Oxford Instruments plc

Half Year Report September 2007

The Business of Science™

OXFORD INSTRUMENTS

Technology supporting the world today and in the future

Summary of Half Year Results

	2007 £m	2006 £m
Orders	**83.1**	85.3
Revenue	**78.3**	72.1
Trading profit	**2.0**	2.0
Adjusted profit before tax	**1.8**	1.7
Net (debt)/cash	**(14.8)**	4.5
Shareholders' equity	**55.6**	42.7

	2007 pence per share	2006 pence per share
Adjusted earnings	**2.3**	2.1
Basic earnings	**3.0**	(2.9)
Proposed dividends	**2.4**	2.4
Net assets	**113**	88

Employees at half year end	**1,496**	1,372

Group Profile

Oxford Instruments specialises in the supply of high technology instruments for industry and research. The company employs over 1,400 people worldwide, and has been listed on the London Stock Exchange since 1983.

Innovation has been at the heart of Oxford Instruments since it was founded by Sir Martin Wood over 40 years ago, and it is the driving force behind our growth and success. Together with our skills and expertise, we have a solid foundation from which to turn our science into commercially successful products.

Our ability to observe and manipulate matter at the smallest scale will allow us to exploit the emerging potential to be found in bioscience and nanotechnology. Our products will support those customers who address the global issues of protecting the environment, conserving energy, security and healthcare.

Chairman's Statement

Introduction

The Group has shown a strong operational performance in the first half with reported sales up 9% on the same period last year. This growth is despite the adverse effect of changes in exchange rates, particularly the weakness of the US Dollar. On a constant currency basis, the sales growth was 15%. Adjusted profit before tax (note 2) for the half year at £1.8m was ahead of the same period last year (2006: £1.7m). On a constant currency basis, adjusted profit before tax more than doubled to £4.1m.

In recent years, a number of exceptional charges have been made to reflect the cost of restructuring our business to improve operational performance. This restructuring is now complete and the benefits are showing through. In addition, property disposals have yielded an exceptional profit in this period. As a result, reported profit before tax, after exceptional items, for this half year has increased by £3.0m to £2.3m (2006: loss £0.7m).

Our strategy to position the Group towards growth markets is beginning to deliver tangible results. We have seen strong performances throughout the business. However, as previously reported, this progress has been offset to some extent by the expected reduction in sales relating to the Restriction of Hazardous Substances (RoHS) legislation and a softening in the North American MRI market.

Both our internal product development and acquisition programmes are focused around our strategic objective to provide tools for the emerging nanotechnology and life sciences industries. Our focus on developing highly commercial technologies that uniquely meet our customers' needs is proving successful. All recent new product introductions have delivered their planned returns.

Two years ago we set out our plan to double the size of the business in five years through organic and acquisitive growth. In the first half of this financial year, we have continued to make good progress against this plan. We have met our growth targets for organic growth. In addition we have made two acquisitions, VeriCold Technologies GmbH and Worldwide Analytical Systems AG (WAS), which are described in the operational review. These acquisitions will contribute to growth in the second half of the year and beyond, and give us access to important new markets and technologies.

Financial Summary

On a constant currency basis, revenues for the first half increased by 15% over the same period last year. Of this growth, 13% was organic and 2% (£1.3 million) came from acquisitions made in the period. Reported revenues grew by 9% to £78.3 million. Orders taken in the period exceeded this by £4.8 million at £83.1 million.

Gross margins fell from 41.6% to 40.0%, impacted by the adverse exchange rate movements described above.

Total operating expenses increased by £1.3 million to £29.3 million, £0.4 million of which came from the acquisitions.

Adjusted profit before tax (note 2) was £1.8 million (2006: £1.7 million), £0.1 million of which was contributed by acquisitions. Reported profit before tax of £2.3 million (2006: loss £0.7 million) included £0.7 million exceptional gain on the sale of two properties.

Net debt at the period end was £14.8 million. The major movements in the period included an increase in working capital of £6.8 million, acquisitions totalling £12.5 million, pension deficit reduction payments of £2.1 million and inflows from the sale of property of £7.7 million.

During the period under review we reached an agreement with those of our employees who are members of our UK defined benefit pension scheme. This resulted in an increase in the contributions that they make to the scheme coupled with a reduction in future benefits that will accrue to members of the scheme. While this does not affect the reported pension deficit, it will reduce the risk associated with future movements in pension liabilities.

The Directors have recommended an interim dividend of 2.4 pence, unchanged from the previous year, payable on 7 April 2008.

