Andor Technology Limited

Annual Report and Financial Statements
Company number NI022466
31 March 2023

Contents

The Directors present their Strategic Report of Andor Technology Limited (the "Company") for the year ended 31 March 2023.

Principal activities and review of the business

The Company is a wholly-owned subsidiary of the Oxford Instruments plc Group of companies (the "Group"), which is a leading provider of high technology products and services to industry and scientific research communities.

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.

Performance and Position

Turnover for the year increased by 24% from £62.3m to £76.9m driven by strong growth in the underlying markets primarily by Asia and Americas. Asia is now our largest region by revenue, with China constituting 51% of regional revenue and 20% of total Company revenue.

We have begun to pivot towards markets within China which are less impacted by UK export licence restrictions and this, together with the end of the Covid-related lockdowns, has supported our strong performance.

The Company's profit before tax increased by 11% from £17.8m to £19.8m despite the significant investment in staff costs made during the year, primarily to enhance our operational and R&D capacity.

Innovation remains central to the Company's priorities. In order to maintain a strong product pipeline and retain our leading edge in our chosen markets, we make significant investment in our own research and development. We have invested £5.2m (2022: £4.6m) in R&D, representing 7% of revenue.

Our focus in operations is on enhancing productivity, continuing to shorten lead times and boosting capacity, to put us in the best possible position to support the growing global demand for our products.

Additionally, the Company is investing £15m in the purchase and fit out of an additional building, adjacent to our current site, to boost our operational capacity. The site expansion will significantly enhance our production and R&D capacity, allowing us to meet demand from our growing customer base once operational in autumn 2025.

Principal risks and uncertainties

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group is embedded in Company's operations. The below narrative provides a summary of the principal risks, explains why it is relevant to the Group and also sets out the potential consequences should the risk materialise, together with the control mechanisms and approach to risk mitigation.

Geopolitical risk	
Context	The Group operates in global markets and is required to comply with relevant regulations including, but not limited to, sanctions, tariffs and export controls. Government policy on the export of specific technologies and the approval of particular end users is subject to foreign policy objectives which can change over time.
Risk	Changes in the geopolitical landscape or an escalation in global trade tensions can result in major obstacles to trade with customers in key markets. This can arise from sanctions, export licence refusals, trade tariffs, trade embargoes, or nations seeking to reduce reliance on imports in strategic technologies through the development of domestic competition and/or protectionist measures. We are seeing tighter UK Government export control policy, particularly in relation to exports to China, resulting in an increase in export licence refusals. Furthermore, the business is exposed to changes in both US and German export licence regulations.
Possible impact	• A contraction in export volumes to key markets and consequential loss of revenue and reputational damage • *Restrictions on the provision of after sales service, leading to lower* service contract revenues • Reduced access to key markets may impact research and development (R&D) investment decisions owing to adverse impacts on business cases • Lower net pricing to key markets adversely affecting marginal revenue • Increases to input costs and lower gross margins
Control mechanisms	• Engagement with UK Government and regulatory authorities • Contract review and protection against breach of contract should export licences be withheld • Long-term investment planning strategies
Mitigation	• Focus on lower-risk markets and end users • Broad global customer base; contractual protection • Market diversification
Supply chain risk	
Context	The Group operates a global supply chain, sourcing from many suppliers across a wide range of categories. For certain technologies, there are limited alternative sources.
Risk	• Operational disruption or price increases, due to supply chain shortages, particularly in electronic components • Suppliers de-committing orders due to their inability to supply as a result of internal production issues. • Change of supplier ownership resulting in loss of supply • Regulatory changes or economic viability causing suppliers to discontinue production, impacting the long-term availability of key components

Possible impact	• Short-term delays or hiatus in our production arising from component shortages • Poor customer service • Reputational damage • Lost revenue • Downward pressure on margins • Increased lead times and potential of being unable to fulfil orders • Increased stock holding adversely impacting cash conversion
Control mechanisms	• Sales and operational planning process • Group strategic sourcing programme to consolidate demand and manage key supplier risks • Sourcing of alternative options and/or buffer stocks in relation to high-risk suppliers • Long-term contracts with key suppliers
Mitigation	• Strategic, selective and diversified supplier base • Long-term demand planning • Buffer stock in extended supply chain • Relationship management with key suppliers • Responsive and adaptive engineering change process
Routes to market risk	
Context	In some instances, the Group's products are components of higher-level systems sold by original equipment manufacturers (OEMs), and thus the Group does not control its route to market.
Risk	• Vertical integration by OEMs
Possible impact	• Loss of key customers/routes to market • Reduction in sales volumes and/or pricing and lower profitability
Control mechanisms	• Customer intimacy to match product performance to customer needs • Positioning of the Oxford Instruments brand and marketing directly to end users
Mitigation	• Strategic relationships with OEMs to promote the benefits of combined systems • Product differentiation to promote advantages of Oxford Instruments' equipment and solutions • Direct marketing to end users
New Product Introduction (NPI) risk	
Context	The Group provides high-technology equipment, systems and services to its customers
Risk	• Failure of the advanced technologies applied by the Group to produce commercially viable products
Possible impact	• Loss of market share or negative pricing pressure, resulting in lower turnover and reduced profitability • Additional NPI expenditure • Adverse impact on the Group's brand and reputation
Control mechanisms	• 'Voice of the Customer' customer listening approach and market intimacy to direct product development activities • Formal NPI processes to prioritise investment and to manage R&D expenditure • Product life cycle management
Mitigation	• Understanding customer needs/expectations and targeted new product development programme to maintain and strengthen product positioning • Stage gate process in product development to challenge commercial business case and mitigate technical risks

