Renishaw plc

28th January 2016
Interim report 2016 - for the six months ended 31st December 2015

Highlights

	6 months to 31st December 2015 £'000	6 months to 31st December 2014 £'000	Audited Year ended 30th June 2015 £'000
Revenue	**198,488**	223,816	494,720
Operating profit	**25,944**	56,661	143,924
Profit before taxation	**26,084**	56,625	144,196
Earnings per share	**30.7p**	64.2p	167.5p
Proposed dividend per share	**12.5p**	12.5p	46.5p

Chairman's statement

I report group results for the six months to 31st December 2015.

Highlights

- First half year revenue of £198.5m, compared with previous year of £223.8m.
- Underlying growth of 5%, after adjusting for significant Far East orders in the previous year and at constant currency.
- First half year profit before tax of £26.1m, compared with £56.6m last year.
- Net cash of £33.3m.

Trading results

Revenue for the six months ended 31st December 2015 was £198.5m, compared with £223.8m for the corresponding period last year. Revenue at previous year's exchange rates would have been £1.2m higher. Revenue last year benefitted from a number of large orders in the Far East, which have not been repeated to the same extent this year. Underlying growth, after adjusting for these factors, was 5%.

Geographically, revenue grew by 9% in Europe, from £47.7m last year to £52.1m (16% at constant exchange rates). In the Far East, whilst revenue reduced by 24%, from £112.4m to £85.5m (25% at constant exchange rates), there was underlying growth of 10%. In the Americas, revenue was lower by 5%, from £46.1m to £43.7m (7% at constant exchange rates) and in the UK revenue was lower by 9%, from £12.1m to £11.0m.

Whilst Group headcount has increased by 51 from 4,112 at the start of the financial year to 4,163 at the end of the period, there is an increase of 388 from December 2014. The consequent increase in the cost base, combined with the impact of the product sales mix and lower revenue, has contributed to the reduction in the Group's profit before tax for the first half year, which fell to £26.1m compared with £56.6m last year. Earnings per share were 30.7p, compared with 64.2p last year.

Metrology

Revenue in our metrology sector for the first six months was £184.9m, compared with £213.9m last year. After adjusting for the Far East large orders and exchange rate changes, underlying growth in our metrology business was 3%. Operating profit was £29.8m, compared with £62.3m for the comparable period last year.

There was good growth in our measurement automation and additive manufacturing ("AM") products lines.

A number of new products were released during the period, and we announced plans to open a global network of Renishaw Solution Centres for our AM business, which will provide a development environment in which customers can explore the benefits that additive manufacturing can bring to their products and quickly build their knowledge and confidence in AM as a production technology.

We have also established new subsidiaries in Finland and Denmark to expand our marketing, sales, service and distribution infrastructure.

Healthcare

Revenue in our healthcare sector for the first six months grew by 37% to £13.6m, compared with £9.9m last year and there was an operating loss of £3.9m, compared with a loss of £5.7m for the comparable period last year.

We have experienced strong growth in our medical dental products line, reflecting increased adoption of AM technology in this sector. Also, our spectroscopy products line had good growth.

In our neurological products line, we made a first installation of the stereotactic robot into Spain and in our diagnostics products line, we introduced the CE-marked RenDx Multiplex Assay System together with its first assay, Fungiplex, a multiplex diagnostic test for the detection of Candida and Aspergillus fungal infections.

Continued investment for long-term growth

We continue to maintain our investment in research and development, where net expenditure increased by 14% to £34.1m, compared with £29.9m last year.

Capital expenditure on property, plant, equipment and vehicles for the first half year was £28.7m.

Of this expenditure, £12.8m was spent on property. In the UK, we have substantially completed the refurbishment of our facility at Miskin, near Cardiff, South Wales, to provide a healthcare training centre and an AM production facility for medical and dental products, and to accommodate continued growth of our production capability. In the USA, work has commenced on the construction of a new

USA headquarters near Chicago and a regional office has been acquired in Dallas, Texas, which will be an AM solution centre for this region.

Expenditure on plant, equipment and vehicles was £15.9m, where we continue to expand our manufacturing facilities, mainly in the UK, and global IT and distribution infrastructure.

Cash

Net cash balances at 31st December 2015 were £33.3m, compared with £38.8m at 31st December 2014 and £82.2m at 30th June 2015. The lower cash balances at the end of the period is after payment for capital expenditure, referred to above, an increase in working capital, payment of the 2015 final dividend and higher tax payments.

Additionally there is an escrow account of £13.9m (31st December 2014: £13.3m, 30th June 2015: £14.7m) relating to the provision of security to the UK defined benefit pension scheme, which was closed to future accrual in 2007.

Employees

The directors thank employees for their valued support and contribution as the Group continues to develop and expand.

Outlook

We anticipate an improvement in our underlying growth during the second half of the year and, as we indicated in our October trading statement, we currently expect full year revenue to be in the range of £440m to £465m and profit before tax to be in the range of £85m to £105m. We remain confident of the Group's prospects for both this year and the future.