Operational Review

Our Industrial Analysis business continues to grow with strong performances in its core market of high technology industrial instrumentation. Demand continues to increase for instruments which provide information on the composition of materials to enable the user to monitor compliance with environmental regulation. Whilst demand for RoHS equipment has slackened, other sectors such as Positive Material Identification (PMI) continue to fuel growth. The recent concern about the presence of lead in toys has illustrated the increasing importance of spectrographic analysis to ensure quality and safety control in a wide range of industries. Oxford Instruments is working with leading toy manufacturers in using X-ray fluorescence analysers to ensure imported toys are free from hazardous substances.

In July, we acquired WAS based in Uedem, Germany. WAS has a recognised product range in optical emission spectroscopy. This complements the X-ray fluorescence spectroscopy products of our Industrial Analysis Division, where we already have a leading position. The acquisition strengthens our position, particularly in the metals recycling market, where we now have a full set of tools covering both heavy and light elements. The integration of WAS is proceeding to plan and the acquisition is expected to contribute to sales growth and profits in the second half of the year.

Our X-Ray Technology business based in California produces small X-ray sources for the analytical instrumentation market. Sales here have reduced from the record high levels reached last year, due to the RoHS market decline. However, long term prospects for this business remain strong.

NanoAnalysis had a strong half year. The new detectors introduced last year, **INCA**x-act and X3, are selling well and have contributed to record results from this business. **INCA**x-act utilises “dry” technology which allows the user to perform high sensitivity chemical analysis without needing to use liquid nitrogen to cool the detectors in the instrument.

Chairman's Statement (continued)

Plasma Technology saw a significant increase in turnover in the half year. This was seen in all its sectors but was particularly helped by the new **Op**Al Atomic Layer Deposition (ALD) system. **Op**Al is a smaller version of the **Flex**Al ALD product launched last year which allows customers to fabricate structures one atom thick for applications including electronics manufacture. For example, many displays on mobile phones are fabricated using ALD. Orders are already ahead of expectations for this new product. Whilst sales growth has been achieved, the cost of the extra investment in sales and distribution in this business has reduced net margins during this half year.

Our NanoScience business, under a new management team, is pursuing a strategy to convert its innovative technology into competitive market leading products. Existing products on the market use liquid helium as a cooling agent. This is difficult to handle and is becoming increasingly expensive. Our acquisition of VeriCold, based in Ismaning, Germany, in July gives us the key technology to enable us to provide the very low temperatures associated with our products without liquid helium. Work is underway on the introduction of new products merging VeriCold technology with the existing Nanoscience capability in cryogenics and magnetic fields.

Triton™ and Integra™ are the first examples of products employing this technology synergy. Triton is a new type of cooling device that does not require a supply of liquefied gases to operate. This opens up previously inaccessible markets, such as airport security, where very cold detectors will be required. Integra is a device which re-condenses the helium used to maintain very low temperatures, significantly reducing requirements for this expensive commodity. It opens up new market possibilities such as the tools required to develop quantum computing. Triton and Integra have been successful with early order intake exceeding expectations and initial customer reaction enthusiastic. Professor Amir Yacoby at Harvard University said "One of the objectives in setting up my new laboratory has been to expand our activity in cryogenic physics, without increasing our liquid helium usage. In using Integra we expect to have an additional cryogenic system with very little liquid helium consumption and without compromising the measurement capabilities demanded of our research".

Our Superconducting Wire business showed steady revenue performance with increased volume offsetting the lower Sterling value of the sales made in US Dollars. The requirements of the Deficit Reduction Act passed by the US Senate in February 2006 caused a slowdown in new MRI installations in the USA, though sales elsewhere remain strong. The international ITER project, to produce power through nuclear fusion, continues to progress. Our high performance wire products have been qualified for use in the project and first orders of superconducting wire are expected by the end of the financial year. We are increasing our production capacity to meet this potentially significant demand. In June, we announced the creation of an alliance between Oxford Superconducting Technology and Alstom Magnets & Superconductors, focused on winning supply contracts in the EU for superconducting wire for ITER.

Austin Scientific manufactures and refurbishes cryogenic pumps and refrigerators. Following the successful move into new industrial sectors of its market this business is showing strong sales growth albeit from a low base.

Our Molecular Biotools business has graduated from being a technology start up to a profitable trading entity. This has been driven by the success of our **Hyper**Sense® Dynamic Nuclear Polarisation equipment. DNP is a technique for dramatically improving the sensitivity of NMR analysis and has proven a success with researchers around the world. In the half year, ten units have been delivered to customers, doubling last year's production rate.

China

Our trading in China remains strong with demand being particularly buoyant for our NanoScience and Industrial Analysis products. Orders in the half year have risen by 38% reflecting our increasingly effective distribution channels and strong brand image.

Property

In July, we announced the completion of the sale of our vacant properties at Abingdon and Eynsham in the UK. These properties had become surplus to operating requirements following an earlier restructuring of our business. The net proceeds from the sale were £7.7m (book value £7m).

