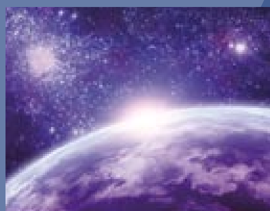
Oxford Instruments plc
Half Year Report September 2008



The Business of Science®

OXFORD INSTRUMENTS

Summary of Half Year Results

	2008 £m	2007 £m
Orders	**97.5**	83.1
Revenue	**92.8**	78.3
Trading profit	**3.5**	2.0
Adjusted profit before tax (note 2)	**2.6**	1.8
Net borrowings	**(24.0)**	(14.8)
Shareholders' equity	**63.6**	55.6

	2008 pence per share	2007 pence per share
Adjusted earnings	**3.4**	2.3
Basic earnings	**2.6**	3.0
Proposed dividends	**2.4**	2.4
Net assets	**128.8**	113.0

Employees at half year end *	**1,564**	1,510

* Previously the Group has excluded temporary employees in this figure. These employees have now been included and the prior year figure has been restated accordingly.

Oxford Instruments is a worldwide business, supplying high technology tools and systems into diverse markets which include industrial analysis, research, education, space, energy and the life sciences.

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

Innovation has been at the heart of Oxford Instruments since it was founded and it is the driving force behind our growth and success.

The Group now employs over 1,500 people worldwide, and has been listed on the London Stock Exchange since 1983.

Introduction

The Group performed well during the first half of the year with reported sales up by 19% on the same period last year. This strong performance was helped by currency movements, particularly the strengthening of the Euro. On a constant currency basis, growth was 12%. Adjusted profit before tax for the half year was £2.6 million, ahead of the same period last year (2007: £1.8 million). Again, this result was helped by favourable currency movements.

We made two acquisitions in the first half of the year. Technologies and Devices International (TDI), based in the US, brings to us technology for a low cost process in the manufacture of High Brightness Light Emitting Diodes (HBLEDs). The Link Analytical AB business, a Scandinavian distributor of analytical equipment, extends our global sales network and has already begun to contribute to our sales growth.

In addition to these acquisitions, we have seen continued organic growth across our core products although this is at a slower rate than last year. This reflects some weakening in the growth of customer demand, particularly in the United States. However, environmental and health and safety issues continue to drive growth and our broad range of differentiated products serving these markets means that we have increased market share in key areas.

We are now half way through our five year plan. As reported in June, the first two years of the plan were in line with our targets and we have maintained growth in sales and margin in the first half of this year. Our business continues to perform well. The results of our investments to date provide a sound platform for growth, however should there be a prolonged market downturn, organic growth will be more difficult to achieve. New opportunities for margin improvement are presenting themselves in the current business climate as we have greater leverage with our suppliers as well as opportunities to reduce other costs. We remain vigilant and will continue to take such action as necessary to maximise shareholder value.

Financial Summary

Revenues increased by 19% over the same period last year to £92.8 million. Acquisitions contributed 8% of the growth with 7% coming from the strengthening of our major trading currencies, the US dollar, Euro and Japanese Yen. Orders of £97.5 million exceeded revenues by £4.7 million.

Gross margins rose from 40.2% to 41.2%, aided by the favourable exchange rate movements in the currencies described above.

Underlying operating expenses increased by £0.4 million or 1.2%. Acquisitions and foreign exchange added a further £4.8 million, resulting in an increase of £5.2 million in reported operating expenses.

Trading profit increased by £1.5 million to £3.5 million, of which £0.8 million represented organic growth at constant currency. Increases in interest (£0.2 million) and imputed interest on the pension fund (£0.5 million) meant that adjusted profit before tax (note 2) rose by £0.8 million to £2.6 million.

Reported profit before tax of £1.3 million (2007: £2.3 million) included a net exceptional profit of £2.0 million (2007: £0.7 million) consisting of a £3.4 million exceptional gain on the disposal of the Group's holding in Oxford Diffraction Limited, a £0.5 million write down in the value of the Group's holding in ARKeX Limited and a £0.9 million loss on the disposal of Plasma Technology's loss making Molecular Beam Epitaxy (MBE) business. Amortisation of acquired intangibles rose by £1.6 million to £2.0 million and our policy of marking to market our financial instruments resulted in a charge of £1.3 million (2007: credit £0.2 million).

