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25th July 2012

Renishaw plc and subsidiary undertakings
Preliminary announcement of results for the year ended 30th June 2012

HIGHLIGHTS

	2012	2011	Change
Revenue (£m)	**331.9**	**288.7**	**+15%**
Adjusted operating profit (£m)*	**83.2**	**79.3**	**+5%**
Adjusted profit before tax (£m)*	**86.0**	**80.4**	**+7%**
Adjusted earnings per share (pence)*	**95.6**	**88.5**	**+8%**
Dividend per share (pence)	**38.5**	**35.0**	**+10%**
STATUTORY			
Profit before tax (£m)	**86.0**	**82.1**	**+5%**
Basic earnings per share (pence)	**95.6**	**90.8**	**+5%**

* Adjusted figures for are stated after excluding the exceptional item, a reversal of an impairment write-down, in 2011.

CHAIRMAN'S STATEMENT

I am pleased to announce a record set of Group results in terms of both revenue and profit for the year ended 30th June 2012; a year of further progress and growth.

Total Group revenue for the year was £331.9m, 15% ahead of the £288.7m for last year. All geographic areas saw good progress, with growth of 18% in the Americas (revenue of £76.8m), 14% in the Far East (£130.2m), 12% in Europe (£95.7m) and 28% in the UK (£18.9m) benefitting from a full year's trading from acquisitions. In the Far East we saw a strong recovery in the final quarter of the year, principally due to revenue from China.

Group profit before tax for the year was £86.0m, compared with £80.4m last year (excluding a £1.7m exceptional item), an increase of 7%.

Adjusted earnings per share were 95.6p, an increase of 8% over last year's adjusted earnings per share of 88.5p. Reported earnings per share for the year were 95.6p (2011 90.8p).

Segmental analysis

Metrology

Revenue from our metrology business was extremely strong in the last quarter of the year, resulting in revenue for the full year of £305.8m, compared with £267.0m last year, an increase of 15%. Operating profit was £91.8m, compared with £87.7m in 2011.

All product lines reported growth, apart from encoder products which experienced a slowdown during the year but a recovery in the final quarter. The machine tool and calibration product lines performed particularly well and there was strong interest for our Equator product which is gaining wider exposure and acceptance.

Measurement Devices Limited (MDL) and MTT Investments Limited (the latter now operating as the additive manufacturing product line), acquired last year, also contributed to the growth in this segment. In June an additional 17% shareholding in MDL was acquired, bringing the Company's shareholding to 66%.

New product releases during the period include the Resolute™ ETR, an absolute 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.

On 3rd February 2012 the Group acquired Thomas Engineering and Construction Limited, an MDL distributor and services provider based in Canada, for the sum of £0.7m, of which £0.2m was paid at the date of acquisition and the balance is payable over the following two years.

On 26th April 2012 the Group acquired R&R Sales LLC ("R&R") for the sum of £2.6m plus additional payments based on future performance. R&R is a US-based supplier of fixtures for the measurement and inspection market. The acquisition of R&R will provide fixturing solutions for our Equator gauge and enable R&R to expand further by utilising Renishaw's worldwide sales and distribution network.

Healthcare

Revenue from our healthcare business for the year was £26.1m, compared with £21.7m last year, an increase of 20%. Spectroscopy sales were at a record level, driven by an increasing range of applications in nanotechnology, advanced materials and life sciences, and there was also growth in the dental and neurological product lines.

During the year, the Board refocused part of the healthcare activities to a smaller number of projects, particularly in our neurological products line, and withdrew from the supply of radio frequency coils for use in MRI scanning research which was no longer considered core to our business strategy.

Our spectroscopy product line introduced a new integrated Raman/Atomic Force Microscope package and the neurological product line saw further sales of its neuromate® surgical robot used for neurosurgical procedures with the UK's first Stereo Electro Encephalography procedures being carried out to aid the treatment of chronic epilepsy at Frenchay Hospital in Bristol. The next generation of neuroinspire™ surgical planning software achieved CE approval in January 2012.

The continuing significant expenditure on research and development in this segment resulted in an operating loss of £8.6m, compared with a loss of £8.4m for last year. The Board is targeting that the Healthcare segment will move into profit in the next two years.

