

# Interim report 2014

## Highlights

- First half revenue and profit are reduced, however second quarter growth in both revenue and profit.
- Good growth in the Americas and Europe.
- Strong demand for our 3D additive manufacturing, measurement automation, encoder and spectroscopy products.
- New product releases during the period include the SPRINT™ high speed contact scanning system for machine tools.
- Continued investment in production, engineering and marketing infrastructure.
- Capital expenditure of £19.5m, including in-progress new build of 145,000 sq ft at New Mills and expanded facilities in Germany.
- Strong balance sheet, with cash of £13.4m at the end of the period.
- £32.0m cash expected in February for sale of shareholding in Delcam plc.
- Maintained dividend of 11.33 pence per share.

	6 months to 31st December 2013 £'000	Restated 6 months to 31st December 2012 £'000 (Notes)	Restated Year ended 30th June 2013 £'000 (Notes)
Revenue	163,994	174,225	346,881
Adjusted operating profit	25,526	42,269	79,071
Adjusted profit before taxation	25,629	42,157	79,193
Adjusted earnings per share	29.5p	46.7p	88.9p

## Statutory

Operating profit	25,526	45,172	81,974
Profit before taxation	25,629	45,060	82,096
Earnings per share	29.5p	50.7p	92.9p
Proposed dividend per share	11.33p	11.33p	40.00p

## Notes

### Note a. Restated figures

Restated figures are in respect of the amendment to IAS 19 "Employee benefits" (mandatory for years commencing on or after 1st January 2013), where the expected return on plan assets and the interest cost on liabilities in the income statement are replaced by interest on the net defined benefit asset / liability using the discount rate used to measure the defined benefit obligation. This changes the allocation of the total return on plan assets between the income statement and other comprehensive income. The amended standard is required to be applied retrospectively. As a result of the restatement, Profit before tax for the comparable 6 months ended 31st December 2012 decreased by £1.1m and decreased by £2.3m for the year ended 30th June 2013. See note 1.

### Note b. Adjusted figures

Adjusted figures are in respect of the 6 months to 31st December 2012 and the full year ended 30th June 2013, which exclude the exceptional gain of £2.9m resulting from the early settlement of the deferred consideration liability for the purchase of the remaining 34% shareholding in Measurement Devices Limited.

## Interim management report

I am pleased to report the first half year results.

Revenue for the six months ended 31st December 2013 was £164.0m, compared with £174.2m for the corresponding period last year. As stated in our interim management statement in October, this first half year was subject to tough comparators due to exceptionally high revenue from certain Far East customers, mainly in the first quarter last year. Whilst the first quarter of this financial year gave revenue of £79.0m (2012 £95.9m), the second quarter amounted to £85.0m, compared with £78.3m for the same quarter last year. Excluding the exceptional Far East revenue referred to above we experienced an underlying revenue growth of 11%.

A regional analysis shows that underlying revenue growth in the first half year was 13% in the Far East; growth in the Americas was 12%; in Europe was 11% and in the UK was 5%. More specifically, revenue in the Americas increased from £36.1m to £40.4m; in Europe from £44.0m to £48.8m; and in the UK rose from £10.0m to £10.5m. The Far East revenue fell from £78.6m to £59.1m due to the exceptional comparators.

The Group's profit before tax for the first half year was £25.6m compared with an adjusted and restated £42.2m\*. The first quarter's profit before tax was £10.6m (September 2012 restated £27.7m) and the second quarter's profit before tax amounted to £15.0m, an increase over the restated £14.5m for the corresponding period last year.

Earnings per share were 29.5p, compared with an adjusted and restated 46.7p last year. Statutory earnings per share were 29.5p, compared with 50.7p last year.

### **Metrology**

Revenue from our metrology business for the first six months was £150.7m, compared with £162.5m last year. Operating profit was £27.8m, compared with £46.2m for the comparable period last year.

We have experienced strong demand for our 3D additive manufacturing products as we continue to integrate the production, sales and marketing activities and the recently acquired LBC business in Germany within the Group infrastructure. We also saw good growth in our measurement automation and encoder product lines.

New product releases during the period include the SPRINT™ high-speed contact scanning system for machine tools. SPRINT™ opens up completely new process control opportunities for high-value CNC machine tools. The system incorporates a new generation of on-machine scanning technology enabling fast and accurate form and profile data capture from both prismatic and complex 3D components.

Other new product releases in this business were the PH10M-iQ PLUS probe head (a new version of PH10 with reduced calibration time), RSP2 V2, a new improved version of the REVO 2D scanning probe, SPA3 high powered compact CMM amplifier and new software releases UCCsuite 4.6 and MODUS 1.6.