In July 2007 the Group entered into a committed £50 million five year revolving credit facility with its banks. At the period end net debt was £24.0 million. The major movements in the period included an increase in working capital of £2.3 million, acquisitions totalling £3.4 million, pension deficit reduction payments of £1.1 million and inflows from disposals of £3.3 million. Debt increased by £1.6 million due to the movements in foreign exchange rates in the period.

The Directors have recommended an interim dividend of 2.4 pence, unchanged from the previous year, payable on 6 April 2009.

Operational Review

The *Analytical* business includes Industrial Analysis, NanoAnalysis and Plasma Technology. As described below, the business showed good growth in both revenue and profit in the half year.

Our Industrial Analysis business, which now includes our X-ray source business, provides high technology industrial instrumentation. The business continued to grow in a large and competitive market. We differentiate our products through technical performance and customer service. In the half year we launched the next generation of our best selling X-Met hand-held X-ray fluorescence analyser, offering higher performance than our competitors. In order to simplify the business and improve efficiencies, we have relocated the manufacturing previously undertaken in our Chicago facility to our existing factories in California and Shanghai.

Our NanoAnalysis business produces detectors which analyse the chemical composition of a sample at the atomic level. This business has had a strong half year with demand holding up well supported by the introduction of our unique new detector, X-Max. This enables our customers to improve efficiency by operating up to ten times faster than previously.

Our Plasma Technology business provides nanotechnology products for a range of emerging industries. It has done well in the half year, supported by our new Atomic Layer Deposition tools and the demand for capital equipment in the HBLED and photovoltaic devices markets. The disposal of the MBE business in September has allowed us to focus on these new opportunities. Further, our technical innovations and improvements in our customer service levels have helped us to increase our market share. We are investing in our TDI business, acquired in April this year, to develop an industrial tool for the production of HBLEDs.

The *Superconductivity* business comprises NanoScience, Superconducting Wire, Austin Scientific and Molecular Biotools. The business continued to show revenue growth in the half year whilst delivering a net loss, reflecting the inclusion of R&D expenditure previously reported as Oxford Instruments Innovation together with our ongoing investment in Molecular Biotools.

Our NanoScience business provides equipment to academic and research customers working at ultra low temperatures and high magnetic fields. Through our acquisition of VeriCold last year, we gained access to new technology which enables very low temperatures to be achieved without the use of liquid helium. Demand for this type of product has exceeded expectations. However, demand for traditional wet products which continue to use liquid helium has reduced more rapidly than expected. As a result of this shift in demand and improved factory efficiencies, this month we have reduced the workforce in this business by fifty people, a cut of 25%.

Our Superconducting Wire business based in the United States showed increased revenues through strong demand from our major customers in the MRI scanner market, where our high quality superconducting wire has meant that we are gaining market share. In addition, the International ITER project to conduct research into power generation through nuclear fusion is now reaching a critical phase and we are well placed to win orders for superconducting wire for the project.

Our Austin Scientific business manufactures and refurbishes cryogenic pumps and refrigerators for the semi-conductor market. This small business is facing difficult trading conditions.

Our Molecular Biotools business has launched a new product, PharmaSense™. This gives laboratories an accessible, low cost tool for understanding the behaviour of drugs in the human body. Interest for this and our existing HyperSense® product remains significant, although our pharmaceutical customers are now taking longer than previously to gain their own internal funding.

Property

In the light of worsening conditions in the UK commercial property market, we have renegotiated the term of the option to sell the present site of our Plasma Technology factory, whilst preserving its beneficial commercial conditions. By postponing this move for two years we will reduce our capital expenditure in the current financial year.

People

In this increasingly competitive world, our employees have had to work harder to achieve the high levels of performance that Oxford Instruments requires. I would like to thank them for their endeavours.

