RENISHAW
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Interim report 2013

Highlights

- **Revenue up 18% from £147.1m to £174.2m**
- **Adjusted profit before tax up 39% from £31.2m to £43.3m**
- **Interim dividend per share increased 10% from 10.30p to 11.33p**

	6 months to 31st December 2012 £'000 (Note)	6 months to 31st December 2011 £'000	change %	Year ended 30th June 2012 £'000
Revenue	**174,225**	147,149	+18%	331,892
Adjusted operating profit	**42,269**	29,696	+42%	83,188
Adjusted profit before taxation	**43,285**	31,170	+39%	86,046
Adjusted earnings per share	**47.9p**	34.7p	+38%	95.6p
Statutory				
Operating profit	**45,172**	29,696	+52%	83,188
Profit before taxation	**46,188**	31,170	+48%	86,046
Earnings per share	**51.9p**	34.7p	+50%	95.6p
Proposed dividend per share	**11.33p**	10.30p	+10%	38.50p

Note
Adjusted figures are in respect of the 6 months to 31st December 2012, which exclude the exceptional gain resulting from the settlement of the deferred consideration liability for the purchase of the remaining 34% shareholding in Measurement Devices Limited (see Chairman's statement for more details).

Half year management report
Chairman's statement

I am pleased to report the first half year results, a record for both revenue and profit before tax.

Revenue for the six months ended 31st December 2012 was £174.2m, up 18% on the £147.1m for the corresponding period last year. Whilst revenue in the first quarter was up 36%, from £70.5m to £95.9m, helped by a more than doubling of revenue to the Far East, specifically China, growth in the second quarter was, as expected, lower with revenue growing 2%, from £76.6m to £78.3m.

Geographically, we saw good growth in the Far East where revenue increased by 59% over the comparable period, from £49.5m to £78.6m. In our other major regions, revenue in the Americas was down 1%, from £36.5m to £36.1m and in Europe was down 7%, from £47.1m to £44.0m. The UK, a smaller segment in absolute amount, grew 16%, from £8.7m to £10.0m.

The Group's adjusted profit before tax for the second quarter, excluding an exceptional gain of £2.9m (referred to below), was £15.0m compared to £17.5m in the previous year, resulting in an adjusted profit before tax for the first half of £43.3m, 39% above the £31.2m reported last year; the statutory profit before tax was £46.2m. Adjusted earnings per share were 47.9p, compared with 34.7p last year, an increase of 38%. Statutory earnings per share were 51.9p.

Metrology
Revenue from our metrology business for the first six months was £162.5m, compared with £135.9m last year, an increase of 20%. Operating profit for our metrology business was £46.2m, compared with £35.7m for the comparable period last year, an increase of 30%.

With the exception of more recent acquisitions, Measurement Devices Limited ("MDL") and the Renishaw additive manufacturing products division, all traditional metrology product lines reported revenue growth. This growth was primarily driven by our machine tool product line and good growth in encoder products, where we are seeing a recovery in investments into the electronic and semiconductor markets, especially in the Far East.

In November 2012, the Company purchased the remaining 34% shareholding in MDL for a cash payment of £4.5m, which released an exceptional gain of £2.9m compared to the deferred consideration liability at 30th June 2012.

New product releases during the period include the Resolute™ UHV ultra-high vacuum compatible readhead, RESOLUTE true-absolute linear and rotary encoders with new compatability for Siemens DRIVE-CLiQ interface, RTS radio tool setting probe and the Equator 300 extended height comparator for accommodating large fixtures and automation systems.

Healthcare
Revenue from our healthcare business for the first six months increased by 4% from £11.2m last year to £11.7m. There was an operating loss of £4.0m, compared with a loss of £6.0m for the comparable period last year.

Our spectroscopy product line continues to experience growth. Further sales of our neuro products have been achieved, along with additional orders received for our neuromate® stereotactic robot, used for functional neurosurgery.

Revenue in our healthcare segment is typically biased towards the second half of our financial year and an improved performance is expected for this period.

Continued investment for long-term growth
As stated in our Interim management statement in October 2012, the Group's cost base has continued to increase with additional staff to support our growing revenue and demand for production resource, along with increasing investment in research and development programmes. Group headcount at the end of December 2012 was 3,065, an increase of 161 since the start of the financial year.

