Oxford Instruments plc

Half Year Report September 2010

The Business of Science®

Oxford Instruments plc

Half Year Report
September 2010

Summary of Half Year Results

	2010 £m	2009 £m
Orders	**141.3**	133.9
Revenue	**113.2**	92.8
Trading profit	**11.9**	4.1
Adjusted profit before tax (note 2)	**10.6**	2.8
Net borrowings	**(3.9)**	(29.6)
Shareholders' equity	**59.6**	50.3

	2010 Pence per share	2009 pence per share
Adjusted basic earnings	**17.4**	4.1
Basic earnings	**20.7**	8.3
Proposed dividends	**2.52**	2.40
Net assets	**119.6**	101.8

Employees at half year end	**1,506**	1,324

About Us

Oxford Instruments aims to pursue responsible development and deeper understanding of the world through Science & Technology.

As one of the first commercial spin-out companies from Oxford University, this vision has been at the heart of our business for over 50 years. We use innovation to turn smart science into world-class products that support research and industry to address the great challenges of the 21st Century.

Operational Review

Introduction
The Group achieved an excellent first half result, reflecting operational improvements throughout the organisation, continued success of new products and a significantly improved market environment. Revenues grew by 22% to £113.2 million (2009: £92.8 million). This growth was evident across the Group's businesses. Adjusted profit before tax grew to £10.6 million (2009: £2.8 million).

Markets for our products used for scientific research continued to be robust. In addition our industrial markets, which had been hit by recession, demonstrated a sustained increase in demand during the first half of the year. This reflected increasing confidence amongst our industrial customers and demand for our new products. Many industrial customers had delayed their capital purchases during the last 2 years and, as investment levels now rise, we are seeing benefits of this pent up demand. The pricing pressure which we saw in the second half of last year has abated somewhat and we are maintaining pricing levels supported by the increased demand. Our growth has been evident in all our operating regions with China continuing to be our fastest growing sales area. Sales in China grew by 52% year on year and made up 13% of Group turnover.

Cash generation in the first half was strong and our net debt position reduced to £3.9 million (31 March 2010: £10.4 million).

Order intake was £141.3 million (2009: £133.9 million). The prior year figure included the one-off order amounting to £40.4 million for the ITER experimental energy programme. This strong order intake has meant our order book increased by £25.7 million to £127.2 million in the six months to September. Approximately 60% of this order book is deliverable during the second half of the current year.

In 2006 we announced a five year objective to double the size of the business and improve our margins significantly. We are now in the fifth year of this plan. Our organic growth targets have been met but recessionary pressure caused us to put our acquisition programme on hold for two years. Now that markets have stabilised we are actively looking at potential acquisition targets. In the first half of this year, our Trading Profit margins exceeded 10% for the first time in the plan.

Financials
Orders of £141.3 million were £7.4 million ahead of the same period last year. Excluding the one-off ITER order in the prior period, orders grew by £47.8 million or 51.1%.

Revenues in the half year grew by 22.0% (£20.4 million) to £113.2 million. Favourable foreign currency exchange rate movements contributed £2.9 million, while pricing negatively impacted the total by £1.5 million. As a result, volume growth was 20.5%. In our Nanotechnology Tools division which had been less affected by the global downturn and therefore has a stronger comparator period, sales grew by 13.1% while the Industrial Products division continued the recovery seen in the second half of last year with growth of 40.1%. This was helped by the first shipment of superconducting wire to the ITER programme. Service revenues grew by 17.1% on the back of a strong performance from our Austin Scientific business and a more general willingness in the market to renew service contracts.

Gross margins rose from 42.1% to 43.1%, helped by favourable movements in the exchange rates between sterling and the US dollar, euro and yen.

Constant currency operating expenses increased by £4.2 million, partly due to the growth in variable overhead costs as a result of higher volumes and partly due to investment for the future; R&D spend was increased by £1.1 million and a further £1.0 million was spent on ITER start-up costs. Translational foreign exchange effects added £0.5 million, resulting in a net increase of £4.7 million in reported operating expenses.

Trading profit increased by £7.8 million to £11.9 million. The net interest charge on debt increased by £0.2 million to £0.8 million, and net interest on the pension fund reduced by £0.2 million, resulting in a rise in adjusted profit before tax (note 2) of £7.8 million to £10.6 million. A significant proportion of this increase is due to better transactional foreign exchange rates. We believe that the majority of transactional foreign exchange benefit for the year has been realised in the first half. This, combined with improved operational efficiencies, should result in first and second half performance being more evenly balanced.

