

Interim report 2015

Highlights

- **Record first half revenue and profit.**
- **Revenue up 36% over last year, 40% at constant exchange rates.**
- **Profit before tax of £56.6m (2014: £25.6m).**
- **Strong balance sheet, with cash of £38.8m at the end of the period.**
- **Capital expenditure of £18.8m.**
- **Increased dividend of 12.5 pence per share.**

	6 months to 31st December 2014 £'000	6 months to 31st December 2013 £'000	Year ended 30th June 2014 £'000
Revenue	223,816	163,994	355,498
Operating profit	56,661	25,526	70,388
Adjusted profit before taxation*	56,625	25,629	70,106
Adjusted earnings per share*	64.2p	29.5p	82.3p

Statutory

Profit before taxation	56,625	25,629	96,386
Earnings per share	64.2p	29.5p	118.4p
Proposed dividend per share	12.5p	11.33p	41.20p

Note

Adjusted figures are in respect of the year ended 30th June 2014 only and exclude the exceptional profit of £26.3m on the disposal of the Company's shareholding in Delcam plc.

Interim management statement

I am very pleased to report group results for the six months to 31st December 2014.

Highlights

- First half year revenue increased 36%, from £164.0m to £223.8m.
- First half year profit before tax increased 121%, from £25.6m to £56.6m.
- Net cash of £38.8m, after capital expenditure of £18.8m.
- Interim dividend increased by 10%, from 11.33p net per share to 12.5p.

Trading results

Revenue for the six months ended 31st December 2014 was £223.8m, compared with £164.0m for the corresponding period last year, an increase of 36% and a record first half. Revenue at previous year's exchange rates would have been £6.4m higher.

Revenue growth in the first half year, compared to the corresponding period last year, was 90% in the Far East, 14% in the Americas and 16% in the UK. In Europe, revenue was marginally lower by 2%, although 4% higher at constant exchange rates. More specifically, revenue in the Far East increased from £59.1m to £112.4m, in the Americas from £40.4m to £46.1m and in the UK from £10.5m to £12.1m. Revenue in Europe was £47.7m, compared with £48.8m last year.

The Group's profit before tax for the first half year was £56.6m compared with £25.6m last year. Profit before tax at constant exchange rates would have been £4.1m higher. Earnings per share were 64.2p, compared with 29.5p last year.

Metrology

Revenue in our metrology sector for the first six months was £213.9m (2013: £150.7m) an increase of 42%. Operating profit was £62.3m, compared with £27.8m for the comparable period last year.

In our product lines, there was exceptionally good growth in our machine tool products line, due to large orders from a number of Far East customers particularly in the consumer electronics markets. There was also good growth in our measurement automation, additive manufacturing and encoder products lines. After adjusting for the large orders in the Far East, we experienced growth in our metrology business of 12%, or 16% when comparing at constant exchange rates.

In our coordinate measuring machine products line, we introduced the RSP3-6 REVO® scanning probe for ultra-long styli and PH10M-iQ Plus, the latest addition to our range of PH10 heads.

In our measurement automation products line, we launched a new touch trigger probe kit for our Equator machine, ESS 1.5, our latest software suite incorporating both Modus 1.6 and also Feature Compare (a new method for much easier master part calibration), along with updated EZ-IO 4.0 automation software.

In our additive manufacturing products line, we continue to develop the AM250 system, with the recent introduction of an upgrade pack.

In our spatial measurements products line, we launched new 3D laser scanning software, Cavity Profiler, to speed up underground mapping and modelling operations and our laser calibration products line launched the RVI20 vacuum compatible interferometer assembly.

Healthcare

Revenue in our healthcare sector for the first six months was £9.9m, compared with £13.3m last year and there was an operating loss of £5.7m, compared with a loss of £2.3m for the comparable period last year.

There was growth in our neuro and dental products lines, but, as noted in our October Interim management statement, our spectroscopy products line experienced order delays, which has impacted on the first half year, but we expect growth in this products line for the full year.

Our neuroinspire™ V4.0 surgical planning software, which includes significant new functionality, is now CE marked and available for sale in the EU. This software now integrates with our neuromate robot, allowing direct control of the neuromate robot from surgical plans prepared in neuroinspire.

In our dental products line, we have entered into an agreement with DENTSPLY Implants, one of the world's leading companies in implant dentistry, which will see them purchase Renishaw additive manufacturing technology for the manufacture of dental products, to further the exciting opportunity that 3D metal printing offers in the field of custom-made medical devices.

