

# Interim report 2008

## Financial highlights

	<b>6 months to 31st December 2007 £'000</b>	6 months to 31st December 2006 £'000	change %	Year ended 30th June 2007 £'000
Revenue	<b>91,640</b>	87,120	+5%	180,883
Operating profit excluding exceptional item (see note)	<b>13,164</b>	12,013	+10%	29,729
Profit before taxation excluding exceptional item (see note)	<b>15,062</b>	13,513	+11%	32,672
Adjusted earnings per share (see note)	<b>16.6p</b>	14.9p	+11%	35.9p
Proposed dividend per share	<b>7.76p</b>	7.05p	+10%	22.87p

**Note:**

The exceptional item occurred in the second half of the year ended 30th June 2007 and comprised the pension curtailment credit of £19,460,000, with a related tax charge of £5,449,000. The results above for the year ended 30th June 2007 exclude this exceptional item. Adjusted earnings per share for the year ended 30th June 2007 also excludes the exceptional item.

## Half year management report

### Chairman's statement

I am pleased to report Renishaw's results for the first six months of the current year ended 31st December 2007.

As anticipated at the AGM last October, performance has continued to improve throughout the first six months with revenue increasing by 5% to £91.6m (2006 £87.1m). At constant exchange rates, revenue would have been £1.9m higher, an increase of 7% reflecting good progress in our major geographic markets, particularly the Far East. Within the product mix, there was above-average growth in laser and calibration, machine tool and styli products, if partly offset by lower revenue from spectroscopy and dental products.

Operating profit rose 9.5% to £13.2m (2006 £12.0m). At constant exchange rates the operating profit would have increased to approximately £15.0m, an increase of 25%. Profit before tax increased 11.4% to £15.1m (2006 £13.5m). Profit after tax amounted to £12.1m (2006 £10.8m), resulting in earnings per share up 11.4% to 16.6p (2006 14.9p).

A high level of research and development remains integral to Renishaw's progress; research and development, including associated engineering costs, during the period amounted to £15.6m (2006 £14.8m). During this half year we have particularly focussed on the large number of new products recently introduced.

The recent and very positive response to REVO™ from the aerospace and automotive sectors has reinforced our belief in the Group's current approach to the market. In addition to new sales, the opportunity for significant growth of the retrofit market for REVO™ is currently being discussed with our OEM customers, with a view to maximising the market potential.

Net cash balances at 31st December 2007 were £16.4m (30th June 2007 £20.8m). Policies have been revised to reduce the level of investment in Group inventory, which at 31st December 2007 stood at £35.1m (30th June 2007 £36.2m). Capital expenditure during the six months reduced to £2.7m (2006 £5.5m).

Management is continuing to concentrate on the Group's cost base and operating margins.

Whilst performance has improved during the first half, we still expect continuing and improved performance in the second half, aided by resumed orders from a major Japanese customer for its own export sales, growing orders for new products especially the REVO™ and the current weakness of sterling. The principal risks remain substantially the same as those referred to in last year's Annual report.

An interim dividend of 7.76p (2007 7.05p) per share, an increase of 10%, will be paid on 7th April 2008 to shareholders on the register on 7th March 2008.



Sir David R McMurtry CBE RDI CEng FIMechE FREng  
Chairman & Chief Executive  
23rd January 2008

## Consolidated income statement

Unaudited

		<b>6 months to 31st December 2007 £'000</b>	6 months to 31st December 2006 £'000	Audited Year ended 30th June 2007 £'000
	Notes			
<b>Revenue</b>	2	<b>91,640</b>	87,120	180,883
Cost of sales		<b>(52,006)</b>	(48,128)	(97,899)
<b>Gross profit</b>		<b>39,634</b>	38,992	82,984
Distribution costs		<b>(16,540)</b>	(16,407)	(32,911)
Administrative expenses		<b>(9,930)</b>	(10,572)	(20,344)
Exceptional pension curtailment credit		-	-	19,460
<b>Operating profit</b>		<b>13,164</b>	12,013	49,189
Financial income	3	<b>4,437</b>	3,978	8,180
Financial expenses	3	<b>(2,539)</b>	(2,478)	(5,237)
<b>Profit before tax</b>		<b>15,062</b>	13,513	52,132
Income tax expense	4	<b>(3,012)</b>	(2,703)	(11,981)
<b>Profit for the period attributable to the equity holders of the parent company</b>		<b>12,050</b>	10,810	40,151
		<b>pence</b>	pence	pence
<b>Dividend per share arising in respect of the period</b>	8	<b>7.76</b>	7.05	22.87
<b>Earnings per share (basic and diluted)*</b>	5	<b>16.6</b>	14.9	55.2