The ability to utilise brought forward tax losses in the UK reduced the underlying effective tax rate to 20% (2009: 29%). This combined with the increase in adjusted profit before tax resulted in an increase in adjusted earnings per share (EPS) of 13.3 pence to 17.4 pence. Reported EPS increased by 12.4 pence to 20.7 pence.

In July the Group ceased future accrual for those employees who were members of our UK and US defined benefit pension schemes. This resulted in a one-off credit of £3.8 million which is being treated as an exceptional profit item.

During the period it was decided that the relocation of our Yatton site will not take place as originally planned. Due to the exceptional growth of the Plasma Technology business the site which had been selected is now too small and a new location is therefore being sought. As a result, £0.6 million of costs relating to the move have been written off as an exceptional item.

Amortisation of acquired intangibles fell to £1.8 million (2009: £2.2 million) and a credit of £1.2 million (2009: credit £5.5 million) was recorded in respect of mark-to-market adjustments resulting from our policy of not applying hedge accounting to our foreign currency financial instruments.

Reported profit before tax was £13.2 million (2009: £5.7 million).

At the period end net debt was £3.9 million (31 March 2010: £10.4 million, 2009: £29.6 million). Cash generated in the period was £6.5 million (2009: £1.3 million outflow). The Group has a committed £50 million revolving credit facility with a club of banks which expires in July 2012.

As calculated under IAS19, the defined benefit pension deficit has decreased by £5.2 million to £29.9 million since 31 March 2010. Assets have grown by 4% to £164.6 million while liabilities have increased by 1% to £194.5 million due mainly to the reduction in corporate bond yields which are used to discount liabilities. The cessation of future accrual discussed above and the Government's decision to move from RPI to CPI as the measure of inflation used in pension calculations offset the overall increase in liabilities by £11.7 million.

The Directors have declared an interim dividend of 2.52 pence, 5% higher than the previous year, payable on 7 April 2011 to shareholders who are on the register on 4 March 2011.

Nanotechnology Tools

Our Nanotechnology Tools sector comprises the Group's NanoAnalysis, Plasma Technology and NanoScience businesses. These businesses produce instruments and systems for our customers working in scientific research and with the most advanced industrial processes. The sector produced revenues of £49.2 million (2009: £43.5 million) and a profit of £5.8 million (2009: £2.1 million).

Our NanoAnalysis business produces equipment that enables customers using electron microscopes to gain precise chemical and structural data. Our instruments are used in a broad range of applications. For example, geologists use the technique to determine the origin of rocks for commercial and academic purposes. Our X-Max detector dominates the market for this type of product. Our new version of X-Max, aimed at the highest end of the electron microscope market, has been a success with sales exceeding our expectations. Overall the electron microscope market is recovering and this growth has further improved the addressable market for this business.

Operational Review (continued)

Our Plasma Technology business provides tools for nanotechnological fabrication for a range of emerging industries. This business has seen strong demand across its full range of products. Demand for products used in the fabrication of high brightness light emitting diodes (HBLED), used in computer displays and television screens, continues to be particularly strong. This demand is led from Asia which now constitutes 60% of turnover for Plasma Technology. The business' improved performance is due to the wide range of applications that can be run on our tools and our worldwide service capability which enables us to access the market for production tools more effectively than before. This year, our capabilities have been further enhanced by the establishment of technology partnerships with Southampton University and the Taiwanese nanotechnology institute, ITRI.

Our NanoScience business produces equipment to work at very high magnetic fields and extremely low temperatures. Customers are principally from the research and academic community who work at the frontiers of science in areas such as quantum information processing. For example, our equipment is used by this year's winner of the Nobel Prize for Physics, Professor Kostya Novoselov from the University of Manchester, who is researching the properties of the new nano-material graphene. Sales of our dilution refrigerators continue to be strong and to dominate the market for low temperature research equipment. We are increasingly introducing "dry" products which can reach very low temperatures without the use of liquid helium. The latest product in this range is the cryogen-free SpectromagCF, which allows optical measurements on samples under simultaneous high magnetic field and very low temperatures. Research in this field may lead to advances in ultra fast electronics.