### **Healthcare**

Revenue from our healthcare business for the first six months increased by 13% from £11.7m last year to £13.3m. There was an operating loss of £2.3m, compared with a loss of £4.0m for the comparable period last year.

Our spectroscopy product line continues to experience strong growth.

Further sales of the neuromate® surgical robot have been achieved and interest in our 3D additive manufacturing system for medical applications, in particular within our dental product line, is encouraging.

The Company is manufacturing an investigational intra-parenchymal drug delivery system for an NHS Trust, which is conducting a clinician-led clinical trial for a therapy for the treatment of Parkinson's disease. The system has also been trialled by the Trust for delivery of a chemotherapy drug for the treatment of brain tumours.

### **Continued investment for long-term growth**

The Group continues to invest for the long-term, expanding our global marketing and distribution infrastructure, along with increasing manufacturing capacity and research and development activities.

Group headcount at the end of December 2013 was 3,309, an increase of 74 from the 3,235 at the start of the financial year to support our growing research and development and global sales and marketing activities.

## Interim management report (continued)

Capital expenditure on property, plant and equipment for the six months was £19.5m, of which £10.4m was spent on property and £9.1m on plant, equipment and vehicles.

In the UK, work continues on the additional 145,000 sq ft facility at New Mills with occupation targeted for this Autumn. In Germany, we have purchased buildings adjacent to our current premises in Pliezhausen, near Stuttgart, providing an additional 116,000 sq ft of facilities for our German subsidiary into which the recently acquired LBC additive manufacturing business has relocated.

### Cash

Net cash balances at 31st December 2013 were £13.4m, compared with £12.6m at December 2012 and £26.6m at 30th June 2013. These balances exclude an escrow account of £10.3m (31st December 2012 £11.8m) relating to the provision of security to the UK defined benefit pension scheme.

### Offer for shareholding in Delcam plc

As announced in November 2013, Autodesk, Inc. and Delcam announced a recommended offer for the whole of the issued share capital of Delcam by Autodesk Development B.V., a wholly owned subsidiary of Autodesk, Inc. at a price of £20.75 per share. Renishaw holds 1,543,032 Delcam shares (19.44%) which would result in a total consideration of £32.0m. The investment is held in the balance sheet at £5.7m.

The acquisition is being implemented by a scheme of arrangement which is expected to become effective on 7th February 2014, with settlement within 14 days of this date.

It is our intention that the proceeds arising will be used to support ongoing and future investments in the business.

### Employees

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

### Outlook

Whilst the Group faced tough financial comparators for the first half of this financial year and sterling has strengthened in recent months, we are expecting an improvement in trading activities and revenue in the second half. With our continuing investment in our business sectors, we remain confident for the longer term prospects for the Group.

### Dividends

A maintained interim dividend of 11.33 pence net per share will be paid on 7th April 2014, to shareholders on the register on 7th March 2014.

### Investor Day

As mentioned in my statement in the Annual report 2013, an investor day is being held at the New Mills facility on 15th May 2014 and registration details will be published in due course.

### \*Restatement of profit

Last year's first half year results have been re-stated from £43.3m to £42.2m to reflect the amendment to the accounting standard IAS 19 relating to pension accounting and excludes an exceptional gain of £2.9m relating to an early settlement of a deferred consideration.

Sir David R McMurtry CBE, RDI, FRS, FEng, CEng, FIMechE  
Chairman & Chief Executive,  
30th January 2014

## Consolidated income statement

Unaudited

	Notes	6 months to 31st December 2013 £'000	Restated 6 months to 31st December 2012 £'000	Restated Year ended 30th June 2013 £'000
Revenue	2	163,994	174,225	346,881
Cost of sales		(84,208)	(79,958)	(164,704)
<b>Gross profit</b>		<b>79,786</b>	<b>94,267</b>	<b>182,177</b>
Distribution costs		(36,842)	(33,246)	(69,386)
Administrative expenses including exceptional item		(17,418)	(15,849)	(30,817)
Operating profit excluding exceptional item		25,526	42,269	79,071
Exceptional item - gain on deferred consideration settlement	3	-	2,903	2,903
<b>Operating profit</b>		<b>25,526</b>	<b>45,172</b>	<b>81,974</b>
Financial income	4	383	568	1,009
Financial expenses	4	(839)	(1,040)	(1,909)
Share of profits from associates		559	360	1,022
<b>Profit before tax</b>		<b>25,629</b>	<b>45,060</b>	<b>82,096</b>
Income tax expense	5	(4,485)	(8,386)	(15,046)
<b>Profit for the period from continuing operations</b>		<b>21,144</b>	<b>36,674</b>	<b>67,050</b>
<b>Profit attributable to:</b>				
Equity shareholders of the parent company		21,443	36,887	67,643
Non-controlling interest		(299)	(213)	(593)
<b>Profit for the period from continuing operations</b>		<b>21,144</b>	<b>36,674</b>	<b>67,050</b>
		pence	pence	pence
Dividend per share arising in respect of the period	10	11.33	11.33	40.00
Earnings per share (basic and diluted)	6	29.5	50.7	92.9

