs advised the Group that it agreed with the Group's position that it had not in fact been a beneficiary of State Aid. The provision of £0.2m has accordingly been released in the year to 31 March 2021.

In addition to the provision release following the enactment of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Group was able to carry back tax losses in the US to earlier years, which resulted in a prior year adjustment of £2.7m.

14 Dividends per share

The following dividends per share were paid by the Group:

	2021 pence	2020 pence
Previous period interim dividend	—	3.8
Previous period final dividend	—	10.6
	—	14.4

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

	2021 pence	2020 pence
Interim dividend	4.1	—
Final dividend	12.9	—
	17.0	—

The interim dividend was not provided for at the year end and was paid on 14 April 2021. The final proposed dividend of 14.9 pence per share was not provided at the year end and will be paid on 15 October 2021, subject to authorisation by the Shareholders at the forthcoming Annual General Meeting.

Notes to the Financial Statements continued

Year ended 31 March 2021

15 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
Balance at 1 April 2019	14.9	49.1	9.9	73.9
Additions – external	0.2	4.2	0.7	5.1
Disposals – sale of businesses	(0.5)	(9.9)	(0.1)	(10.5)
Disposals – other	—	(8.5)	(2.7)	(11.2)
Effect of movements in foreign exchange rates	(0.1)	0.5	—	0.4
Balance at 31 March 2020	14.5	35.4	7.8	57.7
Balance at 1 April 2020	14.5	35.4	7.8	57.7
Additions – external	**0.2**	**3.8**	**0.1**	**4.1**
Disposals – other	**(0.8)**	**(2.2)**	**(0.1)**	**(3.1)**
Effect of movements in foreign exchange rates	**(0.1)**	**(0.5)**	**(0.1)**	**(0.7)**
Balance at 31 March 2021	**13.8**	**36.5**	**7.7**	**58.0**
Depreciation and impairment losses				
Balance at 1 April 2019	5.1	36.6	8.0	49.7
Depreciation charge for the year	0.4	3.5	0.3	4.2
Disposals – sale of businesses	(0.2)	(6.9)	(0.1)	(7.2)
Disposals – other	—	(8.4)	(2.8)	(11.2)
Effect of movements in foreign exchange rates	(0.2)	0.4	0.2	0.4
Balance at 31 March 2020	5.1	25.2	5.6	35.9
Balance at 1 April 2020	5.1	25.2	5.6	35.9
Depreciation charge for the year	**0.4**	**3.1**	**0.4**	**3.9**
Disposals – other	**—**	**(2.1)**	**—**	**(2.1)**
Effect of movements in foreign exchange rates	**(0.1)**	**(0.6)**	**(0.1)**	**(0.8)**
Balance at 31 March 2021	**5.4**	**25.6**	**5.9**	**36.9**
Carrying amounts				
Balance at 1 April 2019	9.8	12.5	1.9	24.2
Balance at 31 March 2020 and 1 April 2020	9.4	10.2	2.2	21.8
Balance at 31 March 2021	**8.4**	**10.9**	**1.8**	**21.1**

As at 31 March 2021, the net book value of plant and equipment included £1.2m (2020: £0.8m) of assets under construction.

16 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 2019	108.3	52.6	93.5	1.8	49.3	4.2	309.7
Additions – internally generated	—	—	—	—	2.8	—	2.8
Disposals – sale of businesses	(5.9)	(22.0)	—	—	—	—	(27.9)
Effect of movements in foreign exchange rates	0.9	0.7	2.1	—	(0.1)	—	3.6
Balance at 31 March 2020	103.3	31.3	95.6	1.8	52.0	4.2	288.2
Balance at 1 April 2020	103.3	31.3	95.6	1.8	52.0	4.2	288.2
Additions – internally generated	—	—	—	—	0.9	—	0.9
Disposals – other	—	(0.5)	—	—	(4.4)	—	(4.9)
Effect of movements in foreign exchange rates	(1.5)	(1.5)	(3.9)	—	—	—	(6.9)
Balance at 31 March 2021	**101.8**	**29.3**	**91.7**	**1.8**	**48.5**	**4.2**	**277.3**
Amortisation and impairment losses							
Balance at 1 April 2019	28.0	41.5	50.0	0.9	34.2	2.6	157.2
Amortisation and impairment charged	—	1.8	7.5	0.2	9.8	0.3	19.6
Disposals – sale of businesses	(5.9)	(20.7)	—	—	—	—	(26.6)
Effect of movements in foreign exchange rates	0.8	0.6	1.3	—	(0.1)	(0.1)	2.5
Balance at 31 March 2020	22.9	23.2	58.8	1.1	43.9	2.8	152.7
Balance at 1 April 2020	22.9	23.2	58.8	1.1	43.9	2.8	152.7
Amortisation and impairment charged	—	1.1	7.1	0.2	3.8	—	12.2
Disposals – other	—	(0.5)	—	—	(4.4)	—	(4.9)
Effect of movements in foreign exchange rates	(1.2)	(1.3)	(2.9)	—	—	0.1	(5.3)
Balance at 31 March 2021	**21.7**	**22.5**	**63.0**	**1.3**	**43.3**	**2.9**	**154.7**
Carrying amounts							
Balance at 1 April 2019	80.3	11.1	43.5	0.9	15.1	1.6	152.5
Balance at 31 March 2020 and 1 April 2020	80.4	8.1	36.8	0.7	8.1	1.4	135.5
Balance at 31 March 2021	**80.1**	**6.8**	**28.7**	**0.5**	**5.2**	**1.3**	**122.6**

During the year the Group made impairments of £1.3m (2020: £7.1m) 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 98% (2020: 93%) of total acquired intangible assets:

	2021 £m	2021 Amortisation period years	2021 Remaining amortisation period years	2020 £m
Trademarks – Andor	6.4	15.0	7.8	7.2
Technology, know-how and patents – Andor:				
– Product related	20.4	12.0	4.8	24.7
– Software related	3.1	10.0	2.8	4.2
Technology, know-how and patents – Asylum	5.2	12.0	3.7	6.6

Notes to the Financial Statements continued

Year ended 31 March 2021

16 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:

	2021 £m	2020 £m
Materials & Characterisation		
NanoAnalysis	9.8	10.1
Research & Discovery		
Andor	61.3	61.3
NanoScience	6.7	6.7
Magnetic Resonance	2.3	2.3
	80.1	80.4

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. In previous years, the Group has used Board-approved five-year cash flow forecasts, prepared by the management of each CGU and reviewed and amended by Group management as necessary together with 3.0% per annum growth for the subsequent 20 years. This rate was considered to be at or below long-term market trends for the Group's businesses.

The impact of coronavirus was considered in preparing the base case and downside profit forecast based on the Group's five-year planning process completed in November 2020 and budget submitted in January 2021. The downside forecast was used as a basis for the value in use calculation along with an assumption that annual average cash conversion would be 85%, which is the Group's target cash conversion and noted to be lower than that achieved over the last five years. Long-term growth was estimated to be 1.5% which was considered to be a prudent growth rate given current economic circumstances.

Key assumptions

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

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

The pre-tax weighted average costs of capital used for Materials & Characterisation and Research & Discovery in impairment testing are 13.6%-14.1% (2020: 13.7%-14.4%) and 13.6%-14.1% (2020: 12.5%-13.8%) 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 50 basis point increase in the discount rate would be required in order to eliminate the headroom of £0.8m in the X-Ray Technology business. Similarly, a reduction in the growth rate to -3.0% 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.