Industrial Products

The Industrial Products sector contains our Industrial Analysis, Magnetic Resonance and Superconducting Wire businesses. The revenue and profits in the half year were £43.3 million (2009: £30.9 million) and £2.0 million (2009: £0.7 million loss) respectively. This sector recovered strongly in the half year and benefited from increased demand and improved internal efficiency.

Our Industrial Analysis business produces analytical equipment for quality control and environmental monitoring in the industrial sector. For example, our X-MET handheld X-ray fluorescence instrument can be used for identifying hazardous substances in soil, in situations such as the recent toxic chemical leak in Hungary. Demand has increased significantly over the past twelve months and is now running ahead of pre-recession levels. Current high levels of demand may be in some part a result of the release of a backlog of capital investments which had been delayed during the recession. This business is showing significantly improved profitability in the year, driven by the restructuring carried out in 2008/09 and strong demand. In some areas rapid growth has taxed our supply chain and investment has been made in supplier development to ensure that we can fully meet the foreseen demand.

Our Magnetic Resonance business produces bench top instruments for industrial quality control and the analysis of rock cores for the oil industry. This business has seen increased orders. In particular our seed analysers are selling well in emerging nations and our spin finish products for the fabrics industry have shown strong growth. We have just launched new hardware which will provide world leading performance in the analysis of tightly bound rocks, which is increasingly important in the oil and gas industry as they seek out new reserves in more challenging environments.

Our Superconducting Wire business is the leading provider of commercial superconducting wire for the MRI body scanner market. We are seeing strong demand from all our major customers driven by new higher magnetic field versions of MRI scanners, which require up to three times as much superconducting wire for each instrument. We have put in place additional capacity to cope with this demand. We are now providing wire to all the major MRI manufacturers. In addition to the MRI wire business, we have made our first deliveries of superconducting wire to the ITER programme. ITER is a multinational carbon free energy programme being undertaken in Cadarache, France. Further deliveries to the ITER programme will be made in the second half of the year and in the following three years.

Operational Review (continued)

Service

Our Service business includes activities in the United States and Japan servicing MRI machines and the Austin Scientific business in the USA. In addition the aftermarket revenues associated with our two manufacturing sectors are reported under this sector. Sales in the half year were £21.9 million (2009: £18.7 million) and profits £4.1 million (2009: £2.7 million).

Austin Scientific had a particularly strong half year. Significant orders were won from manufacturers of photovoltaic devices who use our equipment as part of the fabrication process. In Japan our Service business is performing well with strong user demand for our Cryocare MRI service contracts. MRI service demand in the USA is less strong as smaller healthcare providers are still suffering from recessionary pressure.

The aftermarket revenues associated with our two manufacturing sectors are split into three main revenue streams: service contracts, billable service and spare parts/consumables. All three revenue streams are performing well with particular growth coming from contract sales, especially in the USA. We are also seeing increasing service revenues from Asia. This growth has been supported by the recruitment of additional service sales staff and a more focused approach towards after-sales care.

Sustainability

Our Sustainability programme has a high profile across the Group. Every site has an Energy Champion and each location has developed a set of plans and actions to reduce energy consumption. We continue to improve the energy efficiency of our sites through investments in new infrastructure such as instant heat boilers for hot water, voltage power optimisation, automatic meter reading for all utilities and new air conditioning chillers. These investments reduce our energy costs and underline our commitment to a sustainable future. In the UK we are participating in the Government's Carbon Reduction Commitment Energy Efficiency Scheme (CRC). At the beginning of the year we set a target of a 5% reduction in energy consumption as a percentage of sales. Our teams have achieved an 11% reduction in electricity consumed as a percentage of sales in the first half of this financial year.

People

Our technically skilled and committed workforce has again delivered against demanding targets. Our recent improved performance is a testament to their wholehearted support for Oxford Instruments. Our thanks go to the whole team.

Outlook

The Group has delivered an excellent first half result. This performance resulted from new products, operational improvements, a strong recovery in industrial markets and favourable currency movements. The bulk of the transactional currency movements expected for the full year have been achieved in the first half. This, combined with the operational improvements, will yield more equally balanced first and second half trading.

Our order book is at a record high and current levels of customer interest indicate that demand will continue to be strong for the remainder of the current financial year. We are actively pursuing acquisition targets that have the potential to enhance value and our technical capabilities. We remain confident in the continued growth prospects of Oxford Instruments and our ability to produce sustained shareholder value.