## Consolidated statement of comprehensive income and expense

Unaudited

	6 months to 31st December 2013 £'000	Restated 6 months to 31st December 2012 £'000	Restated Year ended 30th June 2013 £'000
Profit for the period	21,144	36,674	67,050
<b>Other items recognised directly in equity:</b>			
<b>Items that will not be reclassified to the Consolidated income statement:</b>			
Foreign exchange translation differences	(4,227)	(1,076)	346
Actuarial gain/(loss) in the pension schemes	946	(515)	(860)
Deferred tax on items that will not be reclassified	(1,158)	104	(121)
Relating to associates, net of tax	-	-	(102)
<b>Total for items that will not be reclassified</b>	<b>(4,439)</b>	<b>(1,487)</b>	<b>(737)</b>
<b>Items that will be reclassified to the Consolidated income statement:</b>			
Effective portion of changes in fair value of cash flow hedges, net of recycling	26,732	12,545	(4,225)
Deferred tax on items that may be reclassified	(5,373)	(3,011)	1,005
<b>Total for items that will be reclassified</b>	<b>21,359</b>	<b>9,534</b>	<b>(3,220)</b>
<b>Total other comprehensive income, net of tax</b>	<b>16,920</b>	<b>8,047</b>	<b>(3,957)</b>
<b>Total comprehensive income and expense</b>	<b>38,064</b>	<b>44,721</b>	<b>63,093</b>
<b>Attributable to:</b>			
Equity shareholders of the parent company	38,363	44,934	63,686
Non-controlling interest	(299)	(213)	(593)
<b>Total comprehensive income and expense for the period</b>	<b>38,064</b>	<b>44,721</b>	<b>63,093</b>

## Consolidated balance sheet

Unaudited

		At 31st December 2013 £'000	At 31st December 2012 £'000	Audited At 30th June 2013 £'000
	Notes			
<b>Assets</b>				
Property, plant and equipment	7	128,221	107,009	117,926
Intangible assets	8	55,628	54,380	56,143
Investments in associates	9	7,912	6,951	7,403
Deferred tax assets		16,746	17,901	18,276
Derivatives	10	17,317	11,089	7,976
<b>Total non-current assets</b>		<b>225,824</b>	<b>197,330</b>	<b>207,724</b>
<b>Current assets</b>				
Inventories		65,593	62,477	65,268
Trade receivables		58,135	75,397	68,082
Current tax		973	3,326	1,160
Other receivables		11,154	9,371	10,871
Derivatives	10	9,587	5,358	3,583
Pension scheme cash escrow account	11	10,279	11,782	10,982
Cash and cash equivalents		13,420	12,640	26,605
<b>Total current assets</b>		<b>169,141</b>	<b>180,351</b>	<b>186,551</b>
<b>Current liabilities</b>				
Trade payables		13,490	13,512	18,481
Current tax		1,423	5,725	2,629
Provisions		1,553	1,077	1,630
Derivatives	10	-	24	2,018
Other payables		16,580	23,043	19,017
<b>Total current liabilities</b>		<b>33,046</b>	<b>43,381</b>	<b>43,775</b>
<b>Net current assets</b>		<b>136,095</b>	<b>136,970</b>	<b>142,776</b>
<b>Non-current liabilities</b>				
Employee benefits	11	40,384	42,450	41,718
Deferred tax liabilities		25,199	22,456	20,032
Derivatives	10	1,073	554	10,442
Other payables		1,612	2,246	1,589
<b>Total non-current liabilities</b>		<b>68,268</b>	<b>67,706</b>	<b>73,781</b>
<b>Total assets less total liabilities</b>		<b>293,651</b>	<b>266,594</b>	<b>276,719</b>
<b>Equity</b>				
Share capital	10	14,558	14,558	14,558
Share premium	10	42	42	42
Currency translation reserve	10	(1,298)	1,507	2,929
Cash flow hedging reserve	10	20,665	12,060	(694)
Retained earnings	10	261,970	239,770	261,607
Other reserve	10	(460)	(389)	(389)
<b>Equity attributable to the owners of the Company</b>		<b>295,477</b>	<b>267,548</b>	<b>278,053</b>
Non-controlling interest	10	(1,826)	(954)	(1,334)
<b>Total equity</b>		<b>293,651</b>	<b>266,594</b>	<b>276,719</b>