Dividends

An interim dividend of 12.5 pence net per share (2014: 12.5p) will be paid on 7th April 2016, to shareholders on the register on 4th March 2016.

Investor Day

An investor day is being held at our Miskin facility on 12th May 2016 and registration details will be published in due course.

Sir David R McMurtry
CBE, RDI, FRS, FREng, CEng, FIMechE
Chairman and Chief Executive,
28th January 2016

Consolidated income statement

Unaudited

	Notes	**6 months to 31st December 2015 £'000**	6 months to 31st December 2014 £'000	Audited Year ended 30th June 2015 £'000
Revenue	2	**198,488**	223,816	494,720
Cost of sales		**(105,856)**	(104,108)	(221,089)
Gross profit		**92,632**	119,708	273,631
Distribution costs		**(45,027)**	(41,353)	(87,879)
Administrative expenses		**(21,661)**	(21,694)	(41,828)
Operating profit		**25,944**	56,661	143,924
Financial income	3	**460**	348	884
Financial expenses	3	**(910)**	(734)	(1,492)
Share of profits from associates		**590**	350	880
Profit before tax		**26,084**	56,625	144,196
Income tax expense	4	**(4,004)**	(10,192)	(22,850)
Profit for the period from continuing operations		**22,080**	46,433	121,346
Profit attributable to:				
Equity shareholders of the parent company		**22,381**	46,726	121,908
Non-controlling interest		**(301)**	(293)	(562)
Profit for the period from continuing operations		**22,080**	46,433	121,346
		pence	pence	pence
Dividend per share arising in respect of the period	9	**12.5**	12.5	46.5
Earnings per share (basic and diluted)	5	**30.7**	64.2	167.5

Consolidated statement of comprehensive income and expense

Unaudited

	6 months to 31st December 2015 £'000	6 months to 31st December 2014 £'000	Audited Year ended 30th June 2015 £'000
Profit for the period	**22,080**	46,433	121,346
Other items recognised directly in equity:			
Items that will not be reclassified to the Consolidated income statement:			
Remeasurement of defined pension liabilities	**(904)**	(4,338)	(6,032)
Deferred tax on remeasurement of defined pension liabilities	**(150)**	919	1,580
Total for items that will not be reclassified	**(1,054)**	(3,419)	(4,452)
Items that may be reclassified subsequently to the Consolidated income statement:			
Foreign exchange translation differences	**1,000**	3,579	111
Effective portion of changes in fair value of cash flow hedges, net of recycling	**(28,045)**	(17,805)	(10,511)
Deferred tax on effective portion of changes in fair value of cash flow hedges	**5,543**	3,562	2,102
Total for items that may be reclassified	**(21,502)**	(10,664)	(8,298)
Total other comprehensive income and expense, net of tax	**(22,556)**	(14,083)	(12,750)
Total comprehensive income and expense for the period	**(476)**	32,350	108,596
Attributable to:			
Equity shareholders of the parent company	**(175)**	32,643	109,158
Non-controlling interest	**(301)**	(293)	(562)
Total comprehensive income and expense for the period	**(476)**	32,350	108,596

Consolidated balance sheet

Unaudited

	Notes	**At 31st December 2015 £'000**	At 31st December 2014 £'000	Audited At 30th June 2015 £'000
Assets				
Property, plant and equipment	6	**191,217**	152,197	169,592
Intangible assets	7	**58,944**	57,184	57,664
Investments in associates	8	**3,760**	2,950	3,480
Deferred tax assets		**20,516**	16,934	19,536
Derivatives	9	**4,874**	9,015	10,504
Total non-current assets		**279,311**	238,280	260,776
Current assets				
Inventories		**91,704**	67,050	77,673
Trade receivables		**85,148**	99,287	101,213
Current tax		**1,042**	666	1,064
Other receivables		**14,606**	12,557	12,809
Derivatives	9	**7,325**	10,335	14,889
Pension scheme cash escrow account	10	**13,890**	13,269	14,731
Cash and cash equivalents		**33,350**	38,813	82,171
Total current assets		**247,065**	241,977	304,550
Current liabilities				
Trade payables		**16,440**	17,740	21,154
Current tax		**1,840**	7,243	10,775
Provisions		**2,487**	1,526	1,715
Derivatives	9	**4,681**	243	764
Other payables		**17,089**	19,493	28,561
Total current liabilities		**42,537**	46,245	62,969
Net current assets		**204,528**	195,732	241,581
Non-current liabilities				
Employee benefits	10	**48,586**	46,947	48,094
Deferred tax liabilities		**17,271**	19,875	21,991
Derivatives	9	**14,099**	4,936	3,165
Other payables		**589**	883	589
Total non-current liabilities		**80,545**	72,641	73,839
Total assets less total liabilities		**403,294**	361,371	428,518
Equity				
Share capital	9	**14,558**	14,558	14,558
Share premium	9	**42**	42	42
Currency translation reserve	9	**(1,714)**	754	(2,714)
Cash flow hedging reserve	9	**(5,331)**	11,337	17,171
Retained earnings	9	**399,138**	337,509	402,559
Other reserve	9	**(460)**	(460)	(460)
Equity attributable to the shareholders of the parent company		**406,233**	363,740	431,156
Non-controlling interest	9	**(2,939)**	(2,369)	(2,638)
Total equity		**403,294**	361,371	428,518

