RENISHAW
apply innovation™

Interim report 2012

Highlights

- **Record first half year revenue of £147.1m, up 11% from £132.2m last year, which was also a record**
- **Increased investment in research and development to support growth**
- **Growth in marketing and distribution infrastructure**
- **Further investment in manufacturing capacity**
- **Continuing strong balance sheet with net cash balances of £26.6m (including pension fund escrow account of £11.1m)**

	6 months to 31st December 2011 £'000	6 months to 31st December 2010 £'000 (note 1)	change %	Year ended 30th June 2011 £'000 (note 2)
Revenue	**147,149**	132,236	+11%	288,750
Adjusted operating profit	**29,696**	34,715	-14%	79,286
Adjusted profit before taxation	**31,170**	35,180	-11%	80,410
Adjusted earnings per share	**34.7p**	39.0p	-11%	88.5p
Statistory				
Operating profit	**29,696**	34,715	-14%	80,954
Profit before taxation	**31,170**	35,180	-11%	82,078
Earnings per share	**34.7p**	39.0p	-11%	90.8p
Proposed dividend per share	**10.3p**	10.3p	-	35.0p

Notes

1. The comparable period ended 31st December 2010 has been restated to account for the inclusion of Measurement Devices Limited from July 2010, which was initially accounted for as an associate company.

2. Adjusted figures are only in respect of the year ended 30th June 2011, which excludes the exceptional reversal of the impairment write-down, made in the second half of that year.

Half year management report
Chairman's statement

Revenue for the six months ended 31st December 2011 was a record £147.1m, up 11% on the £132.2m for the corresponding period last year.

Geographically, revenue in Europe increased strongly by 25% over the comparable period and the Americas also showed strong growth of 23%. In the Far East we saw 12% growth in Japan, but a fall of 17% in the rest of the Far East which includes China; this was principally due to an industry and world-wide slowdown in the micro-electronics and opto-electronics markets.

The Group's profit before tax was £31.2m, 11% below the £35.2m reported last year reflecting the impact of continued investment in staff and infrastructure to support growth. Earnings per share were 34.7p, compared with 39.0p last year.

Metrology

Revenue from our metrology business for the first six months was £135.9m, compared with £123.4m last year, an increase of 10%.

All product lines reported growth, apart from encoder products, where, as stated above there has been an industry-wide slowdown of the electronics market, especially in the Far East.

The acquisitions made last year, i.e., Measurement Devices Limited and MTT Investments Limited (the latter now operating as the Renishaw additive manufacturing products division), contributed to the growth in this segment.

New product releases during the period include the Resolute™ ETR, which is our Resolute encoder with extended temperature range for operation in very cold environments such as aerospace, the XR20-W rotary axis calibrator, the REVO® SFP1 surface finish probe and a multi-axis option for our Productivity+™ software.

Operating profit for our metrology business was £35.7m, compared with £38.9m for the comparable period last year.

Healthcare

Revenue from our healthcare business for the first six months was £11.2m, compared with £8.9m last year, an increase of 27%.

During the period, the Board undertook a review of the Group's healthcare business and refocused part of the activities to a smaller number of projects, particularly in our neurological products line.

The Group has withdrawn from the supply of radio frequency coils for use in MRI scanning research which was no longer considered core to our business strategy. This and the outcome of the neurological business review have resulted in a number of staff being reallocated to our metrology business.

Good growth was seen in our spectroscopy product line. In December, we introduced a new integrated Raman AFM package.

In November, Renishaw Diagnostics Limited, which is developing the RenDx™ multiplex assay system for infectious disease research and diagnosis, achieved certification to ISO 13485:2003, an international standard that sets the requirements for a comprehensive management system for the design and manufacture of medical devices.

In our neurological business, the next generation of neuro | inspire™ surgical planning software was CE marked in January 2012 and can now support more variations of surgical planning.