## 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
<b>Balance at 1st July 2012</b>	14,558	42	2,583	2,526	223,820	(389)	(741)	242,399
Profit/(loss) for the period	-	-	-	-	36,887	-	(213)	36,674
<b>Other comprehensive income and expense</b>								
Actuarial loss in the pension schemes (net)	-	-	-	-	(411)	-	-	(411)
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	(411)	-	-	8,047
Total comprehensive income	-	-	(1,076)	9,534	36,476	-	(213)	44,721
<b>Transactions with owners recorded in equity</b>								
Dividends paid	-	-	-	-	(20,526)	-	-	(20,526)
<b>Balance at 31st December 2012</b>	14,558	42	1,507	12,060	239,770	(389)	(954)	266,594
Profit/(loss) for the period	-	-	-	-	30,756	-	(380)	30,376
<b>Other comprehensive income and expense</b>								
Actuarial loss in the pension schemes (net)	-	-	-	-	(570)	-	-	(570)
Foreign exchange translation differences	-	-	1,422	-	-	-	-	1,422
Changes in fair value of cash flow hedges (net)	-	-	-	(12,754)	-	-	-	(12,754)
Relating to associates	-	-	-	-	(102)	-	-	(102)
Total other comprehensive income	-	-	1,422	(12,754)	(672)	-	-	(12,004)
Total comprehensive income	-	-	1,422	(12,754)	30,084	-	(380)	18,372
<b>Transactions with owners recorded in equity</b>								
Dividends paid	-	-	-	-	(8,247)	-	-	(8,247)
<b>Balance at 30th June 2013</b>	14,558	42	2,929	(694)	261,607	(389)	(1,334)	276,719
Profit/(loss) for the period	-	-	-	-	21,443	-	(299)	21,144
<b>Other comprehensive income and expense</b>								
Actuarial loss in the pension schemes (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
<b>Transactions with owners recorded in equity</b>								
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)
<b>Balance at 31st December 2013</b>	14,558	42	(1,298)	20,665	261,970	(460)	(1,826)	293,651



## Consolidated statement of cash flow

Unaudited

	6 months to 31st December 2013 £'000	6 months to 31st December 2012 £'000	Restated Year ended 30th June 2013 £'000
<b>Cash flows from operating activities</b>			
Profit for the period	21,144	36,674	67,050
Amortisation of development costs	4,466	3,288	7,558
Amortisation of other intangibles	1,682	1,681	3,280
Depreciation	5,729	4,993	10,293
Exceptional item	-	(2,903)	(2,903)
Loss/(profit) on sale of property, plant and equipment	106	(6)	(36)
Share of profits from associates	(709)	(530)	(1,345)
Financial income	(383)	(568)	(1,009)
Financial expenses	839	1,040	1,909
Tax expense	4,485	8,386	15,046
	<b>16,215</b>	<b>15,381</b>	<b>32,793</b>
Increase in inventories	(325)	(8,494)	(11,285)
Decrease in trade and other receivables	5,619	7,001	15,339
Decrease in trade and other payables	(6,607)	(14,028)	(6,562)
(Decrease)/increase in provisions	(77)	(93)	460
	<b>(1,390)</b>	<b>(15,614)</b>	<b>(2,048)</b>
Defined benefit pension contributions	(1,092)	(720)	(2,508)
Income taxes paid	(5,191)	(8,962)	(15,711)
<b>Cash flows from operating activities</b>	<b>29,686</b>	<b>26,759</b>	<b>79,576</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(19,464)	(12,143)	(27,976)
Development costs capitalised	(5,774)	(4,688)	(10,615)
Purchase of other intangibles	(239)	(210)	(1,226)
Investment in subsidiaries and associates	(264)	-	(7,500)
Sale of property, plant and equipment	427	101	299
Interest received	383	568	1,009
Dividend received from associate	50	199	307
Payments from/contributions to pension scheme escrow account (net)	703	(259)	541
<b>Cash flows from investing activities</b>	<b>(24,178)</b>	<b>(16,432)</b>	<b>(45,161)</b>
<b>Financing activities</b>			
Interest paid	(102)	(167)	(259)
Dividends paid	(20,868)	(20,526)	(28,773)
<b>Cash flows from financing activities</b>	<b>(20,970)</b>	<b>(20,693)</b>	<b>(29,032)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(15,462)</b>	<b>(10,366)</b>	<b>5,383</b>
Cash and cash equivalents at the beginning of the period	26,605	21,127	21,127
Effect of exchange rate fluctuations on cash held	2,277	1,879	95
<b>Cash and cash equivalents at the end of the period</b>	<b>13,420</b>	<b>12,640</b>	<b>26,605</b>

## 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  
30th January 2014

## 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 2014.

#### 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 2013, 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](http://www.renishaw.com).