Our spectroscopy products line released WiRE 4.1, continuing its development of the WiRE suite of software for Raman spectroscopy, and launched a number of applications for the biological and material science industries.

Interim management statement (continued)

Continued investment for long-term growth

Capital expenditure on property, plant and equipment for the first half year was £18.8m, of which £9.2m was spent on property and £9.6m on plant, equipment and vehicles.

In the UK, the additional 153,000 sq ft facility at New Mills has been completed and is now largely occupied. In Ireland, the Group purchased additional premises, which are adjacent to our existing property, to accommodate continuing growth in our Irish manufacturing facility.

Expenditure on plant, equipment and vehicles of £9.6m was mainly focused on expanding our manufacturing facilities in the UK to support increasing demand.

Research and development expenditure during the period rose from £26.7m to £29.9m. Before capitalisation of £1.4m of costs, gross R&D expenditure was £31.3m, which represented 14% of revenue.

Group headcount at the end of December 2014 was 3,775, an increase of 283 from the 3,492 at the start of the financial year to support all areas of the business. This increase includes 72 new graduates and apprentices.

Cash

Net cash balances at 31st December 2014 were £38.8m, compared with £13.4m at December 2013 and £43.6m at 30th June 2014. Additionally there is an escrow account of £13.3m (31st December 2013: £10.3m, 30th June 2014: £9.5m) relating to the provision of security to the UK defined benefit pension scheme.

Employees

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

Outlook

We have experienced a strong first half year and, as we indicated in our last trading statement, the trend in revenue growth is expected to continue into the second half of this financial year. We currently anticipate full year revenue to be in the range of £480m to £510m and profit before tax to be in the range of £130m to £150m. Research and development continues at a strong pace and a number of additional products will be introduced this year. Furthermore, we are expanding our sales and marketing activities throughout the Group. 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, an increase of 10% over the 11.33 pence net per share last year, will be paid on 7th April 2015, to shareholders on the register on 6th March 2015.

Investor Day

An investor day is being held at the New Mills facility on 14th May 2015 and registration details will be published in due course.

Sir David R McMurtry

CBE, RDI, FRS, FEng, CEng, FIMechE

Chairman and Chief Executive

29th January 2015

Consolidated income statement

Unaudited

	Notes	6 months to 31st December 2014 £'000	6 months to 31st December 2013 £'000	Audited Year ended 30th June 2014 £'000
Revenue	2	223,816	163,994	355,498
Cost of sales		(104,108)	(84,208)	(178,553)
Gross profit		119,708	79,786	176,945
Distribution costs		(41,353)	(36,842)	(75,367)
Administrative expenses		(21,694)	(17,418)	(31,190)
Operating profit		56,661	25,526	70,388
Exceptional item	3	-	-	26,280
Financial income	4	348	383	679
Financial expenses	4	(734)	(839)	(1,736)
Share of profits from associates		350	559	775
Profit before tax		56,625	25,629	96,386
Income tax expense	5	(10,192)	(4,485)	(10,720)
Profit for the period from continuing operations		46,433	21,144	85,666
Profit attributable to:				
Equity shareholders of the parent company		46,726	21,443	86,215
Non-controlling interest		(293)	(299)	(549)
Profit for the period from continuing operations		46,433	21,144	85,666
		pence	pence	pence
Dividend per share arising in respect of the period	10	12.5	11.33	41.2
Earnings per share (basic and diluted)	6	64.2	29.5	118.4

Consolidated statement of comprehensive income and expense

Unaudited

	6 months to 31st December 2014 £'000	6 months to 31st December 2013 £'000	Audited Year ended 30th June 2014 £'000
Profit for the period	46,433	21,144	85,666
Other items recognised directly in equity:			
Items that will not be reclassified to the Consolidated income statement:			
Foreign exchange translation differences	3,579	(4,227)	(5,754)
Remeasurement of defined benefit liabilities	(4,338)	946	(2,233)
Deferred tax on remeasurement gain/(loss)	919	(1,158)	(530)
Total for items that will not be reclassified	160	(4,439)	(8,517)
Items that will be reclassified subsequently to the Consolidated income statement:			
Effective portion of changes in fair value of cash flow hedges, net of recycling	(17,805)	26,732	32,876
Deferred tax on gain/(loss) in fair value of cash flow hedges	3,562	(5,373)	(6,602)
Total for items that will be reclassified	(14,243)	21,359	26,274
Total other comprehensive income, net of tax	(14,083)	16,920	17,757
Total comprehensive income and expense	32,350	38,064	103,423
Attributable to:			
Equity shareholders of the parent company	32,643	38,363	103,972
Non-controlling interest	(293)	(299)	(549)
Total comprehensive income and expense for the period	32,350	38,064	103,423