Operating loss for our healthcare business was £6.0m, after restructuring costs of £0.6m, compared with a loss of £4.2m for the comparable period last year.

Balance sheet

Net cash balances at 31st December 2011 were £26.6m, compared with £34.6m at 30th June 2011, which includes an escrow account amounting to £11.1m (30th June 2011 £10.8m) relating to the provision of security to the Group's defined benefit pension scheme.

Employees

The directors would like to thank the Group's employees for their continuing support and significant contribution during these turbulent times.

Half year management report
Chairman's statement (continued)

Continued investment for long-term growth

We continue to grow and expand our global marketing and distribution activities with additional staff recruited to support the new products introduced. Also, we maintain our focus on our research and development programmes and capabilities to support the Group's strategic targets for growth. Headcount at the end of December 2011 was 2,701, an increase of 26 since the start of the financial year and 421 more than the 2,280 at 31st December 2010. As stated in the Group's Interim management statement in October, due to current uncertainties surrounding the global economy, the Board continues to closely monitor the Group's costs and future recruitment strategy in order to improve our profit margins.

The Group has established a new subsidiary company in Mexico to market and support the Group's products in that country and other central American countries. Additionally, we have acquired premises for the Group's Canadian and Italian subsidiaries. We have expanded our working premises in Germany, Brazil and China, and have refurbished and re-occupied a 16,000 square feet building in Schaumburg, USA.

Capital expenditure on property, plant and equipment for the six months was £17.8m, of which £10.6m was spent on property and £7.2m on plant, equipment and vehicles. We completed the purchase of the Miskin premises in South Wales on 30th September and have subsequently commenced refurbishment of 62,500 square feet at this facility for the provision of additional manufacturing space to accommodate growth of our metrology range of products.

Outlook

The outlook for continuing global investment for production systems in automotive, civil aviation, agriculture and energy (including oil, gas and renewables) looks increasingly favourable. Furthermore, we anticipate a recovery in the important electronics sector. The Group is well-positioned to benefit from these structural growth trends as they should result in increasing demand for Renishaw's systems and products. Following restructuring within the healthcare business, we anticipate an improved performance going forward. We therefore remain focused on positioning the Group for further growth and view the future with great confidence.

Dividends

An interim dividend of 10.3 pence per share will be paid on 10th April 2012, to shareholders on the register on 9th March 2012.

Note.

The previous year has been restated for the inclusion of Measurement Devices Limited, which was initially accounted for as an associate company.

Sir David R McMurtry CBE, RDI, FRS, FREng, CEng, FIMechE
Chairman & Chief Executive,
25th January 2012

Consolidated income statement

Unaudited

	Notes	**6 months to 31st December 2011 £'000**	6 months to 31st December 2010 £'000	Audited Year ended 30th June 2011 £'000
Revenue	2	**147,149**	132,236	288,750
Cost of sales		**(72,614)**	(59,049)	(128,443)
Gross profit		**74,535**	73,187	160,307
Distribution costs		**(29,364)**	(23,672)	(52,088)
Administrative expenses including exceptional item		**(15,475)**	(14,800)	(27,265)
Operating profit excluding exceptional item		**29,696**	34,715	79,286
Exceptional item - reversal of impairment write-down		**-**	-	1,668
Operating profit		**29,696**	34,715	80,954
Financial income	3	**4,451**	3,529	7,108
Financial expenses	3	**(3,292)**	(3,248)	(6,447)
Share of profits from associates		**315**	184	463
Profit before tax		**31,170**	35,180	82,078
Income tax expense	4	**(6,234)**	(7,036)	(16,345)
Profit for the period from continuing operations		**24,936**	28,144	65,733
Profit attributable to:				
Equity shareholders of the parent company		**25,231**	28,414	66,115
Non-controlling interest		**(295)**	(270)	(382)
Profit for the period from continuing operations		**24,936**	28,144	65,733
		pence	pence	pence
Dividend per share arising in respect of the period	9	**10.3**	10.3	35.0
Earnings per share (basic and diluted)	5	**34.7**	39.0	90.8

