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27th July 2011

Renishaw plc and subsidiary undertakings
Preliminary announcement of results for the year ended 30th June 2011

HIGHLIGHTS

	2011	2010	change
Revenue (£m)	**288.7**	**181.6**	**+59%**
Adjusted operating profit (£m)*	**78.9**	**28.1**	**+181%**
Adjusted profit before tax (£m)*	**80.4**	**28.7**	**+180%**
Adjusted earnings per share (pence)*	**88.0**	**31.6**	**+178%**
Dividend per share (pence)	**35.0**	**17.6**	**+99%**
STATUTORY			
Profit before tax (£m)	**82.1**	**27.0**	**+203%**
Basic earnings per share (pence)	**90.3**	**29.3**	**+208%**

* Adjusted figures are stated after excluding exceptional items, these being an impairment write-down in 2010 and its reversal in 2011.

CHAIRMAN'S STATEMENT

I am delighted to announce record group results in terms of both revenue and profit for the year ended 30th June 2011.

Total group revenue for the year was £288.7m (including £8.9m revenue from acquisitions during the year (2010 £nil)), 59% ahead of the £181.6m for last year and, more importantly, 43% above the previous highest year's revenue of £201.2m reported in 2008. All geographic areas saw good progress, with growth of 64% in Europe, 57% in the Americas and 61% in the Far East, particularly in China, which has become the Group's largest market, with revenues of £54.2m this year (2010 £34.2m).

Group profit before tax for the year, excluding exceptional items, was £80.4m, compared with £28.7m last year, and compared with £41.7m in 2008, being the previous highest year's profit before tax (excluding exceptional items).

Adjusted earnings per share were 88.0p, an increase of 178% over last year's adjusted earnings per share of 31.6p. Reported earnings per share were 90.3p (2010 29.3p).

Segmental analysis

- **Metrology**

There was an extremely strong performance by our metrology business during the year, with revenue of £267.0m, compared with £162.1m last year, an increase of 65%. There was growth across all product lines, with machine tool and encoder products showing particularly strong growth. Operating profit for this segment was £87.4m, compared with £31.5m last year, an increase of 177%.

During the year the Group acquired a 49% shareholding in Measurement Devices Limited (MDL) at a cost of £3.9m; there is agreement that MDL will become a 100% subsidiary in 2014. Accounting standards require the Group to consolidate its results as if the company were a subsidiary, due to the structure of the shareholders' agreement. MDL is a metrology company whose laser scanner products are primarily marketed in the areas of marine positioning, mining, quarrying and surveying.

On 8th April 2011, the Group acquired for £3.8m, a 100% shareholding in MTT Investments Limited ("MTT"). MTT designs, develops and manufactures additive manufacturing and rapid prototyping systems, including selective laser melting, metal casting, and vacuum casting machines and processes. Based in Stone, Staffordshire, in the UK, MTT has 40 employees, with subsidiaries in the USA and Italy, and a branch office in France. MTT's selective laser melting equipment currently has its main markets in aerospace and medical devices, but also has potential for use in other sectors. Its products are complementary to Renishaw's existing technologies and business. Its results have been consolidated since the date of acquisition. On 1st July 2011 most of the business and assets were transferred to Renishaw plc and is now operating as the Renishaw additive manufacturing products division.

On 16th June 2011, the Group acquired, for a total consideration of £6m, of which £3m is payable in June 2013, certain calibration technology and software, together with drawings, designs and intellectual property relating to optical technology, from Aberlink Innovative Metrology in order to expand the Group's technology portfolio.

A number of new products have been launched during the year, including Equator™, a radical new alternative to traditional dedicated gauging. This was launched in March 2011 and has been very well received.

- **Healthcare**

Our healthcare operations continue to develop both in our longer established spectroscopy business and in our newer dental, neuro and diagnostic activities.

Revenue from our healthcare products rose 11% to £21.7m (2010 £19.5m). Certain areas are still in the development phase and, as a result of the continuing research and development costs, an operating loss of £8.5m was recorded (2010 loss £3.4m).

During the year the Group has made several sales of the enhanced surgical robot used for neurosurgical procedures.

Renishaw Diagnostics Limited ("RDL") has released the RenDx™ research-use-only ("RUO") multiplex assay system, providing a highly sensitive and flexible tool to screen for multiple targets in a single analysis. RDL is preparing to apply for approval of the RenDx™ multiplex assay system as an in vitro medical device.

We continue to develop our dental business, including our collaboration with Biomet 3i, which is now a non-exclusive distributor of Renishaw dental scanning and milling systems.

Balance sheet

Expenditure for the year on property, plant and equipment was £16.5m, of which £5.4m was in respect of property and £11.1m was in respect of plant and equipment.

Expenditure on property included:

- The refurbishment of our Charfield premises, purchased in 2008, which has been occupied by our dental, neurological and imaging coil product lines together with a team of group software engineers;
- Larger premises in Barcelona for our Spanish sales and marketing operation;
- Completion of the expansion of our Indian production facility in Pune which opened in March 2011; and
- On 24th June 2011, the Group contracted to purchase 461,000 sq ft of premises on a site of 193 acres in Miskin, South Wales, approximately 55 miles from the New Mills head office. This additional space is being acquired to secure manufacturing capacity required to accommodate future growth. The cost of these new premises will be £7.7m, of which £0.7m has been paid as a deposit prior to the year end.

The Group's expenditure on plant, equipment and vehicles of £11.1m comprised mainly additional machine tools, other production machinery and IT investment to support the expanding business. Along with £1.6m of tangible fixed assets acquired through business acquisitions, the net book value of property, plant and equipment increased during the year from £70.5m at 30th June 2010 to £82.3m at 30th June 2011.