Capital expenditure on property, plant and equipment for the six months was £12.1m, of which £3.2m was spent on property and £8.9m on plant, equipment and vehicles. The construction of new premises for MDL in York has been completed and the expansion of our facilities in Ireland is expected to be completed by the end of the current financial year.

At Miskin, development of the facilities includes refurbishment of an additional 66,000 square feet and the purchase of new machine tools expected to be completed and in operation before the end of the current financial year.

Half year management report
Chairman's statement (continued)

Cash

Net cash balances at 31st December 2012 were £12.6m, compared with £15.5m at December 2011 and £21.1m at 30th June 2012. These balances exclude an escrow account amounting to £11.8m (31st December 2011 £11.1m) relating to the provision of security to the Group's defined benefit pension scheme.

Non-executive directors

David Snowden and Terry Garthwaite each completed nine years on the Board and did not seek re-election at the Group's AGM in October 2012.

Carol Chesney, chartered accountant and company secretary at the manufacturing group Halma plc, joined the Board on 19th October 2012 as non-executive director and chair of the Audit committee. Dr David Grant was appointed the chair of the Remuneration committee in place of David Snowden.

Employees

The directors thank the Group's employees for their continuing support and contribution.

Awards

In September Renishaw's assembly facility at Woodchester in Gloucestershire won the award for the UK's Best Electronics & Electrical Plant Factory Awards 2012 achieved against strong competition.

Outlook

In the first quarter the Group benefited from a number of large orders in China in the consumer electronics market. Such irregular orders produce a distorting effect when comparisons are made between periods. It is difficult to predict with certainty the size and timing of forthcoming orders above and beyond the customary underlying order book which remains at approximately one month's revenue. The Group also faces tough financial comparators during the second half of this financial year given the strong trading conditions in the prior year, particularly in the fourth quarter. The directors therefore currently expect that revenue in the second half will be around the level in the second half of last year.

Renishaw's markets continue to exhibit attractive, long-term structural growth drivers with continuing global investment in production systems and processes. Despite continuing global economic uncertainties and short-term fluctuations in activity levels, we continue to invest in our business with confidence to position it for sustainable long-term growth.

Dividends

An interim dividend of 11.33 pence net per share (compared with 10.3 pence last year) will be paid on 8th April 2013, to shareholders on the register on 8th March 2013.

Sir David R McMurtry CBE, RDI, FRS, FREng, CEng, FIMechE
Chairman & Chief Executive,
30th January 2013

Consolidated income statement

Unaudited

	Notes	**6 months to 31st December 2012 £'000**	6 months to 31st December 2011 £'000	Audited Year ended 30th June 2012 £'000
Revenue	2	**174,225**	147,149	331,892
Cost of sales		**(79,958)**	(72,614)	(154,996)
Gross profit		**94,267**	74,535	176,896
Distribution costs		**(33,246)**	(29,364)	(62,155)
Administrative expenses including exceptional item		**(15,849)**	(15,475)	(31,553)
Operating profit excluding exceptional item		**42,269**	29,696	83,188
Exceptional item - gain on deferred consideration settlement	3	**2,903**	-	-
Operating profit		**45,172**	29,696	83,188
Financial income	4	**3,718**	4,451	8,979
Financial expenses	4	**(3,062)**	(3,292)	(6,811)
Share of profits from associates		**360**	315	690
Profit before tax		**46,188**	31,170	86,046
Income tax expense	5	**(8,657)**	(6,234)	(17,008)
Profit for the period from continuing operations		**37,531**	24,936	69,038
Profit attributable to:				
Equity shareholders of the parent company		**37,744**	25,231	69,555
Non-controlling interest		**(213)**	(295)	(517)
Profit for the period from continuing operations		**37,531**	24,936	69,038
		pence	pence	pence
Dividend per share arising in respect of the period	10	**11.33**	10.30	38.50
Earnings per share (basic and diluted)	6	**51.9**	34.7	95.6