Consolidated statement of comprehensive income and expense

Unaudited

	6 months to 31st December 2011 £'000	6 months to 31st December 2010 £'000	Audited Year ended 30th June 2011 £'000
Profit for the period	**24,936**	28,144	65,733
Other items recognised directly in equity:			
Foreign exchange translation differences	**(1,538)**	(101)	339
Actuarial (loss)/gain in the pension schemes	**(3,116)**	5,983	(1,577)
Effective portion of changes in fair value of cash flow hedges, net of recycling	**1,532**	(5,386)	(5,954)
Comprehensive income and expense of associates	**-**	-	164
Deferred tax on income and expense recognised in equity	**49**	106	1,652
(Expense)/income recognised directly in equity	**(3,073)**	602	(5,376)
Total comprehensive income and expense for the period	**21,863**	28,746	60,357
Attributable to:			
Equity shareholders of the parent company	**22,158**	29,016	60,739
Non-controlling interest	**(295)**	(270)	(382)
Total comprehensive income and expense for the period	**21,863**	28,746	60,357

Consolidated balance sheet

Unaudited

	Notes	At 31st December 2011 £'000	At 31st December 2010 £'000	Audited At 30th June 2011 £'000
Assets				
Property, plant and equipment	6	**93,952**	75,379	82,344
Intangible assets	7	**49,163**	37,697	47,095
Investments in associates	8	**7,725**	5,316	7,437
Deferred tax assets		**23,100**	20,151	23,750
Derivatives	9	**1,605**	1,490	684
Total non-current assets		**175,545**	140,033	161,310
Current assets				
Inventories		**56,638**	42,165	49,809
Trade receivables		**50,719**	50,764	61,533
Current tax		**2,803**	2,036	2,134
Other receivables		**7,695**	7,772	8,457
Derivatives	9	**1,344**	1,723	886
Pension fund cash escrow account	10	**11,142**	-	10,818
Cash and cash equivalents		**15,460**	31,114	23,733
Total current assets		**145,801**	135,574	157,370
Current liabilities				
Trade payables		**10,661**	10,600	13,821
Current tax		**7,462**	5,393	5,591
Provisions		**736**	562	770
Derivatives	9	**3,177**	5,399	4,789
Other payables		**18,229**	15,724	22,126
Total current liabilities		**40,265**	37,678	47,097
Net current assets		**105,536**	97,896	110,273
Non-current liabilities				
Employee benefits	10	**39,065**	31,085	37,664
Deferred tax liabilities		**19,965**	15,336	17,211
Derivatives	9	**3,955**	2,961	2,496
Other payables		**12,494**	11,115	12,494
Total non-current liabilities		**75,479**	60,497	69,865
Total assets less total liabilities		**205,602**	177,432	201,718
Equity				
Share capital	9	**14,558**	14,558	14,558
Share premium	9	**42**	42	42
Currency translation reserve	9	**2,824**	3,922	4,362
Cash flow hedging reserve	9	**(3,012)**	(3,706)	(4,115)
Retained earnings	9	**192,364**	163,555	187,750
Other reserve	9	**(389)**	(237)	(389)
Equity attributable to the owners of the Company		**206,387**	178,134	202,208
Non-controlling interest	9	**(785)**	(702)	(490)
Total equity		**205,602**	177,432	201,718