The interim financial information for the six months to 31st December 2013 and the comparative figures for the six months to 31st December 2012 are unaudited. The comparative figures for the financial year ended 30th June 2013 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 2013. The following adopted IFRS is being applied by the Group for the first time, and has been applied retrospectively, it being mandatory for years commencing on or after 1st January 2013:

IAS 19 "Employee benefits - the major change affecting the financial statements is that the expected return on plan assets and the interest cost on liabilities in the income statement are replaced by interest on the net defined benefit asset/liability using the discount rate used to measure the defined benefit obligation; this changes the allocation of the total return on plan assets between the income statement and other comprehensive income.

The effect of the restatement of the previous year's results in respect of the amendment to IAS 19 "Employee benefits" is detailed as follows:

#### Consolidated income statement

	6 months to 31st December 2012 £'000	Year ended 30th June 2013 £'000
<b>Financial income</b>		
Expected return on assets in the pension schemes		
Originally reported	3,150	6,583
Restated	-	-
<b>Change to Financial income</b>	<b>(3,150)</b>	<b>(6,583)</b>
<b>Financial expenses</b>		
Interest on pension schemes		
Originally reported	2,689	5,638
Restated	667	1,378
<b>Change to Financial expenses</b>	<b>2,022</b>	<b>4,260</b>
<b>Change to Profit before taxation</b>	<b>(1,128)</b>	<b>(2,323)</b>
Tax thereon	271	548
<b>Change to Profit for the period</b>	<b>(857)</b>	<b>(1,775)</b>

## 1. Status of Interim report and accounting policies (continued)

### Consolidated statement of comprehensive income and expenditure

	6 months to 31st December 2012 £'000	Year ended 30th June 2013 £'000
<b>Actuarial loss in the pension schemes</b>		
Originally reported	(1,643)	(3,183)
Restated	(515)	(860)
<b>Change to Actuarial loss in the pension schemes</b>	<b>1,128</b>	<b>2,323</b>
<b>Deferred tax on items that will not be reclassified</b>		
Originally reported	375	427
Restated	104	(121)
<b>Change to Deferred tax on items that will not be reclassified</b>	<b>(271)</b>	<b>(548)</b>
<b>Change to Total other comprehensive income and expense</b>	<b>857</b>	<b>1,775</b>

## 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 technologies help manufacturers to maximise production output, to significantly reduce 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 high-quality 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 and high-accuracy inspection probes.

**Co-ordinate measuring machine (CMM) products** - Sensors, software and control systems for three dimensional CMMs that allow the highly accurate measurement of manufactured components and finished assemblies, including touch-trigger probes, scanning probes, automated probe changers, motorised indexing probe heads and five-axis measurement systems.

**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 ballbar.

**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.

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

## 2. Segmental information (continued)

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

**Materials research** - Commercial and research solutions to materials technology challenges including diamond-like carbon coatings and shape memory alloys.

**Position encoders** - Position feedback encoders that ensure accurate linear and rotary motion control in a wide range of applications from electronics, motorsports, robotics and semi-conductors to food manufacturing and print production. These include incremental optical encoders, laser interferometer encoders, magnetic encoders and absolute optical encoders.

**Additive manufacturing** - Additive manufacturing 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. Additive manufacturing services are also offered, including design and simulation, and the contract manufacture of metal prototypes and production parts.

### Our Products / Healthcare

Our technologies are also helping within applications such as dentistry, neurosurgery, chemical analysis and nanotechnology research. These include systems, materials and manufacturing services that allow dental laboratories to manufacture high-quality dental restorations and engineering solutions for stereotactic neurosurgery. We also supply non-destructive 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 or cobalt chrome and abutments in cobalt chrome.

**Neurosurgical robot** - A stereotactic robot, plus a range of options, that provides a platform solution for a broad range of functional neurosurgical procedures including deep brain stimulation (DBS) and neuroendoscopy.

**Neurosurgical planning software** - Planning software that allows advanced planning of targets and trajectories for stereotactic neurosurgery.

**Neurosurgical implantables** - Implantable devices that allow surgeons to verify expected DBS electrode position relative to targeted anatomy using magnetic resonance imaging (MRI).

**Raman microscopes** - inVia Raman microscopes comprising a research-grade optical microscope coupled to a high-performance Raman spectrometer for analytical applications as diverse as pharmaceutical, forensic science, nanotechnology and semiconductors.

**Combined Raman systems** - Combined Raman and atomic force microscope (AFM) instruments that investigate chemical and structural properties of materials at sub-micrometre scales. Also combined Raman and infrared spectroscopy instruments that identify unknown materials by combining both vibrational spectroscopic techniques.

**Structural and chemical analyser** - A structural and chemical analyser (SCA) that unites scanning electron microscopy (SEM) and Raman spectroscopy to allow morphological, elemental, chemical, physical and electronic analysis without moving the sample between instruments.