Nigel Keen	**Jonathan Flint**
Chairman	Chief Executive
16 November 2010	

Condensed Consolidated Statement of Income half year ended 30 September 2010 – unaudited

	Notes	**Half year to 30 Sept 2010 £m**	Half year to 30 Sept 2009 £m	*Year to 31 March 2010 £m*
Revenue	3	**113.2**	92.8	*211.5*
Cost of sales		**(64.4)**	(53.7)	*(120.9)*
Gross profit		**48.8**	39.1	*90.6*
Trading expenses excluding cost of sales	4	**(36.9)**	(35.0)	*(75.9)*
Trading profit	3	**11.9**	4.1	*14.7*
Other operating income	6	**3.8**	-	*-*
Reorganisation costs and impairment	7	**(0.6)**	(0.4)	*(0.4)*
Amortisation of acquired intangibles		**(1.8)**	(2.2)	*(4.1)*
Operating profit		**13.3**	1.5	*10.2*
Bank interest receivable		**0.1**	-	*-*
Expected return on pension scheme assets		**4.8**	3.8	*7.9*
Mark to market gain in respect of derivative financial instruments		**1.2**	5.5	*10.7*
Financial income		**6.1**	9.3	*18.6*
Interest payable on bank loans and overdrafts		**(0.9)**	(0.6)	*(1.3)*
Interest charge on pension scheme liabilities		**(5.3)**	(4.5)	*(9.4)*
Financial expenditure		**(6.2)**	(5.1)	*(10.7)*
Profit before income tax		**13.2**	5.7	*18.1*
Income tax expense	8	**(3.0)**	(1.6)	*(4.8)*
Profit for the period attributable to equity shareholders of the parent		**10.2**	4.1	*13.3*

		pence	pence	*pence*
Earnings per share				
Basic earnings per share	9	**20.7**	8.3	*27.2*
Diluted earnings per share	9	**20.3**	8.2	*27.1*
Dividends per share				
Dividends paid	10	**2.40**	2.40	*8.40*
Dividends proposed	10	**2.52**	2.40	*8.40*

Adjusted profit before tax is calculated as follows

		£m	£m	*£m*
Profit before income tax		**13.2**	5.7	*18.1*
Other operating income		**(3.8)**	-	*-*
Reorganisation costs and impairment		**0.6**	0.4	*0.4*
Amortisation of acquired intangibles		**1.8**	2.2	*4.1*
Mark to market gain in respect of derivative financial instruments		**(1.2)**	(5.5)	*(10.7)*
Adjusted profit before tax		**10.6**	2.8	*11.9*

		pence	pence	*pence*
Adjusted earnings per share				
Basic earnings per share	9	**17.4**	4.1	*17.8*
Diluted earnings per share	9	**17.1**	4.1	*17.8*

Condensed Consolidated Statement of Comprehensive Income half year ended 30 September 2010 - unaudited

	Half year to 30 Sept 2010 £m	Half year to 30 Sept 2009 £m	*Year to 31 March 2010 £m*
Profit for the period attributable to equity shareholders of the parent	**10.2**	4.1	*13.3*
Other comprehensive expense			
Foreign exchange translation differences	**(1.1)**	(4.1)	*(3.8)*
Actuarial loss in respect of retirement benefit obligations	**(1.6)**	(15.6)	*(22.8)*
Net profit on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	**0.1**	0.9	*0.8*
Tax on items recognised directly in equity	**0.5**	4.1	*6.1*
Total other comprehensive expense	**(2.1)**	(14.7)	*(19.7)*
Total comprehensive income/(expense) for the period attributable to equity shareholders of the parent	**8.1**	(10.6)	*(6.4)*

Condensed Consolidated Statement of Changes in Equity half year ended 30 September 2010 - unaudited

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2010	2.5	21.6	0.2	4.1	23.8	52.2
Total comprehensive income/(expense) attributable to equity shareholders of the parent	-	-	0.1	(1.1)	9.1	8.1
Transactions recorded directly in equity:						
- Credit in respect of employee service costs settled by award of share options	-	-	-	-	0.2	0.2
- Proceeds from shares issued	-	0.3	-	-	-	0.3
- Dividends paid	-	-	-	-	(1.2)	(1.2)
Total contributions by and distributions to equity shareholders	-	0.3	-	-	(1.0)	(0.7)
Balance at 30 September 2010	**2.5**	**21.9**	**0.3**	**3.0**	**31.9**	**59.6**