Consolidated balance sheet

Unaudited

		At 31st December 2014 £'000	At 31st December 2013 £'000	Audited At 30th June 2014 £'000
Assets	Notes			
Property, plant and equipment	7	152,197	128,221	140,922
Intangible assets	8	57,184	55,628	56,571
Investments in associates	9	2,950	7,912	2,230
Deferred tax assets		16,934	16,746	16,173
Derivatives	10	9,015	17,317	18,644
Total non-current assets		238,280	225,824	234,540
Current assets				
Inventories		67,050	65,593	62,979
Trade receivables		99,287	58,135	81,798
Current tax		666	973	1,690
Other receivables		12,557	11,154	10,847
Derivatives	10	10,335	9,587	13,348
Pension scheme cash escrow account	11	13,269	10,279	9,541
Cash and cash equivalents		38,813	13,420	43,634
Total current assets		241,977	169,141	223,837
Current liabilities				
Trade payables		17,740	13,490	18,857
Current tax		7,243	1,423	3,941
Provisions		1,526	1,553	1,294
Derivatives	10	243	-	-
Other payables		19,493	16,580	16,110
Total current liabilities		46,245	33,046	40,202
Net current assets		195,732	136,095	183,635
Non-current liabilities				
Employee benefits	11	46,947	40,384	43,068
Deferred tax liabilities		19,875	25,199	23,444
Derivatives	10	4,936	1,073	17
Other payables		883	1,612	883
Total non-current liabilities		72,641	68,268	67,412
Total assets less total liabilities		361,371	293,651	350,763
Equity				
Share capital	10	14,558	14,558	14,558
Share premium	10	42	42	42
Currency translation reserve	10	754	(1,298)	(2,825)
Cash flow hedging reserve	10	11,337	20,665	25,580
Retained earnings	10	337,509	261,970	315,944
Other reserve	10	(460)	(460)	(460)
Equity attributable to the owners of the Company		363,740	295,477	352,839
Non-controlling interest	10	(2,369)	(1,826)	(2,076)
Total equity		361,371	293,651	350,763

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 2013	14,558	42	2,929	(694)	261,607	(389)	(1,334)	276,719
Profit/(loss) for the period	-	-	-	-	21,443	-	(299)	21,144
Other comprehensive income and expense								
Remeasurement of defined benefit pension liabilities (net)	-	-	-	-	(212)	-	-	(212)
Foreign exchange translation differences	-	-	(4,227)	-	-	-	-	(4,227)
Changes in fair value of cash flow hedges (net)	-	-	-	21,359	-	-	-	21,359
Total other comprehensive income	-	-	(4,227)	21,359	(212)	-	-	16,920
Total comprehensive income	-	-	(4,227)	21,359	21,231	-	(299)	38,064
Transactions with owners recorded in equity								
Acquisition of non-controlling interest	-	-	-	-	-	(71)	(193)	(264)
Dividends paid	-	-	-	-	(20,868)	-	-	(20,868)
Total of transactions with owners recorded in equity	-	-	-	-	(20,868)	(71)	(193)	(21,132)
Balance at 31st December 2013	14,558	42	(1,298)	20,665	261,970	(460)	(1,826)	293,651
Profit/(loss) for the period	-	-	-	-	64,772	-	(250)	64,522
Other comprehensive income and expense								
Remeasurement of defined benefit pension liabilities (net)	-	-	-	-	(2,551)	-	-	(2,551)
Foreign exchange translation differences	-	-	(1,527)	-	-	-	-	(1,527)
Changes in fair value of cash flow hedges (net)	-	-	-	4,915	-	-	-	4,915
Total other comprehensive income	-	-	(1,527)	4,915	(2,551)	-	-	837
Total comprehensive income	-	-	(1,527)	4,915	62,221	-	(250)	65,359
Transactions with owners recorded in equity								
Dividends paid	-	-	-	-	(8,247)	-	-	(8,247)
Balance at 30th June 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								
Remeasurement of defined benefit pension liabilities (net)	-	-	-	-	(3,419)	-	-	(3,419)
Foreign exchange translation differences	-	-	3,579	-	-	-	-	3,579
Changes in fair value of cash flow hedges (net)	-	-	-	(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