**In situ monitors** - Compact Raman systems for process monitoring and bulk material analysis enabling in situ monitoring in the laboratory, pilot plant, or process line.

**Diagnostic systems** - Automated multiplex diagnostic and clinical research systems, currently being developed by Renishaw Diagnostics Limited for infectious disease identification.

## 2. Segmental information (continued)

Revenue	Metrology £'000	Healthcare £'000	Total £'000
6 months to 31st December 2013	150,727	13,267	163,994
6 months to 31st December 2012	162,516	11,709	174,225
Year ended 30th June 2013	317,857	29,024	346,881
Depreciation and amortisation	Metrology £'000	Healthcare £'000	Total £'000
6 months to 31st December 2013	10,045	1,832	11,877
6 months to 31st December 2012	8,127	1,835	9,962
Year ended 30th June 2013	17,776	3,355	21,131
Operating profit	Metrology £'000	Healthcare £'000	Total £'000
6 months to 31st December 2013	27,804	(2,278)	25,526
Share of profits from associates	559	-	559
Net financial expense	-	-	(456)
Profit before tax	-	-	25,629
6 months to 31st December 2012	46,235	(3,966)	42,269
Share of profits from associates	360	-	360
Net financial expense	-	-	(472)
Exceptional gain on deferred consideration settlement	2,903	-	2,903
Profit before tax	-	-	45,060
Year ended 30th June 2013	84,528	(5,457)	79,071
Share of profits from associates	1,022	-	1,022
Net financial expense	-	-	(900)
Exceptional gain on deferred consideration settlement	2,903	-	2,903
Profit before tax	-	-	82,096

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 2013 £'000	6 months to 31st December 2012 £'000	Year ended 30th June 2013 £'000
Far East	59,096	78,586	138,806
Continental Europe	48,842	43,984	96,003
North & South America	40,427	36,140	79,220
United Kingdom and Ireland	10,464	10,013	20,668
Other regions	5,165	5,502	12,184
Total group revenue	163,994	174,225	346,881

## 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 2013 £'000	6 months to 31st December 2012 £'000	Year ended 30th June 2013 £'000
USA	33,440	30,330	66,426
China	26,854	47,843	75,228
Germany	21,266	19,283	41,085
Japan	18,446	17,509	35,655

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 2013 £'000	At 31st December 2012 £'000	At 30th June 2013 £'000
United Kingdom	137,088	120,472	128,875
Overseas	54,673	47,868	52,597
	<b>191,761</b>	<b>168,340</b>	<b>181,472</b>

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 and full year results for the 2013 financial year include an exceptional gain of £2.9m resulting from this settlement.

## 4. Financial income and expenses

Financial income	6 months to 31st December 2013 £'000	Restated 6 months to 31st December 2012 £'000	Restated Year ended 30th June 2013 £'000
Bank interest receivable	383	568	1,009

Financial expenses	6 months to 31st December 2013 £'000	Restated 6 months to 31st December 2012 £'000	Restated Year ended 30th June 2013 £'000
Interest on pension schemes	704	667	1,378
Bank interest payable	102	167	259
Unwinding of deferred acquisition cost interest	33	206	272
	<b>839</b>	<b>1,040</b>	<b>1,909</b>

## 5. Income tax expense

The income tax expense has been estimated at a rate of 17.5% (December 2012 19.9%), 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 £21,443,000 (December 2012 £36,887,000) 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 2013 are calculated on earnings of £67,643,000 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
<b>Cost</b>					
At 1st July 2013	92,682	114,451	7,709	5,304	220,146
Additions	5,956	2,939	879	9,690	19,464
Transfers	987	4,310	-	(5,297)	-
Disposals	-	(739)	(139)	-	(878)
Currency adjustment	(2,868)	(1,423)	(258)	-	(4,549)
At 31st December 2013	<b>96,757</b>	<b>119,538</b>	<b>8,191</b>	<b>9,697</b>	<b>234,183</b>
<b>Depreciation</b>					
At 1st July 2013	20,642	76,825	4,753	-	102,220
Charge for the period	848	4,313	568	-	5,729
Released on disposals	-	(236)	(109)	-	(345)
Currency adjustment	(604)	(905)	(133)	-	(1,642)
At 31st December 2013	<b>20,886</b>	<b>79,997</b>	<b>5,079</b>	<b>-</b>	<b>105,962</b>
<b>Net book value</b>					
At 31st December 2013	<b>75,871</b>	<b>39,541</b>	<b>3,112</b>	<b>9,697</b>	<b>128,221</b>
At 30th June 2013	72,040	37,626	2,956	5,304	117,926

Additions to assets in the course of construction of £9,690,000 (December 2012 £7,270,000) comprise £4,457,000 (December 2012 £1,473,000) for freehold land and buildings and £5,233,000 (December 2012 £5,797,000) for plant and equipment.