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2009	2.5	21.3	(0.3)	7.9	30.5	61.9
Total comprehensive income/(expense) attributable to equity shareholders of the parent	-	-	0.6	(4.1)	(7.1)	(10.6)
Transactions recorded directly in equity:						
- Credit in respect of employee service costs settled by award of share options	-	-	-	-	0.2	0.2
- Dividends paid	-	-	-	-	(1.2)	(1.2)
Total contributions by and distributions to equity shareholders	-	-	-	-	(1.0)	(1.0)
Balance at 30 September 2009	2.5	21.3	0.3	3.8	22.4	50.3

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2009	*2.5*	*21.3*	*(0.3)*	*7.9*	*30.5*	*61.9*
Total comprehensive income/(expense) attributable to equity shareholders of the parent	-	-	*0.5*	*(3.8)*	*(3.1)*	*(6.4)*
Transactions recorded directly in equity:						
- Credit in respect of employee service costs settled by award of share options	-	-	-	-	*0.5*	*0.5*
- Proceeds from shares issued	-	*0.3*	-	-	-	*0.3*
- Dividends paid	-	-	-	-	*(4.1)*	*(4.1)*
Total contributions by and distributions to equity shareholders	-	*0.3*	-	-	*(3.6)*	*(3.3)*
Balance at 31 March 2010	*2.5*	*21.6*	*0.2*	*4.1*	*23.8*	*52.2*

Condensed Consolidated Statement of Financial Position as at 30 September 2010 – unaudited

	As at 30 Sept 2010 £m	As at 30 Sept 2009 £m	*As at 31 March 2010 £m*
Assets			
Non-current assets			
Property, plant and equipment	**22.2**	22.4	*22.8*
Intangible assets	**46.1**	51.3	*49.3*
Deferred tax assets	**12.3**	13.2	*12.9*
	80.6	86.9	*85.0*
Current assets			
Inventories	**48.1**	38.4	*39.3*
Trade and other receivables	**48.9**	45.7	*60.2*
Current income tax recoverable	**1.1**	0.3	*0.9*
Derivative financial instruments	**1.3**	2.0	*0.8*
Cash and cash equivalents	**17.2**	3.8	*11.2*
	116.6	90.2	*112.4*
Total assets	**197.2**	177.1	*197.4*

Equity			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	**2.5**	2.5	*2.5*
Share premium	**21.9**	21.3	*21.6*
Other reserves	**0.3**	0.3	*0.2*
Translation reserve	**3.0**	3.8	*4.1*
Retained earnings	**31.9**	22.4	*23.8*
	59.6	50.3	*52.2*
Liabilities			
Non-current liabilities			
Bank loans	**19.6**	30.8	*19.6*
Other payables	**0.8**	0.8	*0.9*
Retirement benefit obligations	**29.9**	29.3	*35.1*
Deferred tax liabilities	**6.1**	6.3	*6.7*
	56.4	67.2	*62.3*
Current liabilities			
Bank loans	**0.1**	0.1	*0.1*
Bank overdrafts	**1.4**	2.5	*1.9*
Trade and other payables	**68.9**	42.4	*69.1*
Current income tax payables	**4.3**	1.8	*2.6*
Derivative financial instruments	**1.7**	8.3	*4.3*
Provisions	**4.8**	4.5	*4.9*
	81.2	59.6	*82.9*
Total liabilities	**137.6**	126.8	*145.2*
Total liabilities and equity	**197.2**	177.1	*197.4*

Condensed Consolidated Statement of Cash Flows half year ended 30 September 2010 – unaudited