The Group has invested heavily in working capital during the financial year. Inventories have increased by £18.9m over the year, including £3.2m relating to acquisitions, as the Group has sought to ensure adequate stock to meet customer demands in an environment of growing but unpredictable and substantial order intake. At the end of June 2011, inventories were £49.8m compared with £30.9m at 30th June 2010.

The Group continues to have a solid balance sheet, with net cash balances of £34.6m at 30th June 2011, compared with £31.1m at 30th June 2010.

Awards

The Group has received a number of awards during the year including our 14th Queen's Award for Enterprise: Innovation 2011. This has been granted for the TRS2 laser-based tool breakage detection system used on CNC machine tools.

Staff

The Group workforce has grown from 2,099 at 30th June 2010 to 2,675 at the end of June 2011, an increase of 576. Additional staff have been taken on in all areas, both to support the current increase in production as well as to ensure the ongoing development programmes in our metrology and healthcare businesses. The Group acquired 95 staff through the acquisitions of MDL and MTT. There are currently 267 outstanding vacancies, of which 139 are in the UK and 128 overseas.

Your directors are grateful for the tremendous support and commitment of our staff during a challenging and exciting year.

Prospects

The Group has made very considerable progress during the year. There continue to be many challenges to be met and overcome, not least the recruitment and absorption of new employees, the occupation of new premises, the integration of newly acquired companies and the ongoing development of Renishaw technologies. Nevertheless the directors confidently expect the current progress of the Group to continue due to the increased opportunities and the underlying strength of our markets.

Dividends

A final dividend of 24.7p per share will be paid in respect of this year, which, together with the interim dividend of 10.3p, gives a total for the year of 35.0p per share, compared with 17.6p for last year and 25.4p in 2008, our previous highest dividend. The final dividend will be paid on 17th October 2011 to shareholders on the register on 16th September 2011.

Sir David R McMurtry, CBE, RDI, FREng, FRS, CEng, FIMechE
Chairman & Chief Executive
27th July 2011

CONSOLIDATED INCOME STATEMENT
for the year ended 30th June 2011

	2011 £'000	2010 £'000
Revenue	**288,750**	181,607
Cost of sales	**(128,443)**	(93,832)
Gross profit	**160,307**	87,775
Distribution costs	**(52,088)**	(39,742)
Administrative expenses including exceptional item	**(27,605)**	(21,606)
Operating profit excluding exceptional item	**78,946**	28,095
Exceptional items: Reversal of impairment write-down made in 2010	**1,668**	(1,668)
Operating profit	**80,614**	26,427
Financial income	**7,108**	5,926
Financial expenses	**(6,447)**	(5,775)
Share of profits of associates	**803**	479
Profit before tax	**82,078**	27,057
Income tax expense	**(16,345)**	(5,745)
Profit for the year from continuing operations	**65,733**	21,312

Profit attributable to:	**2011 £'000**	2010 £'000
Equity shareholders of the parent company	**66,115**	21,814
Non-controlling interest	**(382)**	(502)
Profit for the year from continuing operations	**65,733**	21,312
	Pence	Pence
Dividend per share arising in respect of the year	**35.0**	17.6
Dividend per share paid in the year	**23.9**	4.0
Earnings per share (basic and diluted)	**90.3**	29.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE
for the year ended 30th June 2011

	2011 £'000	2010 £'000
Profit for the year	**65,733**	21,312
Foreign exchange translation differences	**339**	2,201
Actuarial loss in the pension schemes	**(1,577)**	(14,867)
Effective portion of changes in fair value of cash flow hedges, net of recycling:	**(5,954)**	7,760
Comprehensive income and expense of associates	**164**	(324)
Deferred tax on income and expense recognised in equity	**1,652**	1,820
Expense recognised directly in equity	**(5,376)**	(3,410)
Total comprehensive income and expense for the year	**60,357**	17,902
Attributable to:		
Equity shareholders of the parent company	**60,739**	18,404
Non-controlling interest	**(382)**	(502)
Total comprehensive income and expense for the year	**60,357**	17,902

CONSOLIDATED BALANCE SHEET
at 30th June 2011

	2011 £'000	2010 £'000
Assets		
Property, plant and equipment	**82,344**	70,532
Intangible assets	**47,095**	28,613
Investments in associates	**7,437**	5,152
Deferred tax assets	**23,750**	20,056
Derivatives	**684**	4,002
Total non-current assets	**161,310**	128,355
Current assets		
Inventories	**49,809**	30,884
Trade receivables	**61,533**	45,873
Current tax	**2,134**	1,848
Other receivables	**8,457**	4,725
Derivatives	**886**	1,158
Cash and cash equivalents	**34,551**	31,143
Total current assets	**157,370**	115,631
Current liabilities		
Trade payables	**13,821**	10,440
Current tax	**5,591**	532
Provisions	**770**	539
Derivatives	**4,789**	3,346
Other payables	**22,126**	15,027
Total current liabilities	**47,097**	29,884
Net current assets	**110,273**	85,747
Non-current liabilities		
Employee benefits	**37,664**	37,251
Deferred tax liabilities	**17,211**	15,433
Derivatives	**2,496**	1,575
Other payables	**12,494**	1,222
Total non-current liabilities	**69,865**	55,481
Total assets less total liabilities	**201,718**	158,621
Equity		
Share capital	**14,558**	14,558
Share premium	**42**	42
Currency translation reserve	**4,362**	4,023
Cash flow hedging reserve	**(4,115)**	172
Retained earnings	**187,750**	140,459
Other reserve	**(389)**	(201)
Equity attributable to the owners of the Company	**202,208**	159,053
Non-controlling interest	**(490)**	(432)
Total equity	**201,718**	158,621