17 Deferred tax

	Property, plant and equipment £m	Inventory £m	Employee benefits £m	Intangible assets £m	Tax losses £m	Other £m	Total £m
Balance at 1 April 2019	1.2	0.9	2.7	(3.0)	3.4	3.8	9.0
Recognised in income	(0.4)	1.5	(1.4)	(3.4)	5.4	0.5	2.2
Recognised in other comprehensive income	—	—	(5.1)	—	—	—	(5.1)
Recognised directly in equity	—	—	0.2	—	—	—	0.2
Effect of movements in foreign exchange rates	—	0.1	0.1	0.2	0.2	0.2	0.8
Balance at 31 March 2020	0.8	2.5	(3.5)	(6.2)	9.0	4.5	7.1
Recognised in income	**(0.1)**	**0.3**	**(3.0)**	**0.6**	**(1.5)**	**(0.2)**	**(3.9)**
Recognised in other comprehensive income	**—**	**—**	**5.5**	**—**	**—**	**—**	**5.5**
Recognised directly in equity	**—**	**—**	**1.0**	**—**	**—**	**—**	**1.0**
Effect of movements in foreign exchange rates	**—**	**(0.2)**	**(0.1)**	**(0.1)**	**(0.7)**	**(0.4)**	**(1.5)**
Balance at 31 March 2021	**0.7**	**2.6**	**(0.1)**	**(5.7)**	**6.8**	**3.9**	**8.2**

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

	Assets		Liabilities		Net	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Gross assets/(liabilities)	**15.1**	19.0	**(6.9)**	(11.9)	**8.2**	7.1
Offset	**(2.0)**	(1.7)	**2.0**	1.7	**—**	—
Net assets/(liabilities)	**13.1**	17.3	**(4.9)**	(10.2)	**8.2**	7.1

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

	2021 £m	2020 £m
Deductible temporary differences	**—**	0.1
Tax losses	**0.3**	0.4
	0.3	0.5

The tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available in the subsidiaries concerned against which the Group can utilise the brought-forward tax losses.

No deferred tax liability has been recognised in respect of £32.2m (2020: £19.2m) of undistributed earnings of overseas subsidiaries since the majority of such distributions would not be taxable. In other cases the Group considers that it is able to control the timing of remittances so that any tax is not expected to arise in the foreseeable future.

18 Inventories

	2021 £m	2020 £m
Raw materials and consumables	**21.4**	19.2
Work in progress	**19.4**	16.0
Finished goods	**17.9**	23.6
	58.7	58.8

The amount of inventory recognised as an expense was £129.9m (2020: £134.3m). In the ordinary course of business, the Group makes impairment provisions for slow-moving, excess and obsolete inventory as appropriate. Inventory is stated after charging impairments of £0.9m in the current period (2020: £3.2m). In the current year, £nil (2020: £nil) was reversed relating to previous impairments. Impairments are included within gross profit.

Inventory carried at net realisable value is £0.3m (2020: £1.8m).

Notes to the Financial Statements continued

Year ended 31 March 2021

19 Trade and other receivables

	2021 £m	2020 £m
Trade receivables	61.5	61.8
Less provision for impairment of receivables	(2.2)	(2.1)
Net trade receivables	59.3	59.7
Accrued income	2.9	1.2
Prepayments	4.1	3.7
Other receivables	9.3	6.5
	75.6	71.1

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:

	2021 £m	2020 £m
UK	9.0	6.6
China	11.1	11.8
Japan	10.5	9.8
USA	17.3	17.6
Germany	8.3	4.2
Rest of Europe	9.0	10.0
Rest of Asia	5.5	5.9
Rest of World	0.8	1.5
	71.5	67.4

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

	2021 £m	2020 £m
Current (not overdue)	49.3	40.4
Less than 31 days overdue	10.1	12.5
More than 30 but less than 91 days overdue	4.8	7.0
More than 90 days overdue	7.3	7.5
	71.5	67.4

In both periods presented the entire provision against trade receivables relates to balances more than 90 days overdue.

The movement in the allowance for impairment of trade receivables during the year was as follows:

	2021 £m	2020 £m
Balance at start of year	2.1	2.7
Increase/(decrease) in allowance	0.1	(0.6)
Balance at end of year	2.2	2.1

20 Cash and cash equivalents

	2021 £m	2020 as restated[1] £m
Cash balances	128.0	119.5
Bank overdrafts	(30.4)	(24.1)
Cash and cash equivalents in the Consolidated Statement of Cash Flows	97.6	95.4

1. 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% (2020: 80%) of the exposure expected to arise over the following twelve months. The remaining 20% is sold on the spot market. The fair value of outstanding currency contracts recognised as a liability as at 31 March 2021 amount to £nil (2020: £3.5m) and those recognised as an asset amount to £6.1m (2020: £0.9m).

Movements in the fair value of derivative financial instruments are recognised in the Consolidated Statement of Income immediately. However, in order to facilitate a more meaningful comparison of the Group's performance year-on-year, the elements of these movements that relate to hedges in respect of future sales are treated as an adjusting item in the calculation of adjusted earnings (Note 1).

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

Interest rate risk

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

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by maintaining adequate committed lines of funding from high quality lenders. The facilities committed to the Group as at 31 March 2021 are set out in Note 24.

Notes to the Financial Statements continued

Year ended 31 March 2021

21 Financial risk management continued

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 2021 is as shown below:

	2021 £m	2020 as restated[1] £m
Long-term receivables	—	—
Trade receivables	59.3	59.7
Other receivables and accrued income	12.2	7.7
Cash and cash equivalents	128.0	119.5
Derivative financial instruments	6.1	0.9
	205.6	187.8

1. Prior year numbers have been restated. Details can be found in the accounting policies.

The maximum exposure to credit risk for trade receivables is discussed in Note 19.

Other receivables include £7.9m (2020: £4.1m) in respect of VAT and similar taxes which are not past due date.

Capital management

The Board considers capital to comprise share capital, reserves and the net cash or net debt position of the Company. The Company was in a net cash position at the year end. Total capital at the end of the current year totalled £168.6m (2020: £184.1m).

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

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

As set out in the Chief Executive's Statement, the Group will actively manage its portfolio of businesses and products, selecting those markets with long-term growth drivers where we can maintain or grow leading positions. We will focus on those markets where nanotechnology has the potential to address some of the world's most complex and pressing challenges and where we can deliver unique solutions and service excellence. In line with the objective of maintaining a balance between borrowings and equity, the Group would seek to finance organic growth (e.g. through investment in research and development) and smaller "bolt-on" acquisitions from operating cash flow, thus maintaining balance sheet efficiency. Larger acquisitions would be financed either by equity or a mixture of equity and debt so as to ensure the Group has a manageable ratio of net debt to EBITDA.

The Board encourages employees to hold shares in the Company. As well as various share option plans (full details of which are given in Note 12), 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.

		2021		2020 as restated[1]	
	Fair value hierarchy	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Assets carried at amortised cost					
Trade receivables		59.3		59.7	
Other receivables and accrued income		12.2		7.7	
Cash and cash equivalents		128.0		119.5	
Assets carried at fair value					
Derivative financial instruments:					
– Foreign currency contracts	2	6.1	6.1	0.9	0.9
Liabilities carried at fair value					
Derivative financial instruments:					
– Foreign currency contracts	2	—	—	(3.5)	(3.5)
Liabilities carried at amortised cost					
Trade and other payables		(67.7)		(65.9)	
Bank overdrafts		(30.4)		(24.1)	
Borrowings		—		(27.9)	
Lease payables		(7.5)		(8.6)	

1. Prior year numbers have been restated. Details can be found in the accounting policies.

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.