In September we received planning permission for a new facility for our Plasma Technology business. This will provide us with a state-of-the-art facility and further enhance our opportunities for growth. A large proportion of the funding for this site will come from the already contracted sale of our current property in Yatton.

People

Significant cultural change has been achieved in the Group. This underpins our successful drive for growth. I would like to thank our workforce for their continued effort to transform Oxford Instruments into a world class organisation.

Outlook

The core markets of the business remain strong and our operational performance continues to improve. The Board continues to be confident that the Group's full year performance will meet expectations.

Nigel Keen
Chairman
20 November 2007

	Notes	**Half year to 30 Sept 2007 £m**	Half year to 30 Sept 2006 As restated £m	*Year to 31 March 2007 £m*
Revenue	3	**78.3**	72.1	*161.6*
Cost of sales		**(47.0)**	(42.1)	*(95.0)*
Gross profit		**31.3**	30.0	*66.6*
Trading expenses excluding cost of goods sold	4	**(29.3)**	(28.0)	*(58.3)*
Trading profit	3	**2.0**	2.0	*8.3*
Other operating income	6	**0.7**	-	-
Amortisation of acquired intangibles		**(0.4)**	(0.1)	*(1.1)*
Restructuring and non-recurring costs		**-**	(2.4)	*(5.2)*
Operating profit/(loss)		**2.3**	(0.5)	*2.0*
Financial income	7	**4.9**	4.3	*8.5*
Financial expenditure	8	**(4.9)**	(4.5)	*(9.2)*
Profit/(loss) before income tax		**2.3**	(0.7)	*1.3*
Income tax expense	9	**(0.8)**	(0.7)	*(2.8)*
Profit/(loss) for the period attributable to equity shareholders of the parent		**1.5**	(1.4)	*(1.5)*

		pence	pence	*pence*
Earnings per share				
Basic earnings per share	10	**3.0**	(2.9)	*(3.2)*
Diluted earnings per share	10	**3.0**	(2.9)	*(3.2)*
Dividends per share				
Dividends paid	11	**2.4**	2.4	*8.4*
Dividends proposed	11	**2.4**	2.4	*8.4*

		£m	£m	*£m*
Total dividends				
Dividends paid		**1.2**	1.2	*4.0*
Dividends proposed		**1.2**	1.2	*4.0*

		£m	£m	*£m*
Adjusted profit before tax	2	**1.8**	1.7	*7.5*

		pence	pence	*pence*
Adjusted earnings per share				
Basic earnings per share	10	**2.3**	2.1	*9.6*
Diluted earnings per share	10	**2.2**	2.1	*9.5*

	Half year to 30 Sept 2007 £m	Half year to 30 Sept 2006 £m	*Year to 31 March 2007 £m*
Foreign exchange translation differences	**(0.1)**	(1.1)	*(1.7)*
Actuarial gain in respect of post retirement benefits	**-**	-	*22.1*
Deferred tax in respect of post retirement benefits	**(0.6)**	-	*(6.7)*
Recycling of fair value movements of available for sale equity securities	**-**	-	*0.2*
Net (loss)/profit recognised directly in equity	**(0.7)**	(1.1)	*13.9*
Profit/(loss) for the period	**1.5**	(1.4)	*(1.5)*
Total recognised income/(expense) for the year attributable to equity shareholders of the parent	**0.8**	(2.5)	*12.4*

	Notes	**As at 30 Sept 2007 £m**	As at 30 Sept 2006 £m	*As at 31 March 2007 £m*
Assets				
Non-current assets				
Property, plant and equipment		**23.0**	21.7	*21.5*
Intangible assets		**41.2**	16.8	*18.1*
Available for sale equity securities		**0.6**	1.0	*0.6*
Deferred tax assets		**11.8**	18.9	*11.6*
		76.6	58.4	*51.8*
Current assets				
Inventories		**30.9**	28.6	*25.6*
Trade and other receivables		**44.1**	37.7	*45.1*
Current income tax recoverable		**0.5**	-	*0.5*
Derivative financial instruments		**1.2**	0.2	*0.5*
Cash and cash equivalents		**8.5**	5.4	*3.9*
Held for sale assets		**-**	6.9	*7.0*
		85.2	78.8	*82.6*
Total assets		**161.8**	137.2	*134.4*
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		**2.5**	2.4	*2.5*
Share premium		**21.1**	20.2	*20.9*
Other reserves		**0.1**	0.1	*0.1*
Translation reserve		**(0.9)**	(0.2)	*(0.8)*
Retained earnings		**32.8**	20.2	*33.1*
	15	**55.6**	42.7	*55.8*
Liabilities				
Non-current liabilities				
Bank loans		**20.2**	-	*-*
Other payables		**2.4**	0.4	*0.2*
Retirement benefit obligations		**28.9**	54.2	*30.8*
Deferred tax liabilities		**7.4**	-	*-*
		58.9	54.6	*31.0*
Current liabilities				
Bank loans		**0.1**	0.5	*1.0*
Bank overdrafts		**3.0**	0.4	*1.1*
Trade and other payables		**38.2**	33.5	*40.2*
Current income tax payables		**2.1**	0.1	*1.8*
Derivative financial instruments		**0.6**	0.1	*0.2*
Provisions		**3.3**	5.3	*3.3*
		47.3	39.9	*47.6*
Total liabilities		**106.2**	94.5	*78.6*
Total liabilities and equity		**161.8**	137.2	*134.4*