\* Earnings per share for the year ended 30th June 2007 includes the exceptional pension curtailment credit. Adjusted earnings per share, which excludes this item, was 35.9p

## Consolidated balance sheet

Unaudited

		At 31st December 2007 £'000	At 31st December 2006 £'000	Audited At 30th June 2007 £'000
	Notes			
<b>Assets</b>				
Property, plant and equipment	6	69,592	69,779	69,460
Intangible assets	7	15,559	13,654	13,811
Investments in associates		6,931	908	6,972
Deferred tax assets		5,453	14,633	4,733
Employee benefits		5,365	-	5,562
<b>Total non-current assets</b>		<b>102,900</b>	<b>98,974</b>	<b>100,538</b>
<b>Current assets</b>				
Inventories		35,100	30,995	36,178
Trade receivables		38,002	32,814	37,880
Current tax		557	298	323
Other receivables		4,990	7,656	6,482
Cash and cash equivalents		16,399	26,549	20,761
<b>Total current assets</b>		<b>95,048</b>	<b>98,312</b>	<b>101,624</b>
<b>Current liabilities</b>				
Trade payables		8,979	10,926	11,223
Current tax		1,985	2,177	1,315
Provisions		778	891	693
Other payables		7,209	6,463	8,779
<b>Total current liabilities</b>		<b>18,951</b>	<b>20,457</b>	<b>22,010</b>
<b>Net current assets</b>		<b>76,097</b>	<b>77,855</b>	<b>79,614</b>
<b>Non-current liabilities</b>				
Employee benefits		-	32,058	-
Deferred tax liabilities		11,996	11,756	12,152
<b>Total non-current liabilities</b>		<b>11,996</b>	<b>43,814</b>	<b>12,152</b>
<b>Total assets less total liabilities</b>		<b>167,001</b>	<b>133,015</b>	<b>168,000</b>
<b>Equity</b>				
Share capital	8	14,558	14,558	14,558
Share premium	8	42	42	42
Currency translation reserve	8	907	(129)	(210)
Cash flow hedging reserve	8	96	2,365	1,845
Retained earnings	8	151,398	116,179	151,765
<b>Total equity attributable to the equity holders of the parent company</b>		<b>167,001</b>	<b>133,015</b>	<b>168,000</b>

## Consolidated statement of cash flow

Unaudited

	6 months to 31st December 2007 £'000	6 months to 31st December 2006 £'000	Audited Year ended 30th June 2007 £'000
<b>Cash flows from operating activities</b>			
Profit for the period	12,050	10,810	40,151
Amortisation of development costs	1,642	1,052	2,038
Amortisation of other intangibles	800	493	1,286
Depreciation	4,033	3,765	7,874
Profit on sale of fixed assets	(10)	(8)	(25)
Share of profits from associates	(160)	-	(64)
Exceptional pension curtailment credit	-	-	(19,460)
Financial income	(4,437)	(3,978)	(8,180)
Financial expenses	2,539	2,478	5,237
Tax expense	3,012	2,703	11,981
	<b>7,419</b>	<b>6,505</b>	<b>687</b>
Decrease/(increase) in inventories	1,078	(2,636)	(7,819)
Decrease/(increase) in trade and other receivables	885	2,471	(2,936)
Decrease in trade and other payables	(4,217)	(2,951)	(336)
Difference between pension service cost and contributions	-	259	(266)
Increase/(decrease) in provisions	85	98	(100)
	<b>(2,169)</b>	<b>(2,759)</b>	<b>(11,457)</b>
Income taxes paid	(2,307)	(2,018)	(7,021)
<b>Cash flows from operating activities</b>	<b>14,993</b>	<b>12,538</b>	<b>22,360</b>
<b>Investing activities</b>			
Purchase of tangible fixed assets	(2,682)	(5,902)	(10,037)
Development costs capitalised	(3,039)	(2,240)	(3,624)
Purchase of other intangibles	(966)	(416)	(865)
Investment in associates, net of dividend received	21	-	(6,110)
Sale of tangible fixed assets	75	93	187
Interest received	721	785	1,710
<b>Cash flows from investing activities</b>	<b>(5,870)</b>	<b>(7,680)</b>	<b>(18,739)</b>
<b>Financing activities</b>			
Interest paid	(84)	(20)	(297)
Dividends paid	(11,515)	(10,969)	(16,101)
<b>Cash flows from financing activities</b>	<b>(11,599)</b>	<b>(10,989)</b>	<b>(16,398)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,476)</b>	<b>(6,131)</b>	<b>(12,777)</b>
Cash and cash equivalents at the beginning of the period	20,761	30,728	30,728
Effect of exchange rate fluctuations on cash held	(1,886)	1,952	2,810
<b>Cash and cash equivalents at the end of the period</b>	<b>16,399</b>	<b>26,549</b>	<b>20,761</b>