Consolidated statement of comprehensive income and expense

Unaudited

	6 months to 31st December 2012 £'000	6 months to 31st December 2011 £'000	Audited Year ended 30th June 2012 £'000
Profit for the period	**37,531**	24,936	69,038
Other items recognised directly in equity:			
Items that will not be reclassified to the Consolidated income statement:			
Foreign exchange translation differences	**(1,076)**	(1,538)	(1,779)
Actuarial loss in the pension schemes	**(1,643)**	(3,116)	(7,781)
Deferred tax on items that will not be reclassified	**375**	478	1,001
Relating to associates, net of tax	**-**	-	(1,229)
Total for items that will not be reclassified	**(2,344)**	(4,176)	(9,788)
Items that may be reclassified to the Consolidated income statement:			
Effective portion of changes in fair value of cash flow hedges, net of recycling	**12,545**	1,532	9,039
Deferred tax on items that may be reclassified	**(3,011)**	(429)	(2,398)
Total for items that may be reclassified	**9,534**	1,103	6,641
Total other comprehensive income, net of tax	**7,190**	(3,073)	(3,147)
Total comprehensive income and expense	**44,721**	21,863	65,891
Attributable to:			
Equity shareholders of the parent company	**44,934**	22,158	66,408
Non-controlling interest	**(213)**	(295)	(517)
Total comprehensive income and expense for the period	**44,721**	21,863	65,891

Consolidated balance sheet

Unaudited

	Notes	At 31st December 2012 £'000	At 31st December 2011 £'000	Audited At 30th June 2012 £'000
Assets				
Property, plant and equipment	7	**107,009**	93,952	100,972
Intangible assets	8	**54,380**	49,163	54,407
Investments in associates	9	**6,951**	7,725	6,790
Deferred tax assets		**17,901**	23,100	17,777
Derivatives	10	**11,089**	1,605	3,532
Total non-current assets		**197,330**	175,545	183,478
Current assets				
Inventories		**62,477**	56,638	53,983
Trade receivables		**75,397**	50,719	83,407
Current tax		**3,326**	2,803	2,791
Other receivables		**9,371**	7,695	10,590
Derivatives	10	**5,358**	1,344	3,157
Pension fund cash escrow account	11	**11,782**	11,142	11,523
Cash and cash equivalents		**12,640**	15,460	21,127
Total current assets		**180,351**	145,801	186,578
Current liabilities				
Trade payables		**13,512**	10,661	22,900
Current tax		**5,725**	7,462	5,662
Provisions		**1,077**	736	1,170
Derivatives	10	**24**	3,177	1,052
Other payables		**23,043**	18,229	25,596
Total current liabilities		**43,381**	40,265	56,380
Net current assets		**136,970**	105,536	130,198
Non-current liabilities				
Employee benefits	11	**42,450**	39,065	41,988
Deferred tax liabilities		**22,456**	19,965	19,492
Derivatives	10	**554**	3,955	2,313
Other payables		**2,246**	12,494	7,484
Total non-current liabilities		**67,706**	75,479	71,277
Total assets less total liabilities		**266,594**	205,602	242,399
Equity				
Share capital	10	**14,558**	14,558	14,558
Share premium	10	**42**	42	42
Currency translation reserve	10	**1,507**	2,824	2,583
Cash flow hedging reserve	10	**12,060**	(3,012)	2,526
Retained earnings	10	**239,770**	192,364	223,820
Other reserve	10	**(389)**	(389)	(389)
Equity attributable to the owners of the Company		**267,548**	206,387	243,140
Non-controlling interest	10	**(954)**	(785)	(741)
Total equity		**266,594**	205,602	242,399