	Half year to 30 Sept 2007 £m	Half year to 30 Sept 2006 £m	*Year to 31 March 2007 £m*
Profit/(loss) for the period	**1.5**	(1.4)	*(1.5)*
Adjustments for:			
Income tax expense	**0.8**	0.7	*2.8*
Net financial expense	**-**	0.2	*0.7*
Restructuring and non-recurring costs	**-**	2.4	*5.2*
Amortisation of acquired intangibles	**0.4**	0.1	*1.1*
Other operating income	**(0.7)**	-	*-*
Depreciation of property, plant and equipment	**1.8**	1.8	*3.4*
Amortisation of research and development	**1.0**	0.5	*1.5*
Earnings before interest, tax, depreciation and amortisation	**4.8**	4.3	*13.2*
Loss on disposal of property, plant and equipment	**-**	-	*0.2*
Cost of equity settled employee share schemes	**-**	-	*0.2*
Restructuring costs paid	**-**	(1.7)	*(2.9)*
Cash payments to the pension scheme (more)/less than the charge to the income statement	**(1.7)**	0.7	*(0.7)*
Operating cash flows before movements in working capital	**3.1**	3.3	*10.0*
Increase in inventories	**(3.2)**	(1.6)	*0.6*
Decrease/(increase) in receivables	**1.7**	6.5	*(2.3)*
Decrease in payables	**(5.0)**	(5.7)	*-*
Decrease in provisions	**(0.3)**	(0.2)	*(0.3)*
Cash (absorbed)/generated by operations	**(3.7)**	2.3	*8.0*
Interest paid	**(0.4)**	(0.1)	*(0.3)*
Income taxes paid	**(0.8)**	(1.4)	*(2.5)*
Net cash from operating activities	**(4.9)**	0.8	*5.2*
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**-**	-	*0.1*
Proceeds from sale of held for sale assets	**7.7**	-	*-*
Proceeds from sale of available for sale equity securities	**-**	-	*0.3*
Interest received	**0.1**	0.1	*0.2*
Acquisition of subsidiaries, net of cash acquired	**(12.5)**	(0.1)	*(0.3)*
Acquisition of property, plant and equipment	**(2.3)**	(2.5)	*(4.4)*
Capitalised development expenditure	**(2.8)**	(2.2)	*(5.6)*
Net cash from investing activities	**(9.8)**	(4.7)	*(9.7)*
Cash flows from financing activities			
Proceeds from issue of share capital	**0.2**	-	*0.8*
Proceeds from the disposal of own shares	**-**	-	*-*
Increase/(decrease) in borrowings	**18.5**	(2.4)	*(1.9)*
Dividends paid	**(1.2)**	(1.2)	*(4.0)*
Net cash from financing activities	**17.5**	(3.6)	*(5.1)*
Net increase/(decrease) in cash equivalents	**2.8**	(7.5)	*(9.6)*
Cash and cash equivalents at beginning of the period	**2.8**	12.7	*12.7*
Effect of exchange rate fluctuations on cash held	**(0.1)**	(0.2)	*(0.3)*
Cash and cash equivalents at end of the period	**5.5**	5.0	*2.8*

1 BASIS OF PRESENTATION OF ACCOUNTS

Oxford Instruments plc (the Company) is a company incorporated in England and Wales. The condensed Group half year financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group). They have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2007.

The half year results are unaudited. The summary of results for the year ended 31 March 2007 is an extract from the published consolidated financial statements of the Group for that period which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report (i) was unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The half year financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 March 2007. At the prior year end the Directors reviewed the classification of operating costs between costs of goods sold and overhead categories and consequently the previously published figures for the half year to 30 September 2006 have been restated in this document. The effect has been to reduce cost of sales by £5.8m and increase selling and marketing costs, administration and shared services and research and development by £1.4m, £3.9m and £0.5m respectively. The previously published figures for the year to 31 March 2007 do not require restatement since the new classification was applied when these were first published.