22 Financial instruments continued

Fair values of financial assets and liabilities continued

Fair value hierarchy

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

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

There have been no transfers between levels during the year.

Maturity of financial liabilities

As at 31 March 2021	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	—	—	—	—	—
Trade and other payables	(67.7)	67.7	67.7	—	—
Bank overdrafts	(30.4)	30.4	30.4	—	—
Borrowings	—	—	—	—	—
Lease payables	(7.5)	11.4	1.9	6.7	2.8
	(105.6)	109.5	100.0	6.7	2.8

As at 31 March 2020 as restated	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	(3.5)	3.5	2.6	0.9	—
Trade and other payables	(65.9)	65.9	65.9	—	—
Bank overdrafts[1]	(24.1)	24.1	24.1	—	—
Borrowings	(27.9)	29.1	29.1	—	—
Lease payables	(8.6)	8.9	2.7	3.7	2.5
	(130.0)	131.5	124.4	4.6	2.5

1. Prior year numbers have been restated. Details can be found in the accounting policies.

	Carrying amount 2021 £m	Carrying amount 2020 as restated[1] £m
Variable rate instruments		
Financial assets	128.0	119.5
Financial liabilities	(30.4)	(24.1)
Fixed rate instruments		
Financial assets	—	—
Financial liabilities	—	(27.9)

1. Prior year numbers have been restated. Details can be found in the accounting policies.

Reconciliation of movements in net cash after borrowings and lease liabilities

2021	At 1 April £m	Cash flow £m	Exchange differences £m	Net cash on disposal £m	Reclassifications £m	At 31 March £m
Cash balances	119.5	14.0	(5.5)	—	—	128.0
Bank overdrafts	(24.1)	(7.6)	1.3	—	—	(30.4)
Cash and cash equivalents per cash flow statement	95.4	6.4	(4.2)	—	—	97.6
Current borrowings	(27.9)	27.9	—	—	—	—
Lease liabilities	(8.6)	0.3	0.8	—	—	(7.5)
Financial liabilities	(36.5)	28.2	0.8	—	—	(7.5)
Net cash after borrowings and lease liabilities	58.9	34.6	(3.4)	—	—	90.1

2020	At 1 April £m	Funds flow £m	Exchange differences £m	Net cash on disposal £m	Reclassifications £m	At 31 March £m
Cash balances	74.6	42.5	2.4	—	—	119.5
Bank overdrafts	(39.4)	16.0	(0.7)	—	—	(24.1)
Cash and cash equivalents per cash flow statement	35.2	58.5	1.7	—	—	95.4
Non-current borrowings	(27.9)	—	—	—	27.9	—
Current borrowings	(0.6)	0.6	—	—	(27.9)	(27.9)
Lease liabilities	(9.0)	(2.3)	(0.2)	2.9	—	(8.6)
Financial liabilities	(37.5)	(1.7)	(0.2)	2.9	—	(36.5)
Net (debt)/cash after borrowings and lease liabilities	(2.3)	56.8	1.5	2.9	—	58.9

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, including the foreign currency denominated cash and receivable balances of £21.1m equivalent reduced by the forward currency sales of £98.4m equivalent entered into in respect of anticipated future foreign currency denominated sales. Accordingly, they show the impact on the balance sheet of an instantaneous shock. The calculations include all hedges in place at the year end, but not the anticipated transactions that they were entered into to hedge.

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.

As at 31 March 2021	**1% increase in interest rates £m**	**10% weakening in Sterling £m**	**10% strengthening in Sterling £m**
Impact on adjusted profit (Note 1)	**0.8**	**(9.8)**	**9.8**
Impact on reported profit	**0.8**	**(7.7)**	**7.7**
Impact on equity	**0.8**	**3.9**	**(7.2)**

As at 31 March 2020	1% increase in interest rates £m	10% weakening in Sterling £m	10% strengthening in Sterling £m
Impact on adjusted profit (Note 1)	0.4	(10.6)	10.6
Impact on reported profit	0.4	(10.6)	10.6
Impact on equity	0.4	4.5	(4.9)

Notes to the Financial Statements continued

Year ended 31 March 2021

23 Called up share capital

Issued and fully paid ordinary shares:

	2021 Number of shares	2020 Number of shares
At the beginning of the year	57,434,763	57,375,604
Issued for cash	26,690	59,159
At the end of the year	57,461,453	57,434,763

	2021		2020	
	Number of shares	£m	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 5 pence each	57,461,453	2.9	57,434,763	2.9

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

24 Borrowings

	Effective interest rate	Earlier of repricing date or maturity date	2021 £m	2020 as restated[1] £m
Current				
Loan notes – unsecured	4.36%	March 2021	—	27.9
Bank overdrafts			30.4	24.1
At the end of the year			30.4	52.0

1. Prior year numbers have been restated. Details can be found in the accounting policies.

The Group's undrawn committed facilities available at 31 March 2021 were £100.7m, comprising the undrawn portion of the Group's £100.7m revolving credit facility. This facility expires on 28 June 2024. An option to extend the facility to June 2025 has been exercised.

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 2021 were £17.8m.

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

	2021 £m	2020 as restated[1] £m
Balance at the beginning of the year	52.0	67.9
Repayment of borrowings (cash flow from financing activities)	(27.9)	(0.6)
Increase/(decrease) in bank overdrafts	6.3	(15.3)
Interest charged	1.9	1.2
Interest paid	(1.9)	(1.2)
At the end of the year	30.4	52.0

1. Prior year numbers have been restated. Details can be found in the accounting policies.

25 Retirement benefit obligations

The Group operates a defined benefit plan in the UK and operated a defined benefit plan in the US until February 2020. The UK 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. Details of the termination of the US plan are given below.

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

	2021			2020		
	UK £m	US £m	Total £m	UK £m	US £m	Total £m
Present value of funded obligations	323.9	—	323.9	290.7	0.0	290.7
Fair value of plan assets	(340.2)	—	(340.2)	(321.4)	—	(321.4)
Recognised (asset)/liability for defined benefit obligations	(16.3)	—	(16.3)	(30.7)	0.0	(30.7)

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

	2021			2020		
	UK £m	US £m	Total £m	UK £m	US £m	Total £m
Benefit obligation at the beginning of the year	290.7	—	290.7	309.8	8.1	317.9
Past service cost	—	—	—	—	—	—
Interest on defined benefit obligation	7.2	—	7.2	7.6	0.3	7.9
Benefits paid	(8.8)	—	(8.8)	(9.3)	(0.5)	(9.8)
Settlement payment	—	—	—	—	(9.2)	(9.2)
Remeasurement (gain)/loss on obligation	34.8	—	34.8	(17.4)	0.9	(16.5)
Exchange rate adjustment	—	—	—	—	0.4	0.4
Benefit obligation at the end of the year	323.9	—	323.9	290.7	—	290.7

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

	2021			2020		
	UK £m	US £m	Total £m	UK £m	US £m	Total £m
Fair value of plan assets at the beginning of the year	321.4	—	321.4	306.3	5.1	311.4
Interest on plan assets	8.1	—	8.1	7.6	0.3	7.9
Contributions by employer	15.9	—	15.9	7.6	2.8	10.4
Benefits paid	(8.8)	—	(8.8)	(9.3)	(0.5)	(9.8)
Settlement payment	—	—	—	—	(8.7)	(8.7)
Administrative expenses	(0.4)	—	(0.4)	(0.3)	(0.1)	(0.4)
Actual return on assets excluding interest income	4.0	—	4.0	9.5	0.7	10.2
Exchange rate adjustment	—	—	—	—	0.4	0.4
Fair value of plan assets at the end of the year	340.2	—	340.2	321.4	—	321.4

The expense recognised in the Consolidated Statement of Income is:

	2021 £m	2020 £m
Total defined benefit (income)/expense	(0.5)	0.4
Contributions to defined contribution schemes	4.0	3.6
	3.5	4.0

Notes to the Financial Statements continued

Year ended 31 March 2021

25 Retirement benefit obligations continued

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

	2021 £m	2020 £m
Cost of sales	1.0	1.1
Research and development	1.1	1.0
Selling and marketing costs	1.0	0.7
Administration and shared services	1.3	1.2
Financial income	(0.9)	—
	3.5	4.0

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 £7.8m (2020: £7.6m) for the financial year. In addition, the Directors decided to make an additional one-off payment of £8.1m (2020: £nil) to the UK pension scheme to reduce the Group's exposure.