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 2010	14,558	42	4,023	172	140,459	(201)	(432)	158,621
Profit/(loss) for the period	-	-	-	-	28,414	-	(270)	28,144
Other comprehensive income and expense								
Actuarial gain in the pension schemes (net)	-	-	-	-	4,581	-	-	4,581
Foreign exchange translation differences	-	-	(101)	-	-	-	-	(101)
Changes in fair value of cash flow hedges (net)	-	-	-	(3,878)	-	-	-	(3,878)
Total other comprehensive income	-	-	(101)	(3,878)	4,581	-	-	602
Total comprehensive income	-	-	(101)	(3,878)	32,995	-	(270)	28,746
Acquisition of non-controlling interest	-	-	-	-	-	(36)	-	(36)
Dividends paid	-	-	-	-	(9,899)	-	-	(9,899)
Transactions with owners recorded in equity	-	-	-	-	(9,899)	(36)	-	(9,935)
Balance at 31st December 2010	14,558	42	3,922	(3,706)	163,555	(237)	(702)	177,432
Profit/(loss) for the period	-	-	-	-	37,701	-	(112)	37,589
Other comprehensive income and expense								
Actuarial loss in the pension schemes (net)	-	-	-	-	(6,173)	-	-	(6,173)
Foreign exchange translation differences	-	-	440	-	-	-	-	440
Changes in fair value of cash flow hedges (net)	-	-	-	(409)	-	-	-	(409)
Relating to associates	-	-	-	-	164	-	-	164
Total other comprehensive income	-	-	440	(409)	(6,009)	-	-	(5,978)
Total comprehensive income	-	-	440	(409)	31,692	-	(112)	31,611
Acquisition of non-controlling interest	-	-	-	-	-	(152)	324	172
Dividends paid	-	-	-	-	(7,497)	-	-	(7,497)
Transactions with owners recorded in equity	-	-	-	-	(7,497)	(152)	324	(7,325)
Balance at 30th June 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**

Consolidated statement of cash flows

Unaudited

	6 months to 31st December 2011 £'000	6 months to 31st December 2010 £'000	Audited Year ended 30th June 2011 £'000
Cash flows from operating activities			
Profit for the period	**24,936**	28,144	65,733
Amortisation of development costs	**3,062**	3,251	7,200
Amortisation of other intangibles	**1,968**	2,100	3,855
Depreciation	**4,684**	3,904	7,575
Profit on sale of property, plant and equipment	**(16)**	-	(8)
Share of profits from associates	**(485)**	(354)	(803)
Reversal of exceptional impairment write-down	-	-	(1,668)
Financial income	**(4,451)**	(3,529)	(7,108)
Financial expenses	**3,292**	3,248	6,447
Tax expense	**6,234**	7,036	16,345
	14,288	15,656	31,835
Increase in inventories	**(6,829)**	(8,902)	(15,698)
Decrease/(increase) in trade and other receivables	**11,316**	(6,910)	(16,634)
(Decrease)/increase in trade and other payables	**(6,512)**	(1,779)	5,705
(Decrease)/increase in provisions	**(34)**	23	231
Defined benefit pension contributions	**(677)**	-	(667)
	(2,736)	(17,568)	(27,063)
Income taxes paid	**(4,829)**	(2,462)	(11,698)
Cash flows from operating activities	**31,659**	23,770	58,807
Investing activities			
Purchase of property, plant and equipment	**(17,831)**	(7,509)	(16,491)
Development costs capitalised	**(4,361)**	(4,449)	(10,123)
Purchase of other intangibles	**(126)**	(491)	(1,203)
Investment in subsidiaries and associates	-	(755)	(8,418)
Sale of property, plant and equipment	**149**	5	71
Interest received	**305**	200	372
Dividend received from associate	**27**	20	84
Contributions to pension fund escrow account (net)	**(324)**	-	(10,818)
Cash flows from investing activities	**(22,161)**	(12,979)	(46,526)
Financing activities			
Interest paid	**(184)**	(102)	(208)
Dividends paid	**(17,979)**	(9,899)	(17,396)
Cash flows from financing activities	**(18,163)**	(10,001)	(17,604)
Net (decrease)/increase in cash and cash equivalents	**(8,665)**	790	(5,323)
Cash and cash equivalents at the beginning of the period	**23,733**	31,143	31,143
Effect of exchange rate fluctuations on cash held	**392**	(819)	(2,087)
Cash and cash equivalents at the end of the period	**15,460**	31,114	23,733

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

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

  (a) DTR 4.2.7R of the Disclosure 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
25th January 2012

Notes

1. Status of Interim report and accounting policies

The Interim report, which has not been audited, was approved by the directors on 25th January 2012.