	• Operational practices around sales-production matching and inventory management to mitigate stock obsolescence risks
Market risk: Recession/inflation	
Context	*Demand from the Group's customer base may be reduced if there is a* global contraction in investment in R&D and commercial investment. Further, global inflation may place upward pressure on key elements of the cost base such as labour and materials.
Risk	• Lower demand for the Group's products and services • Rises in key cost drivers such as people costs, energy, components, and raw materials • For sales of long lead-time items, requirement to make inflationary estimates when pricing, which may be inaccurate
Possible impact	• Decrease in sales volumes • Increased cost of production leading to a reduction in operating profit if not offset by sufficient price increases • Potential for under-recovery of increases if inflation estimates are too low, or reduction in order volumes if competitors do not react similarly
Control mechanisms	• Strategic focus on growth markets • Price reviews • Inflation protection in commercial response to long lead-time tenders and long-term agreements
Mitigation	• Ability to address inflationary pressures through price management reviews • Reviews of key drivers of financial performance
Information technology risk	
Context	Elements of production, financial and other systems rely on IT availability
Risk	• Cyber-attack on the Group's IT infrastructure • Ransomware/spread of viruses or malware
Possible impact	• System failure/data loss and sustained disruption to production operations • Loss of business-critical data • Financial and reputational damage
Control mechanisms	• Suite of IT protection mechanisms including penetration testing, regular backups, virtual machines, and cyber reviews • External IT security consultants • Internal IT governance to maintain protection systems and our incident response Employee awareness training
Mitigation	• Managed service with third-party security specialists providing incident monitoring regular review, monitoring and testing of key security measures to assess adequacy of protection against known threats • Upgrade of enterprise resource planning (ERP) and other internal systems • End user education and phishing simulation exercises
Legal and regulatory compliance risk	
Context	The Group operates in a complex technological and regulatory environment, particularly in areas such as export controls and product compliance. Competitors may seek to protect their position through intellectual property (IP) rights and the Group may at times experience unintentional regulatory or IP compliance issues.
Risk	• Infringement of a third party's intellectual property • Regulatory breach

Possible impact	• Potential loss of future revenue • Future royalty payments • Payment of damages • Fines and non-financial sanctions such as restrictions on trade, exclusion from public procurement contracts • Reputational damage
Control mechanisms	• Formal 'Freedom to Operate' assessment to identify potential IP issues during product development • Internal control framework including policies, procedures and training in risk areas such as bribery and corruption, sanctions and export controls • Product compliance teams
Mitigation	• Confirmation of 'Freedom to Operate' during new product development stage gate process • Compliance monitoring programme over key risk areas
Adverse movements in longterm foreign currency rate	
Context	A high proportion of the Group's revenue is in foreign currencies, notably US dollars, while the cost base is predominantly denominated in sterling.
Risk	• Long-term strengthening of sterling against key currencies such as the US dollar, Japanese yen and the euro
Possible impact	• Reduced revenue and profitability
Control mechanisms	• Treasury management of short-term hedging programme • Strategic management of currency exposure
Mitigation	• Review of supply chain currency base • Active review of net exposure in key currencies
Global pandemic/catastrophe causes major disruption	
Context	The Group operates in a global market. Supply and demand can be materially affected in the short term by major global events such as pandemics, conflict or natural disaster
Risk	Potential reduction in customer demand, disruption to supply chains and Group operations leading to cancelled orders/reduced order intake, delays in production, and/or installation at customer sites
Possible impact	• Lower delivery volumes and reduced order book leading to lower revenue and downward pressure on pricing • Delays in both manufacturing and service activity leading to lost or delayed product and service revenue
Control mechanisms	• Sales production matching and contract review process • Horizon strategy to focus on attractive markets for long-term growth • Operational reviews • Strategic review of location of service personnel compared to installed base
Mitigation	• Sales and operational planning processes • Contractual protection • Safe ways of working and changes to shift patterns to maximise capacity • Remote service activities • Strategic procurement, working with supply chain to mitigate risk
People and capability risk	
Context	Delivering and protecting core capability and knowledge is a strategic priority for the Group

Andor Technology Limited
Strategic Report (continued)
for the year ended 31 March 2023