The principal exchange rates used to translate the Group's overseas results were as follows:

	Half year to 30 Sept 2007		Half year to 30 Sept 2006		*Year to 31 March 2007*	
	Average	**Period end**	Average	Period end	*Average*	*Period end*
US Dollar	**2.00**	**2.04**	1.84	1.87	*1.89*	*1.96*
Euro	**1.47**	**1.43**	1.46	1.47	*1.47*	*1.47*
Yen	**237**	**234**	213	221	*221*	*232*

2 RECONCILIATION BETWEEN PROFIT AND ADJUSTED PROFIT

	Half year to 30 Sept 2007 £m	Half year to 30 Sept 2006 £m	*Year to 31 March 2007 £m*
Profit/(loss) before tax	**2.3**	(0.7)	*1.3*
Other operating income	**(0.7)**	-	-
Amortisation of acquired intangible assets	**0.4**	0.1	*1.1*
Restructuring and non-recurring costs	**-**	2.4	*5.2*
Financial instruments (see below)	**(0.2)**	(0.1)	*(0.1)*
Adjusted profit before tax	**1.8**	1.7	*7.5*

Under IAS 39, derivative financial instruments are recognised initially at fair value – this includes the fixed forward and option based foreign exchange contracts the Group has entered into in order to manage its exposure to foreign exchange rate movements. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The Group does not take advantage of the hedge accounting rules provided for in IAS 39 since that standard requires certain stringent criteria to be met in order to hedge account, which, in the particular circumstances of the Group, are considered by the Board not to bring any significant economic benefit. Accordingly, the Group accounts for its derivative financial instruments as trading instruments with the profit or loss on remeasurement to fair value being taken immediately to the income statement. Adjusted profit for the year is stated before changes in the valuation of these instruments so that the underlying performance of the Group can more clearly be seen.

3 RESULTS BY BUSINESS

Information is presented in the consolidated half year financial statements in respect of the Group's two business segments. These are the primary basis of our segmental reporting. Our Analytical business provides measurement and fabrication instruments for industrial and commercial customers. Our Superconductivity business provides materials, tools and systems for industrial and government customers working at the frontiers of science.

Segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis.

Half year to 30 September 2007

	Analytical £m	Superconductivity £m	Total £m
Revenue	**49.6**	**28.7**	**78.3**
Trading profit before costs of OII	**2.8**	**0.6**	**3.4**
Costs of OII			**(1.4)**
Trading profit			**2.0**
Other operating income			**0.7**
Amortisation of acquired intangibles			**(0.4)**
Operating profit			**2.3**
Net financial expense			**-**
Income tax expense			**(0.8)**
Profit for the period			**1.5**
Segment net assets	**56.9**	**34.1**	**91.0**
Unallocated net assets			**(35.4)**
Total net assets			**55.6**

Research and development to enhance and develop existing products is undertaken within both the Analytical and Superconductivity business segments. In addition Oxford Instruments Innovation (OII) carries out initial investigations into new product lines that would not normally be undertaken by the operating businesses. Trading profit is shown both before and after OII costs so as to give a more meaningful indication of the performance of the business segments.

3 RESULTS BY BUSINESS (CONTINUED)

Half year to 30 September 2006

	Analytical £m	Superconductivity £m	Total £m
Revenue	43.3	28.8	72.1

Trading profit/(loss) before costs of OII	3.6	(0.1)	3.5
Costs of OII			(1.5)
Trading profit			2.0
Amortisation of acquired intangibles			(0.1)
Restructuring and non-recurring costs			(2.4)
Operating loss			(0.5)
Net financial expense			(0.2)
Income tax expense			(0.7)
Loss for the period			(1.4)

Segment net assets	36.5	31.0	67.5
Unallocated net assets			(24.8)
Total net assets			42.7

Year to 31 March 2007

	Analytical £m	*Superconductivity £m*	*Total £m*
Revenue	*100.7*	*60.9*	*161.6*

Trading profit before costs of OII	*10.1*	*1.6*	*11.7*
Costs of OII			*(3.4)*
Trading profit			*8.3*
Amortisation of acquired intangibles			*(1.1)*
Restructuring and non-recurring costs			*(5.2)*
Operating profit			*2.0*
Net financial expense			*(0.7)*
Income tax expense			*(2.8)*
Loss for the period			*(1.5)*

Segment net assets	*37.6*	*29.8*	*67.4*
Unallocated net assets			*(11.6)*
Total net assets			*55.8*

4 TRADING EXPENSES EXCLUDING COST OF GOODS SOLD

	Half year to 30 Sept 2007 £m	Half year to 30 Sept 2006 As restated £m	*Year to 31 March 2007 £m*
Selling and marketing costs	13.2	12.5	*26.7*
Administration and shared services	10.1	9.8	*20.3*
Foreign exchange gain	(0.1)	(0.4)	*(0.8)*
Research and development (note 5)	6.1	6.1	*12.1*
	29.3	28.0	*58.3*

5 RESEARCH AND DEVELOPMENT

Total research and development spend by the Group is as follows:

	Half year to 30 Sept 2007 £m	Half year to 30 Sept 2006 As restated £m	*Year to 31 March 2007 £m*
Total cash spent on research and development during the year	7.9	7.8	*16.2*
Less: amount capitalised	(2.8)	(2.2)	*(5.6)*
Add: amortisation of amounts previously capitalised	1.0	0.5	*1.5*
Research and development charged to income statement	6.1	6.1	*12.1*

6 OTHER OPERATING INCOME

Other operating income comprises the profit on disposal of held for sale freehold properties in Abingdon and Eynsham, UK.