I am pleased to announce that Jock Lennox, currently a senior partner at Ernst & Young, will join the Group as an Independent Non-Executive Director on 1 April 2009 with a view to him succeeding Peter Morgan as Chairman of the Audit Committee in due course.

As announced earlier this month, Steven Parker has resigned from the Board in order to pursue a new career direction. I would like to thank Steve for his contribution to Oxford Instruments over the past six years and to wish him continued success in the future.

Outlook

Our strategy remains on course. Our product portfolio is strong, and we have good geographical spread which should help to insulate us if there is a softening in demand in the second half of the year. The benefits of our recent acquisitions and new product introductions together with the weakness of Sterling are likely to have a positive effect during the remainder of this financial year. These factors underpin the Board's continued confidence in delivering a full year performance that is in line with its expectations.

Nigel Keen
Chairman
18 November 2008

Group Income Statement

half year ended 30 September 2008 - unaudited

	Notes	**Half year to 30 Sept 2008 £m**	Half year to 30 Sept 2007 As restated * £m	*Year to 31 March 2008 As restated * £m*
Revenue	3	**92.8**	78.3	*176.5*
Cost of sales		**(54.6)**	(46.8)	*(103.3)*
Gross profit		**38.2**	31.5	*73.2*
Trading expenses excluding cost of goods sold	4	**(34.7)**	(29.5)	*(62.6)*
Trading profit	3	**3.5**	2.0	*10.6*
Other operating income	6	**3.4**	0.7	*0.7*
Restructuring and non-recurring costs	7	**(1.4)**	-	*-*
Amortisation of acquired intangibles		**(2.0)**	(0.4)	*(2.9)*
Operating profit		**3.5**	2.3	*8.4*
Bank interest receivable		**0.1**	0.1	*0.3*
Expected return on pension scheme assets		**4.7**	4.6	*9.3*
Mark to market gain in respect of derivative financial instruments		**-**	0.2	*-*
Financial income		**4.8**	4.9	*9.6*
Interest payable on bank loans and overdrafts		**(0.6)**	(0.4)	*(1.7)*
Interest charge on pension scheme liabilities		**(5.1)**	(4.5)	*(9.0)*
Mark to market loss in respect of derivative financial instruments		**(1.3)**	-	*(2.3)*
Financial expenditure		**(7.0)**	(4.9)	*(13.0)*
Profit before income tax		**1.3**	2.3	*5.0*
Income tax expense	8	**-**	(0.8)	*(2.3)*
Profit for the period attributable to equity shareholders of the parent		**1.3**	1.5	*2.7*
		pence	pence	*pence*
Earnings per share				
Basic earnings per share	9	**2.6**	3.0	*5.6*
Diluted earnings per share	9	**2.6**	3.0	*5.5*
Dividends per share				
Dividends paid	10	**2.4**	2.4	*8.4*
Dividends proposed	10	**2.4**	2.4	*8.4*
		£m	£m	*£m*
Total dividends				
Dividends paid		**1.2**	1.2	*4.1*
Dividends proposed		**1.2**	1.2	*4.1*

		£m	£m	*£m*
Adjusted profit before tax	2	**2.6**	1.8	*9.5*
		pence	pence	*pence*
Adjusted earnings per share				
Basic earnings per share	9	**3.4**	2.3	*11.7*
Diluted earnings per share	9	**3.4**	2.2	*11.7*

* see note 1

Group Statement of Recognised Income and Expense

half year ended 30 September 2008 - unaudited

	Half year to 30 Sept 2008 £m	Half year to 30 Sept 2007 £m	*Year to 31 March 2008 £m*
Foreign exchange translation differences	**0.7**	(0.1)	*3.1*
Actuarial gain in respect of post retirement benefits	**-**	-	*7.1*
Taxation effect in respect of post retirement benefits	**-**	(0.6)	*(2.6)*
Net profit/(loss) recognised directly in equity	**0.7**	(0.7)	*7.6*
Profit for the period	**1.3**	1.5	*2.7*
Total recognised income for the period attributable to equity shareholders of the parent	**2.0**	0.8	*10.3*