Consolidated statement of cash flow

Unaudited

	6 months to 31st December 2014 £'000	6 months to 31st December 2013 £'000	Audited Year ended 30th June 2014 £'000
Cash flows from operating activities			
Profit for the period	46,433	21,144	85,666
Amortisation of development costs	4,422	4,466	8,345
Amortisation of other intangibles	1,473	1,682	3,304
Depreciation	7,502	5,729	11,304
Exceptional item	-	-	(26,280)
(Profit)/loss on sale of property, plant and equipment	(25)	106	(24)
Share of profits from associates	(350)	(709)	(950)
Financial income	(348)	(383)	(679)
Financial expenses	734	839	1,736
Tax expense	10,192	4,485	10,720
	23,600	16,215	7,476
(Increase)/decrease in inventories	(4,071)	(325)	2,289
(Increase)/decrease in trade and other receivables	(16,061)	5,619	(19,089)
Increase/(decrease) in trade and other payables	2,396	(6,607)	(2,573)
Increase/(decrease) in provisions	232	(77)	(336)
	(17,504)	(1,390)	(19,709)
Defined benefit pension contributions	(1,172)	(1,092)	(2,275)
Income taxes paid	(5,798)	(5,191)	(11,407)
Cash flows from operating activities	45,559	29,686	59,751
Investing activities			
Purchase of property, plant and equipment	(18,814)	(19,464)	(39,050)
Development costs capitalised	(5,839)	(5,774)	(11,830)
Purchase of other intangibles	(429)	(239)	(483)
Investment in subsidiaries and associates	(480)	(264)	(808)
Sale of property, plant and equipment	107	427	704
Interest received	348	383	679
Dividends received from associates	110	50	210
Exceptional item	-	-	32,018
Payments from/(to) pension scheme escrow account (net)	(3,728)	703	1,441
Cash flows from investing activities	(28,725)	(24,178)	(17,119)
Financing activities			
Interest paid	(21)	(102)	(176)
Dividends paid	(21,742)	(20,868)	(29,115)
Cash flows from financing activities	(21,763)	(20,970)	(29,291)
Net (decrease)/increase in cash and cash equivalents	(4,929)	(15,462)	13,341
Cash and cash equivalents at the beginning of the period	43,634	26,605	26,605
Effect of exchange rate fluctuations on cash held	108	2,277	3,688
Cash and cash equivalents at the end of the period	38,813	13,420	43,634

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
29th January 2015

Notes

1. Status of Interim report and accounting policies

The Interim report, which has not been audited, was approved by the directors on 29th January 2015.

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 2014, 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 2014 and the comparative figures for the six months to 31st December 2013 are unaudited. The comparative figures for the financial year ended 30th June 2014 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 2014.

2. Segmental information

Renishaw's business is metrology, the science of measurement. The Group manufactures a comprehensive range of high-precision probing systems and accessories, calibration and measuring systems and other innovative products which enable customers worldwide to carry out dimensional measurements to traceable standards.

In addition to developing the Group's traditional core metrology business, the Group has also been investing in the development of additional applications for new market sectors based upon its core metrology expertise. The additional investment has been focused on the healthcare sector and products for the dental and neurosurgical markets, together with our spectroscopy product offerings. The Group thus 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, to reduce significantly the time taken to produce and inspect components, and to 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") metal cutting 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 machines ("CMM") products

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

Styli for probe systems

Precision styli that attach to probe sensors for CMMs and machine tools 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 and wireless telescoping ballbar.

Notes (continued)

2. Segmental information (continued)

Gauging

Innovative flexible gauging technology, based on the comparison of production parts to a reference master part that can greatly increase throughput and reduce scrap rates at a fraction of the cost of an equivalent custom gauging system.

Spatial measurement

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

Fixtures

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

Position encoders

Position feedback 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")

AM and rapid prototyping systems that allow the rapid manufacture of components as part of a product development process or for full-scale production, including laser melting machines, a range of vacuum, nylon and metal casting machines and a range of materials to support these technologies. AM services are also offered, including design and simulation, and the contract manufacture of metal prototypes and production parts.