At the end of the period, assets in the course of construction, not yet transferred, of £9,697,000 (December 2012 £9,676,000) comprise £4,251,000 (December 2012 £2,783,000) for freehold land and buildings and £5,446,000 (December 2012 £6,893,000) for plant and equipment.



## 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	
<b>Cost</b>						
At 1st July 2013	20,182	10,768	66,358	20,152	-	117,460
Additions	-	-	5,774	186	53	6,013
Transfers	-	-	-	53	(53)	-
Currency adjustment	(490)	(50)	-	(23)	-	(563)
<b>At 31st December 2013</b>	<b>19,692</b>	<b>10,718</b>	<b>72,132</b>	<b>20,368</b>	<b>-</b>	<b>122,910</b>
<b>Amortisation</b>						
At 1st July 2013	198	7,259	42,026	11,834	-	61,317
Charge for the period	-	725	4,466	807	-	5,998
Currency adjustment	-	(11)	-	(22)	-	(33)
<b>At 31st December 2013</b>	<b>198</b>	<b>7,973</b>	<b>46,492</b>	<b>12,619</b>	<b>-</b>	<b>67,282</b>
<b>Net book value</b>						
At 31st December 2013	19,494	2,745	25,640	7,749	-	55,628
At 30th June 2013	19,984	3,509	24,332	8,318	-	56,143

The analysis of acquired goodwill on consolidation is:

	At 31st December 2013 £'000	At 31st December 2012 £'000	At 30th June 2013 £'000
Acquisition of:			
itp GmbH	2,886	2,816	2,960
Renishaw Diagnostics Limited (92.4%)	1,784	1,784	1,784
Renishaw Mayfield S.A. (75%)	1,537	1,517	1,569
Measurement Devices Limited	6,661	6,661	6,661
Renishaw Software Limited	1,559	1,559	1,559
R&R Fixtures, LLC	4,172	4,275	4,556
Other smaller acquisitions	895	492	895
<b>Balance at the end of the period</b>	<b>19,494</b>	<b>19,104</b>	<b>19,984</b>

## 9. Investments in associates

Movements during the period were:	6 months to 31st December 2013 £'000	6 months to 31st December 2012 £'000	Year ended 30th June 2013 £'000
Balance at the beginning of the period	7,403	6,790	6,790
Dividends received	(50)	(199)	(307)
Share of profits of associates	709	530	1,345
Amortisation of intangibles	(150)	(170)	(323)
Other comprehensive income and expense	-	-	(102)
<b>Balance at the end of the period</b>	<b>7,912</b>	<b>6,951</b>	<b>7,403</b>

## 10. Capital and reserves

Share capital	At 31st December 2013 £'000	At 31st December 2012 £'000	At 30th June 2013 £'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 2013 £'000	6 months to 31st December 2012 £'000	Year ended 30th June 2013 £'000
Balance at the beginning of the period	(694)	2,526	2,526
Amounts transferred to the Consolidated income statement	(1,565)	(1,203)	(2,106)
Revaluations during the period	28,297	13,748	(2,119)
Deferred tax movement	(5,373)	(3,011)	1,005
Balance at the end of the period	20,665	12,060	(694)

The cash flow hedging reserve is analysed as:

	At 31st December 2013 £'000	At 31st December 2012 £'000	At 30th June 2013 £'000
Derivatives in non-current assets	17,317	11,089	7,976
Derivatives in current assets	9,587	5,358	3,583
Derivatives in current liabilities	-	(24)	(2,018)
Derivatives in non-current liabilities	(1,073)	(554)	(10,442)
	25,831	15,869	(901)
Included in deferred tax assets/liabilities	(5,166)	(3,809)	207
Balance at the end of the period	20,665	12,060	(694)

## 10. Capital and reserves (continued)

Dividends	6 months to 31st December	6 months to 31st December	Year ended 30th June
Dividends paid during the period were:	2013	2012	2013
	£'000	£'000	£'000
2013 final dividend of 28.67p per share (2012 28.2p)	20,868	20,526	20,526
2013 interim dividend of 11.33p	-	-	8,247
<b>Total dividends paid during the period</b>	<b>20,868</b>	<b>20,526</b>	<b>28,773</b>

An interim dividend for 2014 of £8,246,942 (11.33p net per share) will be paid on 7th April 2014, to shareholders on the register on 7th March 2014, with an ex-div date of 5th March 2014.