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 2011, 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 2011 and the comparative figures for the six months to 31st December 2010 are unaudited. The comparative figures for the financial year ended 30th June 2011 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 2011.

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 2012.

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") probes and accessories, which are used for accurate post-process inspection of components on CMMs; Machine tool probes and tool setting systems, used for automated component identification, workpiece and tool setting and component inspection; Laser calibration systems and the QC20-W ballbar, used to determine the accuracy of CMMs, machine tools and other industrial and scientific equipment; Linear and angle encoder systems, for precise linear and rotary motion control; Versatile automated systems for part handling, inspection and material processing; Laser scanning systems for accurate positioning and surveying measurements; Additive manufacturing systems, such as selective laser melting machines; 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 a Raman microscope, used to identify the composition and structure of materials (including medicinal tablet mapping, molecular diagnostics and DNA analysis); and neurosurgical products for use in neurosurgical procedures.

2. Segmental information (continued)

Revenue	Metrology £'000	Healthcare £'000	Total £'000
6 months to 31st December 2011	**135,915**	**11,234**	**147,149**
6 months to 31st December 2010	123,372	8,864	132,236
Year ended 30th June 2011	267,022	21,728	288,750

Depreciation and amortisation	Metrology £'000	Healthcare £'000	Total £'000
6 months to 31st December 2011	**7,692**	**2,022**	**9,714**
6 months to 31st December 2010	7,984	1,271	9,255
Year ended 30th June 2011	15,337	3,293	18,630

Operating profit	Metrology £'000	Healthcare £'000	Total £'000
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**
6 months to 31st December 2010	38,950	(4,235)	34,715
Share of profits from associates	184	-	184
Net financial income			281
Profit before tax			35,180
Year ended 30th June 2011	87,738	(8,452)	79,286
Exceptional item - reversal of impairment write-down	1,668	-	1,668
Share of profits from associates	463	-	463
Net financial income			661
Profit before tax			82,078

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.

2. Segmental information (continued)

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

	6 months to 31st December 2011 at actual exchange rates £'000	6 months to 31st December 2011 at previous year's exchange rates £'000	6 months to 31st December 2010 at actual exchange rates £'000	Year ended 30th June 2011 at actual exchange rates £'000
Far East	49,559	49,390	54,172	114,553
Continental Europe	47,158	46,714	37,710	85,751
North & South America	36,474	36,549	29,670	65,113
United Kingdom and Ireland	8,655	8,655	6,801	14,761
Other regions	5,303	5,336	3,883	8,572
Total group revenue	147,149	146,644	132,236	288,750

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 2011 £'000	6 months to 31st December 2010 £'000	Year ended 30th June 2011 £'000
USA	31,662	26,045	52,796
China	20,925	27,900	54,204
Germany	20,405	16,621	38,612
Japan	17,274	15,394	36,169

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 2011 £'000	At 31st December 2010 £'000	At 30th June 2011 £'000
United Kingdom	107,967	78,214	93,071
Overseas	42,873	40,178	43,805
	150,840	118,392	136,876

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

3. Financial income and expenses

Financial income	6 months to 31st December 2011 £'000	6 months to 31st December 2010 £'000	Year ended 30th June 2011 £'000
Expected return on assets in the pension schemes	4,146	3,329	6,736
Bank interest receivable	305	200	372
	4,451	3,529	7,108

3. Financial income and expenses (continued)

Financial expenses	6 months to 31st December 2011 £'000	6 months to 31st December 2010 £'000	Year ended 30th June 2011 £'000
Interest on pension scheme liabilities	3,108	3,146	6,239
Bank interest payable	184	102	208
	3,292	3,248	6,447

4. Income tax expense

The income tax expense has been estimated at a rate of 20% (December 2010 20%), the rate expected to be applicable for the full year.

