

Andor Technology Limited

Annual Report and Financial Statements
Registered number NI022466
31 March 2022

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Andor Technology Limited
Strategic Report
for the year ended 31 March 2022

The directors present their strategic report on the company for the year ended 31 March 2022.

Principal activities and review of the business

The principal activities of the company are in the development and manufacture of high performance scientific digital cameras, imaging and spectroscopy systems and software for research in life science and physical science markets.

End customer applications are broad in nature and range from understanding the formation of distant stars to the development of anti-cancer therapies.

The company is a subsidiary undertaking of Oxford Instruments plc which is the ultimate parent company incorporated in UK.

Performance and Position

Turnover for the year increased from £57.5m to £62.3m driven by growth in the underlying markets

The company's profit before tax for the year is £17.8m (2021: £11.1m). The company's profit after tax is £15.1m (2021: £9.6m). Net assets of the company are £46.1m (2021: £47.9m).

The profit before tax has increased due to the growth in turnover and reduced levels of net operating expenses. Net operating expenses are lower mainly because of favourable foreign exchange movements.

Key performance indicators

The company's KPIs include revenue, operating profit margin and headcount. These are reviewed on a regular basis and the performance of these KPIs is as follows:

	Year ended 2022 £'000	Year ended 2021 £'000	Increase / (decrease) £'000
Revenue	62,251	57,545	4,706
Operating profit margin	23.7%	14.7%	9.0%
Headcount at year end	293	272	21

Andor Technology Limited
Strategic Report (continued)
for the year ended 31 March 2022

Principal risks and uncertainties

The management of the business and the company's operations are subject to a number of risks and uncertainties. The company has a well-developed structure and set of processes to identify and mitigate the key business risks it faces. The principal risks are discussed below:

Risk/Uncertainty	Impact	Mitigation
Uncertainty 1 – New covid variant causes major disruption		
<ul style="list-style-type: none"> Potential disruption to supply chains, Group operations and customers, leading to delays in production and/or installation at customer sites 	<ul style="list-style-type: none"> Delays in both manufacturing and service activity leading to lost or delayed product and service revenue 	<ul style="list-style-type: none"> Sales and operational planning process Contractual protection Strategic procurement, working with supply chain to mitigate risk
Risk 1 – Geopolitical Risk		
<ul style="list-style-type: none"> Changes in the geopolitical landscape or an escalation in global trade tensions resulting in major obstacles to trade with customers in key markets. This could arise from export licence refusals, trade tariffs, trade embargoes, or nations seeking to reduce reliance on foreign imports in strategic technologies through the development of domestic competition and/or protectionist measures. This is potentially relevant to customers in key export markets including, but not limited to, China, the European Union, Japan and the USA. 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Broad global customer base; contractual protection Improved information flows to decision-makers
Risk 2 – Cyber Risk		
<ul style="list-style-type: none"> Cyber-attack on the Group's IT infrastructure Ransomware/spread of viruses or malware 	<ul style="list-style-type: none"> System failure/data loss and sustained disruption to production operations Loss of business-critical data Financial and reputational damage 	<ul style="list-style-type: none"> 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

Andor Technology Limited
Strategic Report (continued)
for the year ended 31 March 2022

Principal risks and uncertainties (continued)

Risk/Uncertainty	Impact	Mitigation
Risk 3 – Technical Risk		
<ul style="list-style-type: none"> • Failure of the advanced technologies to produce commercially viable products 	<ul style="list-style-type: none"> • Loss of market share or negative pricing pressure resulting in lower revenue and reduced profitability • Additional NPI expenditure • Adverse impact on brand and reputation 	<ul style="list-style-type: none"> • Understand customer needs/expectations and targeted new product development program to maintain and strengthen product position • 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
Risk 4 – Supply Chain Risk		
<ul style="list-style-type: none"> • Operational disruption or price increase, due to supply chain shortages • Suppliers de-committing orders due to demand pressure in other aspects • 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 	<ul style="list-style-type: none"> • Reduction or halt to production output • Lost revenue • Decreased margins • Increased lead times • Poor customer service/reputational damage • Increased inventory leading to cash flow reduction • Negative impact on quality 	<ul style="list-style-type: none"> • Long-term demand planning • Buffer stock in extended supply chain • Relationship management with key suppliers • Responsive and adaptive engineering change process
Risk 5 – People		
<ul style="list-style-type: none"> • Key employees leave and effective replacements are not recruited on a timely basis 	<ul style="list-style-type: none"> • Adverse impact on NPI • Operational disruption • Lower sales and profitability 	<ul style="list-style-type: none"> • Succession management plans • Technical career paths • UK work permit scheme to facilitate employment of non-UK nationals in place
Risk 6 – Operational Risk		
<ul style="list-style-type: none"> • Sustained disruption to production arising from a major incident at a site 	<ul style="list-style-type: none"> • Inability to fulfil orders in the short term, resulting in a reduction in sales and profitability • Additional, non-recurring overhead costs 	<ul style="list-style-type: none"> • Detailed responses in contingency plans can reduce downtime arising from incidents and facilitate the restoration or relocation of production • Standard sales contracts include clauses for limitation of liability, liquidated damages and the exclusion of consequential losses • Business interruption insurance

Andor Technology Limited
Strategic Report (continued)
for the year ended 31 March 2022

Principal risks and uncertainties (continued)

Risk/Uncertainty	Impact	Mitigation
Risk 7 – Legal/Compliance Risk		
<ul style="list-style-type: none"> • Infringement of a third party's intellectual property • Regulatory breach 	<ul style="list-style-type: none"> • Potential loss of future revenue • Future royalty payments • Payment of damages • Fines and non-financial sanctions such as restrictions on trade, disbarment from public procurement contracts • Reputational damage 	<ul style="list-style-type: none"> • Confirmation of "Freedom to Operate" during new product development stage gate process • Compliance monitoring programme
Risk 8 – Adverse movements in long-term foreign currency rates risk		
<ul style="list-style-type: none"> • Long-term strengthening of Sterling against key currencies such as the US Dollar, Japanese Yen and the Euro 	<ul style="list-style-type: none"> • Reduced profitability 	<ul style="list-style-type: none"> • Review of supply chain currency base • Active review of net exposure in key currencies