## Consolidated statement of recognised income and expense

Unaudited

	<b>6 months to 31st December 2007 £'000</b>	6 months to 31st December 2006 £'000	Audited Year ended 30th June 2007 £'000
Foreign exchange translation differences	1,117	(394)	(475)
Actuarial gain/(loss) in the pension schemes	(1,458)	(13,693)	3,144
Effective portion of changes in fair value of cash flow hedges, net of recycling	(2,429)	511	(304)
Deferred tax on income and expense recognised in equity	1,236	4,014	(1,151)
<b>Profit/(loss) recognised directly in equity</b>	<b>(1,534)</b>	<b>(9,562)</b>	<b>1,214</b>
<b>Profit for the period</b>	<b>12,050</b>	<b>10,810</b>	<b>40,151</b>
<b>Total recognised income and expense for the period attributable to the equity holders of the parent company</b>	<b>10,516</b>	<b>1,248</b>	<b>41,365</b>

## Responsibility statement

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 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.

On behalf of the Board



A C G Roberts FCA  
Group Finance Director and Company Secretary  
23rd January 2008



## Notes

### 1. Status of Interim report and accounting policies

The Interim report, which has not been audited, was approved by the directors on 23rd January 2008.

The Interim report has been prepared in accordance with the EU endorsed standard IAS 34 'Interim Financial Reporting'. This interim financial information has been prepared on the basis of the accounting policies adopted in the most recent annual financial statements, these being for the year ended 30th June 2007, as revised for the implementation of specified new amended endorsed standards or interpretations.

The interim financial information for the six months to 31st December 2007 and the comparative figures for the six months to 31st December 2006 are unaudited. The comparative figures for the financial year ended 30th June 2007 are an abridged version of the 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 unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Given the nature of some forward-looking information included in this report, which the directors have given in good faith, this information should be treated with due caution.

The Interim report has been sent to all shareholders, is available on our website [www.renishaw.com](http://www.renishaw.com) and is available to the public from the registered office.

### 2. Analysis of revenue and result by geographic segments

6 months to 31st December 2007	Continental		Americas	UK and		ROW	Eliminations	Total
	Europe	Far East		Ireland				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	33,166	28,253	21,469	6,248	2,504	-	91,640	
Inter-segment revenue	187	-	-	70,978	1,801	(72,966)	-	
<b>Total revenue</b>	<b>33,353</b>	<b>28,253</b>	<b>21,469</b>	<b>77,226</b>	<b>4,305</b>	<b>(72,966)</b>	<b>91,640</b>	
Segment result	5,052	1,836	627	6,866	743	-	15,124	
Unallocated central corporate costs							(1,960)	
Net financial income							1,898	
Profit before tax							15,062	
6 months to 31st December 2006	Continental		Americas	UK and		ROW	Eliminations	Total
	Europe	Far East		Ireland				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Revenue	31,672	25,766	22,025	5,232	2,425	-	87,120	
Inter-segment revenue	-	-	-	68,981	-	(68,981)	-	
<b>Total revenue</b>	<b>31,672</b>	<b>25,766</b>	<b>22,025</b>	<b>74,213</b>	<b>2,425</b>	<b>(68,981)</b>	<b>87,120</b>	
Segment result	4,091	1,686	914	7,007	160	-	13,858	
Unallocated central corporate costs							(1,845)	
Net financial income							1,500	
Profit before tax							13,513	