### Other reserve

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

Non-controlling interest	6 months to 31st December	6 months to 31st December	Year ended 30th June
Movements during the period were:	2013	2012	2013
	£'000	£'000	£'000
Balance at the beginning of the period	(1,334)	(741)	(741)
Share of loss for the period	(299)	(213)	(593)
Changes in share of investments	(193)	-	-
<b>Balance at the end of the period</b>	<b>(1,826)</b>	<b>(954)</b>	<b>(1,334)</b>

## 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 2009 and updated to 31st December 2013 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31st December	At 31st December	At 30th June
	2013	2012	2013
	£'000	£'000	£'000
Discount rate	4.6%	4.1%	4.8%
Inflation rate - RPI	3.7%	2.7%	3.7%
Inflation rate - CPI	2.7%	1.7%	2.7%
Expected return on equities	7.3%	6.7%	7.3%
Retirement age	64	64	64

## 11. Employee benefits (continued)

The assets and liabilities in the defined benefit schemes were:

	At 31st December 2013 £'000	At 31st December 2012 £'000	At 30th June 2013 £'000
Market value of assets	128,094	102,248	118,767
Actuarial value of liabilities under IAS 19	(157,478)	(135,798)	(150,185)
	(29,384)	(33,550)	(31,418)
Increase in liability under IFRIC 14	(11,000)	(8,900)	(10,300)
Deficit in the schemes	(40,384)	(42,450)	(41,718)
Deferred tax thereon	7,669	9,610	8,973

The movements in the schemes' assets and liabilities were:

	6 months to 31st December 2013 £'000	6 months to 31st December 2012 £'000	Year ended 30th June 2013 £'000
Balance at the beginning of the period	(41,718)	(41,988)	(41,988)
Contributions paid	1,092	720	2,508
Interest on pension schemes	(704)	(667)	(1,378)
Opening amounts for USA scheme	-	-	(1,068)
Actuarial gain/(loss) under IAS 19	1,646	(1,315)	808
Additional actuarial gain/(loss) under IFRIC 14	(700)	800	(600)
Balance at the end of the period	(40,384)	(42,450)	(41,718)

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 £41,678,000 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 £41,678,000 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 defined benefit pension scheme's liabilities have been increased by £11,000,000, to represent the maximum discounted liability as at 31st December 2013 (30th June 2013 £10,300,000).

## 12. Deferred tax

Reductions in the UK corporation tax rate to 21% (effective from 1st April 2014) and 20% (effective from 1st April 2015) were 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 rates of 20% and 21% 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.

## 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.	Revenue growth is difficult to predict, especially with such a short-term order book and the unpredictability and uncertain timing of orders from certain Far East customers.  This limited forward order visibility leaves the annual revenue forecasts uncertain.	<ul style="list-style-type: none"> <li>•The Group is expanding and diversifying its product range in order to maintain a world-leading position in its sales of metrology products.</li> <li>•The Group is applying its measurement expertise to grow its healthcare business activities.</li> <li>•The Group is integrating recent acquisitions which expand its product range in new and complementary market sectors.</li> </ul>
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"> <li>•Patent and intellectual property generation is core to new product developments.</li> <li>•R&amp;D programmes are regularly reviewed against milestones and forecast business plans and, when necessary, projects are cancelled.</li> <li>•New products involve beta testing at customers to ensure they will meet the needs of the market.</li> <li>•Market developments are closely monitored.</li> </ul>
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"> <li>•Production facilities are maintained with fire and flood risk in mind.</li> <li>•Critical production processes are replicated at different locations where practicable.</li> <li>•Regular vendor reviews are performed for critical part suppliers.</li> <li>•Stock policies are reviewed by the Board on a regular basis.</li> <li>•Product quality is closely monitored.</li> </ul>
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"> <li>•Specialist legal and regulatory staff have been recruited to support the healthcare business.</li> <li>•A new non-executive director with relevant healthcare experience was appointed to the Board last year.</li> <li>•Healthcare operations in UK and France have ISO 13485 certification for their quality management systems.</li> </ul>

## 14. Principal 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.	<ul style="list-style-type: none"> <li>•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.</li> <li>•Recovery plans are in place for the 2006 and 2009 actuarial valuations.</li> <li>•The 2012 actuarial valuation and investment strategy is currently under review with the pension scheme trustees.</li> </ul>
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"> <li>•The Group enters into forward contracts in order to hedge varying proportions of forecast US Dollar, Euro and Japanese Yen revenue.</li> <li>•The Group uses currency borrowings and swap contracts to hedge the foreign currency denominated assets held in the Group's balance sheet.</li> </ul>

## Financial calendar

Record date for 2014 interim dividend	7th March 2014
2014 interim dividend payment	7th April 2014
Announcement of 2014 full year results	23rd July 2014
Mailing of 2014 Annual report	Late August 2014
Annual general meeting	16th October 2014
2014 final dividend payment	20th October 2014

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