Section 172 (1) Statement

Section 172(1) Statement

In accordance with section 172(1) of the Companies Act 2006 (the "Act"), the Company's directors act in a way in which they actively promote the success of the Company for the benefit of its members as a whole. The directors take account of, among other matters, the requirements set out in section 172(1) (a) – (f) of the Act including:

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

The directors recognise the importance of engaging with the Company's stakeholders and taking into account the impact business decisions may have on them. The Company is a wholly owned subsidiary of the Oxford Instruments group and has a sole immediate shareholder. Stakeholder engagement activity to the benefit of the Company is carried out both at Group level and by the directors in the ordinary course of their roles, as applicable. In line with the Company's position as part of the Oxford Instruments group and its governance structure, the below table sets out the key stakeholders of the Group and Company, why they are valued, the issues which matter to them and how we engage with them.

Andor Technology Limited
Strategic Report (continued)
for the year ended 31 March 2022

Section 172 (1) Statement (Continued)

Why we value them	What matters to them	How we engage
Customers		
<p>The Group's Horizon strategy places our customers at the centre of everything we do. Customer intimacy is key to helping us not only identify additional opportunities to deliver increased value to our customers, but to the long-term growth of our business.</p> <p>The Group's core purpose is to support our customers in addressing some of the world's most pressing challenges, enabling a greener, healthier, more connected, advanced society for all.</p>	Excellent ongoing customer support and appropriate engagement and assistance throughout the buying cycle	The Directors of the Company, as well as other members of senior management across the Group, frequently host direct meetings with major customers from around the world, both virtually and in person at our site. These meetings provide meaningful opportunities to understand first hand, at a senior level of the organisation, how we can enhance the customer support we provide by shaping our understanding of customers' current and future needs.
	High quality products and technical expertise	The Group continues to invest in R&D so that we can deliver cutting-edge products and services and the insights gained from our customer intimacy is instrumental in helping us to determine where such investment can most meaningfully be made.
	Products which deliver value and help them to meet their own objectives	<p>By being customer-centric and market driven, we continuously seek to increase our depth of understanding of customer needs. Through a deeper knowledge of our target market segments and the diverse challenges faced by our customers, we have changed the way we communicate and reach our prospective and existing customers, more clearly identifying the value our products can add.</p> <p>Our portfolio focuses on those areas where our key enabling technologies are driving long-term success for our customers. This has allowed us to help our customers to accelerate their applied R&D, increase productivity in high tech manufacturing and make ground-breaking discoveries.</p> <p>Insights from our customer relationships are informing and aligning our innovation and product development initiatives to customers' strategic roadmaps, to allow us to create differentiated products and solutions that will provide significant value for our customers.</p>

Andor Technology Limited
Strategic Report (continued)
for the year ended 31 March 2022

Section 172 (1) Statement (Continued)

<u>Customers (continued)</u>		
	Remote access and continuity of timely supply and support during disruption	<p>The transformation of our service offering has been accelerated, with digital connectivity helping to maintain productivity through remote access and service. The digitisation of our product portfolio has allowed us to offer an increasing level of real time insights that are enhancing customer capabilities and productivity.</p> <p>We are changing the way in which we support our customers, embracing remote service and support approaches, combined with increased delivery through our regional teams supported by our global expertise. Utilising cross-business capabilities also helps us to deliver quicker response times and increased local support for installations.</p> <p>The investment in our regional service teams and the embedding of remote digital support capabilities ensures we can deliver our global expertise locally, providing increased customer response times and reduced travel.</p>
<u>Employees</u>		
A high capability, diverse workforce enables us to better understand our customers and markets. Building an organisation with a broad range of perspectives and experiences increases our ability to innovate, to make the right decisions and to exceed our customers' expectations.	Understanding how they contribute to our strategy and success	The Group has re-energised and restructured its approach to connecting with our employees, having hosted a series of sessions focused on "building our future", attended by over 250 employees, which generated meaningful feedback on the employee experience across the Group which was used to help develop our engagement plan and also provided a meaningful a two-way communication channel. An internal SharePoint site, accessible by all employees, was implemented to communicate news, events and stories from around the Group.
	Development and progression opportunities	A Group-wide project was launched, aiming to better facilitate and promote employee mobility within the organisation and throughout their careers. In alignment with this, we have made a dedicated effort to present development and progression opportunities to colleagues as we restructure certain teams and to embed the right structures to ensure that such opportunities will be available going forward too.

Andor Technology Limited
Strategic Report (continued)
for the year ended 31 March 2022

Section 172 (1) Statement (Continued)

Employees (Continued)	
Health, safety and wellbeing	<p>As part of the Group's ongoing "Push for Zero" health and safety practices improvement programme, a "Safety is the choice you make" campaign was launched, aiming to increase awareness of key hazard messages using both digital and poster formats.</p> <p>We have worked to increase the number of safety observations reported by employees, so that remedial actions can be implemented to prevent issues escalating into accidents and the Shield health and safety software platform was successfully rolled out at all sites.</p> <p>The Group has continued to ensure that covid health and safety precautions are in place at all sites in order to protect employees and maintain production activities in a safe environment.</p> <p>As part of the Group's continued focus on mental health, in March 2021, we provided all employees access to Unmind, a workplace mental health app which aims to empower employees to proactively measure, understand, and improve their mental wellbeing.</p>
Equality, diversity and inclusion	<p>The Group has made significant progress in developing and implementing our equality, diversity and inclusion agenda, with the Group Management Board, comprising three of the Company's Directors, reviewing and outwardly re-emphasising their commitment to encourage a supportive and collaborative working environment so all our people feel able to be open about their own unique identity, and they have a strong sense of belonging within Oxford Instruments.</p> <p>We have become an active partner with external organisations advocating on various elements of diversity and recognise that this helps us to continually improve our awareness and understanding of research and best practice in diversity and inclusion for businesses.</p>
Clarity of expectation on how recognition and remuneration structures align with accountabilities	<p>Recognising the impact of inflation rates on the cost of living, we awarded higher than normal pay review percentages, accelerated the annual pay review so employees would feel the benefit of their pay increase earlier than planned and offered staff earning below a specific threshold the opportunity to take a discretionary payment as salary increase.</p>