Consolidated statement of changes in equity

Unaudited

	Share capital £'000	Share premium £'000	Currency translation reserve £'000	Cash flow hedging reserve £'000	Retained earnings £'000	Other reserve £'000	Non-controlling interest £'000	Total £'000
Balance at 1st July 2014	14,558	42	(2,825)	25,580	315,944	(460)	(2,076)	350,763
Profit/(loss) for the period	-	-	-	-	46,726	-	(293)	46,433
Other comprehensive income and expense (net of tax)								
Remeasurement of defined benefit pension liabilities	-	-	-	-	(3,419)	-	-	(3,419)
Foreign exchange translation differences	-	-	3,579	-	-	-	-	3,579
Changes in fair value of cash flow hedges	-	-	-	(14,243)	-	-	-	(14,243)
Total other comprehensive income	-	-	3,579	(14,243)	(3,419)	-	-	(14,083)
Total comprehensive income	-	-	3,579	(14,243)	43,307	-	(293)	32,350
Transactions with owners recorded in equity								
Dividends paid	-	-	-	-	(21,742)	-	-	(21,742)
Balance at 31st December 2014	14,558	42	754	11,337	337,509	(460)	(2,369)	361,371
Profit/(loss) for the period	-	-	-	-	75,182	-	(269)	74,913
Other comprehensive income and expense (net of tax)								
Remeasurement of defined benefit pension liabilities	-	-	-	-	(1,033)	-	-	(1,033)
Foreign exchange translation differences	-	-	(3,468)	-	-	-	-	(3,468)
Changes in fair value of cash flow hedges	-	-	-	5,834	-	-	-	5,834
Total other comprehensive income	-	-	(3,468)	5,834	(1,033)	-	-	1,333
Total comprehensive income	-	-	(3,468)	5,834	74,149	-	(269)	76,246
Transactions with owners recorded in equity								
Dividends paid	-	-	-	-	(9,099)	-	-	(9,099)
Balance at 30th June 2015	14,558	42	(2,714)	17,171	402,559	(460)	(2,638)	428,518
Profit/(loss) for the period	-	-	-	-	22,381	-	(301)	22,080
Other comprehensive income and expense (net of tax)								
Remeasurement of defined benefit pension liabilities	-	-	-	-	(1,054)	-	-	(1,054)
Foreign exchange translation differences	-	-	1,000	-	-	-	-	1,000
Changes in fair value of cash flow hedges	-	-	-	(22,502)	-	-	-	(22,502)
Total other comprehensive income	-	-	1,000	(22,502)	(1,054)	-	-	(22,556)
Total comprehensive income	-	-	1,000	(22,502)	21,327	-	(301)	(476)
Transactions with owners recorded in equity								
Dividends paid	-	-	-	-	(24,748)	-	-	(24,748)
Balance at 31st December 2015	**14,558**	**42**	**(1,714)**	**(5,331)**	**399,138**	**(460)**	**(2,939)**	**403,294**

Consolidated statement of cash flow

Unaudited

	6 months to 31st December 2015 £'000	6 months to 31st December 2014 £'000	Audited Year ended 30th June 2015 £'000
Cash flows from operating activities			
Profit for the period	**22,080**	46,433	121,346
Amortisation of development costs	**4,417**	4,422	10,141
Amortisation of other intangibles	**1,149**	1,473	2,990
Depreciation	**8,736**	7,502	14,925
Profit on sale of property, plant and equipment	**(64)**	(25)	(99)
Share of profits from associates	**(590)**	(350)	(880)
Financial income	**(460)**	(348)	(884)
Financial expenses	**910**	734	1,492
Tax expense	**4,004**	10,192	22,850
	18,102	23,600	50,535
Increase in inventories	**(14,031)**	(4,071)	(14,694)
Decrease/(increase) in trade and other receivables	**17,569**	(16,061)	(21,712)
(Decrease)/increase in trade and other payables	**(16,688)**	2,396	15,204
Increase in provisions	**772**	232	421
	(12,378)	(17,504)	(20,781)
Defined benefit pension contributions	**(1,297)**	(1,172)	(2,427)
Income taxes paid	**(13,435)**	(5,798)	(16,410)
Cash flows from operating activities	**13,072**	45,559	132,263
Investing activities			
Purchase of property, plant and equipment	**(28,734)**	(18,814)	(48,387)
Development costs capitalised	**(6,032)**	(5,839)	(12,975)
Purchase of other intangibles	**(401)**	(429)	(1,207)
Investment in subsidiaries and associates	**-**	(480)	(480)
Sale of property, plant and equipment	**266**	107	2,408
Interest received	**460**	348	884
Dividends received from associates	**310**	110	110
Payments from/(to) pension scheme escrow account (net)	**841**	(3,728)	(5,190)
Cash flows from investing activities	**(33,290)**	(28,725)	(64,837)
Financing activities			
Interest paid	**(25)**	(21)	(43)
Dividends paid	**(24,748)**	(21,742)	(30,841)
Cash flows from financing activities	**(24,773)**	(21,763)	(30,884)
Net (decrease)/increase in cash and cash equivalents	**(44,991)**	(4,929)	36,542
Cash and cash equivalents at the beginning of the period	**82,171**	43,634	43,634
Effect of exchange rate fluctuations on cash held	**(3,830)**	108	1,995
Cash and cash equivalents at the end of the period	**33,350**	38,813	82,171