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 2011	14,558	42	4,362	(4,115)	187,750	(389)	(490)	201,718
Profit/(loss) for the period	-	-	-	-	25,231	-	(295)	24,936
Other comprehensive income and expense								
Actuarial loss in the pension schemes (net)	-	-	-	-	(2,638)	-	-	(2,638)
Foreign exchange translation differences	-	-	(1,538)	-	-	-	-	(1,538)
Changes in fair value of cash flow hedges (net)	-	-	-	1,103	-	-	-	1,103
Total other comprehensive income	-	-	(1,538)	1,103	(2,638)	-	-	(3,073)
Total comprehensive income	-	-	(1,538)	1,103	22,593	-	(295)	21,863
Transactions with owners recorded in equity								
Dividends paid	-	-	-	-	(17,979)	-	-	(17,979)
Balance at 31st December 2011	14,558	42	2,824	(3,012)	192,364	(389)	(785)	205,602
Profit/(loss) for the period	-	-	-	-	44,324	-	(222)	44,102
Other comprehensive income and expense								
Actuarial loss in the pension schemes (net)	-	-	-	-	(4,142)	-	-	(4,142)
Foreign exchange translation differences	-	-	(241)	-	-	-	-	(241)
Changes in fair value of cash flow hedges (net)	-	-	-	5,538	-	-	-	5,538
Relating to associates	-	-	-	-	(1,229)	-	-	(1,229)
Total other comprehensive income	-	-	(241)	5,538	(5,371)	-	-	(74)
Total comprehensive income	-	-	(241)	5,538	38,953	-	(222)	44,028
Acquisition of non-controlling interest	-	-	-	-	-	-	266	266
Dividends paid	-	-	-	-	(7,497)	-	-	(7,497)
Transactions with owners recorded in equity	-	-	-	-	(7,497)	-	266	(7,231)
Balance at 30th June 2012	14,558	42	2,583	2,526	223,820	(389)	(741)	242,399
Profit/(loss) for the period	-	-	-	-	37,744	-	(213)	37,531
Other comprehensive income and expense								
Actuarial loss in the pension schemes (net)	-	-	-	-	(1,268)	-	-	(1,268)
Foreign exchange translation differences	-	-	(1,076)	-	-	-	-	(1,076)
Changes in fair value of cash flow hedges (net)	-	-	-	9,534	-	-	-	9,534
Total other comprehensive income	-	-	(1,076)	9,534	(1,268)	-	-	7,190
Total comprehensive income	-	-	(1,076)	9,534	36,476	-	(213)	44,721
Transactions with owners recorded in equity								
Dividends paid	-	-	-	-	(20,526)	-	-	(20,526)
Balance at 31st December 2012	**14,558**	**42**	**1,507**	**12,060**	**239,770**	**(389)**	**(954)**	266,594

Consolidated statement of cash flows

Unaudited

	6 months to 31st December 2012 £'000	6 months to 31st December 2011 £'000	Audited Year ended 30th June 2012 £'000
Cash flows from operating activities			
Profit for the period	**37,531**	24,936	69,038
Amortisation of development costs	**3,288**	3,062	6,747
Amortisation of other intangibles	**1,681**	1,968	3,901
Depreciation	**4,993**	4,684	9,518
Exceptional item	**(2,903)**	-	-
Profit on sale of property, plant and equipment	**(6)**	(16)	(94)
Share of profits from associates	**(530)**	(485)	(1,030)
Financial income	**(3,718)**	(4,451)	(8,979)
Financial expenses	**3,062**	3,292	6,811
Tax expense	**8,657**	6,234	17,008
	14,524	14,288	33,882
Increase in inventories	**(8,494)**	(6,829)	(4,006)
Decrease/(increase) in trade and other receivables	**7,001**	11,316	(24,704)
(Decrease)/increase in trade and other payables	**(14,028)**	(6,512)	5,173
(Decrease)/increase in provisions	**(93)**	(34)	400
	(15,614)	(2,059)	(23,137)
Defined benefit pension contributions	**(720)**	(677)	(1,359)
Income taxes paid	**(8,962)**	(4,829)	(14,079)
Cash flows from operating activities	**26,759**	31,659	64,345
Investing activities			
Purchase of property, plant and equipment	**(12,143)**	(17,831)	(30,328)
Development costs capitalised	**(4,688)**	(4,361)	(9,679)
Purchase of other intangibles	**(210)**	(126)	(1,123)
Investment in subsidiaries and associates	**-**	-	(2,611)
Sale of property, plant and equipment	**101**	149	414
Interest received	**568**	305	695
Dividend received from associate	**199**	27	108
Contributions to pension fund escrow account (net)	**(259)**	(324)	(705)
Cash flows from investing activities	**(16,432)**	(22,161)	(43,229)
Financing activities			
Interest paid	**(167)**	(184)	(296)
Dividends paid	**(20,526)**	(17,979)	(25,476)
Cash flows from financing activities	**(20,693)**	(18,163)	(25,772)
Net decrease in cash and cash equivalents	**(10,366)**	(8,665)	(4,656)
Cash and cash equivalents at the beginning of the period	**21,127**	23,733	23,733
Effect of exchange rate fluctuations on cash held	**1,879**	392	2,050
Cash and cash equivalents at the end of the period	**12,640**	15,460	21,127