In the year to 31 March 2019 an allowance of £0.3m was made for the expected cost of equalising Guaranteed Minimum Pension (GMP) between males and females.

GMP is a portion of pension that was accrued by individuals who were contracted out of the UK State Second Pension prior to 6 April 1997. Historically, there was an inequality of benefits between male and female members who have GMP. A High Court case concluded on 26 October 2018 and confirmed that GMPs need to be equalised.

In 2018 the trustees of the UK defined benefit scheme, in consultation with the Company, reduced its exposure to on-risk assets (a portfolio of market-focused asset classes, the majority being equities) with a corresponding increase in its liability-driven investments, with the objective of steering a more stable journey to being fully funded. The pension fund's gross exposure to on-risk assets fell from 85% to 45%; the majority of transactions required to make this change were completed in February 2018. As a result, the level of risk inherent in the investment strategy is now significantly lower than previously, in addition to a substantial reduction in funding level volatility. Following investment outperformance and contributions made by the Group in the years to 31 March 2021 the allocation to on-risk assets has been further reduced to 40%, 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 £8.0m to the UK defined benefit plan in the next financial year.

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

	2021 £m	2020 £m
Actual return on assets excluding interest income	4.0	10.2
Experience gain on scheme obligations	4.6	0.2
Changes in assumptions underlying the present value of scheme obligations:		
– Financial	(40.0)	17.0
– Demographic	0.6	(0.8)
Cumulative actuarial loss recorded in the Statement of Comprehensive Income since 1 April 2004 (date of transition to IFRS)	(30.8)	1.6

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

	Balance at 31 March 2021 £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	323.9	329.4	328.4	338.4
Fair value of plan assets	(340.2)	(340.2)	(340.2)	(340.2)
Surplus	(16.3)	(10.8)	(11.8)	(1.8)

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 2018 which, for reporting purposes, has been updated to 31 March 2021 by a qualified independent actuary.

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

	2021 %	2020 %
Discount rate	2.1	2.5
Rate of increase in pensions in payment ("3LPI")	2.5	2.2
Rate of increase in pensions in payment ("5LPI")	3.0	2.6
Rate of inflation ("CPI")	2.5	1.9
Mortality – pre and post-retirement	91% of S2PA tables (93% for females) future improvement in line with CMI 2020 with 1.25% long-term trend	91% of S2PA tables (93% for females) future improvement in line with CMI 2019 with 1.25% long-term trend

As at 31 March 2021 the weighted average duration of the defined benefit obligations was 18 years (2020: 18 years).

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

	2021 years	2020 years
Pre-retirement – males	23.6	23.6
Pre-retirement – females	25.7	25.6
Post-retirement – males	22.3	22.3
Post-retirement – females	24.2	24.1

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:

	2021			2020		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	42.7	17.1	59.8	49.7	—	49.7
Corporate and emerging market bonds	32.6	—	32.6	13.9	—	13.9
Gilts	186.4	—	186.4	171.5	—	171.5
Property funds	0.1	9.8	9.9	0.1	10.4	10.5
Insurance-linked funds	—	21.4	21.4	—	27.0	27.0
Credit and global loan funds	0.1	—	0.1	0.2	—	0.2
Hedge funds	8.7	11.2	19.9	14.8	17.4	32.2
Liability hedge overlay	—	1.7	1.7	—	7.3	7.3
Cash	8.4	—	8.4	9.1	—	9.1
Fair value of plan assets at the end of the year	279.0	61.2	340.2	259.3	62.1	321.4

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

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

Defined benefit scheme – US

During the prior year the US defined benefit plan was terminated. Members were given the option of transferring out their benefits. On 4 March 2020 an annuity was purchased for each of those members who chose not to transfer their benefits. Following the purchase of the annuities the Group has no ongoing liability to the former members of the plan.

Notes to the Financial Statements continued

Year ended 31 March 2021

25 Retirement benefit obligations continued

Defined contribution schemes

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

26 Trade and other payables

	2021 £m	2020 £m
Trade payables	21.6	20.6
Customer deposits	41.9	45.3
Social security and other taxes	3.8	3.3
Accrued expenses	32.8	34.2
Deferred income	16.5	13.9
Other payables	9.5	7.8
	126.1	125.1

27 Contract assets and liabilities

	2021			2020		
	Contract asset	Contract liabilities		Contract asset	Contract liabilities	
	Accrued income £m	Customer deposits £m	Deferred income £m	Accrued income £m	Customer deposits £m	Deferred income £m
Balance at 1 April	1.2	(45.3)	(13.9)	2.4	(38.5)	(14.7)
Transfers in the period from contract assets to trade receivables	(1.2)	—	—	(2.4)	—	—
Amounts included in contract liabilities that were recognised as revenue during the period	—	33.8	13.6	—	19.0	9.9
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	2.9	—	—	1.2	—	—
Cash received in advance of performance and not recognised as revenue during the period	—	(30.4)	(16.2)	—	(25.8)	(9.1)
Balance at 31 March	2.9	(41.9)	(16.5)	1.2	(45.3)	(13.9)

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

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

28 Provisions for other liabilities and charges

	Warranties £m	IP-related claims £m	Other £m	Total £m
Balance as at 1 April 2020	3.6	1.2	3.6	8.4
Provisions made during the year	4.0	—	1.5	5.5
Provisions used during the year	(2.0)	(0.1)	(0.8)	(2.9)
Provisions released during the year	(0.5)	(0.5)	(0.1)	(1.1)
Effect of movement in foreign exchange	(0.1)	—	(0.4)	(0.5)
Balance as at 31 March 2021	**5.0**	**0.6**	**3.8**	**9.4**
Amounts falling due before one year	5.0	0.6	3.1	8.7
Amounts falling due after more than one year	—	—	0.7	0.7

Warranty provisions

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

Intellectual property-related claims

The Company has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent the Directors' best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the future cost of settling obligations arising from past activity and reflect the Directors' assessment of the likely settlement method, which may change over time. However, no provision is made for proceedings which have been brought by other parties against Group companies unless the Directors, taking into account professional advice received, assess that it is more likely than not that such proceedings may be successful. The Group's expectation is that the other provisions are likely to be utilised within a twelve-month period. 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 and dilapidation provisions. £0.7m of other provisions fall due after more than one year and are expected to fall due within the next eight years.

29 Leases

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

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

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would 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.