Andor Technology Limited
Strategic Report (continued)
for the year ended 31 March 2022

Section 172 (1) Statement (Continued)

Suppliers		
<p>Our supply chain plays a vital role in supporting sustainable growth and efficiency across the business.</p> <p>We purchase a wide variety of raw materials and it is imperative that we attain the highest quality and service for our customers, whilst also striving to enhance the efficiency of the business and to reduce risk.</p>	Long-term partnerships	<p>As part of our operational excellence programme, we have continued to work to strengthen our supply chain through executing a procurement strategy focused on leveraging our scale and building long-term strategic relationships with fewer suppliers, which has helped us to mitigate the industry-wide supply chain challenges.</p>
	Visibility of the wider supply chain, so that they can best forecast future requirements	<p>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.</p> <p>It is crucial to provide our suppliers accurate forward visibility in order to align our customers' requirements with our total supply capabilities. We share the output from our sales and operations planning process with them, and we have dedicated Category Managers within the Oxford Instruments group 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.</p>
	Strong relationships built on trust and respect	<p>We recognise that relationships built on trust and respect with our business partners establish mutually beneficial relations. During the year we made a particular effort to live out our Group values and to support our suppliers, bearing in mind their various, different needs, in light of supply chain challenges and ongoing covid-related disruptions.</p> <p>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.</p>

Andor Technology Limited
Strategic Report (continued)
for the year ended 31 March 2022

Section 172 (1) Statement (Continued)

Local communities		
Making a meaningful contribution to wider society enables us to support the development of stronger communities and have a positive environmental and social impact.	Environment	We actively engage in locally focused activities that make our communities and environments a better place to live and work. Encouraged by a strong level of employee engagement, we have established a "Go Green" committee at our site to deliver a local environment agenda and promote positive behaviours amongst peers. It is focused on finding innovative ways to improve our environmental impact, including energy reduction initiatives, wildflower seed gifts, removing single-use plastic from our sites, installing electric vehicle charging points and reducing our food miles by offering seasonal food in our canteens.
	Local small businesses	When we arrange gifts, celebrations, events and activities for our teams we aim to support the small, independent businesses near our site. During the covid pandemic, our Belfast site made a dedicated effort to support local small businesses in the hospitality sector by engaging them to supply food to the site.
	Schools and colleges within their region	We are committed to empowering students with an understanding of the working world and the range of career opportunities that choosing STEM subjects could open up. To support this, we facilitate school visits, work experience programmes and industrial postdoctoral placements.
	Volunteering opportunities	Many of our people are keen to share their expertise and to make a difference to the people and organisations that are close by and we encourage them to get involved through volunteering schemes. The Group operates a "Volunteer time off" programme for eligible employees, which enables them to take two days' paid time off to volunteer each year and believe that operating such a scheme generates a range of benefits, including increasing the positive impact we have in our communities, boosting employee morale and enhancing team bonding.
	Charitable donations	We encourage our employees to support their local communities through charitable donations. This has included collections of contributions to local food banks and fundraising activity for local charities, with, for example, our Belfast site supporting a nominated charity each year, including Aware NI for 2020 and 2021 and Helping Hand (charity to the Royal Belfast Hospital for Sick Children) for 2022.
	The appearance and tangible impact of our sites and operations	We aim to be considerate neighbours in all aspects of how we operate, but in particular recognise the importance of the appearance and tangible impact of our site and operations. We take active steps to minimise traffic noise and congestion and are committed to minimising emissions. Our site and grounds are also well maintained and sensitive to the local environment and wildlife.

Andor Technology Limited
Strategic Report (continued)
for the year ended 31 March 2022

Section 172 (1) Statement (Continued)

Signed on behalf of the Board of directors by:

A handwritten signature in black ink, appearing to read 'S. Quinn', written over a horizontal line.

Stephanie Quinn
Director
16 December 2022

Andor Technology Limited

Directors' report

for the year ended 31 March 2022

The directors present their report and the audited financial statements of the company for the year ended 31 March 2022.

Directors

The directors who served during the year were as follows:

Donal Denvir (resigned 01 April 2022)
Stephanie Quinn
Andrew Dennis
Gavin Hill
Ian Barkshire
Kristian Laskey

Results and dividends

The profit before taxation is £17.8m (2021: £11.1m) which, after taxation, results in a net profit for the year of £15.1m (2021: £9.6m). The company received a dividend of £2.9m (2021: £2.7m) in the year. The company paid a dividend of £17.1m in the year (2021: £nil).

Environment

The company is committed to its corporate responsibility of carrying out operations whilst minimising environmental impacts. The directors' continued aim is to minimise and properly manage energy efficiency, reduce the waste generated by reusing and recycling waste materials wherever feasible, and complying with all applicable environmental legislation. The company has developed an environmental management system certified to ISO 14001:2015 to achieve this goal.

Health and safety

The company is committed to achieving the highest practicable standards in both health and safety management for all its operations, and also recognises and is committed to promoting the wellbeing of employees. The directors have implemented a comprehensive health and safety management system certified to ISO 45001:2018 to exceed the legislative requirements, maintain safe and healthy working conditions, establish objectives and targets, and achieve continual improvement.

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 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.

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.

It is the policy of the company to give full and fair consideration to applications for employment from disabled persons; to continue, wherever possible, the employment of members of staff

Andor Technology Limited
Directors' report (continued)
for the year ended 31 March 2022

Employees (continued)

who may become disabled; and to ensure that suitable training, career development and promotion of disabled persons takes place.