Responsibility statement

We confirm that to the best of our knowledge:

- As required by DTR 4.2.R 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 includes a fair review of the information required by:

  (a) DTR 4.2.7R 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 4.2.8R 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
30th January 2013

Notes

1. Status of Interim report and accounting policies

The Interim report, which has not been audited, was approved by the directors on 30th January 2013.

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 2012, 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 2012 and the comparative figures for the six months to 31st December 2011 are unaudited. The comparative figures for the financial year ended 30th June 2012 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 2012.

There have been no new standards or amendments to standards endorsed by the EU to be applied for the first time for the financial year ending 30th June 2013.

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.

The Group's main products within these segments comprise:

Metrology - Co-ordinate measuring machine ("CMM") sensors, software and control systems for highly accurate measurement of manufactured components; Machine tool sensors and software, used for the automation of setting and on-machine measurement operations; Calibration and testing products to determine the positioning accuracy of a wide range of industrial and scientific machinery; Position feedback encoders that ensure accurate linear and rotary motion control in a wide range of applications; Innovative flexible gauging technology, based on the comparison of production parts to a reference master part; High speed laser measurement and surveying systems for use in extreme environments such as marine positioning and mine/quarry scanning; Additive manufacturing and rapid prototyping systems, such as selective laser melting machines; Modular and custom fixtures, used to hold parts securely for dimensional inspection on CMM, vision and gauging systems and a broad range of styli for all probes.

Healthcare - Scanning and milling systems applied to the dental sector, offering a complete CAD/CAM system for crown and bridge frameworks; Spectroscopy products, including the inVia Raman microscope, a research grade optical microscope coupled to a high-performance Raman spectrometer used for analytical applications (including medicinal tablet mapping, molecular diagnostics and DNA analysis); combined Raman and atomic force microscope instruments that investigate chemical and structural properties of materials at sub-micrometre and neurosurgical products, such as a stereotactic robot for functional neurosurgical procedures, implantable devices that allow surgeons to verify expected deep brain stimulation electrode position relative to targeted anatomy and planning software for stereotactic neurosurgery.

2. Segmental information (continued)

Revenue	Metrology £'000	Healthcare £'000	Total £'000
6 months to 31st December 2012	**162,516**	**11,709**	**174,225**
6 months to 31st December 2011	135,915	11,234	147,149
Year ended 30th June 2012	305,832	26,060	331,892

Depreciation and amortisation	Metrology £'000	Healthcare £'000	Total £'000
6 months to 31st December 2012	**8,127**	**1,835**	**9,962**
6 months to 31st December 2011	7,692	2,022	9,714
Year ended 30th June 2012	16,360	3,806	20,166

Operating profit	Metrology £'000	Healthcare £'000	Total £'000
6 months to 31st December 2012	**46,235**	**(3,966)**	**42,269**
Share of profits from associates	**360**	**-**	**360**
Net financial income	**-**	-	**656**
Exceptional item	**2,903**	-	**2,903**
Profit before tax	**-**	**-**	**46,188**
6 months to 31st December 2011	35,650	(5,954)	29,696
Share of profits from associates	315	-	315
Net financial income	-	-	1,159
Profit before tax	-	-	31,170
Year ended 30th June 2012	91,845	(8,657)	83,188
Share of profits from associates	690	-	690
Net financial income	-	-	2,168
Profit before tax	-	-	86,046

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 2012 £'000	6 months to 31st December 2011 £'000	Year ended 30th June 2012 £'000
Far East	**78,586**	49,559	130,169
Continental Europe	**43,984**	47,158	95,702
North & South America	**36,140**	36,474	76,841
United Kingdom and Ireland	**10,013**	8,655	18,885
Other regions	**5,502**	5,303	10,295
Total group revenue	**174,225**	147,149	331,892