Our products / Healthcare

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

The product range includes the following:

Dental scanners

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

Dental 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 strength calculations.

Dental structures manufacturing service

A central manufacturing service that can handle CAD files from various dental scanning systems to produce structures for crowns and bridges in zirconia, cobalt chrome, PMMA (a transparent thermoplastic) and wax, and abutments and implant bridges in cobalt chrome.

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 delivery of therapeutics deep into the brain.

Neurosurgical planning software

Planning 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. It is already in use at Renishaw Diagnostics Limited ("RDL"), where it forms part of RDL's RenDx® RUO Multiplex Assay System, developed as a tool for research into infectious diseases.

Diagnostic systems

RDL is in the process of developing the RenDx Multiplex Assay System, an automated diagnostic platform for clinical diagnosis of infectious diseases and has launched the RUO research system as mentioned above.

2. Segmental information (continued)

Segmental financial results were:

6 months to 31st December 2014	Metrology £'000	Healthcare £'000	Total £'000
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

6 months to 31st December 2013

Revenue	150,727	13,267	163,994
Depreciation and amortisation	10,045	1,832	11,877
Operating profit/(loss)	27,804	(2,278)	25,526
Share of profits from associates	559	-	559
Net financial expense	-	-	(456)
Profit before tax	-	-	25,629

Year ended 30th June 2014

Revenue	326,633	28,865	355,498
Depreciation and amortisation	19,036	3,917	22,953
Operating profit/(loss)	74,374	(3,986)	70,388
Share of profits from associates	775	-	775
Net financial expense	-	-	(1,057)
Exceptional gain on disposal of shareholding in Delcam plc	26,280	-	26,280
Profit before tax	-	-	96,386

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 2014 £'000	6 months to 31st December 2013 £'000	Year ended 30th June 2014 £'000
Far East	112,406	59,096	134,569
Continental Europe	47,652	48,842	100,199
North & South America	46,138	40,427	85,562
United Kingdom and Ireland	12,129	10,464	23,816
Other regions	5,491	5,165	11,352
Total group revenue	223,816	163,994	355,498

Notes (continued)

2. Segmental information (continued)

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 2014 £'000	6 months to 31st December 2013 £'000	Year ended 30th June 2014 £'000
China	58,853	26,854	66,575
USA	39,319	33,440	71,007
South Korea	23,563	5,500	10,523
Germany	21,743	21,266	43,043
Japan	20,063	18,446	39,190

There was no revenue from transactions with a single external customer amounting to 10% or more of the Group's total revenue.

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

	At 31st December 2014 £'000	At 31st December 2013 £'000	At 30th June 2014 £'000
United Kingdom	151,581	137,088	142,079
Overseas	60,750	54,673	57,644
	212,331	191,761	199,723

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

3. Exceptional item (previous year)

In February 2014, Autodesk Development B.V., a wholly owned subsidiary of Autodesk, Inc. acquired the whole of the issued share capital of Delcam plc at a price of £20.75 per share. Renishaw held 1,543,032 Delcam shares (19.4%) which resulted in a total consideration of £32.0m. The investment held in the balance sheet was £5.7m, giving a profit on disposal of £26.3m, which was disclosed as an exceptional item. Delcam plc was accounted for as an associate undertaking.

4. Financial income and expenses

Financial income	6 months to 31st December 2014 £'000	6 months to 31st December 2013 £'000	Year ended 30th June 2014 £'000
Bank interest receivable	348	383	679
Financial expenses	6 months to 31st December 2014 £'000	6 months to 31st December 2013 £'000	Year ended 30th June 2014 £'000
Interest on pension schemes	713	704	1,392
Bank interest payable	21	102	176
Unwinding of deferred acquisition cost interest	-	33	168
	734	839	1,736

5. Income tax expense

The income tax expense has been estimated at a rate of 18.0% (December 2013: 17.5%), the rate expected to be applicable for the full year. There was no income tax expense accounted for in respect of the exceptional item in the previous year.

6. Earnings per share

Earnings per share are calculated on earnings of £46,726,000 (December 2013: £21,443,000) 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 2014 are calculated on earnings of £86,215,000 and on 72,788,543 shares, being the number of shares in issue during that year.