	Half year to 30 Sept 2010 £m	Half year to 30 Sept 2009 £m	*Year to 31 March 2010 £m*
Profit for the period	**10.2**	4.1	*13.3*
Adjustments for:			
Income tax expense	**3.0**	1.6	*4.8*
Net financial expense/(income)	**0.1**	(4.2)	*(7.9)*
Other operating income	**(3.8)**	-	*-*
Reorganisation costs and impairment	**0.6**	0.4	*0.4*
Amortisation of acquired intangibles	**1.8**	2.2	*4.1*
Depreciation of property, plant and equipment	**1.7**	1.8	*3.8*
Amortisation of capitalised development costs	**2.0**	1.9	*4.0*
Earnings before interest, tax, depreciation and amortisation	**15.6**	7.8	*22.5*
Cost of equity settled employee share schemes	**0.2**	0.2	*0.5*
Restructuring costs paid	**-**	(2.9)	*(3.2)*
Cash payments to the pension scheme more than the charge to the income statement	**(3.5)**	(1.1)	*(3.4)*
Operating cash flows before movements in working capital	**12.3**	4.0	*16.4*
Increase in inventories	**(9.7)**	(0.6)	*(0.4)*
Decrease/(increase) in receivables	**11.3**	11.0	*(3.7)*
(Decrease)/increase in payables and provisions	**(4.7)**	(5.9)	*11.2*
Increase/(decrease) in customer deposits	**2.9**	(1.9)	*9.3*
Cash generated by operations	**12.1**	6.6	*32.8*
Interest paid	**(0.4)**	(0.6)	*(1.1)*
Income taxes paid	**(0.7)**	(0.6)	*(0.6)*
Net cash from operating activities	**11.0**	5.4	*31.1*
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**0.1**	0.1	*0.2*
Proceeds from sale of available for sale equity securities	**-**	-	*0.7*
Acquisition of subsidiaries, net of cash acquired	**(0.1)**	(2.3)	*(2.4)*
Acquisition of property, plant and equipment	**(2.1)**	(1.4)	*(3.6)*
Capitalised development expenditure	**(1.6)**	(1.9)	*(4.0)*
Net cash used in investing activities	**(3.7)**	(5.5)	*(9.1)*
Cash flows from financing activities			
Proceeds from issue of share capital	**0.3**	-	*0.3*
Repayment of borrowings	**-**	(1.0)	*(12.2)*
Dividends paid	**(1.2)**	(1.2)	*(4.1)*
Net cash from financing activities	**(0.9)**	(2.2)	*(16.0)*
Net increase/(decrease) in cash and cash equivalents	**6.4**	(2.3)	*6.0*
Cash and cash equivalents at beginning of the period	**9.3**	3.6	*3.6*
Effect of exchange rate fluctuations on cash held	**0.1**	-	*(0.3)*
Cash and cash equivalents at end of the period	**15.8**	1.3	*9.3*

Reconciliation of changes in cash and cash equivalents to movement in net debt

Increase/(decrease) in cash and cash equivalents	**6.4**	(2.3)	*6.0*
Effect of foreign exchange rate changes on cash and cash equivalents	**0.1**	-	*(0.3)*
	6.5	(2.3)	*5.7*
Cash outflow from decrease in debt	**-**	1.0	*12.2*
Movement in net borrowings in the period	**6.5**	(1.3)	*17.9*
Net borrowing at start of the period	**(10.4)**	(28.3)	*(28.3)*
Net borrowing at the end of the period	**(3.9)**	(29.6)	*(10.4)*

Notes on the Half Year Financial Statements

Half year ended 30 September 2010 – unaudited

1 BASIS OF PRESENTATION OF ACCOUNTS

Oxford Instruments plc (the Company) is a company incorporated in England and Wales. The condensed consolidated half year financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group). They have been prepared and approved by the Directors 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 2010.

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 2010, except as noted below.

The financial information contained herein is unaudited and does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006. The comparative figures for the financial year ended 31 March 2010 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 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated half year financial statements have been prepared on a going concern basis, based on the Directors' opinion, after making reasonable enquiries, that the Group has adequate resources to continue in operational existence for the foreseeable future.

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

Period end rates	**Half year to 30 Sept 2010**	Half year to 30 Sept 2009	*Year to 31 March 2010*
US Dollar	**1.58**	1.60	*1.52*
Euro	**1.15**	1.09	*1.12*
Yen	**131**	143	*142*

Average translation rates	US Dollar	Euro	Yen
Half year to 30 September 2010			
Quarter 1	**1.50**	**1.17**	**138**
Quarter 2	**1.55**	**1.20**	**133**
Year to 31 March 2010			
Quarter 1	*1.55*	*1.13*	*150*
Quarter 2	*1.64*	*1.14*	*153*
Quarter 3	*1.62*	*1.11*	*145*
Quarter 4	*1.56*	*1.12*	*142*

2 NON GAAP MEASURES

The Directors present the following non-GAAP measure as they believe it gives a better indication of the underlying performance of the business.