Responsibility statement

We confirm that to the best of our knowledge:

- As required by DTR 4.2 of the Disclosure Rules and Transparency Rules, the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole. The Interim report has been prepared in accordance with the EU endorsed standard IAS 34, 'Interim financial reporting'.

- The Interim report includes a fair review of the information required by:

  (a) DTR 4.2.7 of the Disclosure Rules 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 4.2.8 of the Disclosure Rules 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
28th January 2016

Notes

1. Status of Interim report and accounting policies

The Interim report, which has not been audited, was approved by the directors on 28th January 2016.

General information
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 2015, as revised for the implementation of specified new amended endorsed standards or interpretations.

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 is available on our website www.renishaw.com.

The interim financial information for the six months to 31st December 2015 and the comparative figures for the six months to 31st December 2014 are unaudited. The comparative figures for the financial year ended 30th June 2015 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, relating to the accounting records of the Company.

Going concern

The Group has considerable financial resources at its disposal and the directors have considered the current financial projections. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Interim report.

Accounting policies

The accounting policies applied and significant estimates used by the Group in this Interim report are the same as those applied by the Group for the year ended 30th June 2015.

2. Segmental information

Renishaw's business is metrology, the science of measurement. The Group manages its business in two business segments, Metrology, being the traditional core business, and Healthcare.

Our products / Metrology

Our metrology products help manufacturers to maximise production output, significantly reduce the time taken to produce and inspect components, and keep their machines running reliably. In the fields of industrial automation and motion systems, our position measurement and calibration systems allow builders to manufacture highly accurate and reliable products.

The product range includes the following**:**

Machine tool probe systems

Sensors and software for computer numerically controlled ("CNC") metalcutting machine tools that allow the automation of setting and on-machine measurement operations, leading to more productivity from existing machines and reductions in scrap and rework. These include laser tool setters, contact tool setters, tool breakage detectors, touch probes, contact scanning systems and high-accuracy inspection probes.

Co-ordinate measuring machine ("CMM") products

Sensors, software and control systems for three-dimensional CMMs, including touch-trigger and scanning probes, automated probe changers, motorised indexing probe heads and 5-axis measurement systems, which enable the highly accurate measurement of manufactured components and finished assemblies.

Styli for probe systems

Precision styli that attach to probe sensors for CMMs, machine tools, scanning probes and Equator™ gauging systems to ensure that accurate measurement data is acquired at the point of contact.

Performance testing products

Calibration and testing products to determine the positioning accuracy of a wide range of industrial and scientific machinery to international standards, including a laser interferometer, rotary axis calibrator and wireless telescoping ballbar.

Gauging

Equator™ enables process control by delivering highly repeatable, thermally insensitive, versatile and reprogrammable gauging to the shop floor. New INTUO™ software is an ideal alternative to traditional manual gauging, with training in a few hours, allowing engineers to program parts in minutes.

Spatial measurement

High-speed laser measurement and surveying systems for use in extreme environments, such as mine and quarry surveying, marine positioning and mobile mapping.

Fixtures

Modular and custom fixtures used to hold parts securely for dimensional inspection on CMM, vision and gauging systems.

Position encoders

Position encoders that ensure accurate linear and rotary motion control in a wide range of applications from electronics, flat panel displays, robotics and semiconductors to medical, precision machining and print production. These include magnetic encoders, incremental optical encoders, absolute optical encoders and laser interferometer encoders.

Additive manufacturing ("AM")

Advanced metal AM systems for direct manufacturing of 3D-printed metallic components. A total solution is offered from systems, materials, ancillaries and software through to consultancy, training and support for a range of industries including industrial, healthcare and mould tooling.

Vacuum casting

Vacuum casting machines from entry-level to high capacity for rapid prototyping and production of polymer end-use parts.

Our products / Healthcare

Our technologies are helping within applications such as craniomaxillofacial surgery, dentistry, neurosurgery, chemical analysis and nanotechnology research. These include engineering solutions for stereotactic neurosurgery, diagnosis of infectious diseases, analytical tools that identify and characterise the chemistry and structure of materials, supply of implants to hospitals and specialist design centres for craniomaxillofacial surgery, and products and services that allow dental laboratories to manufacture high-quality dental restorations.