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30th June 2011

Year ended 30th June 2010	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 2009	14,558	42	1,822	(5,415)	132,755	-	18	143,780
Profit/(loss) for the year	-	-	-	-	21,814	-	(502)	21,312
Other comprehensive income and expense:								
Actuarial loss in the pension schemes	-	-	-	-	(10,874)	-	-	(10,874)
Foreign exchange translation differences	-	-	2,201	-	-	-	-	2,201
Changes in fair value of cash flow hedges	-	-	-	5,587	-	-	-	5,587
Relating to associates	-	-	-	-	(324)	-	-	(324)
Total other comprehensive income	-	-	2,201	5,587	(11,198)	-	-	(3,410)
Total comprehensive income	-	-	2,201	5,587	10,616	-	(502)	17,902
Acquisition of non-controlling interest	-	-	-	-	-	(201)	52	(149)
Dividends paid	-	-	-	-	(2,912)	-	-	(2,912)
Transactions with owners recorded directly in equity	-	-	-	-	(2,912)	(201)	52	(3,061)
Balance at 30th June 2010	14,558	42	4,023	172	140,459	(201)	(432)	158,621
Year ended 30th June 2011								
Profit/(loss) for the year	-	-	-	-	66,115	-	(382)	65,733
Other comprehensive income and expense:								
Actuarial loss in the pension schemes (net of tax)	-	-	-	-	(1,592)	-	-	(1,592)
Foreign exchange translation differences	-	-	339	-	-	-	-	339
Changes in fair value of cash flow hedges (net of tax)	-	-	-	(4,287)	-	-	-	(4,287)
Relating to associates	-	-	-	-	164	-	-	164
Total other comprehensive income	-	-	339	(4,287)	(1,428)	-	-	(5,376)
Total comprehensive income	-	-	339	(4,287)	64,687	-	(382)	60,357
Acquisition of non-controlling interest	-	-	-	-	-	(188)	324	136
Dividends paid	-	-	-	-	(17,396)	-	-	(17,396)
Transactions with owners recorded directly in equity	-	-	-	-	(17,396)	(188)	324	(17,260)
Balance at 30th June 2011	**14,558**	**42**	**4,362**	**(4,115)**	**187,750**	**(389)**	**(490)**	**201,718**

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 30th June 2011

	2011 **£'000**	2010 £'000
Cash flows from operating activities		
Profit for the year	**65,733**	21,312
Adjustments for:		
Amortisation of development costs	**7,200**	4,692
Amortisation of other intangibles	**3,855**	1,871
Depreciation	**7,575**	7,907
Profit on sale of property, plant and equipment	**(8)**	(31)
Share of profits from associates	**(803)**	(479)
Reversal of exceptional impairment write-down	**(1,668)**	1,668
Financial income	**(7,108)**	(5,926)
Financial expenses	**6,447**	5,775
Tax expense	**16,345**	5,745
	31,835	21,222
Increase in inventories	**(15,698)**	(1,728)
Increase in trade and other receivables	**(16,634)**	(21,252)
Increase in trade and other payables	**5,705**	10,711
Increase/(decrease) in provisions	**231**	(117)
Defined benefit pension contributions	**(667)**	-
	(27,063)	(12,386)
Income taxes paid	**(11,698)**	(5,615)
Cash flows from operating activities	**58,807**	24,533
Investing activities		
Purchase of property, plant and equipment	**(16,491)**	(2,868)
Development costs capitalised	**(10,123)**	(6,968)
Purchase of other intangibles	**(1,203)**	(184)
Investment in subsidiaries and associates	**(8,418)**	(149)
Sale of property, plant and equipment	**71**	190
Interest received	**372**	255
Dividend received from associate	**84**	80
Contributions to pension fund escrow account (net)	**(10,818)**	-
Cash flows from investing activities	**(46,526)**	(9,644)
Financing activities		
Interest paid	**(208)**	(178)
Dividends paid	**(17,396)**	(2,912)
Cash flows from financing activities	**(17,604)**	(3,090)
Net increase in cash and cash equivalents	**(5,323)**	11,799
Cash and cash equivalents at beginning of the year	**31,143**	20,488
Effect of exchange rate fluctuations on cash held	**(2,087)**	(1,144)
Cash and cash equivalents at end of the year	**23,733**	31,143

STATUS OF THIS PRELIMINARY ANNOUNCEMENT

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30th June 2011 or 2010 but is derived from those accounts. Statutory accounts for 2010 have been delivered to the registrar of companies, and those for 2011 will be delivered in due course. The auditors have reported on those accounts; their reports were (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.

This preliminary announcement and the presentation of results will be available on the Company's website www.renishaw.com.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

Renishaw plc (the “Company”) is a company incorporated in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”) and equity account the Group’s interest in associates.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“adopted IFRS”) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are noted below.

Basis of accounting

The financial statements have been prepared under the historical cost convention, subject to items referred to in the derivative financial instruments note below. The accounting policies have been consistently applied in preparing both the 2010 and 2011 financial statements.

Critical accounting judgements

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are listed below:

(i) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units (CGUs) to which goodwill has been allocated. The value in use calculation involves an estimation of the future cash flows of CGUs and also the selection of appropriate discount rates, which involves judgement, to calculate present values.

(ii) Defined benefit pension scheme liabilities

Determining the value of the future defined benefit obligation requires judgement in respect of the assumptions used to calculate present values. These include future mortality, discount rate, inflation and salary increases. Management makes these judgements in consultation with an independent actuary.