5. Earnings per share

Earnings per share are calculated on earnings of £25,231,000 (December 2010 £28,414,000) 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 2011 are calculated on earnings of £66,115,000 and on 72,788,543 shares, being the number of shares in issue during that year.

6. Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1st July 2011	74,940	84,065	6,516	4,838	170,359
Additions	3,163	2,937	580	11,151	17,831
Transfers	7,715	4,633	-	(12,348)	-
Disposals	-	(554)	(230)	-	(784)
Currency adjustment	(1,171)	(1,294)	(241)	-	(2,706)
At 31st December 2011	84,647	89,787	6,625	3,641	184,700
Depreciation					
At 1st July 2011	17,736	66,143	4,136	-	88,015
Charge for the period	1,140	3,104	440	-	4,684
Released on disposals	-	(459)	(192)	-	(651)
Currency adjustment	(451)	(719)	(130)	-	(1,300)
At 31st December 2011	18,425	68,069	4,254	-	90,748
Net book value					
At 31st December 2011	66,222	21,718	2,371	3,641	93,952
At 30th June 2011	57,204	17,922	2,380	4,838	82,344

Additions to assets in the course of construction of £11,151,000 (December 2010 £2,212,000) comprise £7,438,000 (December 2010 £343,000) for freehold land and buildings and £3,713,000 (December 2010 £1,869,000) for plant and equipment.

At the end of the period, assets in the course of construction, not yet transferred, of £3,641,000 (December 2010 £2,274,000) comprise £709,000 (December 2010 £438,000) for freehold land and buildings and £2,932,000 (December 2010 £1,836,000) for plant and equipment.

7. 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 2011	12,694	10,219	46,064	18,516	87	87,580
Additions	-	-	4,361	19	107	4,487
Adjustment	2,794	-	-	-	-	2,794
Currency adjustment	(349)	-	-	(10)	-	(359)
At 31st December 2011	**15,139**	**10,219**	**50,425**	**18,525**	194	**94,502**
Amortisation						
At 1st July 2011	-	4,149	27,721	8,615	-	40,485
Charge for the period	198	834	3,062	766	-	4,860
Currency adjustment	-	-	-	(6)	-	(6)
At 31st December 2011	**198**	**4,983**	**30,783**	**9,375**	-	**45,339**
Net book value						
At 31st December 2011	**14,941**	**5,236**	**19,642**	**9,150**	**194**	**49,163**
At 30th June 2011	12,694	6,070	18,343	9,901	87	47,095

Adjustment to Goodwill on consolidation in the period of £2,794,000 is in respect of the accounting for deferred tax on the intangible assets acquired through business combinations in the year ended 30th June 2011, which was not previously accounted for when assessing the fair value of assets acquired at the time of the acquisitions. During the period, goodwill of £198,000 relating to the acquisition of PulseTeq Limited was written off following a review of the Group's healthcare strategy.

The analysis of acquired goodwill on consolidation is:	**At 31st December 2011 £'000**	At 31st December 2010 £'000	At 30th June 2011 £'000
Acquisition of:			
itp GmbH	**2,886**	2,372	3,120
Renishaw Diagnostics Limited (84.8%)	**1,784**	1,784	1,784
Renishaw Mayfield S.A. (75%)	**1,559**	1,215	1,674
PulseTeq Limited (2010 75%)	**-**	198	198
Measurement Devices Limited	**6,661**	5,713	5,713
MTT Investments Limited	**405**	-	205
Renishaw Software Limited	**1,559**	-	-
Renishaw Advanced Materials Limited	**87**	-	-
Balance at the end of the period	**14,941**	11,282	12,694