Risk	• Challenges in attracting and retaining high-quality talent in a tight labour market • Shortage of key capabilities required to meet the Group's strategic priorities
Possible impact	• Salary inflation and/or additional recruitment costs • Adverse impact on NPI • Operational disruption • Lower sales and profitability
Control mechanisms	• Strategic focus on the employee experience, including career development, communications and competitive remuneration to differentiate Oxford Instruments
Mitigation	• Talent management and succession processes • Leadership and technical development programme • Hybrid and remote working policies to facilitate location-agnostic appointments • Visa sponsorship registration for employee mobility • Comprehensive internal communications • Regular updates to benefits packages to maintain competitiveness
Business interruption: operational risk	
Context	Business units' production facilities are typically located at a single site
Risk	Sustained disruption to production arising from a major incident at a site
Possible impact	• Inability to fulfil orders in the short term, resulting in a reduction in sales and profitability • Additional, non-recurring overhead costs
Control mechanisms	• Contingency plans are in place for all manufacturing sites • *Contractual protection to limit financial consequences of delayed* delivery
Mitigation	• Detailed responses in contingency plans can reduce downtime arising from incidents and facilitate the restoration or relocation of production • Standard sales contracts include clauses for limitation of liability, liquidated damages and the exclusion of consequential losses • Business interruption insurance
Climate change	
Context	Climate change generates both risks and opportunities. Our response needs to address risks and optimise opportunities.
Risk	• The transition from fossil fuels to a low-carbon/net zero economy may require significant changes in materials used and production methods that may impact our own operations and those of our suppliers • Chronic changes in weather and extreme weather events may disrupt supply chains, operations, and logistics
Possible impact	• Rises in production costs and product development costs to reduce CO2 emissions linked to our products. Delayed production and/or installation leading to delayed revenue • Reputational damage or loss of investment arising from failure to anticipate or address climate risk • More expensive freight and packaging costs
Control mechanisms	• Sustainability Committee • Climate-related risks and opportunities evaluation and reporting embedded in operating businesses • Strategic sourcing • Product compliance groups

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

Section 172 (1) Statement

Section 172(1) Statement

During the year to 31 March 2023, the Board of Directors has acted to promote the long-term success of the company for the benefit of its shareholders, whilst having due regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006, being:

a. the likely consequences of any decision in the long term;
b. the interests of the Company's employees;
c. the need to foster the Company's business relationships with suppliers, customers and others;
d. the impact of the Company's operations on the community and the environment;
e. the desirability of the Company maintaining a reputation for high standards of business conduct; and
f. 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 how we engage with them and the outcome of our engagement.

How we engage with our stakeholders

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

Andor Technology Limited
Strategic Report (continued)
for the year ended 31 March 2023

Section 172 (1) Statement (Continued)

Stakeholder and why we value them	What matters to them	How we engage	Outcomes of our engagement
Customers Our Horizon strategy places our customers at the centre of everything we do. Customer intimacy is key not only to helping us identify additional opportunities to deliver increased value to our customers, but to the long-term growth of our business.	• Excellent customer support and engagement throughout the buying cycle. • High-quality products and technical expertise. • Products which deliver value and help to meet their objectives. • Remote access and continuity of supply during disruption.	• Directors and senior management frequently host direct meetings with key customers from around the world, both virtually and in person. These meetings provide meaningful opportunities to understand first hand, at a senior level of the organisation, how we can enhance our offering to customers by shaping our understanding of their current and future needs. • Directors and senior management considers feedback from these meetings, together with, for example, outputs from our heightened customer intimacy such as customer trends.	• Continuing to invest in R&D allows us to deliver cutting-edge products and services. Insights gained from customer intimacy are instrumental in helping to determine where investment should be made. • Leveraging off the group-wide deep knowledge of our target market segments and the challenges faced by customers, we have changed the way we communicate with prospective and existing customers, more clearly identifying the value our products can add. • We focus on areas where our key enabling technologies are driving long-term success. This allows us to help customers to accelerate their applied R&D, increase productivity in high-tech manufacturing and make ground-breaking discoveries. • Insights from customers help us to align our innovation and product development initiatives to their strategic roadmaps, so we can create differentiated products and solutions which provide significant value. • We have accelerated the transformation of our service offering with digital connectivity helping to maintain productivity through remote access and service. Investment in our regional service teams and embedding remote digital support capabilities ensures improved customer response times and reduced travel.