(iii) Amortisation of intangibles and impairment

The periods of amortisation of intangible assets require judgements to be made on the estimated useful lives of the intangible assets to determine an appropriate rate of amortisation. Future assessments of impairment may lead to the writing off of certain amounts of intangible assets and the consequent charge in the Consolidated income statement for the accelerated amortisation.

(iv) Capitalisation of development costs

Product development costs are capitalised once a project has reached a certain stage of development and these costs are subsequently amortised over a five-year period. Judgements are required to assess whether the new product development has reached the appropriate point for capitalisation of costs to begin. Should a product be subsequently obsoleted, the accumulated capitalised development costs would need to be immediately written off in the Consolidated income statement.

New, revised or changes to existing accounting standards

The following accounting standards and interpretations, issued by the IASB or International Financial Reporting Interpretations committee (IFRIC), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:

IFRS 3 ‘Business Combinations - Transitional requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS' - IFRS 3 is amended to state that contingent consideration arising from a business combination that had been accounted for in accordance with IFRS 3 (2004) that has not been settled or otherwise resolved at the effective date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004).

IFRS 3 'Business combinations - measurement of non-controlling interests' - IFRS 3 is amended to limit the accounting policy choice to measure non-controlling interests ("NCI") upon initial recognition either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation.

IAS 38 'Intangible assets - Measuring the fair value of an intangible asset acquired in a business combination' - Amendments clarify the description of valuation techniques commonly used to measure fair value of intangible assets acquired in a business combination for which no active market exists.

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 Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual report and accounts.

Derivative financial instruments

The Group uses forward exchange contracts to hedge its exposure to foreign exchange risk arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, forward contracts that do not qualify for hedge accounting would be accounted for as trading instruments.

2. SEGMENTAL ANALYSIS

Renishaw manages its operations in two segments, comprising metrology and healthcare products. The results of these segments are regularly reviewed by the Board to allocate resources to segments and to assess their performance. The Group evaluates performance of the segments on the basis of revenue and profits. The revenue, depreciation and amortisation, and operating profit for each operating segment was:

Year ended 30th June 2011	**Metrology £'000**	**Healthcare £'000**	**Total £'000**
Revenue	**267,022**	**21,728**	**288,750**
Depreciation and amortisation	**14,453**	**3,293**	**17,746**
Operating profit/(loss) before exceptional item	**87,398**	**(8,452)**	**78,946**
Exceptional item – Reversal of impairment write-down	**1,668**	**-**	**1,668**
Share of profits from associates	**803**	**-**	**803**
Net financial income			**661**
Profit before tax			**82,078**

Year ended 30th June 2010	Metrology £'000	Healthcare £'000	Total £'000
Revenue	162,118	19,489	181,607
Depreciation and amortisation	12,725	1,745	14,470
Operating profit/(loss) before exceptional item	31,537	(3,442)	28,095
Exceptional item – Impairment write-down	(1,668)	-	(1,668)
Share of profits from associates	479	-	479
Net financial income			151
Profit before tax			27,057

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 analysis of revenue by geographical market was:

	2011 £'000	2011 at 2010 exchange rates £'000	2010 £'000
Far East	**114,553**	116,976	71,051
Continental Europe	**85,751**	85,286	52,147
North and South America	**65,113**	65,674	41,455
United Kingdom	**14,761**	14,761	10,650
Other regions ("ROW")	**8,572**	8,569	6,304
Total group revenue	**288,750**	291,266	181,607

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:

	2011 £'000	2010 £'000
China	**54,204**	34,211
USA	**52,796**	35,381
Germany	**38,612**	23,042
Japan	**36,139**	19,552

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

The following table shows the analysis of non-current assets by geographical region:

	2011 £'000	2010 £'000
United Kingdom	**93,755**	71,660
Overseas	**43,805**	36,639
Total non-current assets	**137,560**	108,299

3. FINANCIAL INCOME AND EXPENSES

Financial income	2011 £'000	2010 £'000
Expected return on assets in the pension schemes	**6,736**	5,671
Bank interest receivable	**372**	255
Total financial income	**7,108**	5,926
Financial expenses		
Interest on pension scheme liabilities	**6,239**	5,597
Bank interest payable	**208**	178
Total financial expenses	**6,447**	5,775

4. INCOME TAX EXPENSE

	2011 £'000	2010 £'000
Current tax:		
UK corporation tax on profits for the year	**9,223**	14
Overseas tax on profits for the year	**7,460**	3,187
Adjustments for prior years	**(74)**	1,800
Total current tax	**16,609**	5,001
Deferred tax		
Origination and reversal of other temporary differences	**447**	744
Effect on deferred tax for change in UK tax rate from 28% to 26%	**(711)**	-
	(264)	744
Tax charge on profit	**16,345**	5,745
Effective tax rate (based on profit before tax)	**20%**	21%

The tax for the year is lower (2010 lower) than the weighted average UK standard rate of corporation tax of 27.5% (2010 28%). The differences are explained as follows:

	2011 £'000	2010 £'000
Profit before tax	**82,078**	27,057
Tax at 27.5% (2010 28%)	**22,571**	7,576
Effects of:		
Different tax rates applicable in overseas subsidiaries	**(4,126)**	(3,437)
Research and development tax credit	**(1,461)**	(1,376)
Adjustments for prior years	**(74)**	1,800
Expenses not deductible for tax purposes	**142**	231
Companies with unrelieved tax losses	**406**	495
Exceptional item with no tax effect	**(459)**	467
Effect on deferred tax for change in UK tax rate from 28% to 26%	**(711)**	-
Other differences	**57**	(11)
Tax charge on profit	**16,345**	5,745

The UK corporation tax rate is proposed to reduce to 23%, with a phased reduction until April 2014. As a result of the reduction in the corporation tax rate by 1% to 25%, which is expected to take effect from 1st April 2013, the group tax charge is estimated to reduce next year by approximately £500,000. Similar reductions in the group tax rate are expected to be made in the following two years if the corporation tax rate reductions are enacted as proposed.

5. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated on earnings of £65,733,000 (2010 £21,312,000) and on 72,788,543 shares, being the number of shares in issue during both years. There is no difference between the weighted average earnings per share and the basic and diluted earnings per share. Adjusted earnings per share figures exclude the exceptional items

6. PROPERTY, PLANT AND EQUIPMENT

Year ended 30th June 2011	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 2010	67,989	77,407	5,059	449	150,904
Additions	2,963	5,092	1,540	6,896	16,491
Acquisitions through business combinations	967	582	92	-	1,641
Transfers	1,529	978	-	(2,507)	-
Disposals	-	(1,128)	(401)	-	(1,529)
Currency adjustment	1,492	1,134	226	-	2,852
At 30th June 2011	74,940	84,065	6,516	4,838	170,359
Depreciation					
At 1st July 2010	15,291	61,460	3,621	-	80,372
Charge for the year	1,683	5,134	758	-	7,575
Released on disposals	-	(1,070)	(396)	-	(1,466)
Currency adjustment	762	619	153	-	1,534
At 30th June 2011	17,736	66,143	4,136	-	88,015
Net book value					
At 30th June 2011	**57,204**	**17,922**	**2,380**	**4,838**	**82,344**
At 30th June 2010	52,698	15,947	1,438	449	70,532

At 30th June 2011, properties with a net book value of £22,718,000 (2010 £23,393,000) were subject to a registered charge to secure the UK defined benefit pension scheme liabilities.

Additions to assets in the course of construction of £6,896,000 (2010 £429,000) comprise £2,420,000 (2010 £95,000) for freehold land and buildings and £4,476,000 (2010 £334,000) for plant and equipment.

7. INTANGIBLE ASSETS

Year ended 30th June 2011	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 2010	5,569	5,466	35,941	11,271	117	58,364
Additions	-	-	10,123	1,046	157	11,326
Additions through acquisitions	5,918	4,753	-	5,995	-	16,666
Transfers	-	-	-	187	(187)	-
Currency adjustment	1,207	-	-	17	-	1,224
At 30th June 2011	12,694	10,219	46,064	18,516	87	87,580
Amortisation						
At 1st July 2010	-	1,803	20,521	7,427	-	29,751
Charge for the year	-	2,346	7,200	1,169	-	10,715
Currency adjustment	-	-	-	19	-	19
At 30th June 2011	-	4,149	27,721	8,615	-	40,485
Net book value						
At 30th June 2011	**12,694**	**6,070**	**18,343**	**9,901**	**87**	**47,095**
At 30th June 2010	5,569	3,663	15,420	3,844	117	28,613

Goodwill acquired has arisen on the acquisition of a number of businesses and has an indeterminable useful life. Therefore it is not amortised but is tested for impairment annually and at any point during the year when an indicator of impairment exists. Goodwill is allocated to the Group's cash generating units (CGUs), which are currently the statutory entities acquired. This is the lowest level in the Group at which goodwill is monitored for impairment and is at a lower level than the Group's operating segments.

The analysis of acquired goodwill on consolidation is:

	2011 £'000	2010 £'000
Acquisition of itp GmbH	**3,120**	2,372
Acquisition of Renishaw Diagnostics Limited (84.8%)	**1,784**	1,784
Acquisition of Renishaw Mayfield S.A. (75%)	**1,674**	1,215
Acquisition of PulseTeq Limited (2010 75%)	**198**	198
Acquisition of Measurement Devices Limited	**5,713**	-
Acquisition of MTT Investments Limited	**205**	-
Total acquired goodwill	**12,694**	5,569

The recoverable amounts of acquired goodwill are based on value in use calculations. These calculations use cash flow projections with assumptions as follows:

itp GmbH (part of the metrology reportable segment) - actual operating results and an average growth rate of 5% for 5 years with a nil growth rate to perpetuity (2010 same basis). Renishaw Diagnostics Limited, PulseTeq Limited, Renishaw Mayfield S.A. (all in the healthcare reportable segment), Measurement Devices Limited and MTT Investments Limited (both in the metrology reportable segment) – 5-year business plans with a nil growth rate to perpetuity (2010 same basis for those applicable).

A pre-tax discount rate of 12% has been used in discounting the projected cash flows of itp GmbH (2010 12%), Measurement Devices Limited and MTT Investments Limited. A pre-tax discount rate of 15% has been used for Renishaw Diagnostics Limited (2010 15%), PulseTeq Limited (2010 15%) and Renishaw Mayfield S.A. (2010 15%). These have been set on the basis of these being appropriate rates for a market participant. On this basis, no impairment write-downs are required. There is significant headroom in all the above and for an impairment to arise, there would need to be a significant material deterioration in business; this is considered to be remote. An increase in 5% in the discount rate would not result in an impairment.

8. INVESTMENT IN ASSOCIATES

The Group has the following investments in associates (all investments being in the ordinary share capital of the associate), whose accounting years end on 30th June unless otherwise stated:

	Country of incorporation	**Ownership 2011 %**	Ownership 2010 %
RLS merilna tehnika d.o.o.	Slovenia	**50**	50
Metrology Software Products Limited	England & Wales	**50**	50
Delcam plc (31st December)	England & Wales	**20**	20

Delcam plc is listed on AIM at the London Stock Exchange. Its share price on 30th June 2011 was £4.55 (2010 £2.40). The Company holds 1,543,032 shares (2010 1,524,052). Equity accounting has been applied in the Group's results based on the company's management accounts to 30th June 2011.