7. 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 2014	98,056	131,134	8,049	13,930	251,169
Additions	2,239	4,857	776	10,942	18,814
Transfers	18,412	3,209	-	(21,621)	-
Disposals	-	(769)	(464)	-	(1,233)
Currency adjustment	(250)	278	(59)	-	(31)
At 31st December 2014	118,457	138,709	8,302	3,251	268,719
Depreciation					
At 1st July 2014	21,114	83,952	5,181	-	110,247
Charge for the period	1,094	5,811	597	-	7,502
Released on disposals	-	(677)	(474)	-	(1,151)
Currency adjustment	(124)	75	(27)	-	(76)
At 31st December 2014	22,084	89,161	5,277	-	116,522
Net book value					
At 31st December 2014	96,373	49,548	3,025	3,251	152,197
At 30th June 2014	76,942	47,182	2,868	13,930	140,922

Additions to assets in the course of construction of £10,942,000 (December 2013: £9,690,000) comprise £6,962,000 (December 2013: £4,457,000) for freehold land and buildings and £3,980,000 (December 2013: £5,233,000) for plant and equipment.

At the end of the period, assets in the course of construction, not yet transferred, of £3,251,000 (December 2013: £9,697,000) comprise £1,007,000 (December 2013: £4,251,000) for freehold land and buildings and £2,244,000 (December 2013: £5,446,000) for plant and equipment.

Notes (continued)

8. 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	
Cost						
At 1st July 2014	19,873	10,644	78,188	20,509	36	129,250
Additions	-	-	5,839	285	144	6,268
Currency adjustment	275	(45)	-	11	-	241
At 31st December 2014	20,148	10,599	84,027	20,805	180	135,759
Amortisation						
At 1st July 2014	198	8,631	50,371	13,479	-	72,679
Charge for the period	-	639	4,422	834	-	5,895
Currency adjustment	-	(10)	-	11	-	1
At 31st December 2014	198	9,260	54,793	14,324	-	78,575
Net book value						
At 31st December 2014	19,950	1,339	29,234	6,481	180	57,184
At 30th June 2014	19,675	2,013	27,817	7,030	36	56,571

The analysis of acquired goodwill on consolidation is:

	At 31st December 2014 £'000	At 31st December 2013 £'000	At 30th June 2014 £'000
Acquisition of:			
itp GmbH	2,685	2,886	2,770
Renishaw Diagnostics Limited (92.4%)	1,784	1,784	1,784
Renishaw Mayfield S.A. (75%)	1,458	1,537	1,487
Measurement Devices Limited	6,661	6,661	6,661
Renishaw Software Limited	1,559	1,559	1,559
R&R Fixtures, LLC	4,439	4,172	4,050
Other smaller acquisitions	1,364	895	1,364
Balance at the end of the period	19,950	19,494	19,675

9. Investments in associates

	6 months to 31st December 2014 £'000	6 months to 31st December 2013 £'000	Year ended 30th June 2014 £'000
Movements during the period were:			
Balance at the beginning of the period	2,230	7,403	7,403
Dividends received	(110)	(50)	(210)
Share of profits of associates	350	709	950
Amortisation of intangibles	-	(150)	(175)
New investments	480	-	-
Disposal of shareholding in Delcam plc	-	-	(5,738)
Balance at the end of the period	2,950	7,912	2,230

10. Capital and reserves

Share capital	At 31st December 2014 £'000	At 31st December 2013 £'000	At 30th June 2014 £'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 2014 £'000	6 months to 31st December 2013 £'000	Year ended 30th June 2014 £'000
Balance at the beginning of the period	25,580	(694)	(694)
Amounts transferred to the Consolidated income statement	(6,443)	(1,153)	(1,565)
Revaluations during the period	(11,362)	27,885	34,441
Deferred tax movement	3,562	(5,373)	(6,602)
Balance at the end of the period	11,337	20,665	25,580

The cash flow hedging reserve is analysed as:

	At 31st December 2014 £'000	At 31st December 2013 £'000	At 30th June 2014 £'000
Derivatives in non-current assets	9,015	17,317	18,644
Derivatives in current assets	10,335	9,587	13,348
Derivatives in current liabilities	(243)	-	-
Derivatives in non-current liabilities	(4,936)	(1,073)	(17)
Included in deferred tax assets/liabilities	14,171 (2,834)	25,831 (5,166)	31,975 (6,395)
Balance at the end of the period	11,337	20,665	25,580

Notes (continued)

10. Capital and reserves (continued)

Dividends	6 months to 31st December 2014 £'000	6 months to 31st December 2013 £'000	Year ended 30th June 2014 £'000
Dividends paid during the period were:			
2014 final dividend of 29.87p per share (2013: 28.67p)	21,742	20,868	20,868
2014 interim dividend of 11.33p	-	-	8,247
Total dividends paid during the period	21,742	20,868	29,115

An interim dividend for 2015 of £9,098,568 (12.5p net per share) will be paid on 7th April 2015, to shareholders on the register on 6th March 2015, with an ex-div date of 5th March 2015.