8. Investments in associates

Movements during the period were:	**6 months to 31st December 2011 £'000**	**6 months to 31st December 2010 £'000**	Year ended 30th June 2011 £'000
Balance at the beginning of the period	**7,437**	**5,152**	5,152
Investments made during the period	**-**	**-**	74
Dividends received	**(27)**	**(20)**	(84)
Share of profits of associates	**485**	**354**	803
Amortisation of intangibles	**(170)**	**(170)**	(340)
Other comprehensive income and expense	**-**	**-**	164
Reversal of impairment of investment in Delcam plc	**-**	**-**	1,668
Balance at the end of the period	**7,725**	**5,316**	7,437

9. Capital and reserves

Share capital	At 31st December 2011 £'000	At 31st December 2010 £'000	At 30th June 2011 £'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 year 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 2011 £'000	6 months to 31st December 2010 £'000	Year ended 30th June 2011 £'000
Balance at the beginning of the period	**(4,115)**	172	172
Amounts transferred to the Consolidated income statement	**2,032**	1,154	2,188
Revaluations during the period	**(500)**	(6,541)	(8,142)
Deferred tax movement	**(429)**	1,509	1,667
Balance at the end of the period	**(3,012)**	(3,706)	(4,115)

The cash flow hedging reserve is analysed as:	At 31st December 2011 £'000	At 31st December 2010 £'000	At 30th June 2011 £'000
Included in other receivables in non-current assets	**1,605**	1,490	684
Included in other receivables in current assets	**1,344**	1,723	886
Included in other payables in current liabilities	**(3,177)**	(5,399)	(4,789)
Included in other payables in non-current liabilities	**(3,955)**	(2,961)	(2,496)
	(4,183)	(5,147)	(5,715)
Included in deferred tax assets/liabilities	**1,171**	1,441	1,600
Balance at the end of the period	**(3,012)**	(3,706)	(4,115)

9. Capital and reserves (continued)

Dividends Dividends paid during the period were:	**6 months to 31st December 2011 £'000**	6 months to 31st December 2010 £'000	Year ended 30th June 2011 £'000
2011 final dividend of 24.7p per share (2010 13.6p)	**17,979**	9,899	9,899
2011 interim dividend of 10.3p	**-**	-	7,497
Total dividends paid during the period	**17,979**	9,899	17,396

An interim dividend for 2012 of £7,497,220 (10.3p per share) will be paid on 10th April 2012, to shareholders on the register on 9th March 2012, with an ex-div date of 7th March 2012.

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 2011 £'000**	6 months to 31st December 2010 £'000	Year ended 30th June 2011 £'000
Balance at the beginning of the period	**(490)**	(432)	(432)
Share of investments	**-**	-	324
Share of loss for the period	**(295)**	(270)	(382)
Balance at the end of the period	**(785)**	(702)	(490)

10. Employee benefits

The Group operates a number of pension schemes throughout the world. The major scheme, which covers the UK-based employees, was of the defined benefit type. 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 2011 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31st December 2011 £'000	At 31st December 2010 £'000	At 30th June 2011 £'000
Discount rate	**4.7%**	5.4%	5.5%
Inflation rate - RPI	**3.0%**	3.6%	3.6%
Inflation rate - CPI	**2.0%**	2.9%	2.9%
Expected return on equities	**8.3%**	8.1%	8.3%
Retirement age	**64**	64	64

10. Employee benefits (continued)

The assets and liabilities in the defined benefit schemes were:

	At 31st December 2011 £'000	At 31st December 2010 £'000	At 30th June 2011 £'000
Market value of assets	**91,742**	99,764	101,049
Actuarial value of liabilities under IAS 19	**(120,307)**	(111,649)	(115,013)
	(28,565)	(11,885)	(13,964)
Increase in liability under IFRIC 14	**(10,500)**	(19,200)	(23,700)
Deficit in the schemes	**(39,065)**	(31,085)	(37,664)
Deferred tax thereon	**9,421**	8,292	9,393