Movements during the year were:

	2011 £'000	2010 £'000
Balance at the beginning of the year	**5,152**	7,085
Investments made during the year	**74**	-
Dividends received	**(84)**	(80)
Share of profits of associates	**803**	479
Amortisation of intangibles	**(340)**	(340)
Other comprehensive income and expense	**164**	(324)
Reversal of impairment/(impairment) of investment in Delcam plc	**1,668**	(1,668)
Balance at the end of the year	**7,437**	5,152

At the year end, the Board decided to reverse the impairment write-down accounted for as an exceptional item in the Consolidated income statement last year. This was after a review of the performance and prospects of Delcam plc and the increase in its share price since 30th June 2010. The reversal of the impairment write-down is shown as an exceptional item in this year's Consolidated income statement.

Summarised aggregated financial information for associates:

	2011 £'000	2010 £'000
Revenue	**10,232**	8,185
Share of profits for the year	**803**	479
Assets	**10,015**	7,344
Liabilities	**5,049**	3,432

9. ACQUISITIONS

Measurement Devices Limited

On 23rd July 2010 the Group acquired a 29% shareholding in Measurement Devices Limited ("MDL") for the sum of £2.3m. In December 2010, the Group acquired a further 10% of the share capital for an amount of £0.8m and in January 2011, the shareholding was increased by another 10%, at a cost of £0.8m, resulting in a total shareholding at 30th June 2011 of 49%. The shareholders' agreement provides Renishaw with the option to purchase the remaining 51% shareholding in three tranches of 17% each in May 2012, May 2013 and May 2014. The price per share to be paid is calculated as 7 times earnings before interest and tax, with a minimum price per share of £2 and a maximum price per share of £8.94. An estimate of the outstanding purchase price, based on MDL's 3-year forecast, is provided for within the financial statements. The existing shareholders holding the 51% shareholding have a put option to require Renishaw to purchase the remaining shares in the same option exercise periods for the same tranches of shares. There have been no changes to fair values of any previous holding on step acquisition, which has been all within one year.

The fair values of assets acquired were:

	Book value £'000	Adjustments £'000	Provisional fair value £'000
Tangible fixed assets	407	-	407
Intangible fixed assets	-	3,647	3,647
Inventories	2,377	-	2,377
Debtors and prepayments	1,018	-	1,018
Cash	2,335	-	2,335
Creditors	(2,003)	-	(2,003)
Fair value of assets acquired	4,134	3,647	7,781
Goodwill on consolidation			5,713
Total consideration			13,494

Of the total consideration, £3,879,000 was paid in cash and £9,615,000 has been accounted for as deferred contingent consideration and is shown within other payables (£1,303,000 within one year and £8,312,000 beyond one year).

The fair value adjustment is in respect of the valuation of acquired intangible assets, which comprise patents, technical know-how, drawings, licences, order book and customer relationships. Goodwill exists due to the potential future opportunities from combining this business with the Group's existing range of laser-based products. The Group's investment in MDL will enable MDL to expand further on a global basis and benefit from Renishaw's technology, engineering and manufacturing expertise and worldwide distribution network.

Renishaw Advanced Materials Limited

On 3rd September 2010 the Group acquired a 55% shareholding in Diameter Limited for the sum of £0.3m. This company has since been renamed Renishaw Advanced Materials Limited ("RAM"). The trading relationship between the Group and this company prior to acquisition was not material. The non-controlling interest has been accounted for on a fair value at acquisition basis.

The fair values of assets acquired were:

	Book value £'000	Adjustments £'000	Provisional fair value £'000
Cash	300	-	300
Other net current assets	(49)	-	(49)
Intangible fixed assets	-	335	335
Fair value of assets acquired	251	335	586
Non-controlling interest			(264)
Consideration paid in cash			322

The fair value adjustment is in respect of the valuation of acquired intangible assets, which comprise patents and technical know-how.

MTT Investments Limited

On 8th April 2011, the Group acquired a 100% shareholding in MTT Investments Limited ("MTT") for the sum of £3.8m.

The fair values of assets acquired were:

	Book value £'000	Adjustments £'000	Provisional fair value £'000
Tangible fixed assets	1,129	105	1,234
Intangible fixed assets	-	771	771
Inventories	850	-	850
Debtors and prepayments	1,583	-	1,583
Cash	205	-	205
Creditors	(1,048)	-	(1,048)
Fair value of assets acquired	2,719	876	3,595
Goodwill on consolidation			205
Consideration paid in cash			3,800

The fair value adjustment is in respect of the valuation of acquired intangible assets, which comprise customer relationships, patents, technical know-how, drawings, and acquired order book. Goodwill has arisen on this acquisition as a result of the value attributed to staff expertise and the assembled workforce, which did not meet the recognition criteria for an intangible asset.

Renishaw Software Limited

On 16th June 2011, the Group acquired a 100% shareholding in Aberlink Limited, whose sole assets comprised certain calibration technology software together with drawings, designs and intellectual property relating to optical technology. These assets formerly belonged to Aberlink Innovative Metrology, which continues in the business of CMM design and manufacture. The company has been renamed Renishaw Software Limited. The purchase price was £6.0m, of which £3.0m was paid in cash and £3.0m is payable in June 2013. The whole value related to intangible assets.

Acquisitions costs were: MDL £147,000, RAM £1,000, MTT £19,000 and Renishaw Software Limited £54,000.