Group Balance Sheet

as at 30 September 2008 - unaudited

	Notes	As at 30 Sept 2008 £m	As at 30 Sept 2007 £m	*As at 31 March 2008 £m*
Assets				
Non-current assets				
Property, plant and equipment		**22.4**	23.0	*22.4*
Intangible assets		**50.7**	41.2	*44.0*
Available for sale equity securities		**-**	0.6	*0.6*
Deferred tax assets		**9.8**	11.8	*9.6*
		82.9	76.6	*76.6*
Current assets				
Inventories		**39.4**	30.9	*34.9*
Trade and other receivables		**48.1**	44.1	*53.5*
Current income tax recoverable		**0.5**	0.5	*0.7*
Derivative financial instruments		**1.3**	1.2	*0.6*
Cash and cash equivalents		**7.6**	8.5	*7.9*
		96.9	85.2	*97.6*
Total assets		**179.8**	161.8	*174.2*
Equity				
Capital and reserves attributable to the Company's equity shareholders				
Share capital		**2.5**	2.5	*2.5*
Share premium		**21.3**	21.1	*21.2*
Other reserves		**0.1**	0.1	*0.1*
Translation reserve		**3.0**	(0.9)	*2.3*
Retained earnings		**36.7**	32.8	*36.4*
	13	**63.6**	55.6	*62.5*
Liabilities				
Non-current liabilities				
Bank loans		**30.7**	20.2	*24.9*
Other payables		**1.1**	2.4	*2.4*
Retirement benefit obligations		**20.7**	28.9	*21.2*
Deferred tax liabilities		**7.1**	7.4	*6.1*
		59.6	58.9	*54.6*
Current liabilities				
Bank loans		**0.1**	0.1	*0.1*
Bank overdrafts		**0.8**	3.0	*0.7*
Trade and other payables		**45.2**	38.2	*46.2*
Current income tax payables		**1.6**	2.1	*2.7*
Derivative financial instruments		**5.1**	0.6	*3.3*
Provisions		**3.8**	3.3	*4.1*
		56.6	47.3	*57.1*
Total liabilities		**116.2**	106.2	*111.7*
Total liabilities and equity		**179.8**	161.8	*174.2*

Group Statement of Cash Flows

half year ended 30 September 2008 - unaudited

	Half year to 30 Sept 2008 £m	Half year to 30 Sept 2007 £m	*Year to 31 March 2008 £m*
Profit for the period	**1.3**	1.5	*2.7*
Adjustments for:			
Income tax expense	**-**	0.8	*2.3*
Net financial expense	**2.2**	-	*3.4*
Restructuring and non-recurring costs	**1.4**	-	*-*
Amortisation of acquired intangibles	**2.0**	0.4	*2.9*
Other operating income	**(3.4)**	(0.7)	*(0.7)*
Depreciation of property, plant and equipment	**1.8**	1.8	*4.1*
Amortisation of capitalised development costs	**1.3**	1.0	*1.9*
Earnings before interest, tax, depreciation and amortisation	**6.6**	4.8	*16.6*
Cost of equity settled employee share schemes	**0.2**	-	*0.2*
Cash payments to the pension scheme more than the charge to the income statement	**(1.1)**	(1.7)	*(2.1)*
Operating cash flows before movements in working capital	**5.7**	3.1	*14.7*
Increase in inventories	**(3.5)**	(3.2)	*(6.9)*
Decrease/(increase) in receivables	**7.1**	1.7	*(6.9)*
(Decrease)/increase in payables	**(5.8)**	(5.0)	*2.3*
(Decrease)/increase in provisions	**(0.1)**	(0.3)	*0.3*
Cash generated/(absorbed) by operations	**3.4**	(3.7)	*3.5*
Interest paid	**(0.6)**	(0.4)	*(1.7)*
Income taxes paid	**(1.4)**	(0.8)	*(1.9)*
Net cash from operating activities	**1.4**	(4.9)	*(0.1)*
Cash flows from investing activities			
Proceeds from sale of held for sale assets	**-**	7.7	*7.7*
Proceeds from sale of available for sale equity securities	**3.0**	-	*-*
Proceeds from disposal of product line	**0.3**	-	*-*
Interest received	**0.1**	0.1	*0.3*
Acquisition of subsidiaries, net of cash acquired	**(3.4)**	(12.5)	*(12.7)*
Acquisition of property, plant and equipment	**(1.5)**	(2.3)	*(3.8)*
Capitalised development expenditure	**(3.5)**	(2.8)	*(6.6)*
Net cash used in investing activities	**(5.0)**	(9.8)	*(15.1)*
Cash flows from financing activities			
Proceeds from issue of share capital	**0.1**	0.2	*0.3*
Repayment of borrowings	**-**	(1.0)	*(1.0)*
Increase in borrowings	**4.2**	19.5	*24.2*
Dividends paid	**(1.2)**	(1.2)	*(4.1)*
Net cash from financing activities	**3.1**	17.5	*19.4*
Net (decrease)/increase in cash and cash equivalents	**(0.5)**	2.8	*4.2*
Cash and cash equivalents at beginning of the period	**7.2**	2.8	*2.8*
Effect of exchange rate fluctuations on cash and cash equivalents held	**0.1**	(0.1)	*0.2*
Cash and cash equivalents at end of the period	**6.8**	5.5	*7.2*