Notes to the Financial Statements continued

Year ended 31 March 2021

29 Leases continued

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 2019	10.9	1.2	12.1
Additions – external	4.9	0.6	5.5
Disposals – sale of businesses	(3.8)	—	(3.8)
Disposals – external	—	(0.2)	(0.2)
Effect of movements in foreign exchange rates	0.3	0.1	0.4
Balance at 31 March 2020	12.3	1.7	14.0
Balance at 1 April 2020	12.3	1.7	14.0
Additions – external	**2.2**	**0.3**	**2.5**
Disposals – external	**(0.1)**	**(0.1)**	**(0.2)**
Effect of movements in foreign exchange rates	**(1.1)**	**—**	**(1.1)**
Balance at 31 March 2021	**13.3**	**1.9**	**15.2**
Depreciation and impairment losses			
Balance at 1 April 2019	2.9	0.4	3.3
Depreciation charge for the year	3.0	0.4	3.4
Disposals – sale of businesses	(1.1)	—	(1.1)
Disposals – other	—	(0.1)	(0.1)
Effect of movements in foreign exchange rates	0.3	—	0.3
Balance at 31 March 2020	5.1	0.7	5.8
Balance at 1 April 2020	5.1	0.7	5.8
Depreciation charge for the year	**2.4**	**0.4**	**2.8**
Disposals – other	**—**	**(0.1)**	**(0.1)**
Effect of movements in foreign exchange rates	**(0.6)**	**—**	**(0.6)**
Balance at 31 March 2021	**6.9**	**1.0**	**7.9**
Carrying amounts			
Balance at 1 April 2019	8.0	0.8	8.8
Balance at 31 March 2020 and 1 April 2020	7.2	1.0	8.2
Balance at 31 March 2021	**6.4**	**0.9**	**7.3**

Lease liabilities

	2021 £m	2020 £m
Balance at beginning of year	**8.6**	9.0
Additions – external	**2.5**	5.5
Disposals – sale of businesses	**—**	(2.9)
Disposals – external	**(0.1)**	—
Payments made (cash flows from financing activities)	**(2.8)**	(3.3)
Interest charge	**0.1**	0.1
Effect of movements in foreign exchange rates	**(0.8)**	0.2
	7.5	8.6
Amounts falling due after more than one year	**4.9**	6.5
Amounts falling due in less than one year	**2.6**	2.1

Amounts recognised in Statement of Income

	2021 £m	2020 £m
Interest on lease liabilities	(0.1)	(0.1)
Depreciation of right-of-use assets	(2.8)	(3.4)
Expenses on short-term leases not capitalised	—	—
Expenses on low-value asset leases not capitalised	—	—
Income from sub-letting right-of-use assets	—	—

Amounts recognised in Statement of Cash Flows

	2021 £m	2020 £m
Payments made in respect of lease liabilities	(2.8)	(3.3)

30 Capital commitments

Proposed lease for new Plasma Technology site

On 28 January 2021, the Group entered into an agreement for a lease in respect of a proposed new site for its Plasma Technology business. If the landlord completes all appropriate ground and building works to schedule, the practical completion is anticipated to occur in the year to 31 March 2022. At that point, the Group will enter into a 20-year lease. Ground was broken for the new building in April 2021.

During the prior year, the Group did not enter into any capital commitments.

31 Contingent liabilities

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

32 Related parties

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

The remuneration of key management personnel is as follows:

	2021 £m	2020 £m
Short-term employee benefits	3.4	3.1
Post-employment benefits	0.2	0.1
Share-based payment charges	1.5	1.9
Total	5.1	5.1

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

During the prior year the Group received £0.2m of interest on a loan receivable from its associate, Scienta Scientific AB. The Group sold its associate on 28 January 2020 and the loan was repaid in February 2020.

33 Exchange rates

The principal exchange rates to Sterling used were:

Year-end rates	2021	2020
US Dollar	1.38	1.24
Euro	1.17	1.13
Japanese Yen	152	134

Average translation rates Year to 31 March 2021	US Dollar	Euro	Japanese Yen
April	1.25	1.14	134
May	1.25	1.13	134
June	1.24	1.11	133
July	1.27	1.11	136
August	1.33	1.11	140
September	1.32	1.11	139
October	1.29	1.11	136
November	1.34	1.12	139
December	1.35	1.12	140
January	1.37	1.12	142
February	1.39	1.14	146
March	1.39	1.16	151

Average translation rates Year to 31 March 2020	US Dollar	Euro	Japanese Yen
April	1.30	1.16	144
May	1.28	1.15	142
June	1.27	1.13	138
July	1.26	1.12	136
August	1.23	1.11	132
September	1.23	1.12	132
October	1.26	1.14	136
November	1.28	1.16	139
December	1.30	1.17	142
January	1.32	1.18	143
February	1.30	1.19	144
March	1.27	1.16	139

Parent Company Statement of Financial Position

As at 31 March 2021

	Notes	2021 £m	2020 as restated[1] £m
Assets			
Non-current assets			
Intangible assets	d	**1.3**	1.3
Tangible assets	c	**0.4**	0.6
Right-of-use assets		**—**	0.1
Investments in subsidiary undertakings	e	**322.8**	322.2
Debtors	f	**29.8**	37.0
Derivative financial instruments		**1.1**	—
Retirement benefit asset	j	**3.7**	7.0
Deferred tax assets	i	**1.7**	0.3
		360.8	368.5
Current assets			
Debtors	f	**20.6**	21.8
Cash and cash equivalents		**77.3**	80.7
		97.9	102.5
Total assets		**458.7**	471.0
Equity			
Capital and reserves attributable to the Company's equity Shareholders			
Share capital		**2.9**	2.9
Share premium		**62.4**	62.2
Capital redemption reserve		**0.1**	0.1
Other reserves		**7.6**	7.6
Retained earnings		**260.8**	253.4
		333.8	326.2
Liabilities			
Non-current liabilities			
Derivative financial instruments	g	**—**	0.9
		—	0.9
Current liabilities			
Bank loans and overdrafts	h	**7.8**	36.3
Other creditors	g	**117.1**	107.6
		124.9	143.9
Total liabilities		**124.9**	144.8
Total liabilities and equity		**458.7**	471.0

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

The Company's profit for the financial year was £10.7m (2020: £134.3m). Other comprehensive expense in the year was £5.8m (2020: income of £4.9m). The expense will not subsequently be reclassified to profit or loss.

The Financial Statements were approved by the Board of Directors on 7 June 2021 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 2021

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total £m
As at 1 April 2020	2.9	62.2	0.1	7.6	253.4	326.2
Profit for the year	—	—	—	—	**10.7**	**10.7**
Other comprehensive income:						
– Remeasurement of defined benefit liability, net of tax	—	—	—	—	**(5.8)**	**(5.8)**
Total comprehensive income for the year	—	—	—	—	**4.9**	**4.9**
– Share options awarded to employees	—	—	—	—	**1.2**	**1.2**
– Share options awarded to employees of subsidiaries	—	—	—	—	**0.6**	**0.6**
– Tax credit in respect of share options	—	—	—	—	**0.7**	**0.7**
– Proceeds from shares issued	—	**0.2**	—	—	—	**0.2**
As at 31 March 2021	**2.9**	**62.4**	**0.1**	**7.6**	**260.8**	**333.8**
As at 1 April 2019	2.9	61.7	0.1	7.6	118.9	191.2
Profit for the year	—	—	—	—	134.3	134.3
Other comprehensive income:						
– Remeasurement of defined benefit liability, net of tax	—	—	—	—	4.9	4.9
Total comprehensive income for the year	—	—	—	—	139.2	139.2
– Proceeds from exercise of share option	—	—	—	—	0.2	0.2
– Share options awarded to employees	—	—	—	—	2.0	2.0
– Share options awarded to employees of subsidiaries	—	—	—	—	1.1	1.1
– Tax credit in respect of share options	—	—	—	—	0.2	0.2
– Proceeds from shares issued	—	0.5	—	—	—	0.5
– Dividends paid	—	—	—	—	(8.2)	(8.2)
As at 31 March 2020	2.9	62.2	0.1	7.6	253.4	326.2

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 12 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 14 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 2021

(a) Accounting policies

Basis of accounting

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

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

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

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

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

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

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

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

Going concern

The Financial Statements have been prepared on a going concern basis, based on the Directors' opinion, after making reasonable enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future. Further details on the Group's going concern can be found on pages 65 and 72.