MDL's, RAM's and MTT's notional contribution to the consolidated profit before tax and their historical trading results for their previous full year were:

	MDL		RAM		MTT	
	Year to 30th June 2011 £'000	Year to 31st December 2010 £'000	**Year to 30th June 2011 £'000**	Year to 31st January 2011 £'000	**Year to 30th June 2011 £'000**	Year to 31st December 2010 £'000
Revenue	**8,325**	6,997	**15**	59	**3,400**	5,100
Expenses	**(8,688)**	(7,349)	**(75)**	(90)	**(3,550)**	(4,910)
		-				
Profit/(loss) before tax	**(363)**	(352)	**(60)**	(31)	**(150)**	190
Non-controlling interest	**-**	-	**27**	14	**-**	-
Group share of profit/(loss) before tax	**(363)**	(352)	**(33)**	(17)	**(150)**	190

It is not practicable to provide historical figures for Renishaw Software Limited as the business of this company was previously amalgamated within other businesses of the seller. Trading from 16th June 2011 (the date of acquisition) to 30th June 2011 was not material.

10. DEFERRED TAX ASSETS AND LIABILITIES

Balances at the end of the year were:

	2011			2010		
	Assets £'000	**Liabilities £'000**	**Net £'000**	Assets £'000	Liabilities £'000	Net £'000
Property, plant and equipment	**-**	**(4,628)**	**(4,628)**	-	(3,760)	(3,760)
Intangible assets	**-**	**(5,329)**	**(5,329)**	860	(4,879)	(4,019)
Intragroup trading (inventory)	**8,690**	**-**	**8,690**	5,309	-	5,309
Pension schemes	**9,393**	**-**	**9,393**	9,694	-	9,694
Other	**5,667**	**(7,254)**	**(1,587)**	4,193	(6,794)	(2,601)
Balance at the end of the year	**23,750**	**(17,211)**	**6,539**	20,056	(15,433)	4,623

The movements in the deferred tax balance during the year were:

	2011 £'000	2010 £'000
Balance at the beginning of the year	**4,623**	3,547
Movements in the Consolidated income statement	**264**	(744)
Movement in relation to the cash flow hedging reserve	**1,667**	(2,173)
Movement in relation to the pension schemes	**(15)**	3,993
Total movement in the Consolidated statement of comprehensive income and expense	**1,652**	1,820
Balance at the end of the year	**6,539**	4,623

No deferred tax asset has been recognised in respect of tax losses carried forward of £3,750,000 (2010 £5,513,000) due to the uncertainty over their recoverability.

11. DERIVATIVES

Derivatives comprising the fair value of outstanding forward contracts with positive fair values are shown within:	**2011 £'000**	2010 £'000
Non-current assets	**684**	4,002
Current assets	**886**	1,158
Total of derivatives with positive fair values	**1,570**	5,160

Derivatives comprising the fair value of outstanding forward contracts with negative fair values are shown within:	**2011 £'000**	2010 £'000
Non-current liabilities	**2,496**	1,575
Current liabilities	**4,789**	3,346
Total of derivatives with negative fair values	**7,285**	4,921

12. 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 2007, this scheme, along with the Irish defined benefit scheme, ceased any future accrual for current members and both were closed to new members. UK and Irish employees are now covered by defined contribution schemes.

The total pension cost of the Group for the year was £7,703,000 (2010 £4,983,000), of which £154,000 (2010 £125,000) related to directors and £2,267,000 (2010 £1,516,000) related to overseas schemes.

The latest full actuarial valuation of the UK defined benefit scheme was carried out at September 2009 and updated to 30th June 2011 by a qualified independent actuary. The major assumptions used by the actuary for the UK and Irish schemes were:

	2011		2010	
	UK scheme	**Irish scheme**	UK scheme	Irish scheme
Rate of increase in pension payments	**3.4%**	**2.4%**	3.3%	2.4%
Discount rate	**5.5%**	**4.9%**	5.3%	4.4%
Inflation rate (RPI)	**3.6%**	**2.4%**	3.4%	2.4%
Inflation rate (CPI)	**2.9%**	**-**	-	-
Expected return on equities	**8.3%**	**7.5%**	8.1%	7.1%
Retirement age	**64**	**65**	64	65

The mortality assumption used for 2011 is PCA00, year of birth, medium cohort , which reflects the increasing life expectancy.

The assets and liabilities in the defined benefit schemes at the end of the year were:

	2011 £'000	2010 £'000
Market value of assets:		
Equities	**99,365**	81,737
Bonds and cash	**1,684**	1,447
	101,049	83,184
Actuarial value of liabilities	**(138,713)**	(120,435)
Deficit in the schemes	**(37,664)**	(37,251)
Deferred tax thereon	**9,393**	9,694

The expected rates of return on each asset category are based on market conditions at 30th June 2011 and represent the best estimate of future returns, allowing for risk premiums where appropriate.

The movements in the schemes' assets and liabilities were:

Year ended 30th June 2011	Assets £'000	Liabilities £'000	Total £'000
Balance at the beginning of the year	83,184	(120,435)	(37,251)
Contributions paid	667	-	667
Expected return on pension schemes' assets	6,736	-	6,736
Interest on pension schemes' liabilities	-	(6,239)	(6,239)
Actuarial gain/(loss) (net of tax)	10,462	(12,039)	(1,577)
Balance at the end of the year	**101,049**	**(138,713)**	**(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 to secure the UK and Irish defined benefit pension schemes' deficits respectively. Renishaw plc has also established an escrow account, into which it has paid £11,400,000 and into which it is obliged to pay approximately £158,000 per month until September 2012. This account 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 £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 £23,700,000, to represent the maximum discounted liability as at 30th June 2011 (30th June 2010 £nil).