Engagement with UK employees and company's business relationships with suppliers, customers & others

The required disclosures under The Companies (Miscellaneous Reporting) Regulations 2018 regarding: (i) the directors' engagement with UK employees; and (ii) how the company has had regard to the need to foster its business relationships with suppliers, customers and others and its effect, are addressed within the Section 172(1) statement disclosed in the Strategic report on pages 6-12.

Research and development

The company continues to invest in targeted research and development programs to maintain and strengthen product position. During the year ended 31 March 2022, the company invested in targeted research and development programs to maintain and strengthen product position. The total amount of research and development expenditure relating to employee costs and consumables remained flat at £4.6m (2021: £4.6m).

Political donations

The company made no donations nor incurred any expenditure for political purposes during the year (2021: £nil).

Financial risk management

The company's operations expose it to a variety of financial risks that include foreign exchange risk, interest rate risk, credit risk and liquidity risk. The company has in place a risk management policy that seeks to limit the adverse effects of these risks on the financial performance of the company. The board reviews and agrees policies for managing each of these risks on an ongoing basis and they are summarised below.

Foreign exchange risk

The company is exposed to foreign exchange risk in the normal course of business in its overseas operations, principally on transactions denominated in US Dollars, Euros and Japanese Yen. An element of this risk is mitigated due to the existence of natural hedges. The company's policy is to maximise the source of product supplied in these currencies.

Foreign exchange risk also exists in respect of the company's net investment in its foreign subsidiaries.

Interest rate risk

The company finances its operations primarily through retained profits. At the end of the current and prior years all of its financial liabilities, which include bank borrowings, on which interest is payable, were at variable rates, and the company has not used interest rate swaps or other derivative financial instruments to manage this risk.

**Andor Technology Limited
Directors' report (continued)
for the year ended 31 March 2022**

Financial risk management (continued)

Credit risk

The company is exposed to credit risk in respect of credit exposures to its customers, intercompany transactions and also with its banking arrangements. The company has implemented policies that require appropriate credit checks on potential customers before sales are made, ongoing review of the aged profile of the debt and regular reviews of the spread of its banking arrangements. Due to its large geographic base and number of customers, the company is not exposed to material concentrations of credit risk on its trade receivables. The company has no significant concentration of credit risk.

Liquidity risk

The company regularly monitors cash forecasts to ensure that it has sufficient cash available to meet operational needs.

Statement of disclosure of information to the auditors

So far as each of the directors in office at the date of approval of these financial statements is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Statutory independent auditor

In accordance with Section 487 of the Companies Act, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

Future developments

There are no material future developments to disclose which are not in line with the business activity disclosed in the strategic report.

On behalf of the board



K Laskey
Managing Director
16 December 2022

Address of registered office:
Andor Technology Ltd
Springvale Business Park
7 Millennium Way
Belfast
BT12 7AL

Andor Technology Limited

Statement of directors' responsibilities

for the year ended 31 March 2022

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with *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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls 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 Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

All the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

On behalf of the board



K Laskey
Managing Director
16 December 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANDOR TECHNOLOGY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Andor Technology Limited ("the Company") for the year ended 31 March 2022 which comprise the profit and loss account, other comprehensive income, balance sheet, 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 Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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 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.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANDOR TECHNOLOGY LIMITED (continued)

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.

Other Companies Act 2006 reporting

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 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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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 Statement of Directors' Responsibilities, 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 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 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANDOR TECHNOLOGY LIMITED (continued)

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;
 - 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 Company operates.
- We have responded to risks identified by performing procedures including the following:
 - 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.

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: <https://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 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ANDOR TECHNOLOGY LIMITED (continued)

DocuSigned by:
Ian Oliver
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[Signature]

Ian Oliver (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Reading

[Date] 19 December 2022

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

Andor Technology Limited
Profit and Loss Account
for the year ended 31 March 2022

	Note	Year ended 2022 £'000	Year ended 2021 £'000
Turnover	6	62,251	57,545
Cost of sales	8	(30,766)	(28,645)
Gross profit		31,485	28,900
Net operating expenses	8	(16,761)	(20,464)
Operating profit		14,724	8,436
Income from shares in group undertakings		2,909	2,676
Profit before finance income & expense		17,633	11,112
Finance income	10	202	4
Finance expense	10	(14)	(0)
Finance income – net		188	4
Profit before tax		17,821	11,116
Tax on profit	11	(2,738)	(1,484)
Profit for the year		15,083	9,632

All profits are attributable to the owners and relate to continuing operations.

Other Comprehensive Income
for the year ended 31 March 2022

	Year ended 2022 £'000	Year ended 2021 £'000
Profit for the year	15,083	9,632
Other comprehensive income	-	-
Total comprehensive income for the year	15,083	9,632

Total comprehensive income is attributable to the owners and relates to continuing operations.

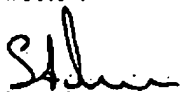
The notes on pages 25 to 42 form an integral part of these financial statements.

Registered number: NI022466.

Andor Technology Limited
Balance Sheet
As at 31 March 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets			
Goodwill	14	777	777
Other intangible assets	14	253	622
		1,030	1,399
Tangible assets	13	3,184	3,437
Investments in subsidiaries	15	10,469	10,469
Deferred tax assets	21	336	272
		15,019	15,577
Current assets			
Inventories	16	11,269	10,331
Debtors	17	30,836	33,112
Corporation tax recoverable		180	170
Cash and cash equivalents	18	4,167	4,495
		46,452	48,108
Total assets		61,471	63,685
Creditors: Amounts falling due within one year			
Current liabilities			
Trade and other creditors	19	3,507	3,155
Other provisions	20	526	619
Accrued expenses		5,122	6,087
Corporation tax liability		4,258	4,032
Government grants and deferred income	22	627	552
		14,040	14,445
Net current assets		32,411	33,663
Total assets less current liabilities		47,431	49,240
Creditors: Amounts falling due after one year			
Deferred tax liabilities	21	422	349
Government grants and deferred income	22	867	972
		1,289	1,321
Net assets		46,142	47,919
Capital and reserves			
Called up share capital	23	668	668
Share premium account		10,605	10,605
Other reserves		2,240	2,240
Profit and loss account		32,629	34,406
Shareholder's funds		46,142	47,919