2. Segmental information (continued)

Revenue in the above table has been allocated to regions based on the geographical location of the customer. Individual countries which comprised more than 10% of Group revenue were:

	6 months to 31st December 2012 £'000	6 months to 31st December 2011 £'000	Year ended 30th June 2012 £'000
China	**47,843**	20,925	65,166
USA	**30,330**	31,662	64,581
Germany	**19,283**	20,405	42,539
Japan	**17,509**	17,274	38,496

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 2012 £'000	At 31st December 2011 £'000	At 30th June 2012 £'000
United Kingdom	**120,472**	107,967	114,329
Overseas	**47,868**	42,873	47,840
	168,340	150,840	162,169

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

3. Exceptional item

In November 2012, the Company purchased the remaining 34% shareholding in Measurement Devices Limited for a cash payment of £4.5m. The June 2012 financial statements included a deferred consideration liability based on an estimated earn-out provision, which was calculated on forecast profits up to December 2013. The first half year results include an exceptional gain of £2.9m resulting from this settlement.

4. Financial income and expenses

Financial income	**6 months to 31st December 2012 £'000**	6 months to 31st December 2011 £'000	Year ended 30th June 2012 £'000
Expected return on assets in the pension schemes	**3,150**	4,146	8,284
Bank interest receivable	**568**	305	695
	3,718	4,451	8,979

Financial expenses	**6 months to 31st December 2012 £'000**	6 months to 31st December 2011 £'000	Year ended 30th June 2012 £'000
Interest on pension scheme liabilities	**2,689**	3,108	6,186
Bank interest payable	**167**	184	296
Unwinding of deferred acquisition cost interest	**206**	-	329
	3,062	3,292	6,811

5. Income tax expense

The income tax expense has been estimated at a rate of 20% (December 2011 20%), the rate expected to be applicable for the full year. There is no income tax expense accounted for in respect of the exceptional item.

6. Earnings per share

Earnings per share are calculated on earnings of £37,744,000 (December 2011 £25,231,000) 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 2012 are calculated on earnings of £69,555,000 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 2012	85,854	96,615	7,056	3,996	193,521
Additions	1,720	2,344	809	7,270	12,143
Transfers	-	1,590	-	(1,590)	-
Disposals	-	(145)	(304)	-	(449)
Currency adjustment	(1,159)	(148)	(33)	-	(1,340)
At 31st December 2012	**86,415**	**100,256**	**7,528**	**9,676**	**203,875**
Depreciation					
At 1st July 2012	18,738	69,580	4,231	-	92,549
Charge for the period	843	3,689	461	-	4,993
Released on disposals	-	(100)	(254)	-	(354)
Currency adjustment	(189)	(118)	(15)	-	(322)
At 31st December 2012	**19,392**	**73,051**	**4,423**	**-**	**96,866**
Net book value					
At 31st December 2012	**67,023**	**27,205**	**3,105**	**9,676**	**107,009**
At 30th June 2012	67,116	27,035	2,825	3,996	100,972

Additions to assets in the course of construction of £7,270,000 (December 2011 £11,151,000) comprise £1,473,000 (December 2011 £7,438,000) for freehold land and buildings and £5,797,000 (December 2011 £3,713,000) for plant and equipment.

At the end of the period, assets in the course of construction, not yet transferred, of £9,676,000 (December 2011 £3,641,000) comprise £2,783,000 (December 2011 £709,000) for freehold land and buildings and £6,893,000 (December 2011 £2,932,000) for plant and equipment.

8. Intangible assets

	Goodwill on consolidation £'000	Other intangible assets £'000	Internally generated development costs £'000	Software licences: In use £'000	Software licences: In the course of acquisition £'000	Total £'000
Cost						
At 1st July 2012	19,414	10,347	55,743	19,652	31	105,187
Additions	-	-	4,688	51	159	4,898
Transfers	-	-	-	44	(44)	-
Currency adjustment	(112)	(16)	-	(6)	-	(134)
At 31st December 2012	**19,302**	**10,331**	**60,431**	**19,741**	146	**109,951**
Amortisation						
At 1st July 2012	198	5,907	34,468	10,207	-	50,780
Charge for the period	-	668	3,288	843	-	4,799
Currency adjustment	-	(3)	-	(5)	-	(8)
At 31st December 2012	**198**	**6,572**	**37,756**	**11,045**	-	**55,571**
Net book value						
At 31st December 2012	**19,104**	**3,759**	**22,675**	**8,696**	**146**	**54,380**
At 30th June 2012	19,216	4,440	21,275	9,445	31	54,407