The product range includes the following:

Dental scanners

3D contact scanners and non-contact optical scanners used for digitising of dental preparations and the measurement of implant locations for tooth-supported frameworks and custom abutments.

Dental computer-aided design ("CAD") software

Dental CAD software that allows set-up of scanning routines and enables laboratory staff to design abutments and structures for crowns and bridges, including powerful anatomic design functions.

Dental structures manufacturing service

A central manufacturing service that can handle CAD files from a wide variety of dental CAD systems to produce structures for crowns and bridges in zirconia, cobalt chrome, PMMA (used for temporary restorations) and wax, and abutments in cobalt chrome.

Craniomaxillofacial custom-made implants

Additively manufactured from titanium, custom-made craniomaxillofacial implants are structural implants that are used in the reconstruction of a patient's head, face or jaw. These are most commonly required after oncology treatment or as a result of trauma.

Neurosurgical robot

A stereotactic robot that provides a platform solution for a broad range of functional neurosurgical procedures including deep brain stimulation ("DBS"), stereoelectroencephalography ("SEEG"), neuroendoscopy, stereotactic biopsies and is being used to trial the delivery of therapeutics deep into the brain.

Neurosurgical planning software

Software that allows advanced planning of targets and trajectories for stereotactic neurosurgery.

Neurosurgical implants

Implantable devices that allow surgeons to verify expected DBS electrode position relative to targeted anatomy using magnetic resonance imaging ("MRI") for the treatment of Parkinson's disease, other movement disorders and neuropathic pain.

Neurosurgical accessories

Specialist electrodes and instruments for use in epilepsy neurosurgery, manufactured by DIXI Medical.

Raman microscopes

Scientists and engineers worldwide use Renishaw's research-grade inVia Raman microscope for the non-destructive chemical analysis and imaging of materials. Its high-speed, high-quality results and upgradeability are valued in fields as diverse as nanotechnology, biology and pharmaceuticals.

Hybrid Raman systems

Renishaw's hybrid systems unite the chemical analysis power of Raman spectroscopy with the high spatial resolution of other techniques, such as atomic force microscopy and scanning electron microscopy. These new instruments are vital tools for investigating materials and devices for nanotechnology applications.

Turnkey Raman analysis

The RA800 benchtop platform provides companies with a high performance chemical imaging and analysis system that can be tailored for the needs of their customers. RA800 gives research-grade Raman microscopy performance in a Class 1 laser-safe, simple-to-use form.

Diagnostic systems

Renishaw Diagnostics Limited has developed the RenDx Multiplex Assay System, an automated, multiplex platform for clinical diagnosis of infectious disease. The platform's first assay, Fungiplex, an aid to diagnosis of invasive fungal disease, has recently obtained a CE mark.

Segmental financial results were:

6 months to 31st December 2015	**Metrology £'000**	**Healthcare £'000**	**Total £'000**
Revenue	**184,905**	**13,583**	**198,488**
Depreciation and amortisation	**12,648**	**1,654**	**14,302**
Operating profit/(loss)	**29,796**	**(3,852)**	**25,944**
Share of profits from associates	**590**	**-**	**590**
Net financial expense	**-**	**-**	**(450)**
Profit before tax	**-**	**-**	**26,084**
6 months to 31st December 2014			
Revenue	213,871	9,945	223,816
Depreciation and amortisation	11,578	1,819	13,397
Operating profit/(loss)	62,302	(5,641)	56,661
Share of profits from associates	350	-	350
Net financial expense	-	-	(386)
Profit before tax	-	-	56,625
Year ended 30th June 2015			
Revenue	467,001	27,719	494,720
Depreciation and amortisation	24,055	4,001	28,056
Operating profit/(loss)	150,770	(6,846)	143,924
Share of profits from associates	880	-	880
Net financial expense	-	-	(608)
Profit before tax	-	-	144,196

There is no allocation of assets and liabilities to operating segments. Depreciation is included within certain other overhead expenditure which is allocated to segments on the basis of the level of activity.

The following table shows the analysis of revenue by geographical market:

	6 months to 31st December 2015 £'000	6 months to 31st December 2014 £'000	Year ended 30th June 2015 £'000
Far East, including Australasia	**85,441**	112,406	257,665
Continental Europe	**52,116**	47,652	103,106
North, South and Central America	**43,733**	46,138	96,284
United Kingdom and Ireland	**11,009**	12,129	25,499
Other regions	**6,189**	5,491	12,166
Total group revenue	**198,488**	223,816	494,720

Revenue in the above table has been allocated to regions based on the geographical location of the customer. Countries with individually material revenue figures in the context of the Group were:

	6 months to 31st December 2015 £'000	6 months to 31st December 2014 £'000	Year ended 30th June 2015 £'000
China	**45,510**	58,853	119,551
USA	**38,576**	39,319	82,350
Japan	**23,275**	20,063	43,946
Germany	**21,729**	21,743	44,658
South Korea	**5,988**	23,563	73,113

There was revenue from transactions with a single external customer amounting to 10% or more of the Group's total revenue for the year ended 30th June 2015 only. This was in the metrology segment and amounted to £62,607,000.