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* as adopted by the EU. 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 2008.

The half year results are unaudited. The comparative figures for the financial year ended 31 March 2008 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) 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.

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the half year financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's consolidated financial statements for the year ended 31 March 2008 except as noted below. During the period, the Directors reviewed the classification of costs relating to the running of its sales offices in Germany, America and Japan and, given the current circumstances and operating structure of the Group, considered that these costs are better reflected as sales and marketing costs, rather than administrative costs. Consequently the previously published figures for the half year to 30 September 2007 and for the year to 31 March 2008 have been restated in this document. The effect has been to increase sales and marketing costs and reduce administration and shared services by £1.4m for the half year to 30 September 2007 and by £2.2m for the year to 31 March 2008.

The Directors also reviewed the classification of outward freight costs and considered that these were better reflected as sales and marketing costs, rather than costs of goods sold. Consequently the previously published figures for the half year to 30 September 2007 and for the year to 31 March 2008 have been restated in this document. The effect has been to increase sales and marketing costs and reduce costs of goods sold by £0.2m for the half year to 30 September 2007 and by £0.5m for the year to 31 March 2008.

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

	Half year to 30 Sept 2008		Half year to 30 Sept 2007		*Year to 31 March 2008*	
	Average	**Period end**	Average	Period end	*Average*	*Period end*
US Dollar	**1.93**	**1.78**	2.00	2.04	*2.01*	*1.99*
Euro	**1.26**	**1.27**	1.47	1.43	*1.42*	*1.25*
Yen	**204**	**189**	237	234	*228*	*198*

2 RECONCILIATION BETWEEN PROFIT AND ADJUSTED PROFIT

	Half year to 30 Sept 2008 £m	Half year to 30 Sept 2007 £m	*Year to 31 March 2008 £m*
Profit before income tax	**1.3**	2.3	*5.0*
Other operating income	**(3.4)**	(0.7)	*(0.7)*
Amortisation of acquired intangible assets	**2.0**	0.4	*2.9*
Restructuring and non-recurring costs	**1.4**	-	-
Financial instruments	**1.3**	(0.2)	*2.3*
Adjusted profit before income tax	**2.6**	1.8	*9.5*
Tax attributable to adjusted profit before income tax	**(0.9)**	(0.7)	*(3.7)*
Adjusted profit after income tax	**1.7**	1.1	*5.8*

Adjusted figures are stated before other operating income, amortisation of acquired intangibles, restructuring and non-recurring costs and unrealised changes in the fair value of financial instruments.