Other reserve

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

Non-controlling interest	6 months to 31st December 2014 £'000	6 months to 31st December 2013 £'000	Year ended 30th June 2014 £'000
Movements during the period were:			
Balance at the beginning of the period	(2,076)	(1,334)	(1,334)
Share of loss for the period	(293)	(299)	(549)
Changes in share of investments	-	(193)	(193)
Balance at the end of the period	(2,369)	(1,826)	(2,076)

11. 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 2014 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31st December 2014	At 31st December 2013	At 30th June 2014
Discount rate	3.8%	4.6%	4.4%
Inflation rate - RPI	3.4%	3.7%	3.7%
Inflation rate - CPI	2.4%	2.7%	2.7%
Retirement age	64	64	64

11. Employee benefits (continued)

The assets and liabilities in the defined benefit schemes were:

	At 31st December 2014 £'000	At 31st December 2013 £'000	At 30th June 2014 £'000
Market value of assets	134,619	128,094	129,755
Actuarial value of liabilities under IAS 19	(181,566)	(157,478)	(164,823)
	(46,947)	(29,384)	(35,068)
Increase in liability under IFRIC 14	-	(11,000)	(8,000)
Deficit in the schemes	(46,947)	(40,384)	(43,068)
Deferred tax thereon	8,902	7,669	8,141

The movements in the schemes' assets and liabilities were:

	6 months to 31st December 2014 £'000	6 months to 31st December 2013 £'000	Year ended 30th June 2014 £'000
Balance at the beginning of the period	(43,068)	(41,718)	(41,718)
Contributions paid	1,172	1,092	2,275
Interest on pension schemes	(713)	(704)	(1,392)
Remeasurement (loss)/gain under IAS 19	(4,338)	1,646	(4,533)
Additional remeasurement gain/(loss) under IFRIC 14	-	(700)	2,300
Balance at the end of the period	(46,947)	(40,384)	(43,068)

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 £39,933,000 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 £39,933,000 by midnight on 1st November 2016. No scheme assets are invested in the Group's own equity.

The value of the guarantee discussed above, at 31st December 2014, was lower than the value of the pension scheme's deficit. Therefore there was no adjustment required under IFRIC 14. At 30th June 2014, the UK defined benefit pension scheme's liabilities were increased by £8,000,000 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.

12. Deferred tax

A reduction in the UK corporation tax rate to 20%, effective from 1st April 2015, was substantively enacted on 2nd July 2013. This will reduce the Group's future current tax charge accordingly. The deferred tax assets and liabilities have been calculated based on the rate of 20% substantively enacted at the balance sheet date.

13. 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.

Notes (continued)

14. Principal risks and uncertainties

The principal risks and uncertainties are considered by management to be as shown below:

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.	<p>Global market conditions continue to highlight risks to growth and demand which can lead to fluctuating levels of revenue.</p> <p>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.</p>	<ul style="list-style-type: none"> • The Group is expanding and diversifying its product range in order to maintain a world-leading position in its sales of metrology products. • 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.	<ul style="list-style-type: none"> • 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. • 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.	<ul style="list-style-type: none"> • Production facilities are maintained with fire and flood risk in mind. • Critical production processes are replicated at different locations where practical. • 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.

14. Principal risks and uncertainties (continued)

Area of risk	Description	Potential impact	Mitigation
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.	<ul style="list-style-type: none"> Specialist legal and regulatory staff have been recruited to 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 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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 and swap contracts to hedge the foreign currency denominated assets held in the Group's balance sheet.

Financial calendar

Record date for 2015 interim dividend	6th March 2015
2015 interim dividend payment	7th April 2015
Announcement of 2015 full year results	29th July 2015
Mailing of 2015 Annual report	Late August 2015
Annual general meeting	15th October 2015
2015 final dividend payment	19th October 2015

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