The analysis of acquired goodwill on consolidation is:	**At 31st December 2012 £'000**	At 31st December 2011 £'000	At 30th June 2012 £'000
Acquisition of:			
itp GmbH	**2,816**	2,886	2,886
Renishaw Diagnostics Limited (92.4%)	**1,784**	1,784	1,784
Renishaw Mayfield S.A. (75%)	**1,517**	1,559	1,559
Measurement Devices Limited	**6,661**	6,661	6,661
Renishaw Software Limited	**1,559**	1,559	1,559
R&R Sales LLC	**4,275**	-	4,275
Other smaller acquisitions	**492**	492	492
Balance at the end of the period	**19,104**	14,941	19,216

9. Investments in associates

Movements during the period were:	**6 months to 31st December 2012 £'000**	6 months to 31st December 2011 £'000	Year ended 30th June 2012 £'000
Balance at the beginning of the period	**6,790**	7,437	7,437
Dividends received	**(199)**	(27)	(108)
Share of profits of associates	**530**	485	1,030
Amortisation of intangibles	**(170)**	(170)	(340)
Other comprehensive income and expense	**-**	-	(1,229)
Balance at the end of the period	**6,951**	7,725	6,790

10. Capital and reserves

Share capital	At 31st December 2012 £'000	At 31st December 2011 £'000	At 30th June 2012 £'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 2012 £'000	6 months to 31st December 2011 £'000	Year ended 30th June 2012 £'000
Balance at the beginning of the period	**2,526**	(4,115)	(4,115)
Amounts transferred to the Consolidated income statement	**(1,203)**	2,032	3,835
Revaluations during the period	**13,748**	(500)	5,204
Deferred tax movement	**(3,011)**	(429)	(2,398)
Balance at the end of the period	**12,060**	(3,012)	2,526

The cash flow hedging reserve is analysed as:	At 31st December 2012 £'000	At 31st December 2011 £'000	At 30th June 2012 £'000
Derivatives in non-current assets	**11,089**	1,605	3,532
Derivatives in current assets	**5,358**	1,344	3,157
Derivatives in current liabilities	**(24)**	(3,177)	(1,052)
Derivatives in non-current liabilities	**(554)**	(3,955)	(2,313)
	15,869	(4,183)	3,324
Included in deferred tax assets/liabilities	**(3,809)**	1,171	(798)
Balance at the end of the period	**12,060**	(3,012)	2,526

10. Capital and reserves (continued)

Dividends Dividends paid during the period were:	**6 months to 31st December 2012 £'000**	6 months to 31st December 2011 £'000	Year ended 30th June 2012 £'000
2012 final dividend of 28.2p per share (2011 24.7p)	**20,526**	17,979	17,979
2012 interim dividend of 10.3p	**-**	-	7,497
Total dividends paid during the period	**20,526**	17,979	25,476

An interim dividend for 2013 of £8,246,942 (11.33p net per share) will be paid on 8th April 2013, to shareholders on the register on 8th March 2013, with an ex-div date of 6th March 2013.

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 2012 £'000**	6 months to 31st December 2011 £'000	Year ended 30th June 2012 £'000
Balance at the beginning of the period	**(741)**	(490)	(490)
Share of investments	**-**	-	266
Share of loss for the period	**(213)**	(295)	(517)
Balance at the end of the period	**(954)**	(785)	(741)

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. In April 2007, this scheme, along with the Irish defined benefit scheme, ceased any future accrual for current members and was closed to new members. UK and Irish employees are now covered by defined contribution schemes.