Section 172 (1) Statement (Continued)

Stakeholder and why we value them	What matters to them	How we engage	Outcomes of our engagement
Employees Our employees are the foundation of our business success, and we have a responsibility to support their health, wellbeing and development. A highly capable, diverse workforce also 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. • Development and progression opportunities. • Health, safety and wellbeing. • Equality, diversity and inclusion. • Clarity of expectation on how recognition and remuneration structures align with accountabilities.	• The Directors considered insights gained from the annual employee engagement survey which tracks employee sentiment, as well as a range of employee engagement activity, including sessions with members of the Oxford Instruments plc Board hosted at our Belfast site. • As part of the Group-wide push to re-energise and restructure our approach to connecting with our employees, our colleagues have had the opportunity to join regular "all employees Chief Executive town halls" as well as sessions held at Company level. We also have a lively and active intranet and Group-wide email communications on key strategic initiatives. • During the year a new initiative was launched at Group level called Career Pathways, which aims to better facilitate and promote employee mobility within the organisation and throughout their careers. • We continue to promote the 'Push for Zero' health and safety programme.	• The Directors discuss the insights and actions from employee engagement activity. This continues to foster meaningful consideration of employees as key stakeholders. • The Directors supported the decision to award higher than normal pay review percentages, acceleration of the annual pay review from July to April 2022 and a one-off payment to eligible employees with salaries below a certain threshold. • Wider employee feedback captured through our 2022 Group-wide engagement survey indicates that 76% of respondents are positively engaged, up 5% from our last full survey in 2020, while 76% feel included and valued. • In line with the wider Oxford Instruments Group, the number of safety observations reported by employees has increased, in part due to our efforts to promote observation reporting. This means that remedial actions can be taken to prevent accidents from happening.

Section 172 (1) Statement (Continued)

Stakeholder and why we value them	What matters to them	How we engage	Outcomes of our engagement
Suppliers Our supply chain plays a vital role in supporting sustainable growth and efficiency across the business. It is imperative that we attain the highest quality products and service for our customers, whilst also striving to enhance the efficiency of the business and to reduce risk. Engaging with our supply chain is also crucial in the development and delivery of our net zero commitment.	• Long-term partnerships. • Visibility of the wider supply chain, so that they can best forecast future requirements. • Strong relationships built on trust and respect.	• Throughout the year the Directors remained mindful of the industry-wide supply chain challenges and the ongoing work to mitigate the impacts of these challenges. • 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. In line with the wider Oxford Instruments Group, we must ensure our extended supply chain adheres to our strict environmental compliance, whilst challenging them to provide improvements to quality. Our key suppliers are encouraged to become part of our new product introduction process, allowing them to add value to our process.	• As part of the Oxford Instruments Group operational excellence programme, we have continued to work to strengthen our supply chain through executing a procurement strategy focused on leveraging our scale and building long-term strategic relationships with fewer suppliers, which has enabled us to mitigate the industry-wide supply chain challenges. • It is essential to ensure we attain the highest quality and service for our customers while enhancing the efficiency of our business and reducing risk. As a result, we aim to develop strong working partnerships with our suppliers. • 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.

Section 172 (1) Statement (Continued)

Stakeholder and why we value them	What matters to them	How we engage	Outcomes of our engagement
Local communities Striving to meet our purpose in alignment with our values enables us to support the development of stronger communities and have a positive environmental and social impact.	• The environment. • Local small businesses. • Schools and colleges within our region. • Volunteering opportunities. • Charitable donations. • The appearance and tangible impact of our site and operations.	• We actively engage in locally focused activities that make our communities and environments a better place to live and work. • 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. Therefore we facilitate school visits, work experience programmes and industrial degree placements. • We aim to support the small, independent businesses near our sites. • We help our employees to support their local communities through charitable donations. • We aim to be considerate neighbours in all aspects of how we operate, but in particular, we recognise the importance of the appearance and tangible impact of our sites and operations.	• We operate a 'Go Green' committee at our Belfast 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. • Many of our people are keen to share their expertise and to make a difference to the people and organisations that are close by, and we encourage them to get involved through volunteering schemes. We operate a 'Volunteer time-off' programme for eligible employees which offers many benefits, including increasing the positive impact we have in our communities, boosting employee morale and enhancing team bonding. • We have facilitated collections of contributions to local food banks and fundraising activity for local charities. • We take active steps to minimise traffic noise and congestion and are committed to minimising emissions. Our site and grounds are well maintained and sensitive to the local environment and wildlife.

Section 172 (1) Statement (Continued)

Stakeholder and why we value them	**What matters to them**	**How we engage**	**Outcomes of our engagement**
<u>Society</u> Through our stated purpose – to enable a greener, healthier, more connected advanced society – we are committed to making a positive impact on the world through our solutions and services. Our purpose underpins our wholehearted commitment to playing our part in creating a sustainable future throughout our operations, and by behaving as a responsible business.	• Protecting and enhancing the environment. • Addressing the impacts, risks and opportunities arising from climate change. • The development of new and affordable vaccines and treatments for diseases. • Fostering a more connected world. • Enabling advances in technology.	• We use our market intimacy to develop new products and services in pursuit of our purpose. • We engage directly with universities, governments and leading companies to explore and develop new ideas, and to support productivity.	• We have developed a number of new products and services through the year, with further innovations set for release over the coming year. • At Group level, the Oxford Instruments plc Sustainability Committee has made excellent progress across many areas of its remit with a particular highlight being the development and confirmation of an ultimate net zero target of 2045 and interim targets to 2030 in respect of both our Scope 1 and 2 emissions, which at Company level, we will support on delivering.