Following the UK government ministerial announcement in July 2010 relating to the calculation of pension fund liabilities, future UK pension increases in deferment have been determined by reference to the CPI inflation metric. This has resulted in a one-off decrease in the UK pension deficit of £11,200,000. Future pension increases in payment continue to be determined by reference to the RPI inflation metric

13. INVENTORIES

An analysis of inventories at the end of the year was:

	2011 £'000	2010 £'000
Raw materials	**20,793**	13,409
Work in progress	**10,560**	7,107
Finished goods	**18,456**	10,368
Balance at the end of the year	**49,809**	30,884

During the year, the amount of inventories recognised as an expense in the Consolidated income statement was £82,320,000 (2010 £59,310,000) and the amount of write-down of inventories recognised as an expense in the Consolidated income statement was £289,000 (2010 £434,000).

14. CASH AND CASH EQUIVALENTS

An analysis of cash and cash equivalents at the end of the year was:

	2011 £'000	2010 £'000
Bank balances and cash in hand	**12,891**	17,355
Short-term deposits	**10,842**	13,788
Cash and cash equivalents in the Statement of cash flows	**23,733**	31,143
Short-term deposits held in an escrow account	**10,818**	-
Balance at the end of the year	**34,551**	31,143

15. PROVISIONS

Warranty provision

Movements during the year were:

	2011 £'000	2010 £'000
Balance at the beginning of the year	**539**	656
Created during the year	**513**	482
Acquired through business combinations	**99**	-
Utilised in the year	**(381)**	(599)
	231	(117)
Balance at the end of the year	**770**	539

The warranty provision has been calculated on the basis of historical return-in-warranty information and other internal reports. It is expected that most of this expenditure will be incurred in the next financial year and all expenditure will be incurred within three years of the balance sheet date.

16. OTHER PAYABLES

Balances at the end of the year were:

	2011 £'000	2010 £'000
Payroll taxes and social security	**3,814**	3,081
Other creditors and accruals	**18,312**	11,946
Total other payables	**22,126**	15,027

17. OTHER PAYABLES (NON-CURRENT)

The deferred consideration of £12,494,000 (2010 £1,222,000) comprises:

- £1,182,000 (2010 £1,222,000) in respect of the investment in Renishaw Diagnostics Limited, which is payable over a five-year period from the date of the initial investment;

- £3,000,000 (2010 £nil) in respect of the investment in Renishaw Software Limited, which is payable in June 2013; and

- £8,312,000 (2010 £nil) in respect of the investment in Measurement Devices Limited, which is payable over the next three years.

18. CAPITAL AND RESERVES

Share capital

	2011 £'000	2010 £'000
Allotted, called-up and fully paid		
72,788,543 ordinary shares of 20p each	**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. The movement in the year of £339,000 (2010 £2,201,000) comprises a gain on the net assets of foreign currency operations of £2,426,000 (2010 £3,345,000) and a loss on foreign currency bank accounts of £2,087,000 (2010 £1,144,000).

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 year were:

	2011 **£'000**	2010 £'000
Balance at the beginning of the year	**172**	(5,415)
Amounts transferred to the Consolidated income statement	**2,188**	4,914
Revaluations during the year	**(8,142)**	2,846
Deferred tax movement	**1,667**	(2,173)
Balance at the end of the year	**(4,115)**	172

Dividends paid

Dividends paid comprised:

	2011 **£'000**	2010 £'000
2010 final dividend paid of 13.6p per share	**9,899**	-
Interim dividend paid of 10.3p per share (2010 4.0p)	**7,497**	2,912
Total dividends paid	**17,396**	2,912

A final dividend in respect of the current financial year of 24.7p per share is proposed, to be paid on 17th October 2011 to shareholders on the register on 16th September 2011, with an ex-dividend date of 14th September 2011.

Non-controlling interest

Movements during the year were:

	2011 **£'000**	2010 £'000
Balance at the beginning of the year	**(432)**	18
Share of investments	**324**	52
Share of loss for the year	**(382)**	(502)
Balance at the end of the year	**(490)**	(432)

The non-controlling interest represents the minority shareholdings in Renishaw Diagnostics Limited -15.2%, Renishaw Mayfield S.A. - 25% and, for 2010 only, PulseTeq Limited - 25%.

19. RELATED PARTIES

During the year, associates and other related parties purchased goods and services from the Group to the value of £276,000 (2010 £199,000) and sold goods and services to the Group to the value of £3,142,000 (2010 £2,329,000). At 30th June 2011, associates owed £100,000 to the Group (2010 £169,000). Associates were owed £229,000 by the Group (2010 £144,000). Dividends of £84,000 were received from associates during the year (2010 £80,000). Loans to related parties from Renishaw plc at 30th June 2011 were £1,498,000 (2010 £nil).

All transactions were on an arm's length basis. There were no bad debts written off during the year (2010 £nil).

No bad debts were incurred during the year. All transactions were on an arm's length basis.

20. RISKS AND UNCERTAINTIES

Current trading levels and order book

The Group has seen a rapid upturn in its global business over the last two years, particularly in its core metrology business and especially in the Far East. The continuation of this healthy growth in the Group's revenue, which accelerated from 6% in the 2010 financial year to 59% in 2011 is difficult to predict, 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 and requires careful management of production and inventory levels.

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 development timescales, 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. 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 closed its UK and Ireland defined benefit pension schemes to new members and for future accruals for existing members, eliminating 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 a floating charge on an escrow bank account, 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, and 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 mitigated the risks associated with fluctuating exchange rates by the use of forward contracts to hedge varying proportions of forecast US Dollar, Japanese Yen and Euro 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.

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