The movements in the schemes' assets and liabilities were:

	6 months to 31st December 2011 £'000	6 months to 31st December 2010 £'000	Year ended 30th June 2011 £'000
Balance at the beginning of the period	**(37,664)**	(37,251)	(37,251)
Contributions paid	**677**	-	667
Expected return on pension schemes' assets	**4,146**	3,329	6,736
Interest on pension schemes' liabilities	**(3,108)**	(3,146)	(6,239)
Actuarial (loss)/gain under IAS 19	**(16,316)**	25,183	22,123
Additional actuarial gain/(loss) under IFRIC 14	**13,200**	(19,200)	(23,700)
Balance at the end of the period	**(39,065)**	(31,085)	(37,664)

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 £46,800,000 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 £46,800,000 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 £10,500,000, to represent the maximum discounted liability as at 31st December 2011 (30th June 2011 £23,700,000).

11. 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.

12. Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group are considered to be:

Current trading levels and order book

Whilst the Group has seen revenue growth of 11% in the first half year, compared with the corresponding period last year, it is difficult to predict with any certainty the continuation of this growth, especially as 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. This limited forward order visibility leaves the annual revenue forecasts uncertain.

The Chairman and Chief Executive's statement in this Interim report includes a comment on the outlook for the Group.

Research and development

The Group invests heavily in research and development, to develop new products and processes to maintain the long-term growth of the Group. This research and development encompasses new innovative products within the core metrology and emerging healthcare businesses.

The development of new products and processes involves risk, such as with development time, which may take longer than originally forecast and hence involve more cost. Also, being at the leading edge of new technology in metrology and healthcare, there are uncertainties whether new developments will work as planned and in some cases, projects may need to be halted with the consequent non-recoverability of expenditure if the intended deliverables of the project are not forthcoming. Expenditure is only capitalised once the commercial and technical feasibility of a product is proven.

These risks are minimised by operating strictly managed research and development programmes with regular reviews against milestones achieved and against forecast business plans. During the first half year, the Board undertook a review of the Group's healthcare business and have refocused part of the activities towards a smaller number of projects. Research and development also involves beta testing at customers to ensure that new products will meet the needs of the market at the right price.

Defined benefit pension schemes

The Group has previously closed its major defined benefit pension schemes for future accruals, so has eliminated the major risk of growth in liabilities for future accrual of salary increases above inflation and additional years of service. The funds are still subject to fluctuations arising from investment performance and actuarial assumptions. The UK defined benefit scheme is secured by a registered charge on certain of the Group's UK properties and cash held in escrow, but the limit of the exposure under the guarantee is fully reflected in the financial statements.

Treasury

With the concentration of manufacturing in the UK, Ireland and India, but with over 90% of revenue to countries elsewhere around the world, there is an exposure to fluctuating currencies on this export revenue, mainly in respect of the US Dollar, Euro and Japanese Yen.

The Group has mitigated the risks associated with fluctuating exchange rates by the use of forward contracts to hedge a proportion of US Dollar revenue and the majority of forecast Euro and Japanese Yen revenue for the current year. It also has forward contracts in place going forward a further three and a half years in respect of significant proportions of forecast Euro and Japanese Yen revenue, and a further fourteen months in respect of a proportion of forecast US Dollar revenue.

Tax

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. Tax provisions are adjusted due to changing facts and circumstances, such as case law, progress of tax audits or when an event occurs requiring a change in tax provisions. Management regularly assesses the appropriateness of tax provisions.

Financial calendar

Record date for 2012 interim dividend	9th March 2012
2012 interim dividend payment	10th April 2012
Announcement of 2012 full year results	25th July 2012
Mailing of 2012 Annual report	Late August 2012
Annual general meeting	18th October 2012
2012 final dividend payment	22nd October 2012

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