Signed on behalf of the Board of directors by:

DocuSigned by:
Stephanie Quinn
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Stephanie Quinn
Director
15 December 2023

Andor Technology Limited
Directors' report
for the year ended 31 March 2023

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2023.

Directors

The directors who served during the year and up to the date of the signing of the Annual Report and Financial Statements were as follows:

Stephanie Quinn
Andrew Dennis
Gavin Hill
Ian Barkshire (Resigned 1st October 2023)
Kristian Laskey

Results and dividends

The profit before taxation is £19.8m (2022: £17.8m) which, after taxation, results in a net profit for the year of £17.1m (2022: £15.1m). The Company received a dividend of £3.9m (2022: £2.9m) in the year. The Company paid a dividend of £17m in the year (2022: £17.1m).

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with Group policies, as explained in the Oxford Instruments plc Report and Financial Statements 2023, which does not form part of this Report. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling, efficient energy usage, and the adoption of new technologies and systems as they become available. The Company has also 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.

Employees (continued)

It is the policy of the Company to give full and fair consideration to applications for employment from disabled persons; to continue, wherever possible, the employment of members of staff who may become disabled; and to ensure that suitable training, career development and promotion of disabled persons takes place.

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 3-13.

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 2023, 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 increased to £5.2m (2022: £4.5m).

Political donations

The Company made no donations nor incurred any expenditure for political purposes during the year (2022: £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 2023

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

DocuSigned by:

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K Laskey
Director
15 December 2023

Address of registered office:

Andor Technology Limited
Springvale Business Park
7 Millennium Way
Belfast
BT12 7AL

Andor Technology Limited
Statement of directors' responsibilities
for the year ended 31 March 2023

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 UK 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.

On behalf of the board

DocuSigned by:

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K Laskey
Director
15 December 2023

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 2023 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 2023 which comprise the profit and loss account, statement of total 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 misstatements, we are required to determine whether this gives rise to a material misstatement

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

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

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

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

misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

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

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

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

Our procedures in respect of the above included:

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

Fraud

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

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

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

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias in particular in respect of the intangible assets impairment review, the provisions for intellectual property-

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

related claims and assumptions used in determining the defined benefit pension liability; and

- In response to the risk of fraud in revenue recognition, sample substantive cut-off testing of transactions around the year-end to specifically ensure recognition in the appropriate period.

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

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

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

Use of our report

This report is made solely to the 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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Ian Oliver (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading
15 December 2023

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 2023

	Note	Year ended 2023 £'000	Year ended 2022 £'000
Turnover	6	**76,912**	62,251
Cost of sales	8	**(37,863)**	(30,766)
Gross profit		**39,048**	31,485
Net operating expenses	8	**(23,436)**	(16,761)
Operating profit		**15,612**	14,724
Income from shares in group undertakings		**3,911**	2,909
Profit before finance income & expense		**19,523**	17,633
Finance income	10	**285**	202
Finance expense	10	**(7)**	(14)
Finance income – net		**279**	188
Profit before tax		**19,802**	17,821
Tax on profit	11	**(2,739)**	(2,738)
Profit for the year		**17,063**	15,083

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

Statement of Total Comprehensive Income
for the year ended 31 March 2023

	Year ended 2023 £'000	Year ended 2022 £'000
Profit for the year	**17,063**	**15,083**
Other comprehensive income	**-**	**-**
Total comprehensive income for the year	**17,063**	**15,083**

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

The notes on pages 28 to 45 form an integral part of these financial statements.

Company number: NI022466.

Andor Technology Limited
Balance Sheet
As at 31 March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets			
Goodwill	14	**777**	777
Other intangible assets	14	**1,223**	253
		2,000	1,030
Tangible assets	13	**3,691**	3,184
Investments in subsidiaries	15	**10,469**	10,469
Deferred tax assets	21	**438**	336
		16,598	15,019
Current assets			
Inventories	16	**16,023**	11,269
Debtors	17	**26,769**	30,836
Corporation tax recoverable		**121**	180
Cash and cash equivalents	18	**8,518**	4,167
		51,431	46,452
Total assets		**68,029**	61,471
Creditors: Amounts falling due within one year			
Current liabilities			
Trade and other creditors	19	**4,704**	3,507
Other provisions	20	**588**	526
Accrued expenses		**7,754**	5,122
Corporation tax liability		**5,212**	4,258
Government grants and deferred income	22	**1,502**	627
		19,760	14,040
Net current assets		**31,671**	32,411
Total assets less current liabilities		**48,269**	47,431
Creditors: Amounts falling due after one year			
Deferred tax liabilities	21	**558**	422
Government grants and deferred income	22	**1,200**	867
		1,758	1,289
Net assets		**46,511**	46,142
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		**32,998**	32,629
Shareholder's funds		**46,511**	46,142