RECONCILIATION BETWEEN PROFIT BEFORE INCOME TAX AND ADJUSTED PROFIT

	Half year to 30 Sept 2010 £m	Half year to 30 Sept 2009 £m	*Year to 31 March 2010 £m*
Profit before income tax	**13.2**	5.7	*18.1*
Other operating income	**(3.8)**	-	*-*
Reorganisation costs and impairment	**0.6**	0.4	*0.4*
Amortisation of acquired intangibles	**1.8**	2.2	*4.1*
Mark to market gain in respect of derivative financial instruments	**(1.2)**	(5.5)	*(10.7)*
Adjusted profit before income tax	**10.6**	2.8	*11.9*
Share of taxation	**(2.1)**	(0.8)	*(3.2)*
Adjusted profit	**8.5**	2.0	*8.7*

Adjusted earnings per share	**pence**	pence	*pence*
Basic	**17.4**	4.1	*17.8*
Diluted	**17.1**	4.1	*17.8*

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

3 SEGMENT INFORMATION

Information is presented in the condensed consolidated half year financial statements in respect of the Group's three business segments. These segments are Nanotechnology Tools, Industrial Products and Service. The Nanotechnology Tools segment consists of the Group's highest technology assets and is characterised by a high degree of customisation and high unit price. The Industrial Products segment contains businesses that carry out medium volume production of high technology products for industrial customers. The Service segment contains the Group's service businesses as well as service revenues from the service activities from other parts of the Group.

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 2010

	Nanotechnology Tools £m	**Industrial Products £m**	**Service £m**	**Total £m**
External revenue	**49.0**	**42.3**	**21.9**	**113.2**
Inter-segment revenue	**0.2**	**1.0**	**-**	
Total segment revenue	**49.2**	**43.3**	**21.9**	
Segment trading profit	**5.8**	**2.0**	**4.1**	**11.9**

Half year to 30 September 2009

	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	43.3	30.8	18.7	92.8
Inter-segment revenue	0.2	0.1	-	
Total segment revenue	43.5	30.9	18.7	
Segment trading profit/(loss)	2.1	(0.7)	2.7	4.1

Year to 31 March 2010

	Nanotechnology Tools £m	*Industrial Products £m*	*Service £m*	*Total £m*
External revenue	*101.5*	*71.0*	*39.0*	*211.5*
Inter-segment revenue	*0.3*	*1.1*	*-*	
Total segment revenue	*101.8*	*72.1*	*39.0*	
Segment trading profit	*8.2*	*1.0*	*5.5*	*14.7*

Reconciliation of reportable segment profit

	Half year to 30 Sept 2010 £m	Half year to 30 Sept 2009 £m	*Year to 31 March 2010 £m*
Profit for reportable segments	**11.9**	4.1	*14.7*
Other operating income	**3.8**	-	*-*
Reorganisation costs and impairment	**(0.6)**	(0.4)	*(0.4)*
Amortisation of acquired intangibles	**(1.8)**	(2.2)	*(4.1)*
Financial income	**6.1**	9.3	*18.6*
Financial expenditure	**(6.2)**	(5.1)	*(10.7)*
Profit before income tax	**13.2**	5.7	*18.1*

4 TRADING EXPENSES EXCLUDING COST OF GOODS SOLD

	Half year to 30 Sept 2010 £m	Half year to 30 Sept 2009 £m	*Year to 31 March 2010 £m*
Selling and marketing costs	**19.1**	17.4	*36.1*
Administration and shared services	**10.9**	9.0	*20.0*
Research and development (note 5)	**6.9**	5.8	*13.1*
Foreign exchange loss	**-**	2.8	*6.7*
	36.9	35.0	*75.9*

5 RESEARCH AND DEVELOPMENT

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

	Half year to 30 Sept 2010 £m	Half year to 30 Sept 2009 £m	*Year to 31 March 2010 £m*
Total cash spent on research and development during the period	**6.5**	5.8	*13.1*
Less: amount capitalised	**(1.6)**	(1.9)	*(4.0)*
Add: amortisation of amounts previously capitalised	**2.0**	1.9	*4.0*
Research and development charged to income statement	**6.9**	5.8	*13.1*

6 OTHER OPERATING INCOME

	Half year to 30 Sept 2010 £m	Half year to 30 Sept 2009 £m	*Year to 31 March 2010 £m*
Curtailment gains	**3.8**	-	-

During the period, the Group's defined benefit pension schemes in the UK and US were closed to future accrual. This gave rise to a curtailment gain under IAS 19 as the majority of active members' accrued benefits are no longer linked to future salary growth.