The notes on pages 25 to 42 form an integral part of these financial statements.
The financial statements on pages 22 to 42 were authorised for issue by the board of directors on 16 December 2022 and were signed on its behalf by:



Stephanie Quinn
Director
Registered number: NI022466

Andor Technology Limited
Statement of Changes in Equity
For the year ended 31 March 2022

	Called up share Capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Profit & Loss Account £'000	Total equity £'000
Balance at 31 March 2020	668	10,605	1,843	397	24,606	38,119
Comprehensive income	—	—	—	—	9,632	9,632
Profit for the year	—	—	—	—	9,632	9,632
Total comprehensive income	—	—	—	—	9,632	9,632
Transactions with owners						
Equity-settled share based payment transactions	—	—	—	—	107	107
Tax on equity-settled share based payment transactions	—	—	—	—	61	61
Dividend paid	—	—	—	—	—	—
Total transactions with owners	—	—	—	—	168	168
Balance at 31 March 2021	668	10,605	1,843	397	34,406	47,919
Comprehensive income						
Profit/(Loss) for the year	—	—	—	—	15,083	15,083
Total comprehensive income/deficit	—	—	—	—	15,083	15,083
Transactions with owners						
Equity-settled share based payment transactions	—	—	—	—	177	177
Tax on equity-settled share based payment transactions	—	—	—	—	52	52
Dividend paid (Note 12)	—	—	—	—	(17,089)	(17,089)
Total transactions with owners	—	—	—	—	(16,860)	(16,860)
Balance at 31 March 2022	668	10,605	1,843	397	32,629	46,142

The notes on pages 25 to 42 form an integral part of these financial statements.

Andor Technology Limited

Notes to the Financial Statements

for the year ended 31 March 2022

1 Basis of preparation

Andor Technology Limited ("the company") is a private company incorporated, registered and domiciled in Northern Ireland in the UK. The registration number is NI022466 and the registered address is 7 Millennium Way, Springvale Business Park, Belfast, BT12 7AL.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's ultimate parent undertaking, Oxford Instruments Plc includes the company in its consolidated financial statements. The consolidated financial statements of Oxford Instruments Plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Oxford Instruments Plc, Tubney Woods, Abingdon, Oxfordshire, OX13 5QX.

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 and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; 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;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the company in the current and prior years including the comparative year reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

Andor Technology Limited

Notes to the Financial Statements

for the year ended 31 March 2022

2 Going concern

At the end of the year, the company had net cash balances of £4.2m (2021: £4.5m), net of borrowings of £nil (2021: £nil). The company's internal budgets and forecasts, which incorporate all reasonably foreseeable changes in trading performance, show that it will be able to operate within its current banking facilities, taking into account available cash balances for the foreseeable future. The going concern basis is, accordingly, adopted by the board in preparing the financial statements.

3 Accounting policies

The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

The financial statements have been prepared under the historical basis except that the following assets and liabilities are stated at their fair value: certain financial assets and financial liabilities measured at fair value.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

The Company has adopted the following IFRSs in these financial statements:

- Annual Improvements to IFRS Standards 2015-2017 Cycle.

The newly adopted IFRSs had no material impact on the Company

Foreign Currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the company. The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities. The company bases its estimates on historical results, taking into consideration the type of customer, transaction and the specifics of each arrangement.

(a) Sale of goods

Revenue in respect of the sale of goods is recognised upon customer receipt of those goods.

(b) Sale of software products

Revenue in respect of the sale of software products is recognised at the point at which the customer has received the software activation codes.

Andor Technology Limited
Notes to the Financial Statements
for the year ended 31 March 2022

3 Accounting policies (continued)

Revenue (continued)

(c) Sale of maintenance contracts

Revenue from maintenance contracts is generally recognised in the period the services are provided, using a straight-line basis over the term of the contract.

(d) Sales of extended warranties

Revenue from the sale of extended warranties is credited to deferred income and released to the income statement using a straight-line basis over the extended warranty period.

(e) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Tangible Fixed Assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment is equal to its purchase cost, together with any incidental costs of acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred. Depreciation is calculated so as to write off the cost of property, plant and equipment, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used are as follows:

	%
Freehold buildings	4
Plant and machinery	10 to 33

Land is not depreciated.

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An asset is derecognised upon disposal or when no future economic benefit is expected to arise from the asset.

Intangible assets

(a) Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any year is properly made by reference only to any impairment that may have arisen.

If the Company would have selected an amortisation period of 20 years, then the annual amortisation impact would be £38,850. The carrying value of goodwill at 31 March 2022, if amortisation had been applied, would be £310,800.

Andor Technology Limited
Notes to the Financial Statements
for the year ended 31 March 2022

3 Accounting policies (continued)

Intangible assets (continued)

(b) Research and development

Costs associated with research activities are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable products controlled by the company are recognised as intangible assets in accordance with the recognition criteria set out in IAS 38, 'Intangible assets'.

Directly attributable costs that are capitalised as part of products include employee costs incurred. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs recognised as intangible assets are amortised over their estimated useful economic lives.

(c) Acquired development expenditure

Development expenditure acquired in a business combination is recognised at fair value at the acquisition date. The development expenditure has a finite useful life and is carried at fair value less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful economic lives of the products to which the development expenditure relates.

	Years
Research and development	2 to 10
Acquired development intangibles	9 to 16

Impairment of non-financial assets

Assets that have an indefinite useful economic life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost for raw materials is calculated on a first-in first-out basis. Net realisable value for work in progress and finished goods is based on estimated selling prices less further costs expected to be incurred in bringing the inventories to completion and disposal. Cost comprises materials, direct wages and other direct production costs together with a proportion of production overheads relevant to the stage of completion of work in progress and finished goods. Provisions are made against the value of inventories to take account of slow-moving stock, obsolescence and non-conforming products.