## 2. Analysis of revenue and result by geographic segments (continued)

Year ended 30th June 2007	Continental Europe £'000	Far East £'000	Americas £'000	UK and Ireland £'000	ROW £'000	Eliminations £'000	Total £'000
Revenue	67,196	50,736	46,160	11,789	5,002	-	180,883
Inter-segment revenue	458	-	-	141,758	677	(142,893)	-
Total revenue	67,654	50,736	46,160	153,547	5,679	(142,893)	180,883
Segment result	12,407	2,860	2,585	14,770	173	-	32,795
Exceptional pension curtailment credit				19,460			19,460
				34,230			
Unallocated central corporate costs							(3,066)
Net financial income							2,943
Profit before tax							52,132

The following table shows the analysis of revenue by geographical market and the effect of exchange rate changes:

	6 months to 31st December 2007 at actual exchange rates £'000	6 months to 31st December 2006 at actual exchange rates £'000	6 months to 31st December 2007 at previous year's exchange rates £'000
Continental Europe	33,166	31,672	32,769
Far East	28,253	25,766	29,623
North & South America	21,469	22,025	22,470
United Kingdom and Ireland	6,248	5,232	6,248
Other Regions ("ROW")	2,504	2,425	2,439
	91,640	87,120	93,549

## 3. Financial income and expenses

Financial income	6 months to 31st December 2007 £'000	6 months to 31st December 2006 £'000	Year ended 30th June 2007 £'000
Expected return on assets in the pension schemes	3,716	3,190	6,470
Bank interest receivable	721	788	1,710
	4,437	3,978	8,180

### 3. Financial income and expenses (continued)

Financial expenses	6 months to 31st December 2007 £'000	6 months to 31st December 2006 £'000	Year ended 30th June 2007 £'000
Interest on pension scheme liabilities	2,455	2,458	4,940
Bank interest payable	84	20	297
	<b>2,539</b>	<b>2,478</b>	<b>5,237</b>

### 4. Income tax expense

The income tax expense has been estimated at a rate of 20% (December 2006: 20%), the rate expected to be applicable for the full year.

### 5. Earnings per share

Earnings per share are calculated on earnings of £12,050,000 (December 2006: £10,810,000) and on 72,788,543 shares, being the number of shares in issue during the period.

Earnings per share for the year ended 30th June 2007 are calculated on earnings of £40,151,000 and adjusted earnings per share for the year ended 30th June 2007 are calculated on earnings of £26,140,000, after excluding the exceptional pension curtailment credit of £14,011,000, and on 72,788,543 shares, being the number of shares in issue during that year.

### 6. Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Assets in the course of construction £'000	Total £'000
<b>Cost</b>					
At 1st July 2007	54,718	64,560	4,348	958	124,584
Additions	-	1,732	359	591	2,682
Transfers	72	339	-	(411)	-
Disposals	-	(42)	(173)	-	(215)
Currency adjustment	1,666	682	168	-	2,516
At 31st December 2007	<b>56,456</b>	<b>67,271</b>	<b>4,702</b>	<b>1,138</b>	<b>129,567</b>
<b>Depreciation</b>					
At 1st July 2007	9,418	42,769	2,937	-	55,124
Charge for the period	569	3,127	337	-	4,033
Released on disposals	-	(39)	(112)	-	(151)
Currency adjustment	381	489	99	-	969
At 31st December 2007	<b>10,368</b>	<b>46,346</b>	<b>3,261</b>	<b>-</b>	<b>59,975</b>
<b>Net book value</b>					
At 31st December 2007	<b>46,088</b>	<b>20,925</b>	<b>1,441</b>	<b>1,138</b>	<b>69,592</b>
At 30th June 2007	45,300	21,791	1,411	958	69,460

## Interim report 2008

### 7. Intangible assets

	Goodwill on consolidation £'000	Other intangible assets £'000	Internally generated development costs £'000	Software licences		Total £'000
				In use £'000	In the course of acquisition £'000	
<b>Cost</b>						
At 1st July 2007	1,811	1,944	16,858	7,175	39	27,827
Additions	-	945	3,039	21	-	4,005
Transfers	-	-	-	4	(4)	-
Disposals	-	-	-	(7)	-	(7)
Currency adjustment	-	-	-	25	-	25
<b>At 31st December 2007</b>	<b>1,811</b>	<b>2,889</b>	<b>19,897</b>	<b>7,218</b>	<b>35</b>	<b>31,850</b>
<b>Amortisation</b>						
At 1st July 2007	-	265	8,653	5,098	-	14,016
Charge for the period	-	117	1,642	503	-	2,262
Released on disposals	-	-	-	(7)	-	(7)
Currency adjustment	-	-	-	20	-	20
<b>At 31st December 2007</b>	<b>-</b>	<b>382</b>	<b>10,295</b>	<b>5,614</b>	<b>-</b>	<b>16,291</b>
<b>Net book value</b>						
At 31st December 2007	1,811	2,507	9,602	1,604	35	15,559
At 30th June 2007	1,811	1,679	8,205	2,077	39	13,811