7 FINANCIAL INCOME

	Half year to 30 Sept 2007 £m	Half year to 30 Sept 2006 £m	*Year to 31 March 2007 £m*
Bank interest receivable	**0.1**	0.1	*0.2*
Expected return on pension scheme assets	**4.6**	4.1	*8.2*
Mark to market gain in respect of derivative financial instruments	**0.2**	0.1	*0.1*
	4.9	4.3	*8.5*

8 FINANCIAL EXPENDITURE

	Half year to 30 Sept 2007 £m	Half year to 30 Sept 2006 £m	*Year to 31 March 2007 £m*
Interest payable and similar charges on bank loans and overdrafts	**0.4**	0.1	*0.3*
Interest charge on pension scheme liabilities	**4.5**	4.4	*8.9*
	4.9	4.5	*9.2*

9 TAXATION

The Group estimates that its weighted average tax rate for the full year will be 37% (2006 40%) and the tax charge for the period has been calculated using this rate. In the prior year no tax relief was obtained in respect of the restructuring and non-recurring costs.

It has been announced that the UK corporation tax rate will change from 30% to 28% with effect from 1 April 2008. This has resulted in the Group's deferred tax asset being reduced by £0.6m. To the extent that this amount relates to deferred tax assets which, on initial recognition, were recognised in equity it has been charged directly to equity. The balance has been charged to income.

10 EARNINGS PER SHARE

a) Basic

The calculation of basic earnings per share is based on the profit or loss for the period after taxation and a weighted average number of ordinary shares outstanding during the period, excluding shares held by the Employee Share Ownership Trust, as follows:

	Half year to 30 Sept 2007 £m	Half year to 30 Sept 2006 £m	*Year to 31 March 2007 £m*
Profit/(loss) for the period	**1.5**	(1.4)	*(1.5)*

	Shares million	Shares million	*Shares million*
Weighted average number of shares outstanding	**49.3**	48.8	*48.9*
Less shares held by Employee Share Ownership Trust	**0.6**	0.8	*0.7*
Weighted average number of shares used in calculation of earnings per share	**48.7**	48.0	*48.2*

b) Diluted

The following table shows the effect of share options on the calculation of diluted basic earnings per share. However, in the prior period since there was a loss in the period that effect was antidilutive and so was excluded from the calculation of diluted basic earnings per share in that period.

	Half year to 30 Sept 2007 Shares million	Half year to 30 Sept 2006 Shares million	*Year to 31 March 2007 Shares million*
Number of ordinary shares per basic earnings per share calculations	**48.7**	48.0	*48.2*
Effect of shares under option	**0.2**	0.2	*0.3*
Number of ordinary shares per diluted earnings per share calculations	**48.9**	48.2	*48.5*

c) Adjusted

The earnings per share before other operating income, amortisation of acquired intangibles, restructuring and non-recurring costs, and mark to market gains or losses in respect of certain derivatives are as follows:

	Half year to 30 Sept 2007 pence	Half year to 30 Sept 2006 pence	*Year to 31 March 2007 pence*
Basic	**2.3**	2.1	*9.6*
Diluted	**2.2**	2.1	*9.5*

10 EARNINGS PER SHARE (CONTINUED)

A reconciliation of the profit for the periods used to calculate basic earnings per share to the adjusted profit used to calculate the adjusted earnings per share shown above is set out below:

	Half year to 30 Sept 2007 £m	Half year to 30 Sept 2006 £m	*Year to 31 March 2007 £m*
Adjusted profit before income tax (note 2)	**1.8**	1.7	*7.5*
Taxation	**(0.7)**	(0.7)	*(2.8)*
Adjusted profit for the period	**1.1**	1.0	*4.7*

11 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group:

	Half year to 30 Sept 2007 pence	Half year to 30 Sept 2006 pence	*Year to 31 March 2007 pence*
Previous period interim dividend	**2.4**	2.4	*2.4*
Previous period final dividend	**-**	-	*6.0*
	2.4	2.4	*8.4*

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

	Half year to 30 Sept 2007 pence	Half year to 30 Sept 2006 pence	*Year to 31 March 2007 pence*
Interim dividend	**2.4**	2.4	*2.4*
Final dividend	**-**	-	*6.0*
	2.4	2.4	*8.4*

The interim dividend for the year to 31 March 2008 of 2.4 pence was approved by the Board on 20 November 2007 and has not been included as a liability as at 30 September 2007. The interim dividend will be paid on 7 April 2008 to shareholders on the register at the close of business on 29 February 2008.