The following table shows the analysis of non-current assets, excluding deferred tax and derivatives, by geographical area:

	At 31st December 2015 £'000	At 31st December 2014 £'000	At 30th June 2015 £'000
United Kingdom	**180,026**	151,581	166,468
Overseas	**73,895**	60,750	64,268
	253,921	212,331	230,736

No overseas country had non-current assets amounting to 10% or more of the Group's total non-current assets.

3. Financial income and expenses

Financial income	**6 months to 31st December 2015 £'000**	6 months to 31st December 2014 £'000	Year ended 30th June 2015 £'000
Bank interest receivable	**460**	348	884

Financial expenses	**6 months to 31st December 2015 £'000**	6 months to 31st December 2014 £'000	Year ended 30th June 2015 £'000
Interest on pension schemes' liabilities	**885**	713	1,421
Bank interest payable	**25**	21	43
Unwinding of discount on deferred consideration	**-**	-	28
	910	734	1,492

4. Income tax expense

The income tax expense has been estimated at a rate of 15.4% (December 2014: 18.0%), the rate expected to be applicable for the full year.

5. Earnings per share

Earnings per share are calculated on earnings of £22,381,000 (December 2014: £46,726,000) 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 2015 are calculated on earnings of £121,908,000 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
Cost					
At 1st July 2015	127,097	145,642	8,575	7,875	289,189
Additions	2,137	2,366	1,094	23,137	28,734
Transfers	550	12,088	-	(12,638)	-
Disposals	-	(852)	(469)	-	(1,321)
Currency adjustment	1,738	1,032	88	-	2,858
At 31st December 2015	**131,522**	**160,276**	**9,288**	**18,374**	**319,460**
Depreciation					
At 1st July 2015	22,608	91,393	5,596	-	119,597
Charge for the period	1,214	6,881	641	-	8,736
Released on disposals	-	(701)	(418)	-	(1,119)
Currency adjustment	393	577	59	-	1,029
At 31st December 2015	**24,215**	**98,150**	**5,878**	**-**	**128,243**
Net book value					
At 31st December 2015	**107,307**	**62,126**	**3,410**	**18,374**	**191,217**
At 30th June 2015	104,489	54,249	2,979	7,875	169,592

Additions to assets in the course of construction of £23,137,000 (December 2014: £10,942,000) comprise £10,688,000 (December 2014: £6,962,000) for freehold land and buildings and £12,449,000 (December 2014: £3,980,000) for plant and equipment.

At the end of the period, assets in the course of construction, not yet transferred, of £18,374,000 (December 2014: £3,251,000) comprise £10,673,000 (December 2014: £1,007,000) for freehold land and buildings and £7,701,000 (December 2014: £2,244,000) for plant and equipment.

7. Intangible assets

	Goodwill on consolidation	Other intangible assets	Internally generated development costs	Software licences		Total
				In use	In the course of acquisition	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1st July 2015	19,736	10,655	89,475	21,490	25	141,381
Additions	-	44	6,032	179	178	6,433
Transfers	-	-	-	203	(203)	-
Currency adjustment	400	20	-	20	-	440
At 31st December 2015	**20,136**	**10,719**	**95,507**	**21,892**	**-**	**148,254**
Amortisation						
At 1st July 2015	-	9,914	58,824	14,979	-	83,717
Charge for the period	-	284	4,417	865	-	5,566
Currency adjustment	-	9	-	18	-	27
At 31st December 2015	**-**	**10,207**	**63,241**	**15,862**	**-**	**89,310**
Net book value						
At 31st December 2015	**20,136**	**512**	**32,266**	**6,030**	**-**	**58,944**
At 30th June 2015	19,736	741	30,651	6,511	25	57,664

The analysis of acquired goodwill on consolidation is:

Acquisition of:	**At 31st December 2015 £'000**	At 31st December 2014 £'000	At 30th June 2015 £'000
itp GmbH	**2,546**	2,685	2,456
Renishaw Diagnostics Limited (92.4%)	**1,784**	1,784	1,784
Renishaw Mayfield S.A. (75%)	**1,537**	1,458	1,537
Measurement Devices Limited	**6,661**	6,661	6,661
Renishaw Software Limited	**1,559**	1,559	1,559
R&R Fixtures, LLC	**4,679**	4,439	4,411
Other smaller acquisitions	**1,370**	1,364	1,328
Balance at the end of the period	**20,136**	19,950	19,736

8. Investments in associates

Movements during the period were:	**6 months to 31st December 2015 £'000**	6 months to 31st December 2014 £'000	Year ended 30th June 2015 £'000
Balance at the beginning of the period	**3,480**	2,230	2,230
Dividends received	**(310)**	(110)	(110)
Share of profits of associates	**590**	350	880
New investments	**-**	480	480
Balance at the end of the period	**3,760**	2,950	3,480

9. Capital and reserves

Share capital	At 31st December 2015 £'000	At 31st December 2014 £'000	At 30th June 2015 £'000
Allotted, called-up and fully paid			
72,788,543 ordinary shares of 20p each	**14,558**	14,558	14,558

The ordinary shares are the only class of share in the Company. Holders of ordinary shares are entitled to vote at general meetings of the Company and receive dividends as declared. The Articles of Association of the Company do not contain any restrictions on the transfer of shares nor on voting rights.