The notes on pages 28 to 45 form an integral part of these financial statements.
The financial statements on pages 25 to 45 were authorised for issue by the board of directors on 15 December 2023 and were signed on its behalf by:

DocuSigned by:
Stephanie Quinn
D041EB2067C2472...
Stephanie Quinn
Director
Company number: NI022466

Andor Technology Limited
Statement of Changes in Equity
For the year ended 31 March 2023

	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 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	—	—	—	—	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**
Comprehensive income						
Profit/(Loss) for the year	—	—	—	—	17,063	17,063
Total comprehensive income	—	—	—	—	17,063	17,063
Transactions with owners						
Equity-settled share based payment transactions	—	—	—	—	174	174
Tax on equity-settled share based payment transactions	—	—	—	—	132	132
Dividend paid (Note 12)	—	—	—	—	(17,000)	(17,000)
Total transactions with owners	—	—	—	—	(16,694)	(16,694)
Balance at 31 March 2023	**668**	**10,605**	**1,843**	**397**	**32,998**	**46,511**

The notes on pages 28 to 45 form an integral part of these financial statements.

1 Basis of preparation

Andor Technology Limited (the Company") is a private company incorporated, registered and domiciled in Northern Ireland, UK. Its company number is NI022466 and its 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: https://www.oxinst.com/investors-content/annual-report-2023 or 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.

2 Going concern

At the end of the year, the Company had net cash balances of £8.5m (2022: £4.2m), net of borrowings of £nil (2022: £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.

Andor Technology Limited
Notes to the Financial Statements
for the year ended 31 March 2023

3 Accounting policies (continued)

Revenue (continued)

(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.

(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 profit and loss account 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.

Andor Technology Limited
Notes to the Financial Statements
for the year ended 31 March 2023

3 Accounting policies (continued)

Goodwill (continued)

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 2023, if amortisation had been applied, would be £271,950.

(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.

3 Accounting policies (continued)

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.

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:

3 Accounting policies (continued)

Financial Liabilities and Equity (continued)

(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

(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.

3 Accounting policies (continued)

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.

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 based on 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, based on 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

3 Accounting policies (continued)

Income tax and deferred income tax (continued)

enacted or substantially 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.

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 may be eligible to participate in certain of the schemes operated by Oxford Instruments plc 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.

4 Financial risk management (continued)

(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.

(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 £7.5m (2022: £3.7m).

(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.

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6 Turnover

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

	Year ended 2023 £'000	Year ended 2022 £'000
Analysis by geographical area		
United Kingdom (country of domicile)	**7,313**	4,870
Americas	**26,364**	23,097
APAC	**29,862**	20,971
EMEA (excluding UK)	**13,372**	13,313
Revenue from external customers	**76,912**	62,251

7 Auditor's remuneration

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

	Year ended 2023 £'000	Year ended 2022 £'000
Fees payable to the Company's auditor for the audit of the Company	**57.5**	40
Total fees payable to the Company's auditor and their associates	**57.5**	40

8 Expenses by nature

	Note	Year ended 2023 £'000	Year ended 2022 £'000
Changes in inventories of finished goods and work in progress		**2,318**	342
Raw materials and consumables used		**30,610**	25,772
Employee benefit expense	9	**18,766**	14,929
Depreciation, amortisation and impairment charges – owned assets	13, 14	**719**	925
Movement in bad debt		**185**	621
Net expense in respect of share based payments		**174**	177
Release of deferred income in respect of government grants	22	**(67)**	(67)
Repairs and maintenance expenditure on property, plant and equipment		**154**	248
Research and development expenditure*		**607**	535
Foreign exchange (gain)/loss		**(2,400)**	(1,242)
Loss on dissolution of investment		**-**	-
Other expenses		**10,234**	5,287
Total cost of sales and net operating expenses		**61,299**	47,527

* 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 £5,225,000 (2022: £4,649,000) of which £20,000** (2022: £0) was capitalised within intangible assets.

** Capitalised £20,000 (2022: £0) is net of grant funding for payroll costs.

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9 Staff numbers and costs

	Year ended 2023 Number	Year ended 2022 Number
Average monthly number of persons employed (including directors) during the year by activity		
Production	**154**	134
Research & development	**86**	83
Administration and shared services	**27**	23
Sales and marketing	**51**	48
	318	288

The aggregate payroll costs of these persons were as follows:

	Year ended 2023 £'000	Year ended 2022 £'000
Wages and salaries*	**16,133**	12,644
Social security costs	**1,750**	1,489
Pension costs – defined contribution plans	**883**	796
	18,766	14,929

*Excludes salaries capitalised within intangible assets in the year of £20,000 (2022: £0).