12 ACQUISITIONS

Worldwide Analytical Systems AG
During the period from 25 July 2007 to 2 August 2007 the Group acquired 100% of the voting rights of Worldwide Analytical Systems AG based in Uedem, Germany for a net cash consideration of £9.5m. The company is a leading manufacturer of Arc/Spark optical emission instrumentation.

In the period subsequent to acquisition the Company contributed profit of £0.1m to the Group. The additional revenue and profit which would have been earned by the Group had the acquisition taken place on the first day of the financial year is not known since it is not possible to calculate the synergistic benefits which would have arisen in that period. The following table gives a provisional analysis of the assets acquired and the goodwill arising.

	Provisional book value £m	Provisional fair value adjustments £m	Provisional fair value to the Group £m
Intangible assets	0.1	13.5	13.6
Property, plant and equipment	1.2	-	1.2
Deferred tax assets	-	0.3	0.3
Inventories	2.0	(0.2)	1.8
Receivables	1.1	-	1.1
Net overdraft	(0.3)	-	(0.3)
Payables and provisions	(2.4)	(0.5)	(2.9)
Deferred tax liabilities	-	(4.7)	(4.7)
Borrowings	(0.8)	-	(0.8)
Total net assets acquired			9.3
Goodwill			0.2
Net cash outflow in respect of the purchase*			9.5
Add overdraft acquired			0.3
Net cash outflow on acquisition			9.8

* Includes costs associated with the acquisition of £0.2m.

The review of intangible assets acquired is still ongoing and will be completed by the year end. The book value of the assets acquired is based on the management accounts at the date of acquisition. The fair value adjustments relate to the recognition of technology related intangible assets, the reduction of certain inventories to net realisable value and the provision for certain liabilities. The goodwill comprises the value attributable to the employee workforce as well as expected revenue and cost synergies that will arise following the integration of the business into the Group.

12 ACQUISITIONS (CONTINUED)

VeriCold Technologies GmbH

On 19 August 2007 the Group acquired 100% of the voting rights in VeriCold Technologies GmbH based in Ismaning, Germany for a net cash consideration of £2.0m. Further contingent consideration of up to €5.5m is payable based on post acquisition orders revenue growth. The Group's best estimate of this contingent consideration at the current time is £2.1m. The Company is a manufacturer of pulse tube refrigerators.

In the period subsequent to acquisition the Company contributed neither a profit nor a loss. The additional revenue and profit which would have been earned by the Group had the acquisition taken place on the first day of the financial year is not known since it is not possible to calculate the synergistic benefits which would have arisen in that period. The following table gives a provisional analysis of the assets acquired and the goodwill arising.

	Provisional book value £m	Provisional fair value adjustments £m	Provisional fair value to the Group £m
Intangible assets	-	6.7	6.7
Property, plant and equipment	0.1	-	0.1
Deferred tax assets	-	0.3	0.3
Inventories	0.8	(0.3)	0.5
Receivables	0.2	-	0.2
Payables and provisions	(1.2)	(0.4)	(1.6)
Deferred tax liabilities	-	(2.4)	(2.4)
Total net assets acquired			3.8
Goodwill			0.3
Total purchase cost			4.1
Less contingent consideration			(2.1)
Net cash outflow in respect of the purchase/ acquisition			2.0

* Includes costs associated with the acquisition of £0.1m.

The review of intangible assets acquired is still ongoing and will be completed by the year end. The book value of the assets acquired is based on the management accounts at the date of acquisition. The fair value adjustments relate to the recognition of both customer and technology related intangible assets, the reduction of certain inventories to net realisable value and the provision for certain liabilities. The goodwill comprises the value attributable to the employee workforce as well as expected revenue and cost synergies that will arise following the integration of the business into the Group.

13 PENSIONS

The Group does not perform actuarial valuations at the half year unless a particularly significant event has occurred during that period. The Group has applied actuarial assumptions at 30 September 2007 consistent with those used at 31 March 2007. Accordingly, no actuarial gain or loss arises in respect of pensions. The actuarial assumptions will be reviewed at 31 March 2008.