The latest full actuarial valuation of the UK defined benefit scheme was carried out at September 2009 and updated to 31st December 2012 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31st December 2012 £'000	At 31st December 2011 £'000	At 30th June 2012 £'000
Discount rate	**4.1%**	4.7%	4.3%
Inflation rate - RPI	**2.7%**	3.0%	2.7%
Inflation rate - CPI	**1.7%**	2.0%	1.7%
Expected return on equities	**6.7%**	8.3%	6.7%
Retirement age	**64**	64	64

11. Employee benefits (continued)

The assets and liabilities in the defined benefit schemes were:

	At 31st December 2012 £'000	At 31st December 2011 £'000	At 30th June 2012 £'000
Market value of assets	**102,248**	91,742	95,236
Actuarial value of liabilities under IAS 19	**(135,798)**	(120,307)	(127,524)
	(33,550)	(28,565)	(32,288)
Increase in liability under IFRIC 14	**(8,900)**	(10,500)	(9,700)
Deficit in the schemes	**(42,450)**	(39,065)	(41,988)
Deferred tax thereon	**9,610**	9,421	9,519

The movements in the schemes' assets and liabilities were:

	6 months to 31st December 2012 £'000	6 months to 31st December 2011 £'000	Year ended 30th June 2012 £'000
Balance at the beginning of the period	**(41,988)**	(37,664)	(37,664)
Contributions paid	**720**	677	1,359
Expected return on pension schemes' assets	**3,150**	4,146	8,284
Interest on pension schemes' liabilities	**(2,689)**	(3,108)	(6,186)
Actuarial loss under IAS 19	**(2,443)**	(16,316)	(21,781)
Additional actuarial gain under IFRIC 14	**800**	13,200	14,000
Balance at the end of the period	**(42,450)**	(39,065)	(41,988)

Under the defined benefit deficit funding plans, there are certain UK properties, owned by Renishaw plc, and a property owned by Renishaw (Ireland) Limited, which are subject to registered fixed charges as security for the UK and Irish defined benefit pension schemes' deficits respectively. Renishaw plc has also established an escrow account, which is subject to a registered floating charge as security for 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 £43,510,000 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 £43,510,000 by midnight on 1st November 2016. No scheme assets are invested in the Group's own equity.

The value of the guarantee discussed above is greater than the value of the pension fund's deficit. As such, in line with IFRIC 14, the UK pension fund's liabilities have been increased by £8,900,000, to represent the maximum discounted liability as at 31st December 2012 (30th June 2012 £9,700,000).

12. 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.

13. 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.	Whilst there are signs that the global economy, especially the Americas and the Far East is looking more positive, after a period of lower growth rates and uncertainty regarding public expenditure budgets and tax incentives, global market conditions continue to highlight risks to growth and demand. Revenue growth for the Group for the first half year was 18%, but 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 has sought to expand and diversify its product range in order to maintain a world-leading position in its sales of metrology products and to lessen the risks to revenue growth by applying our measurement expertise into the growing healthcare business sector. The Group has made a small number of acquisitions to expand the product range with complementary technologies into new market areas. The Group pays close attention to the management of production and inventory levels, to ensure the timely supply of product to customers, whilst keeping inventory levels at an acceptable level. The Board monitors closely costs and approves all labour additions.
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.	R&D risks are minimised by operating strictly managed research and development programmes with regular reviews against milestones achieved and against forecast business plans. Research and development also involves beta testing at customers to ensure that new products will meet the needs of the market. When necessary, projects may be cancelled. Development of alternative technologies is monitored closely. Expenditure is only capitalised once the commercial and technical feasibility of a product is proven.
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 and production lines are replicated at different locations where practical. Regular vendor reviews are performed for critical part suppliers and 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 have been recruited to support the healthcare business. Along with external advisers, all regulatory legislation is considered and approvals obtained as necessary.

13. Risks and uncertainties (continued)

Area of risk	Description	Potential impact	Mitigation
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 which is agreed by the Company. Recovery plans are in place for the defined benefit pension schemes which will be reviewed following the tri-annual 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 to hedge varying proportions of forecast US Dollar, Euro and Japanese Yen revenue. The Group also uses currency contracts to hedge the foreign currency denominated assets held in the Group's balance sheet.

Financial calendar

Record date for 2013 interim dividend	8th March 2013
2013 interim dividend payment	8th April 2013
Announcement of 2013 full year results	24th July 2013
Mailing of 2013 Annual report	Late August 2013
Annual general meeting	17th October 2013
2013 final dividend payment	21st October 2013

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