7 REORGANISATION COSTS AND IMPAIRMENT

	Half year to 30 Sept 2010 £m	Half year to 30 Sept 2009 £m	*Year to 31 March 2010 £m*
Impairment of carrying value of assets	**(0.6)**	-	-
Restructuring costs	**-**	(0.4)	*(0.4)*
	(0.6)	(0.4)	*(0.4)*

During the period, the Group recognised an impairment charge of £0.6m against costs capitalised in relation to the planned site move of the Plasma Technology business in the UK. This move will now not take place in the form originally planned.

In the year to 31 March 2010, the Group concluded the restructuring programme started in the previous year. This resulted in additional redundancy and related costs at sites in Japan, France, Finland and the UK.

8 TAXATION

The total effective tax rate on profits for the half year is 23% (2009: 28%). The weighted average tax rate (excluding deferred taxation in respect of mark to market gains/losses arising from derivatives, amortisation of acquired intangibles, reorganisation costs and other operating income) for the half year is 20% (2009: 29%).

The Group estimates that its full year weighted average tax rate (excluding deferred taxation in respect of mark to market gains/losses arising from derivatives, amortisation of acquired intangibles, reorganisation costs and other operating income) will be 20% (2009: 29%).

9 EARNINGS PER SHARE

a) Unadjusted

The earnings per share is as follows:

	Half year to 30 Sept 2010 pence	Half year to 30 Sept 2009 pence	*Year to 31 March 2010 pence*
Basic	**20.7**	8.3	*27.2*
Diluted	**20.3**	8.2	*27.1*

b) Adjusted

The earnings per share before other operating income, amortisation of acquired intangibles, reorganisation costs and impairment, and mark to market gains or losses in respect of certain derivatives is as follows:

	Half year to 30 Sept 2010 pence	Half year to 30 Sept 2009 pence	*Year to 31 March 2010 pence*
Basic	**17.4**	4.1	*17.8*
Diluted	**17.1**	4.1	*17.8*

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 2010 Shares million	Half year to 30 Sept 2009 Shares million	*Year to 31 March 2010 Shares million*
Weighted average number of shares outstanding	**49.4**	49.4	*49.4*
Less: weighted average number of shares held by Employee Share Ownership Trust	**(0.5)**	(0.6)	*(0.5)*
Weighted average number of shares used in calculation of earnings per share	**48.9**	48.8	*48.9*

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 2010 Shares million	Half year to 30 Sept 2009 Shares million	*Year to 31 March 2010 Shares million*
Number of ordinary shares per basic earnings per share calculations	**48.9**	48.8	*48.9*
Effect of shares under option	**1.1**	0.2	*0.3*
Number of ordinary shares per diluted earnings per share calculations	**50.0**	49.0	*49.2*

10 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group:

	Half year to 30 Sept 2010 pence	Half year to 30 Sept 2009 pence	*Year to 31 March 2010 pence*
Previous period interim dividend	**2.40**	2.40	*2.40*
Previous period final dividend	**-**	-	*6.00*
	2.40	2.40	*8.40*

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

	Half year to 30 Sept 2010 pence	Half year to 30 Sept 2009 Pence	*Year to 31 March 2010 pence*
Interim dividend	**2.52**	2.40	*2.40*
Final dividend	**-**	-	*6.00*
	2.52	2.40	*8.40*

The interim dividend for the year to 31 March 2011 of 2.52 pence was approved by the Board on 16 November 2010 and has not been included as a liability as at 30 September 2010. The interim dividend will be paid on 7 April 2011 to shareholders on the register at the close of business on 4 March 2011.

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 Kevin Boyd Group Finance Director
16 November 2010

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 13 of its 2010 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. These include technical risks associated with developing advanced technologies, foreign exchange and commodity risks, risks in relation to the availability of and integration of acquisition targets, the risk of supply chain failures through outsourcing and the risk of fluctuations in the reported pension deficit due to changes in actuarial assumptions. 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 Year Report, together with an indication if management is aware of any likely change in this situation.

Independent Review Report by KPMG Audit Plc to Oxford Instruments plc

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 2010 which comprises the Condensed Consolidated Statement of Income, the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated 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 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

S Haydn-Jones
for and on behalf of KPMG Audit Plc
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham, B4 6GH
16 November 2010

Oxford Instruments plc
Tubney Woods, Abingdon
Oxon OX13 5QX, UK
Tel +44 (0) 1865 393200
Fax +44 (0) 1865 393442
email info.oiplc@oxinst.com

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