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the foreign operations, offset by foreign exchange differences on bank liabilities which have been accounted for directly in equity on account of them being classified as hedging items.

Cash flow hedging reserve

The cash flow hedging reserve comprises all foreign exchange differences arising from the valuation of forward exchange contracts which are effective hedges and mature after the period end. These are valued on a mark-to-market basis, are accounted for directly in equity and are recycled through the Consolidated income statement when the hedged item affects the Consolidated income statement. The forward contracts mature over the next three and a half years.

Movements during the period were:	6 months to 31st December 2015 £'000	6 months to 31st December 2014 £'000	Year ended 30th June 2015 £'000
Balance at the beginning of the period	**17,171**	25,580	25,580
Amounts transferred to the Consolidated income statement	**(8,189)**	(6,443)	(13,348)
Revaluations during the period	**(19,856)**	(11,362)	2,837
Deferred tax movement	**5,543**	3,562	2,102
Balance at the end of the period	**(5,331)**	11,337	17,171

The cash flow hedging reserve is analysed as:

	At 31st December 2015 £'000	At 31st December 2014 £'000	At 30th June 2015 £'000
Derivatives in non-current assets	**4,874**	9,015	10,504
Derivatives in current assets	**7,325**	10,335	14,889
Derivatives in current liabilities	**(4,681)**	(243)	(764)
Derivatives in non-current liabilities	**(14,099)**	(4,936)	(3,165)
	(6,581)	14,171	21,464
Included in deferred tax assets/liabilities	**1,250**	(2,834)	(4,293)
Balance at the end of the period	**(5,331)**	11,337	17,171

Dividends

Dividends paid during the period were:	**6 months to 31st December 2015 £'000**	6 months to 31st December 2014 £'000	Year ended 30th June 2015 £'000
2015 final dividend of 34.0p per share (2014: 29.87p)	**24,748**	21,742	21,742
2015 interim dividend of 12.5p	**-**	-	9,099
Total dividends paid during the period	**24,748**	21,742	30,841

An interim dividend for 2016 of £9,098,568 (12.5p net per share) will be paid on 7th April 2016, to shareholders on the register on 4th March 2016, with an ex-div date of 3rd March 2016.

Other reserve

The other reserve is in relation to additional investments in subsidiary undertakings.

Non-controlling interest

Movements during the period were:	**6 months to 31st December 2015 £'000**	6 months to 31st December 2014 £'000	Year ended 30th June 2015 £'000
Balance at the beginning of the period	**(2,638)**	(2,076)	(2,076)
Share of loss for the period	**(301)**	(293)	(562)
Balance at the end of the period	**(2,939)**	(2,369)	(2,638)

10. Employee benefits

The Group operates a number of pension schemes throughout the world. The major scheme, which covers the UK-based employees, was of the defined benefit type. This scheme, along with the Ireland and USA defined benefit schemes, has ceased any future accrual for current members and all these schemes are now closed to new members. UK, Ireland and USA employees are now covered by defined contribution schemes.

The latest full actuarial valuation of the UK defined benefit scheme was carried out at September 2012 and updated to 31st December 2015 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31st December 2015	At 31st December 2014	At 30th June 2015
Discount rate	**4.1%**	3.8%	4.0%
Inflation rate – RPI	**3.5%**	3.4%	3.6%
Inflation rate – CPI	**2.5%**	2.4%	2.6%
Retirement age	**64**	64	64

The assets and liabilities in the defined benefit schemes were:

	At 31st December 2015 £'000	At 31st December 2014 £'000	At 30th June 2015 £'000
Market value of assets	**142,904**	134,619	140,499
Actuarial value of liabilities under IAS 19	**(175,890)**	(181,566)	(178,393)
	(32,986)	(46,947)	(37,894)
Increase in liability under IFRIC 14	**(15,600)**	-	(10,200)
Deficit in the schemes	**(48,586)**	(46,947)	(48,094)
Deferred tax thereon	**9,128**	8,902	9,398

The movements in the schemes' assets and liabilities were:

	6 months to 31st December 2015 £'000	6 months to 31st December 2014 £'000	Year ended 30th June 2015 £'000
Balance at the beginning of the period	**(48,094)**	(43,068)	(43,068)
Contributions paid	**1,297**	1,172	2,427
Interest on pension schemes	**(885)**	(713)	(1,421)
Remeasurement gain/(loss) under IAS 19	**4,496**	(4,338)	(3,832)
Additional remeasurement loss under IFRIC 14	**(5,400)**	-	(2,200)
Balance at the end of the period	**(48,586)**	(46,947)	(48,094)

Under the UK and Ireland defined benefit pension scheme deficit funding plans, there are certain UK properties, owned by the Company, and a property owned by Renishaw (Ireland) Limited, which are subject to registered fixed charges to secure the UK and Ireland defined benefit pension schemes' deficits respectively. The Company has also established an escrow account, which is subject to a registered floating charge to secure the UK defined benefit pension scheme liabilities.