3 SEGMENT INFORMATION

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 2008

	Analytical £m	**Superconductivity £m**	**Total £m**
Revenue	**63.3**	**29.5**	92.8
Trading profit/(loss)	**5.4**	**(1.9)**	3.5
Other operating income			3.4
Amortisation of acquired intangibles			(2.0)
Restructuring and non-recurring costs			(1.4)
Operating profit			3.5
Net financial expense			(2.2)
Profit for the period			1.3
Segment net assets	**65.4**	**38.3**	103.7
Unallocated net assets			(40.1)
Total net assets			63.6

Research and development to enhance and develop existing products is undertaken within both the Analytical and Superconductivity business segments. In addition, until closure during the second half of the Group's 2008 year, Oxford Instruments Innovation (OII) carried out initial investigations into new product lines that would not normally be undertaken by the operating businesses. Trading profit in the prior year is shown both before and after OII costs. In the current year the activities formerly undertaken by OII are now undertaken by business units.

3 SEGMENT INFORMATION (CONTINUED)

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

Year to 31 March 2008

	Analytical £m	*Superconductivity £m*	*Total £m*
Revenue	*115.7*	*60.8*	*176.5*
Trading profit before costs of OII	*11.0*	*2.0*	*13.0*
Costs of OII			*(2.4)*
Trading profit			*10.6*
Other operating income			*0.7*
Amortisation of acquired intangibles			*(2.9)*
Operating profit			*8.4*
Net financial expense			*(3.4)*
Income tax expense			*(2.3)*
Profit for the year			*2.7*
Segment net assets	*61.0*	*37.4*	*98.4*
Unallocated net assets			*(35.9)*
Total net assets			*62.5*

4 TRADING EXPENSES EXCLUDING COST OF GOODS SOLD

	Half year to 30 Sept 2008 £m	Half year to 30 Sept 2007 As restated £m	*Year to 31 March 2008 As restated £m*
Selling and marketing costs	**18.6**	14.8	*32.2*
Administration and shared services	**8.8**	8.7	*18.8*
Research and development (note 5)	**6.3**	6.1	*11.5*
Foreign exchange loss/(gain)	**1.0**	(0.1)	*0.1*
	34.7	29.5	*62.6*

5 RESEARCH AND DEVELOPMENT

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

	Half year to 30 Sept 2008 £m	Half year to 30 Sept 2007 £m	*Year to 31 March 2008 £m*
Total cash spent on research and development during the period	**8.5**	7.9	*16.2*
Less: amount capitalised	**(3.5)**	(2.8)	*(6.6)*
Add: amortisation of amounts previously capitalised	**1.3**	1.0	*1.9*
Research and development charged to income statement	**6.3**	6.1	*11.5*

6 OTHER OPERATING INCOME

Other operating income represented the profit on disposal of the Group's 23% holding in Oxford Diffraction Limited which completed on 4 April 2008. Consideration after professional costs was £3.7m and the carrying value at the time of disposal was £0.3m resulting in a non-recurring profit of £3.4m. Other operating income during the year to 31 March 2008 represented the profit on disposal of previously held for sale freehold properties in Abingdon and Eynsham, UK.

7 RESTRUCTURING AND NON-RECURRING COSTS

During the period the Group recognised an impairment charge of £0.5m against the cost of its investment in and loans to ARKeX Limited. On 22 September 2008 the Group disposed of the Molecular Beam Epitaxy (MBE) product line to Riber SA for a cash consideration of £0.3m. The carrying value of the MBE assets at that time was £1.2m resulting in a loss on disposal of £0.9m.

8 TAXATION

The Group estimates that its weighted average tax rate (excluding deferred taxation in respect of mark to market losses in respect of derivatives and amortisation of acquired intangibles) will be 35% (2007 37%). The nil tax charge in the period arises because the tax charge has been reduced by deferred tax credits arising in respect of mark to market losses in respect of derivatives and amortisation of acquired intangibles. No tax liability is expected to arise from other operating income and no tax relief is expected to be received in relation to the restructuring and non-recurring costs.