Directors' emoluments	**Year ended 2023 £'000**	Year ended 2022 £'000
Wages & salaries	**1,052**	1,092
Pension costs – defined contribution plans	**49**	51
Aggregate emoluments	**1,101**	1,143

* Aggregate emoluments paid to the highest paid director during the year totalled £360,000 (2022: £363,000) of which £13,000 (2022: £13,000) is pension.

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

10 Finance income and expenses

	Year ended 2023 £'000	Year ended 2022 £'000
Finance income		
Interest income on short term bank deposits	**285**	202
Interest income on short term bank deposits	**-**	-
Finance income	**285**	202
Finance expense		
Interest payable on bank borrowings	**-**	-
Interest payable on taxes	**(7)**	(14)
Finance expense	**-**	-
Finance income net	**279**	188

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11 Taxation

	Year ended 2023 £'000	Year ended 2022 £'000
Current income tax		
Current tax on profits for the period	**2,813**	2,792
Adjustments to tax in respect of previous periods	**(241)**	(115)
Total current tax	**2,572**	2,677
Deferred tax		
Origination and reversal of temporary differences	**58**	3
Effect of change in tax rate	**93**	37
Adjustments in respect of earlier periods	**15**	21
Total deferred tax	**166**	61
Income tax expense	**2,738**	2,738

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% (2022: 19%) applied to profits as follows:

	Year ended 2023 £'000	*Year* ended 2022 £'000
Profit before tax	**19,802**	17,821
Tax calculated at the standard rate of UK corporation tax 19% (2022: 19%)	**3,766**	3,386
Tax effects of:		
Adjustments to tax in respect of previous periods	**(225)**	(95)
Increase in tax rate change on deferred tax balances	**92**	37
Items not deductible/taxable for tax purposes	**(152)**	(37)
Tax exempt dividends received	**(743)**	(553)
Income tax expense	**2,738**	2,738

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 corporation tax has increased to 25% from 1 April 2023.

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12 Dividends

	2023 £'000	2022 £'000
Final Dividend of 0.51p (2022: £0.51p) per ordinary share proposed and paid during the year relating to previous year's result	**17,000**	17,089
Total	**17,000**	17,089

13 Tangible assets

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 April 2022	6,697	6,224	12,921
Additions	279	852	1,131
At 31 March 2023	6,976	7,076	14,052
Accumulated depreciation			
At 1 April 2022	4,096	5,641	9,737
Charge for the year	266	358	625
At 31 March 2023	4,362	5,999	10,361
Net book value			
At 31 March 2023	**2,614**	**1,077**	**3,691**
At 31 March 2022	2,601	583	3,185

Depreciation expense of £625,000 (2022: £556,000) has been charged to net operating expenses.
The value of freehold land (not depreciated) is £290,000 (2022: £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 2022	777	248	12,477	3,700	17,202
Additions	-	-	20*	-	20
Disposal	-	-	-	-	-
At 31 March 2023	**777**	**248**	**12,497**	**3,700**	**17,222**
Accumulated amortisation					
At 1 April 2022	-	248	12,261	3,663	16,172
Charge for the year	-	-	93	-	93**
Disposal	-	-	-	-	-
At 31 March 2023	-	**248**	**12,354**	**3,663**	**16,265**
Net book value					
At 31 March 2023	**777**	-	**143**	**37**	**957**
At 31 March 2022	777	-	216	37	1,030

* Capitalisation of £20,000 (2022: £0) is net of grant funding for payroll costs.

** Amortisation of £93,000 (2022: £369,000) 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 13.3% (2022: 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 2.5% which was considered to be a prudent growth rate given current economic circumstances.

Cash generating units ("CGUs")
At 31 March 2023, 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:

	2023 £'000	2022 £'000
Andor	**777**	777
Total	**777**	777

15 Investments in subsidiaries

	Total £'000
At 1 April 2022	10,469
At 31 March 2023	**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 as of 31 March 2023 are as set out below:

Company name	Registered office address	Principal activity	Ownership interest	% of class held
Bitplane AG	Zürcherstrasse 6, 8952 Schlieren Switzerland	Software development	Ordinary shares Preference shares	100%
Spectral Applied Research, Inc	199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario M5L 1B9, Canada	Advanced instrumentation	Common shares	100%
Oxford Instruments KK	Sumitomo Fudosan Osaki Twin Building East, 5-1-18 Kita-Shinagawa, Shinagawa-ku, Tokyo, 141-0001,Japan	Distribution	Ordinary shares	7.54%
Oxford Instruments Holdings 2013 Inc	300 Baker Avenue, Suite 150, Concord MA 01742, USA	Distribution	Common stock	27.15%

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15 Investments in subsidiaries (continued)

The indirect undertakings in which the Company has an interest as at 31 March 2023 are as set out below:

Company name	Registered office address	Principal activity	Ownership interest	% of class held
Andor Technology Inc	300 Baker Avenue, Suite 150, Concord MA 01742, USA	Holding Company	Common stock	27.15%
Oxford Instruments America Inc	300 Baker Avenue, Suite 150, Concord MA 01742, USA	Distribution	Common stock	27.15%
Oxford Instruments Asylum Research Inc	7416 Hollister Avenue, Santa Barbara, California 93117, USA	Research	Common stock	27.15%
Oxford Instruments KK	Sumitomo Fudosan Osaki Twin Building East, 5-1-18 Kita-Shinagawa, Shinagawa-ku, Tokyo, 141-0001,Japan	Distribution	Ordinary shares	32.64%
Oxford Instruments Overseas Marketing Limited	Tubney Woods, Abingdon, Oxon, OX13 5QX, UK	Sales and Marketing	Ordinary shares	27.15%
Oxford Instruments X-Ray Technology, Inc.	360 El Pueblo Road, Scotts Valley, CA 95066, USA	Manufacture	Common stock	27.15%

16 Inventories

	2023 £'000	2022 £'000
Raw materials	**8,915**	6,572
Work in progress	**2,953**	1,884
Finished goods	**3,543**	2,294
Demonstration stock	**612**	519
	16,023	11,269

Raw materials, changes in finished goods, work in progress and demonstration stock recognised as cost of sales in the year amounted to £30,610,000 (2022: £25,772,000). The write-down of stocks to net realisable value amounted to £927,000 (2022: £750,000).

17 Debtors

	2023 £'000	2022 £'000
Trade debtors	**8,955**	4,909
Less: provision for impairment of trade debtors	**(1,478)**	(1,200)
Trade debtors – net	**7,477**	3,709
Other debtors	**844**	883
InterCompany debtors	**17,034**	25,493
Prepayments	**1,414**	751
	26,769	30,836

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.

17 Debtors (continued)

Trade receivables impaired and the amount of the impairment provision was £1,478,000 (2022: £1,200,000). 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

	2023	2022
	£'000	£'000
Cash at bank and in hand	**8,518**	4,166
Cash and cash equivalents	**8,518**	4,166

19 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Trade creditors	**4,523**	2,630
InterCompany creditors	**190**	873
Social security and other taxes	**(9)**	4
	4,704	3,507

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 2022	-	521	5	526
Provisions used during the year	-	(521)	-	(521)
Provisions made during the year	-	582	-	582
At 31 March 2023	**-**	**582**	**5**	**587**

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

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	Accelerated capital allowances	Intangibles	Deferred tax assets total	Deferred tax liabilities total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	**336**	**(366)**	**(56)**	**336**	**(422)**
Profit and loss expense	(30)	(149)	13	(30)	(136)
Recognised directly in equity	132	-	-	132	-
At 31 March 2023	**438**	**(516)**	**(42)**	**438**	**(558)**

The deferred tax asset that is expected to reverse within 12 months is £nil (2022: £nil).

22 Government grants and deferred income

The current portion of government grants and deferred income is £1,502,000 (2022: £627,000) and the non-current portion is £1,200,000 (2022: £867,000).

Company	Government grant £'000	Deferred income £'000	Total £'000
At 1 April 2022	519	975	1,494
Extended warranty revenue deferred during the year	-	2,608	2,608
Income recognised in the year	(67)	(1,333)	(1,400)
At 31 March 2023	**452**	**2,250**	**2,702**

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 2022	**33,374,996**	**667,500**
Issued during the year	-	-
At 31 March 2023	**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.

24 Share-based payments

The Oxford Instruments plc Group, currently operates three share schemes, which eligible employees of the Company may participate in.

All-employee Share Incentive Plan (SIP)
All UK employees are eligible to participate in the Group's HMRC approved SIP. Participating employees make a cash contribution to the plan each month. The Group contributes a further amount equal to 20% of the employee's contribution. Independent trustees then purchase matching shares in the market on behalf of the employees. The matching shares vest on the completion by the participating employee of a further three years' service and can be withdrawn from the plan tax-free after five years' service.

Medium-Term Incentive Plan Scheme (MTIP)
Options awarded under the Medium-Term Incentive Plan are made annually to certain senior managers. The options are nominally priced, with an exercise price of £0.05. 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 nominally priced options of £0.05) are made annually to the Executive Directors of Oxford Instruments plc. 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).

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.

25 Commitments

As at 31 March 2023, the company had capital commitments in respect of contracted expenditure of £nil (2022: £nil).

26 Ultimate parent company and parent company of larger group

The Company's immediate holding company is Oxford Instruments Nanotechnology Tools Holdings Limited, a company registered in England and Wales at Tubney Woods, Abingdon, Oxon, OX13 5QX.

The ultimate parent company is Oxford Instruments plc, a company registered in England and Wales. This is the only company in the group that prepares consolidated financial statements. These are available to the public and may be obtained from Oxford Instruments plc's head office at Tubney Woods, Abingdon, Oxon, UK, OX13 5QX.