Inventories that are provided to customers for demonstration purposes are classified as demonstration stock and are stated at the lower of cost and net realisable value. Demonstration stocks are maintained to a condition that allows them to be sold to customers, without further modification, once the demonstration period has ended and are expected to be sold within 18 months of manufacture.

Government grants

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

Andor Technology Limited

Notes to the Financial Statements

for the year ended 31 March 2022

3 Accounting policies (continued)

Government grants (continued)

Government grants relating to costs are deferred and recognised in the profit and loss over the period necessary to match them with the costs they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit and loss on a straight-line basis over the expected useful economic lives of the related assets.

Financial Instruments

Recognition and initial measurement

Financial assets issued are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument or financial liabilities.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

Classification

On initial recognition, a financial asset is classified as measured at amortised cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in and subsidiaries are carried at cost less impairment.

The Company classifies its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables comprise mainly cash and cash equivalents and trade and other receivables.

Financial Liabilities and Equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

Andor Technology Limited
Notes to the Financial Statements
for the year ended 31 March 2022

3 Accounting policies (continued)

Financial Liabilities and Equity (continued)

- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Andor Technology Limited
Notes to the Financial Statements
for the year ended 31 March 2022

3 Accounting policies (continued)

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Share capital

Ordinary shares are classified as equity.

Share premium

The premium arising on the issue of ordinary shares is included within the share premium account, apart from where shares are issued as part of an acquisition and the issue of those shares qualifies for merger relief.

Other reserves

a) **Merger reserve**

Where the company has issued shares as part of an acquisition and the issue of those shares qualifies for merger relief, the excess of the fair value of the shares issued above their nominal value is taken to a merger reserve.

b) **Capital redemption reserve**

The nominal value of preference shares previously redeemed by the company is held within the capital redemption reserve.

Income tax and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case, the tax is recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Andor Technology Limited
Notes to the Financial Statements
for the year ended 31 March 2022

3 Accounting policies (continued)

Income tax and deferred income tax (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Pension costs

The company operates a defined contribution pension plan for certain directors and employees. Contributions are charged to the profit and loss in the period to which they relate.

Share-based payments

There is no individual company share option scheme in place and employees are eligible to take part in the Oxford Instruments scheme as detailed in Note 24.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

4 Financial risk management

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk, cash flow and interest rate risk), credit risk and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring the foregoing risks.

Market risk

(a) Price risk

The company is not exposed to equity securities price risk as it holds no listed investments. Consideration of investment in subsidiaries and associated risk is detailed in note 15.

(b) Foreign currency risk

The company is exposed to foreign exchange risk in the normal course of business in its overseas operations, principally on transactions denominated in US Dollars, Euros, and Japanese Yen. An element of this risk is mitigated due to the existence of natural hedges.

Foreign exchange risk also exists in respect of the company's net investment in its foreign subsidiaries.

Andor Technology Limited
Notes to the Financial Statements
for the year ended 31 March 2022

4 Financial risk management (continued)

Market risk (continued)

(c) Interest rate risk

The company finances its operations primarily through retained profits. At the end of the current and prior years all its financial liabilities, which include bank borrowings, on which interest is payable, were at variable rates, and the company has not used interest rate swaps or other derivative financial instruments to manage this risk.

(d) Credit risk

The company is exposed to credit risk in respect of credit exposures to its customers, intercompany transactions and also with its banking arrangements. The company has implemented policies that require appropriate credit checks on potential customers before sales are made and regularly reviews the spread of its banking arrangements. The company's maximum exposure to credit risk from external customers is £3.7m (2021: £3.0m).

(e) Liquidity risk

The company regularly monitors cash forecasts to ensure that it has sufficient cash available to meet operational needs. Cash balances not needed for daily operations are deposited with the parent company.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of product viability and technological advancements that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are:

- The useful economic life of intangible assets and the cash flows derived from these product lines (see note 14).
- The carrying value of investments in subsidiaries. The company assesses the carrying value at each reporting date to determine whether there are any indicators of impairment. If any such indication exists, then the recoverable amount is estimated. There is significant judgement involved in considering whether an impairment arises because of the difference between the carrying value and the fair value, being value in use (see note 15).
- Recoverable value of deferred tax assets.

6 Turnover

The company's customers are located globally. Analysis of revenues from external customers is as follows:

	Year ended 2022 £'000	Year ended 2021 £'000
Analysis by geographical area		
United Kingdom (country of domicile)	4,870	3,510
Americas	23,097	19,174
APAC	20,971	21,995
EMEA (excluding UK)	13,313	12,866
Revenue from external customers	62,251	57,545

Andor Technology Limited
Notes to the Financial Statements
for the year ended 31 March 2022

7 Auditor's remuneration

During the year, the company obtained the following services from the company's auditors and its associates:

	Year ended 2022 £'000	Year ended 2021 £'000
Fees payable to the company's auditor for the audit of the company	40	32
Total fees payable to the company's auditor and their associates	40	32

8 Expenses by nature

	Note	Year ended 2022 £'000	Year ended 2021 £'000
Changes in inventories of finished goods and work in progress		342	(385)
Raw materials and consumables used		25,772	23,402
Employee benefit expense	9	14,929	12,821
Depreciation, amortisation and impairment charges – owned assets	13, 14	925	1,244
Movement in bad debt		621	58
Net expense in respect of share based payments		177	107
Release of deferred income in respect of government grants	22	(67)	(67)
Repairs and maintenance expenditure on property, plant and equipment		248	266
Research and development expenditure*		535	755
Foreign exchange (gain)/loss		(1,242)	1,671
Loss on dissolution of investment		-	1,422
Other expenses		5,287	7,815
Total cost of sales and net operating expenses		47,527	49,109

* Excludes employee benefit expenses and amortisation of capitalised development expenditure. The total amount of research and development expenditure relating to employee costs and consumables during the year was £4,649,000 (2021: £4,574,000) of which £0** (2021: £80,000) was capitalised within intangible assets.