Taxation

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

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

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

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

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

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

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Details of the Group's interest-bearing borrowings are included in Note 24 to the Group Financial Statements.

Notes to the Parent Company Financial Statements continued

Year ended 31 March 2021

(a) Accounting policies continued

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 139.

Tangible fixed assets

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

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

- Computer equipment – 4 years
- Motor vehicles – 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets

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

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

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

Employee benefits

Defined contribution plans

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

Defined benefit plans

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

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss. The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

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

Short-term benefits

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

Termination benefits

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

Share-based payment transactions

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

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

Own shares held by ESOP trust

The policy with regard to transactions of the Company-sponsored ESOP trust can be found in the Group accounting policies.

(a) Accounting policies continued

Leases

Leases under which the Company acts as lessee

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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

Short-term leases and leases of low-value assets

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

Foreign currencies

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

Investments

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

Dividends on shares presented within Shareholders' funds

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

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Prior year restatement

The Directors concluded that the amounts owed by subsidiary undertakings in the prior year should have been split between amounts falling due after one year and amounts falling due within one year.

As a result, the Company Statement of Financial Position as at 31 March 2020 has been restated as follows:

Company Statement of Financial Position	2020 (as reported) £m	Restatement £m	2020 (restated) £m
Non-current assets			
Debtors	—	37.0	37.0
Current assets			
Debtors	58.8	(37.0)	21.8
Net assets	58.8	—	58.8

The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the 2020 financial year.

The impact on the opening Company Statement of Financial Position as at 31 March 2019, is as follows:

Company Statement of Financial Position	2019 (as reported) £m	Restatement £m	2019 (restated) £m
Non-current assets			
Debtors	—	27.0	27.0
Current assets			
Debtors	47.9	(27.0)	20.9
Net assets	47.9	—	47.9

This did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the 2019 financial year.

(b) Profit for the year

The Company's profit for the financial year was £10.7m (2020: £134.3m). Other comprehensive expense in the year was £5.8m (2020: income of £4.9m). The expense will not subsequently be reclassified to profit or loss.

The auditor's remuneration comprised £200,000 (2020: £215,000) for the statutory audit.

The average number of people employed by the Company (including Directors) during the year was 57 (2020: 52). All these individuals were involved in administration.

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

	2021 £m	2020 £m
Wages and salaries	5.4	5.4
Social security costs	1.6	1.2
Other pension costs	0.4	0.2
	7.4	6.8

The share-based payment charge was £1.2m (2020: £2.0m). Details of the Group's share option schemes are included in Note 12 to the Group Financial Statements.

Full details of the emoluments paid to Directors can be found in the Remuneration Report on pages 97 to 119.

Notes to the Parent Company Financial Statements continued

Year ended 31 March 2021

(c) Tangible fixed assets

	Computer equipment £m	Total £m
Cost		
Balance at 1 April 2020	2.6	2.6
Additions	0.1	0.1
Balance at 31 March 2021	**2.7**	**2.7**
Depreciation		
Balance at 1 April 2020	2.0	2.0
Charge for year	0.3	0.3
Balance at 31 March 2021	**2.3**	**2.3**
Net book value		
Balance at 31 March 2020	0.6	0.6
Balance at 31 March 2021	**0.4**	**0.4**

(d) Intangible assets

	Software £m
Cost	
Balance at 1 April 2020	2.9
Additions	0.0
Balance at 31 March 2021	**2.9**
Depreciation and impairment losses	
Balance at 1 April 2020	1.6
Charge for year	0.0
Balance at 31 March 2021	**1.6**
Net book value	
Balance at 31 March 2020	1.3
Balance at 31 March 2021	**1.3**

(e) Investments

	Investments in subsidiary undertakings £m
Cost or valuation	
Balance at 1 April 2020	340.9
Expense in respect of share options transferred to subsidiary undertakings	0.6
Balance at 31 March 2021	**341.5**
Impairment	
Balance at 1 April 2020 and 31 March 2021	**18.7**
Net book value	
Balance at 31 March 2020	322.2
Balance at 31 March 2021	**322.8**

The following is a full list of the subsidiaries and associates and their country of registration as at 31 March 2021. This information is provided in accordance with Section 409 of the Companies Act 2006.

Entities listed below are wholly owned by either the Company or a subsidiary of the Company.

The direct undertakings in which the Company has an interest as at 31 March 2021 are as follows:

Subsidiaries	Registered office address	Country of incorporation
Oxford Instruments Industrial Products Holdings Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Nanotechnology Tools Holdings Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Overseas Holdings Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK

The indirect undertakings in which the Company has an interest as at 31 March 2021 are as follows:

Subsidiaries	Registered office address	Country of incorporation
Andor Technology Limited	7 Millennium Way, Springvale Business Park, Belfast, NI, BT12 7AL	UK
Andor Technology, Inc.	300 Baker Avenue, Suite 150, Concord MA 0174	US
Bitplane AG	Badenerstrasse 682, 8048, Zurich	Switzerland
Bitplane Inc	300 Baker Avenue, Suite 150, Concord MA 0174	US
Oxford Instruments AFM Limited	Tubney Woods, Abingdon, Oxon, OX13 5Q	UK
Oxford Instruments America Inc	300 Baker Avenue, Suite 150, Concord MA 0174	US
Oxford Instruments Asylum Research Inc	6310 Hollister Avenue, Santa Barbara CA 93117	US
Oxford Instruments Funding Limited	PO Box 175, Frances House, Sir William Place, St Peter Port, GY1 4HQ	Guernsey[1]
Oxford Instruments GmbH	Borsigstrasse 15a, 65205, Wiesbaden	Germany
Oxford Instruments Holdings 2013 Inc	300 Baker Avenue, Suite 150, Concord MA 0174	US
Oxford Instruments Holdings Europe Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX, England	UK
Oxford Instruments Holdings GmbH	Borsigstrasse 15a, 65205, Wiesbaden	Germany
Oxford Instruments India Private Limited	Plot No. A-279, Ground Floor Road No. 16A, Ambica Nagar, Wagle Industrial Estate, Thane (West), Thane, MH, 400604	India
Oxford Instruments Industrial Products Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments KK	IS Building, 3-32-42 Higashi-Shinagawa, Shinagawa-ku, Tokyo, 140-0002,	Japan
Oxford Instruments Molecular Biotools Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Nanotechnology Tools Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Nordiska Ab	C/o TMF Sweden AB, Sergels Torg 12, 111 57, Stockholm	Sweden
Oxford Instruments Overseas Holdings 2008 Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Overseas Marketing GmbH	Borsigstrasse 15a, 65205, Wiesbaden	Germany
Oxford Instruments Overseas Marketing Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Pension Trustee Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments Private Limited	Messrs Tan Rajah & Cheah, 80 Raffles Place, #58-01 UOB Plaza 1, 048624	Singapore
Oxford Instruments SAS	77 Z.A. de Montvoisin, 91400 Gometz la Ville	France
Oxford Instruments Technologies Oy	Technopolis Innopoli 1, Tekniikantie 12, Espoo, 02150	Finland
Oxford Instruments Technology (Shanghai) Co. Ltd	Floor 1, Building 60, 461 Hongcao Road, Xuhui District, Shanghai	China
Oxford Instruments UK 2013 Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX	UK
Oxford Instruments X-Ray Technology Inc	360 El Pueblo Road, Scotts Valley CA 95066	US
Spectral Applied Research Inc	199 Bay Street, Suite 5300, Commerce Court West, Toronto ON M5L 1B9	Canada

1. UK tax resident.

Equity owned by the Company represents issued ordinary share capital. All subsidiaries are consolidated in the Group accounts.