14 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO NET CASH

	Half year to 30 Sept 2007 £m	Half year to 30 Sept 2006 £m	*Year to 31 March 2007 £m*
Increase/(decrease) in cash and cash equivalents	**2.8**	(7.5)	*(9.6)*
Effect of foreign exchange rate changes on cash and cash equivalents	**(0.1)**	(0.2)	*(0.3)*
	2.7	(7.7)	*(9.9)*
Cash outflow from decrease in debt	**1.0**	2.4	*1.9*
Cash inflow from increase in debt	**(19.5)**	-	-
Borrowings acquired on acquisition	**(0.8)**	-	-
Movement in net debt in the period	**(16.6)**	(5.3)	*(8.0)*
Net cash at start of the period	**1.8**	9.8	*9.8*
Net (debt)/cash at end of the period	**(14.8)**	4.5	*1.8*
Analysed as:			
Cash and cash equivalents (per Balance Sheet)	**8.5**	5.4	*3.9*
Bank overdrafts	**(3.0)**	(0.4)	*(1.1)*
Cash and cash equivalents (per Statement of Cash Flows)	**5.5**	5.0	*2.8*
Borrowings	**(20.3)**	(0.5)	*(1.0)*
Net (debt)/cash at end of the period	**(14.8)**	4.5	*1.8*

15 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Half year to 30 Sept 2007 £m	Half year to 30 Sept 2006 £m	*Year to 31 March 2007 £m*
Total recognised income/(expense) for the period	**0.8**	(2.5)	*12.4*
Credit in respect of employee service costs settled by award of share options	**-**	-	*0.2*
Proceeds from shares issued	**0.2**	-	*0.8*
Dividends paid	**(1.2)**	(1.2)	*(4.0)*
Opening equity shareholders' funds	**55.8**	46.4	*46.4*
Closing equity shareholders' funds	**55.6**	42.7	*55.8*

Responsibility Statement of the Directors in respect of the Half Year Financial Statements

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Jonathan Flint	**Kevin Boyd**
Chief Executive	Group Finance Director

20 November 2007

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises the Group Income Statement, Group Balance Sheet, Group Statement of Recognised Income and Expense, Group Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc
Chartered Accountants
2 Cornwall Street
Birmingham B3 2DL
20 November 2007

Financial calendar

27th February 2008	Ordinary shares quoted ex-dividend
29th February 2008	DRIP date (Dividend Reinvestment Plan)
29th February 2008	Record date for interim dividend
31 March 2008	Financial year end
7 April 2008	Payment of interim dividend
Mid June 2008	Announcement of preliminary results
Mid June 2008	Announcement of final dividend
Late July	Publication of Annual Report
Late September 2008	Annual General Meeting
Late September 2008	DRIP Date
Late September 2008	Ordinary shares quoted ex-dividend
Late September 2008	Record date for final dividend
Late October 2008	Payment of final dividend

Administrative enquiries
Administrative enquiries concerning shareholdings in Oxford Instruments plc, such as the loss of a share certificate, dividend payments, or a change of address should be directed, in the first instance, to the Registrar whose address is:

Capita Registrars
Northern House, Woodsome Park, Fenay Bridge,
Huddersfield, West Yorkshire HD8 0LA
Tel 0870 1623100
Fax 0208 639 2342

Correspondence should refer to Oxford Instruments plc and state clearly the registered name and address of the shareholder. Please notify the Registrar promptly of any change of address.

Dividend bank mandates
If you wish dividends to be paid directly into a bank or building society account and notification to be sent to your shareholder register address, please contact the Company's Registrar for a dividend mandate form.

Consolidation of share certificates
If your total registered ordinary shareholding is represented by several share certificates, you may wish to have these replaced by one consolidated certificate. There is no charge for this service. You should send your share certificates to the Company's Registrar, together with a letter of instruction.

Shareholder enquiries
Shareholders who have questions relating to the Group's business or who wish to have additional copies of the Report and Accounts or Half Year Statement should apply to:

Company Secretary
Oxford Instruments plc
Tubney Woods, Abingdon, Oxon OX13 5QX
Tel 01865 393200
Fax 01865 393442
E-mail info.oiplc@oxinst.com
Website www.oxford-instruments.com

Company registration
Registered office: Tubney Woods
Abingdon Oxon OX13 5QX
Registered number: 775598
Registered in England

Website – www.oxford-instruments.com
Oxford Instruments has an extensive web site which gives details of all our products and services, contact information, vacancies and latest news announcements. An interactive investor relations section gives information on recent trading reports, share price data and up and coming events. During 2007, the web site will be extended to offer an e-catalogue option for our spares and accessories and a password controlled extranet for use by our partners and customers. This and other developments are part of our strategy of improving communications between Oxford Instruments and its stakeholders.

Share dealing scheme
In association with JPMorgan Cazenove Limited a low cost share dealing service has been introduced providing shareholders with a simple way of buying and selling Oxford Instruments plc ordinary shares. Further information is available from the Company Secretary or:

JPMorgan Cazenove Limited
20 Moorgate, London, EC2R 6DA
Tel 020 7588 2828
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