9 EARNINGS PER SHARE

a) Unadjusted
The earnings per share is as follows:

	Half year to 30 Sept 2008 pence	Half year to 30 Sept 2007 pence	*Year to 31 March 2008 pence*
Basic	**2.6**	3.0	*5.6*
Diluted	**2.6**	3.0	*5.5*

b) 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 is as follows:

	Half year to 30 Sept 2008 pence	Half year to 30 Sept 2007 pence	*Year to 31 March 2008 pence*
Basic	**3.4**	2.3	*11.7*
Diluted	**3.4**	2.2	*11.7*

A reconciliation of the profit for the periods used to calculate earnings per share to the adjusted profit for the periods used to calculate the adjusted earnings per share shown above can be found in note 2.

c) 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 2008 Shares million	Half year to 30 Sept 2007 Shares million	*Year to 31 March 2008 Shares million*
Weighted average number of shares outstanding	**49.4**	49.3	*49.3*
Less: weighted average number of shares held by Employee Share Ownership Trust	**(0.6)**	(0.6)	*(0.6)*
Weighted average number of shares used in calculation of earnings per share	**48.8**	48.7	*48.7*

9 EARNINGS PER SHARE (CONTINUED)

d) Diluted

The following table shows the effect of share options on the calculation of both adjusted and unadjusted diluted basic earnings per share.

	Half year to 30 Sept 2008 Shares million	Half year to 30 Sept 2007 Shares million	*Year to 31 March 2008 Shares million*
Number of ordinary shares per basic earnings per share calculations	**48.8**	48.7	*48.7*
Effect of shares under option	**0.4**	0.2	*0.3*
Number of ordinary shares per diluted earnings per share calculations	**49.2**	48.9	*49.0*

10 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group:

	Half year to 30 Sept 2008 pence	Half year to 30 Sept 2007 pence	*Year to 31 March 2008 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 2008 pence	Half year to 30 Sept 2007 pence	*Year to 31 March 2008 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 2009 of 2.4 pence was approved by the Board on 18 November 2008 and has not been included as a liability as at 30 September 2008. The interim dividend will be paid on 6 April 2009 to shareholders on the register at the close of business on 6 March 2009.

11 ACQUISITIONS

Technologies and Devices International Inc
On 9 April 2008 the Group acquired 100% of the voting rights in Technologies and Devices International Inc based in Silver Spring, Maryland, USA for a net cash consideration of £1.2m. In addition, deferred consideration of £0.5m was paid on 1 October 2008. Further contingent consideration of up to £2.8m is payable based on post acquisition revenue growth. The Group's best estimate of this contingent consideration at the current time is £0.7m. The company is a manufacturer and developer of Hydride Vapour Phase Epitaxy templates.

In the period subsequent to acquisition the company contributed revenue of £0.4m and a loss before tax of £0.7m to the Group. As the acquisition occurred close to the start of the period it is estimated that these amounts are consistent with those which would be reported had the acquisition taken place on the first day of the year.

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	0.2	3.7	3.9
Receivables	0.1	-	0.1
Payables and provisions	(0.4)	-	(0.4)
Deferred tax assets	-	0.1	0.1
Deferred tax liabilities	-	(1.3)	(1.3)
Total net assets acquired			2.4
Goodwill			-
Total purchase cost *			2.4
Less contingent consideration			(0.7)
Less deferred consideration			(0.5)
Net cash outflow in respect of the purchase/acquisition			1.2

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

The book value of the assets acquired is based on the management accounts at the date of acquisition. The fair value adjustment relates to the recognition of technology related intangible assets and associated deferred tax.

11 ACQUISITIONS (CONTINUED)

Oxford Instruments Nordiska AB
On 28 May 2008 the Group acquired 100% of the voting rights in Oxford Instruments Nordiska AB from Link Nordiska AB based in Lidingo, Sweden for a net cash consideration of £0.6m. The Group then sold its 10% holding in Link Nordiska AB to the 90% majority shareholder for a nominal amount. Further contingent consideration of up to £0.6m is payable based on post acquisition revenue growth. The Group's best estimate of this contingent consideration at the current time is £0.4m. The company is a distributor of Oxford Instruments NanoAnalysis equipment in Scandinavia.