### 8. Reconciliations of movements in equity

#### 6 months to 31st December 2007

	Share capital £'000	Share premium £'000	Currency translation reserve £'000	Cash flow hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at the beginning of the period	14,558	42	(210)	1,845	151,765	168,000
Profit for the period	-	-	-	-	12,050	12,050
Other recognised income and expense	-	-	1,117	(1,749)	(902)	(1,534)
Dividends paid	-	-	-	-	(11,515)	(11,515)
<b>Balance at the end of the period</b>	<b>14,558</b>	<b>42</b>	<b>907</b>	<b>96</b>	<b>151,398</b>	<b>167,001</b>

#### 6 months to 31st December 2006

	Share capital £'000	Share premium £'000	Currency translation reserve £'000	Cash flow hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at the beginning of the period	14,558	42	265	2,007	125,864	142,736
Profit for the period	-	-	-	-	10,810	10,810
Other recognised income and expense	-	-	(394)	358	(9,526)	(9,562)
Dividends paid	-	-	-	-	(10,969)	(10,969)
<b>Balance at the end of the period</b>	<b>14,558</b>	<b>42</b>	<b>(129)</b>	<b>2,365</b>	<b>116,179</b>	<b>133,015</b>

## 8. Reconciliations of movements in equity (continued)

Year ended 30th June 2007

	Share capital £'000	Share premium £'000	Currency translation reserve £'000	Cash flow hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at the beginning of the year	14,558	42	265	2,007	125,864	142,736
Profit for the year	-	-	-	-	40,151	40,151
Other recognised income and expense	-	-	(475)	(162)	1,851	1,214
Dividends paid	-	-	-	-	(16,101)	(16,101)
Balance at the end of the year	14,558	42	(210)	1,845	151,765	168,000

Dividends paid during the period were:

	6 months to 31st December 2007 £'000	6 months to 31st December 2006 £'000	Year ended 30th June 2007 £'000
2007 final dividend of 15.82p per share (2006: 15.07p)	11,515	10,969	10,969
2007 interim dividend of 7.05p	-	-	5,132
	<b>11,515</b>	<b>10,969</b>	<b>16,101</b>

The 2008 interim dividend of 7.76p per share will be paid on 7th April 2008 to shareholders on the register at 7th March 2008, with an ex-dividend date of 5th March 2008.

## 9. Related party transactions

The only related party transactions to have taken place during the first half year were normal business transactions between the Group and its associates, which have not had a material effect on the results of the Group for this period.

At the extraordinary general meeting held on 12th October 2007, the proposal to sell an area of land, which is surplus to the requirements of the Group, to Sir David McMurtry, Chairman and Chief Executive, was approved. This transaction, which is on an arm's length basis, is expected to take place during the second half of the financial year.

## 10. Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group remain those detailed on pages 22 and 23 of the June 2007 Annual report, a copy of which is available on the Company's website at [www.renishaw.com](http://www.renishaw.com). Further to the comment therein on the risks associated with accounting for the defined benefit pension schemes, the introduction of new international accounting standards (specifically IFRIC14, applicable to our accounting year end of 30th June 2009 onwards) may result in an adverse effect on the value of the pension schemes as shown in the balance sheet, which currently shows a positive asset amount.

The Chairman and Chief Executive's statement in this Interim report includes a comment on the outlook for the Group for the remaining six months of the financial year.

## Financial calendar

Record date for 2008 interim dividend	7th March 2008
2008 interim dividend payment	7th April 2008
Announcement of 2008 full year results	23rd July 2008
Mailing of 2008 Annual report	15th August 2008
Annual general meeting	10th October 2008
2008 final dividend payment	13th October 2008

Registered office:

Renishaw plc  
New Mills  
Wotton-under-Edge  
Gloucestershire  
UK  
GL12 8JR

Registered number: 1106260

Telephone. 01453 524524  
Fax. 01453 524901  
email. [uk@renishaw.com](mailto:uk@renishaw.com)  
Internet. [www.renishaw.com](http://www.renishaw.com)