** Capitalised £0 (2021: £80,000) is net of grant funding for payroll costs.

9 Staff numbers and costs

	Year ended 2022 Number	Year ended 2021 Number
Average monthly number of persons employed (including directors) during the year by activity		
Production	134	116
Research & development	83	81
Administration and shared services	23	21
Sales and marketing	48	46
	288	264

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9 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 2022 £'000	Year ended 2021 £'000
Wages and salaries*	12,644	10,934
Social security costs	1,489	1,250
Pension costs – defined contribution plans	796	637
	14,929	12,821

*Excludes salaries capitalised within intangible assets in the year of £0 (2021: £142,000).

	Year ended 2022 £'000	Year ended 2021 £'000
Directors' emoluments		
Wages & salaries	1,092	885
Pension costs – defined contribution plans	51	47
Aggregate emoluments	1,143	932

* Aggregate emoluments paid to the highest paid director during the year totalled £363,000 (2021: £266,000) of which £13,000 (2021: £13,000) is pension.

The emoluments of certain directors have been borne by another group company.

10 Finance income and expenses

	Year ended 2022 £'000	Year ended 2021 £'000
Finance income		
Interest income on short term bank deposits	202	4
Interest income on short term bank deposits	-	-
Finance income	202	4
Finance expense		
Interest payable on bank borrowings	-	-
Interest payable on taxes	(14)	-
Finance expense	-	-
Finance income net	188	4

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11 Taxation

	Year ended 2022 £'000	Year ended 2021 £'000
Current income tax		
Current tax on profits for the period	2,792	1,828
Adjustments to tax in respect of previous periods	(115)	(209)
Total current tax	2,677	1,619
Deferred tax		
Origination and reversal of temporary differences	3	(55)
Effect of change in tax rate	37	-
Adjustments in respect of earlier periods	21	(80)
Total deferred tax	61	(135)
Income tax expense	2,738	1,484

The tax on the company's profit before income tax differs from the amount that would arise using the standard rate of UK corporation tax of 19% (2021: 19%) applied to profits as follows:

	Year ended 2022 £'000	Year ended 2021 £'000
Profit before tax	17,822	11,116
Tax calculated at the standard rate of UK corporation tax 19% (2021: 19%)	3,386	2,112
Tax effects of:		
Adjustments to tax in respect of previous periods	(95)	(289)
Increase in tax rate change on deferred tax balances	37	-
Items not deductible/taxable for tax purposes	(37)	169
Tax exempt dividends received	(553)	(508)
Income tax expense	2,738	1,484

Factors that may affect future, current and total tax charges

The UK corporation tax rate will remain at 19% until 31 March 2023. In the budget on 3 March 2021 it was announced that the UK corporation rate will increase to 25% from 1 April 2023. On 23 September 2022 it was announced that the planned increase to 25% would be scrapped but this announcement was reversed on 17 October 2022 and therefore the expectation is that corporation tax will increase to 25% from 1 April 2023.

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12 Dividends

	2022 £'000	2021 £'000
Final Dividend of 0.51p (2021: £nil) per ordinary share proposed and paid during the year relating to previous year's result	17,089	-
Total	17,089	-

13 Tangible assets

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 April 2021	6,697	5,921	12,618
Additions		303	303
Disposals			
At 31 March 2022	6,697	6,224	12,921
Accumulated depreciation			
At 1 April 2021	3,830	5,351	9,181
Charge for the year	266	290	556
Disposals			
At 31 March 2021	4,096	5,641	9,737
Net book value			
At 31 March 2022	2,601	583	3,184
At 31 March 2021	2,867	570	3,437

Depreciation expense of £556,000 (2021: £691,000) has been charged to net operating expenses.
The value of freehold land (not depreciated) is £290,000 (2021: £290,000)

14 Intangible assets

	Goodwill £'000	Patents and intellectual property £'000	Internally generated development expenditure £'000	Acquisition development costs £'000	Total £'000
Cost					
At 1 April 2021	777	248	12,477	3,700	17,202
Additions	-	-	-*	-	-
Disposal	-	-	-	-	-
At 31 March 2021	777	248	12,477	3,700	17,202
Accumulated amortisation					
At 1 April 2021	-	248	12,197	3,358	15,803
Charge for the year	-	-	64	305	369**
Disposal	-	-	-	-	-
At 31 March 2021	-	248	12,261	3,663	16,172
Net book value					
At 31 March 2022	777	-	216	37	1,030
At 31 March 2021	777	-	280	342	1,399

* Capitalisation of £0 (2021: £80,000) is net of grant funding for payroll costs.

** Amortisation of £369,000 (2021: £553,000) is included in net operating expenses.

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14 Intangible assets (continued)

Estimate of useful economic life of intangible assets

The company assesses the useful economic life of intangible assets on an annual basis. The useful economic life of intangible assets ranges from 2 years to 16 years.

Included within internally generated development expenditure are labour costs directly attributable to the development of new products.

In accordance with IAS 36, an impairment review has been carried out for goodwill arising on acquisitions. This has been measured based on a value in use calculation, calculated by discounting expected future cashflows at 13.8% (2021: 13.8%). The company prepares 5 year cashflow forecasts annually, with changes in growth rates, selling prices and direct costs being based on past practices and expectations of future changes in the market. Long-term growth was estimated to be 1.5% which was considered to be a prudent growth rate given current economic circumstances

Cash generating units ("CGUs")

At 31 March 2022, the company had one CGU, Andor.

Allocation of goodwill to cash generating units

Goodwill is allocated to the company's cash generating units as follows:

	2022 £'000	2021 £'000
Andor	777	777
Total	777	777

15 Investments in subsidiaries

	Total £'000
At 1 April 2021	10,469
At 31 March 2022	10,469

Investments in subsidiaries are recorded at cost less impairment, which is the fair value of consideration paid at the acquisition date.