The Company has given a guarantee relating to a recovery plan for the UK scheme and the trustees have the right to enforce the charges to recover any deficit up to £47,300,000 if an insolvency event occurs in relation to the Company before 1st November 2016 or if the Company has not made good any deficit up to £47,300,000 by midnight on 1st November 2016. No scheme assets are invested in the Group's own equity.

At 31st December 2015, the UK defined benefit pension scheme's liabilities were increased by £15,600,000 to represent the maximum discounted liability, as the value of the guarantee was that amount higher than the value of the pension scheme's deficit.

11. Deferred tax

On 26th October 2015, the reduction in the UK rate of corporation tax to 19% from 1st April 2017 and 18% from 1st April 2020 was substantively enacted. Deferred tax assets and liabilities have been calculated based on the rate of 19%.

12. Related party transactions

The only related party transactions which 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.

13. Principal risks and uncertainties

Area of risk	**Description**	**Potential impact**	**Mitigation**
Current trading levels and order book	Revenue growth is unpredictable and orders from customers generally involve short lead-times with the outstanding order book at any time being around one month's worth of revenue value.	Global market conditions continue to highlight risks to growth and demand which can lead to fluctuating levels of revenue. Whilst global investment in production systems and processes is expected to expand, future growth is difficult to predict, especially with such a short-term order book. This limited forward order visibility leaves the annual revenue forecasts uncertain.	• The Group is expanding and diversifying its product range in order to maintain a world-leading position in its sales of metrology products. Investment in sales and marketing resources continues in order to support the diversified product range • The Group is applying its measurement expertise to grow its healthcare business activities. • The Group regularly monitors the integration of acquisitions which expand its product range in new and complementary market sectors.

Research and development	The development of new products and processes involves risk, such as development timescales, meeting the required technical specification and the impact of alternative technology developments.	Being at the leading edge of new technology in metrology and healthcare, there are uncertainties whether new developments will provide an economic return.	• Patent and intellectual property generation is core to new product developments. • R&D programmes are regularly reviewed against milestones and forecast business plans and, when necessary, projects are cancelled. • Medium to long-term R&D strategies are reviewed at least monthly by both the Board and Executive Board. • New products involve beta testing at customers to ensure they will meet the needs of the market. • Market developments are closely monitored.
Supply chain management	Customer deliveries may be threatened by a failure in the supply chain.	Inability to meet customer deliveries could result in loss of revenue and profit.	• Production facilities are maintained with fire and flood risk in mind. • Critical production processes are replicated at different locations where practical. • Ability to flex manufacturing resource levels and shift patterns. • Regular vendor reviews are performed for critical part suppliers. • Stock policies are reviewed by the Board on a regular basis. • Product quality is closely monitored.
Regulatory legislation for healthcare products	The expansion of the Group's business into the healthcare markets involves a significantly increased requirement to obtain regulatory approval prior to the sale of these products.	Regulatory approval can be very expensive and time-consuming. This area is also very complex and there is a risk that the correct approvals are not obtained.	• Specialist legal and regulatory staff support the healthcare business. • Experience of healthcare regulatory matters at board level. • Healthcare operations in UK and France have ISO13485 certification for their quality management systems, with Ireland and other subsidiary healthcare operations falling under the UK quality management system.
Defined benefit pension schemes	Investment returns and actuarial valuations of the defined benefit pension fund liabilities are subject to economic and social factors which are outside of the control of the Group.	Volatility in investment returns and actuarial assumptions can significantly affect the defined benefit pension fund deficit, impacting on future funding requirements.	• The investment strategy is managed by the pension fund trustees who operate in line with a statement of investment principles. • Recovery plans are in place for the 2006, 2009 and 2012 actuarial valuations.

Treasury	Fluctuating foreign exchange rates may affect the results of the Group.	With over 94% of revenue generated outside of the UK, there is an exposure to major currency fluctuations, mainly in respect of the US Dollar, Euro and Japanese Yen. Such fluctuations could adversely impact both the Group's income statement and balance sheet.	• The Group enters into forward contracts in order to hedge varying proportions of forecast US Dollar, Euro and Japanese Yen revenue. • The Group uses currency borrowings to hedge the foreign currency denominated assets held in the Group's balance sheet.

Financial calendar

Record date for 2016 interim dividend	4th March 2016
2016 interim dividend payment	7th April 2016
Announcement of 2016 full year results	27th July 2016
Mailing of 2016 Annual report	Late August 2016
Annual general meeting	13th October 2016
2016 final dividend payment	17th October 2016

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