Notes to the Parent Company Financial Statements continued

Year ended 31 March 2021

(f) Debtors

	2021 £m	2020 £m
Amounts falling due after one year:		
Amounts owed by subsidiary undertakings	**29.8**	37.0
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**12.4**	15.7
Other debtors	**7.6**	5.3
Prepayment and accrued income	**0.6**	0.8
	50.4	58.8

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

The Company has no immediate intention to recall £29.8m (2020: 37.0m) of these balances in the short term and so these amounts are classified as amounts falling due after more than one year.

(g) Creditors

	2021 £m	2020 £m
Amounts falling due after one year:		
Derivative financial instruments	**—**	0.9
Amounts falling due within one year:		
Trade creditors	**0.1**	0.2
Amounts owed to subsidiary undertakings	**106.9**	96.3
Tax, social security and sales-related taxes	**5.6**	4.2
Other financial liabilities	**0.5**	3.6
Accruals and deferred income	**4.0**	3.3
	117.1	108.5

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

(h) Bank loans and overdrafts

	2021 £m	2020 £m
Current		
Loan notes – unsecured	**—**	27.9
Bank overdrafts	**7.8**	8.4
At the end of the year	**7.8**	36.3

Further details of the loan notes can be found in Note 24 to the Group Financial Statements.

(i) Deferred tax asset

	2021 £m	2020 £m
Balance at 1 April	**0.3**	1.5
Profit and loss debit	**(0.6)**	(0.4)
Other comprehensive income credit/(debit)	**2.0**	(0.8)
Balance at 31 March	**1.7**	0.3

The amounts of deferred tax assets are as follows:

	Recognised	
	2021 £m	2020 £m
Excess of depreciation over corresponding capital allowance	**0.4**	0.5
Employee benefits – pension and share scheme	**1.3**	(0.2)
	1.7	0.3

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

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

	2021 £m	2020 £m
Tax (losses)	—	—
	—	—

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. However, in the Budget on 11 March 2020, it was announced that this reduction would be reversed, which was substantively enacted on 17 March 2020. Consequently, the UK corporation tax rate will remain at 19%. The UK deferred tax liability at 31 March 2021 has been calculated based on that rate.

On 5 March 2021, it was announced that the rate of UK corporation tax would be increased to 25% from 1 April 2023; however, at the reporting date, this change has not been substantively enacted. As such, the UK deferred tax assets and liabilities have been calculated based on the enacted rate of 19%.

(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 £3.7m (2020: £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 (2020: £10.0m) in respect of overdraft facilities, of which £nil (2020: £nil) was drawn at the year end.

(l) Commitments

At 31 March 2021, capital commitments contracted were £nil (2020: £nil) and authorised were £nil (2020: £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 97 to 119. There were no other significant transactions with key management personnel in either the current or preceding year.

Oxford Instruments Directory

Company/address		Country	Telephone	Fax	Email
Oxford Instruments Head Office Tubney Woods, Abingdon, Oxfordshire OX13 5QX, UK		UK	+44 (0)1865 393200	+44 (0)1865 393333	info.oiplc@oxinst.com
Materials & Characterisation					
Oxford Instruments NanoAnalysis Halifax Road, High Wycombe, Buckinghamshire HP12 3SE, UK	Systems for materials analysis at the nanoscale	UK	+44 (0)1494 442255	+44 (0)1494 524129	nanoanalysis@oxinst.com
Arenavägen 41, 10th floor, 121 7 Johanneshov, Sweden		Sweden	+46 8 5448 1550	+46 8 5448 1558	nordiska@oxinst.com
Asylum Research 6310 Hollister Ave, Santa Barbara, CA 93117 USA	Systems for materials analysis at the nanoscale	USA	+1 (805) 696 6466	+1 (805) 696 6444	sba.sales@oxinst.com
Borsigstrasse 15A, 65205 Wiesbaden, Germany		Germany	+49 6122 9370	+49 621 762117 11	sba.de.sales@oxinst.com
Room 304, Building 52, No. 195, Section 4, ZhongXing Road, ZhuDong Township, XinZhu County, 310 Taiwan		Taiwan	+886 3 5788696	+886 2 2794 2757	sba.tw.sales@oxinst.com
Halifax Road, High Wycombe, Buckinghamshire HP12 3SE, UK		UK	+44 (0)1494 442255	+44 (0)1494 524129	sba.uk.sales@oxinst.com
Oxford Instruments Plasma Technology North End, Yatton, Bristol BS49 4AP, UK	Tools for nanotechnology fabrication	UK	+44 (0)1934 837000	+44 (0)1934 837001	plasma@oxinst.com
Research & Discovery					
Andor/Bitplane/Spectral 7 Millennium Way, Springvale Business Park, Belfast, BT12 7AL, UK	Scientific imaging cameras, spectroscopy solutions and microscopy systems	UK	+44 (0)28 9023 7126	+44 (0)2890 310792	info@andor.com
Badenerstrasse 682, CH-8048 Zürich		Switzerland	+41 44 430 11 00	+41 44 430 11 01	info@bitplane.com
2 East Beaver Creek Road, Building 2, Richmond Hill, ON L3B 2N3, Canada		Canada	+1 (905) 326 5040	+1 (905) 326 5041	info@spectral.ca
Oxford Instruments NanoScience & Magnetic Resonance Tubney Woods, Abingdon, Oxfordshire OX13 5QX, UK	Advanced tools for applied research	UK	+44 (0)1865 393200	+44 (0)1865 393333	nanoscience@oxinst.com magres@oxinst.com
Oxford X-Ray Technology 360 El Pueblo Road, Scotts Valley, CA 95066, USA	X-ray tubes and detectors	USA	+1 (831) 439 9729	+1 (831) 439 6051	xray-sales@oxinst.com
Regional Sales and Service Offices					
Oxford Instruments/Canada/Latin America 300 Baker Avenue, Suite 150, Concord, MA 01742, USA		USA	+1 (978) 369 9933	+1 (978) 369 8287	info@ma.oxinst.com
Oxford Instruments Technology, China Floor 1, Building 60, No. 461, Hongcao Road, Xuhui District, Shanghai, 200233		China	400 678 0609	+86 21 6127 3828	china.info@oxinst.com
Building B2 West, No. 11 West Third Ring North Road, Haidian District, Beijing, 100085		China	400 678 0609	+86 10 5884 7901	china.info@oxinst.com
Room 3312, Building B3, Hanxi East Road, NanCun Town, Panyu District, Guangdong Province, 511446, Guangzhou		China	400 678 0609	+86 20 8478 7349	china.info@oxinst.com
Oxford Instruments Czech Republic Velvarska 13, CZ-160 00 Praha, Czech Republic		Czech Republic	+420 233 343 264	+420 234 311 724	czech.info@oxinst.com
Oxford Instruments France 77 ZA de Montvoisin, 91400 Gometz la Ville, France		France	+33 1 69 85 25 25	+33 1 69 41 46 80	infofrance@oxinst.com