The direct undertakings in which the Company has an interest at the period end are as follows:

Subsidiary undertakings	Registered address and country of incorporation	Principal activity	Proportion of ordinary shares held or equivalent 2022	Proportion of ordinary shares held or equivalent 2021
Bitplane AG	Zürcherstrasse 6, 8952 Schlieren Switzerland	Software development	100%	100%
Spectral Applied Research, Inc	199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario M5L 1B9, Canada	Advanced instrumentation	100%	100%
Oxford Instruments KK	IS Building, 3-32-42 Higashi-Shinagawa, Shinagawa-ku, Tokyo, 140-0002, Japan	Distribution	7.54%	7.54%
Oxford Instruments Holdings 2013 Inc	300 Baker Avenue, Suite 150, Concord MA 01742, USA	Distribution	27.15%	27.15%

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15 Investments in subsidiaries (continued)

The indirect undertakings in which the Company has an interest at the period end are as follows:

Subsidiary undertakings	Registered address and country of incorporation	Principal activity	Proportion of ordinary shares held 2022	Proportion of ordinary shares held 2021
Andor Technology Inc	300 Baker Avenue, Suite 150, Concord MA 01742, USA	Holding company	27.15%	27.15%
Bitplane Inc.	300 Baker Avenue, Suite 150, Concord MA 01742, USA	Distribution	27.15%	27.15%
Oxford Instruments America Inc	300 Baker Avenue, Suite 150, Concord MA 01742, USA	Distribution	27.15%	27.15%
Oxford Instruments Asylum Research Inc	7416 Hollister Avenue, Santa Barbara, California 93117, USA	Research	27.15%	27.15%
Oxford Instruments KK	IS Building, 3-32-42 Higashi-Shinagawa, Shinagawa-ku, Tokyo, 140-0002, Japan	Distribution	25.10%	25.10%
Oxford Instruments Overseas Marketing Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX, UK	Sales and Marketing	27.15%	27.15%
Oxford Instruments X-Ray Technology, Inc.	360 El Pueblo Road, Scotts Valley, CA 95066, USA	Manufacture	27.15%	27.15%

16 Inventories

	2022 £'000	2021 £'000
Raw materials	6,572	6,027
Work in progress	1,884	1,734
Finished goods	2,294	2,102
Demonstration stock	519	468
	11,269	10,331

Raw materials, changes in finished goods, work in progress and demonstration stock recognised as cost of sales in the year amounted to £25,772,000 (2021: £23,402,000). The write-down of stocks to net realisable value amounted to £750,000 (2021: £713,000).

17 Debtors

	2022 £'000	2021 £'000
Trade debtors	4,909	3,461
Less: provision for impairment of trade debtors	(1,200)	(506)
Trade debtors – net	3,709	2,955
Other debtors	883	471
Intercompany debtors	25,493	29,259
Prepayments	751	427
	30,836	33,112

The fair values of trade and other debtors are the same as their carrying value. The maximum exposure to credit risk is the fair value of each class of receivable mentioned above.

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17 Debtors (continued)

Trade receivables impaired and the amount of the impairment provision was £1,200,000 (2021: £506,000). The individually impaired debtors mainly relate to invoices which are in dispute. The other classes within trade and other debtors do not contain impaired assets.

Intercompany debtors are unsecured, interest free and repayable on demand.

18 Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	4,167	4,495
Cash and cash equivalents	4,167	4,495

19 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	2,630	2,022
Intercompany creditors	873	1,133
Social security and other taxes	4	-
	3,507	3,155

Intercompany creditors are unsecured, interest free and repayable on demand.

20 Other provisions

	Other Provisions £'000	Warranty provision £'000	IFRIC23 provision £'000	Total £'000
At 01 April 2021	75	544		619
Provisions used during the year	(75)	(544)		(619)
Provisions made during the year	-	521	5	526
At 31 March 2022	-	521	5	526

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 company's standard terms and conditions. Warranty commitments typically apply for a twelve-month period. The provision represents the Directors' best estimate of the company's liability based on past experience.

Other provisions

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 cost of settling future obligations 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, or might be, brought by other parties against the company

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20 Other provisions (continued)

Other provisions (continued)

unless the Directors, taking into account professional advice received, assess that it is more likely than not that such proceedings may be successful. The company's expectation is that the other provisions are likely to be utilised within a twelve-month period.

21 Deferred tax

The movement in deferred tax assets and liabilities during the period is as follows:

	Other £'000	Accelerated capital allowances £'000	Intangibles £'000	Deferred tax assets total £'000	Deferred tax liabilities total £'000
At 1 April 2021	272	(291)	(58)	272	(349)
Profit and loss expense	12	(75)	2	12	(73)
Recognised directly in equity	52	-	-	52	-
At 31 March 2022	336	(366)	(56)	336	(422)

The deferred tax asset that is expected to reverse within 12 months is £nil (2021: £nil).

22 Government grants and deferred income

The current portion of government grants and deferred income is £627,000 (2021: £552,000) and the non-current portion is £867,000 (2021: £972,000).

Company	Government grant £'000	Deferred income £'000	Total £'000
At 1 April 2021	586	938	1,524
Extended warranty revenue deferred during the year	-	590	590
Income recognised in the year	(67)	(553)	(620)
At 31 March 2022	519	975	1,494

Grants were receivable from government departments in respect of the purchase of buildings and machinery, and the development of software.

23 Called up share capital

	Number	£'000
Allotted, called up and fully paid (ordinary shares of £0.02 each)		
At 1 April 2021	33,374,996	667,500
Issued during the year	-	-
At 31 March 2022	33,374,996	667,500

All ordinary shares of £0.02 each have equal rights in respect of voting, receipt of dividends and repayment of capital.

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24 Share-based payments

The company, as part of the wider Oxford Instruments plc Group, operates share option schemes available to employees

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. 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.

25 Commitments

As at 31 March 2022, the company had capital commitments in respect of contracted expenditure of £nil (2021: £nil).

26 Ultimate controlling party

The company is a wholly owned subsidiary undertaking of Oxford Instruments plc which is the ultimate parent company incorporated in UK. The Directors do not consider there to be one ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by Oxford Instruments plc, incorporated in the United Kingdom. The consolidated financial statements of this group are available to the public and may be obtained from the company secretary, Oxford Instruments plc, Tubney Woods, Abingdon OX13 5QX, UK.