In the period subsequent to acquisition the company contributed a loss before tax of £0.1m to the Group. Had the acquisition taken place on the first day of the financial year, additional revenue of £0.2m would have been earned by the Group. The profit before tax would have been unchanged.

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	-	0.9	0.9
Receivables	0.3	-	0.3
Net cash	0.4	-	0.4
Payables and provisions	(0.4)	-	(0.4)
Deferred tax liabilities	-	(0.3)	(0.3)
Total net assets acquired			0.9
Goodwill			0.1
Total purchase cost			1.0
Less contingent consideration			(0.4)
Net cash outflow in respect of the purchase			0.6
Less cash acquired			(0.4)
Net cash outflow on acquisition			0.2

The book value of the assets is based on the financial accounting records at the date of acquisition. The fair value adjustments relate to the recognition of customer related intangible assets and associated deferred tax. 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.

VeriCold Technologies GmbH
During the period the contingent consideration arising on the acquisition of VeriCold Technologies GmbH was finalised. As a result goodwill has increased by £1.6m.

12 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO NET BORROWING

	Half year to 30 Sept 2008 £m	Half year to 30 Sept 2007 £m	*Year to 31 March 2008 £m*
(Decrease)/increase in cash and cash equivalents	**(0.5)**	2.8	*4.2*
Effect of foreign exchange rate changes on cash and cash equivalents	**0.1**	(0.1)	*0.2*
	(0.4)	2.7	*4.4*
Cash outflow from decrease in debt	**-**	1.0	*1.0*
Cash inflow from increase in debt	**(4.2)**	(19.5)	*(24.2)*
Borrowings acquired on acquisition	**-**	(0.8)	*(0.8)*
Effect of foreign exchange rate changes on borrowing	**(1.6)**	-	*-*
Movement in net borrowing in the period	**(6.2)**	(16.6)	*(19.6)*
Net (borrowing)/cash at start of the period	**(17.8)**	1.8	*1.8*
Net borrowing at end of the period	**(24.0)**	(14.8)	*(17.8)*

Analysed as:			
Cash and cash equivalents (per Balance Sheet)	**7.6**	8.5	*7.9*
Bank overdrafts	**(0.8)**	(3.0)	*(0.7)*
Cash and cash equivalents (per Statement of Cash Flows)	**6.8**	5.5	*7.2*
Borrowing	**(30.8)**	(20.3)	*(25.0)*
Net borrowing at end of the period	**(24.0)**	(14.8)	*(17.8)*

13 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Half year to 30 Sept 2008 £m	Half year to 30 Sept 2007 £m	*Year to 31 March 2008 £m*
Total recognised income for the period	**2.0**	0.8	*10.3*
Credit in respect of employee service costs settled by award of share options	**0.2**	-	*0.2*
Proceeds from shares issued	**0.1**	0.2	*0.3*
Dividends paid	**(1.2)**	(1.2)	*(4.1)*
Opening equity shareholders' funds	**62.5**	55.8	*55.8*
Closing equity shareholders' funds	**63.6**	55.6	*62.5*

14 SUBSEQUENT EVENTS

On 1 October 2008 the Group announced the restructuring of its Nanoscience business which resulted in a reduction to the workforce by fifty people.

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 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 Chief Executive
18 November 2008

Kevin Boyd Group Finance Director

Principal Risks and Uncertainties

The Group has in place a risk management structure and internal controls which are designed to identify, manage and mitigate risk.

In common with all businesses, Oxford Instruments faces a number of risks and uncertainties which could have a material impact on the Group's long term performance.

On page 14 of it's 2008 Annual Report and Accounts (a copy of which is available at www.oxford-instruments.com), the Company set out what the Directors regarded as being the principal risks and uncertainties facing the Group's long term performance. Many of these risks are inherent to Oxford Instruments as a global business and they remain valid as regards their potential impact during the remainder of the second half of the year.

The impact of the economic and end market environments in which the Group's businesses operate are considered in the Chairman's Statement and outlook sections of this Half Yearly Report, together with an indication if management is aware of any likely change in this situation.

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 2008 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 2008 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
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18 November 2008

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