Company/address	Country	Telephone	Fax	Email
Oxford Instruments Germany				
Borsigstrasse 15a, 65205 Wiesbaden, Germany	Germany	+49 6122 9370	+49 6122 937100	info-oiplc@oxinst.com
Oxford Instruments India				
Plot No. A-279, Ground Floor, Road No. 16A, Ambica Nagar, Wagle Industrial Estate, Thane (West), 400604	India	+91 818 017017	+91 224 4253 5110	india@oxinst.com
Oxford Instruments Japan				
IS Building 3-32-42, Higashi-Shinagawa, Shinagawa-ku Tokyo 140-0002, Japan	Japan	+81 (0)3 6732 8961	+81 (0)3 6732 8937	info.jp@oxinst.com
Shin Osaka Sun R Building 10th Floor, 5-8-3 Nishi-Nakajima, Yodogawa, Osaka, 532-0011, Japan	Japan	+81 (0)6 7639 1761	+81 (0)3 6732 8937	info.jp@oxinst.com
Oxford Instruments Korea				
No. 8-S 26, 8F., 10 Chungmin-ro, Songpa-gu, Seoul 05840, Korea (Republic of)	Republic of Korea	+82 2 2008 4500	+82 2 2008 4555	nanoanalysis@oxinst.com
Oxford Instruments Russia				
Denisovskiy per. 26, Moscow 105005, Russian Federation	Russia	+7 (095) 933 51 23	+7 (095) 933 51 24	russia.info@oxinst.com
Oxford Instruments Singapore				
31 Kaki Bukit Road 3, #05-19 Techlink Building Lobby A, Singapore, 417818 Republic of Singapore	Singapore	+65 6337 6848	+65 6337 6286	singapore.info@oxinst.com
Oxford Instruments Taiwan				
Room 304, Building 52, No.195, Section 4 ZhongXing Road, ZhuDong Township, XinZhu County, Taiwan 310, Taiwan, ROC	Taiwan	+886 3 5788696	+886 3 5789993	taiwan.info@oxinst.com

Historical Financial Summary

	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Consolidated Statement of Income					
Revenue from continuing operations	275.8	277.5	314.0	317.4	**318.5**
Adjusted operating profit from continuing operations[1]	37.6	46.1	47.7	50.5	**56.7**
Other operating income	—	3.3	—	—	**—**
Acquisition-related costs	(0.3)	—	—	—	**—**
Loss on disposal of subsidiary undertakings	(0.4)	—	—	—	**—**
Restructuring costs	(0.2)	(0.4)	—	(0.2)	**(0.4)**
Restructuring costs – relating to associate	(0.4)	(0.4)	(0.3)	—	**—**
Past service cost on defined benefit pension scheme	—	—	(0.3)	0.6	**—**
Impairment of investment in associate	(8.0)	—	—	—	**—**
Share of impairment recognised by associate	—	(2.0)	0.6	—	**—**
Inventory impairment	—	—	—	(0.4)	**—**
Profit on disposal of associate	—	—	—	6.5	**—**
Impairment of internally generated intangible assets	(2.9)	—	—	(7.1)	**(1.3)**
Impairment of acquired intangibles	(22.6)	—	—	—	**—**
Amortisation of acquired intangibles	(10.6)	(9.8)	(8.8)	(8.7)	**(8.4)**
Fair value movement on financial derivatives	1.2	3.1	(1.5)	(1.4)	**6.4**
Operating (loss)/profit from continuing operations	(6.6)	39.9	37.4	39.8	**53.0**
Net financing costs	(6.7)	(4.2)	(3.1)	(1.0)	**(0.8)**
(Loss)/profit before taxation from continuing operations	(13.3)	35.7	34.3	38.8	**52.2**
Income tax expense	(4.2)	(12.0)	(6.5)	(6.8)	**(10.4)**
(Loss)/profit for the year from continuing operations	(17.5)	23.7	27.8	32.0	**41.8**
Adjusted profit before tax from continuing operations	31.3	42.0	45.5	49.5	**55.9**
Consolidated Statement of Financial Position					
Property, plant and equipment	32.5	22.8	24.2	21.8	**21.1**
Right-of-use assets	—	—	8.8	8.2	**7.3**
Intangible assets	181.0	158.7	152.5	135.5	**122.6**
Investment in associate	3.9	4.1	4.6	—	**—**
Long-term receivables	3.6	1.4	0.3	—	**—**
Deferred and current tax	18.1	3.6	7.1	2.7	**3.9**
Inventories	53.9	45.9	60.8	58.8	**58.7**
Trade and other receivables	81.7	73.9	79.4	72.0	**81.7**
Trade and other payables	(98.0)	(84.1)	(118.0)	(128.6)	**(126.1)**
Current lease payables	—	—	(3.0)	(2.1)	**(2.6)**
Net assets excluding net cash	276.7	226.3	216.7	168.3	**166.6**
Cash and cash equivalents[2]	46.5	73.3	74.6	119.5	**128.0**
Bank overdrafts[2]	(20.0)	(52.6)	(39.4)	(24.1)	**(30.4)**
Bank borrowings	(135.8)	(40.4)	(28.5)	(27.9)	**—**
Net (debt)/cash	(109.3)	(19.7)	6.7	67.5	**97.6**
Non-current lease payables	—	—	(6.0)	(6.5)	**(4.9)**
Provisions	(9.8)	(11.7)	(8.7)	(8.4)	**(9.4)**
Retirement benefit obligations	(25.1)	(15.3)	(6.5)	30.7	**16.3**
Net assets employed/capital and reserves attributable to the Company's equity holders	132.5	179.6	202.2	251.6	**266.2**
Cash flows from continuing operations					
Net cash from operating activities	28.4	26.8	40.8	55.2	**41.8**
Net cash (used in)/generated from investing activities	(6.8)	68.7	(9.2)	6.0	**(4.9)**
Net cash used in financing activities	(20.2)	(104.0)	(22.1)	(11.4)	**(30.5)**
Net increase/(decrease) in cash equivalents from continuing operations	1.4	(8.5)	9.5	49.8	**6.4**

	pence	pence	pence	pence	pence
Per ordinary share					
Earnings – continuing	(30.3)	41.6	48.6	55.9	**72.8**
Adjusted earnings[1]	41.1	55.8	62.3	70.2	**78.6**
Dividends	13.0	13.3	14.4	—	**17.0**
Employees					
Average number of employees	1,974	1,642	1,579	1,585	**1,619**

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. Prior year numbers have been restated. Details can be found in the accounting policies.

Directors and Advisers

Honorary President
Sir Martin Wood OBE FRS Hon FREng DL

Company Secretary
Susan Johnson-Brett ACIS

Company number
Registered in England and Wales
number 775598

Board Committees
Audit and Risk
Mary Waldner, Chair
Steve Blair
Richard Friend
Thomas Geitner
Alison Wood

Nomination
Neil Carson, Chair
Steve Blair
Richard Friend
Thomas Geitner
Mary Waldner
Alison Wood

Remuneration
Alison Wood, Chair
Steve Blair
Neil Carson
Richard Friend
Thomas Geitner
Mary Waldner

Administration
Any two Directors

Auditor
BDO LLP

Principal bankers
HSBC Bank plc
Santander plc

Stockbroker
JPMorgan Cazenove

UK solicitors
Ashurst LLP

US counsel
Wilmer Hale LLP

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