Investment for growth

The Group continues to invest for long-term growth and during the year has invested £30.3m (2011 £16.5m) on facilities, plant and machinery and information technology capacity to provide the platform to accommodate growth expectations:-

- In September 2011, the Group completed its purchase of the premises at Miskin, South Wales. 68,500 sq ft (of a total of 461,000 sq ft) has been refurbished and new CNC machine tools have now been brought into production.
- In York, construction of 20,000 sq ft of new premises for occupation by MDL has begun, with completion due at the end of this calendar year.
- In Dublin, planning consent has been received for a 26,000 sq ft extension of our manufacturing facility. This is due to be completed by the end of this calendar year.
- At New Mills and Charfield, planning consent has been granted for 230,000 sq ft and 50,000 sq ft respectively, primarily to provide additional research and development space on a phased basis.
- In Slovenia, a new 30,000 sq ft facility has been recently completed and occupied by our associate company, RLS.

During the year the Group expended a total of £47.9m (2011 £40.0m) on engineering including research and development, current product engineering and manufacturing processes, which is planned to increase further in the coming year.

We continue to grow and expand our global marketing and distribution activities to support the new products introduced:-

- 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.
- We have expanded our working premises in Germany, Brazil and China, and have refurbished and re-occupied a 16,000 sq ft building in Schaumburg, USA.
- Our Canadian subsidiary has acquired, refurbished and moved into a larger 17,000 sq ft facility in Mississauga, Toronto.
- Our Spanish subsidiary has relocated to newly acquired premises in Barcelona and, in Italy, our subsidiary purchased the property it has occupied for a number of years.

Balance sheet and working capital

Net cash balances at 30th June 2012 were £21.1m, compared with £23.7m in 2011. In addition, there is an escrow account amounting to £11.5m (30th June 2011 £10.8m) relating to the provision of security to the Company's defined benefit pension scheme.

The Group has also financed an increase of £23.1m in working capital, primarily trade receivables resulting from exceptionally strong revenue in the final quarter.

Directors

David Snowden and Terry Garthwaite have each completed 9 years on the Board and will not be seeking re-election at the AGM on 18th October 2012. The Board is very grateful for their considerable contributions to the Group.

The Board is pleased that Dr David Grant has joined the Board with effect from 25th April 2012 and further appointments will be made in due course.

Resolutions to re-elect all continuing directors will be put to the AGM.

Employees

The directors thank the Group's employees for their continuing support and significant contribution during this successful year.

Headcount at the end of June 2012 was 2,904, an increase of 229 during the year. There are currently 182 staff vacancies in the Group, of which 118 are in the UK, and in common with other UK engineering companies, Renishaw is continuing to experience difficulty in recruiting high calibre engineers.

Awards

The Group has again received a number of awards during the year, including our 15th Queen's Award, for Enterprise 2012 in the Innovations Category for the SP80 ultra-high accuracy analogue scanning probe.

Outlook

As expected the final quarter of the year saw an increase in revenue growth and was a record quarter for the Group, with revenue of £103.1m. Renishaw's markets exhibit attractive, long-term structural growth drivers with continuing global investment in production systems and processes. The Group therefore continues to invest a significant amount in R&D, manufacturing, marketing and distribution capability with a number of initiatives underway. Although the world economic outlook is uncertain, the Board remains optimistic regarding the Group's own future and prospects and expects that 2013 will be another year of progress for Renishaw.

Dividends

A final dividend of 28.2 pence per share will be paid on 22nd October 2012 to shareholders on the register on 21st September 2012.

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

CONSOLIDATED INCOME STATEMENT
for the year ended 30th June 2012

	2012 £'000	2011 £'000
Revenue	**331,892**	288,750
Cost of sales	**(154,996)**	(128,443)
Gross profit	**176,896**	160,307
Distribution costs	**(62,155)**	(52,088)
Administrative expenses including exceptional item	**(31,553)**	(27,265)
Operating profit excluding exceptional item	**83,188**	79,286
Exceptional item: Reversal of impairment write-down made in 2010	**-**	1,668
Operating profit	**83,188**	80,954
Financial income	**8,979**	7,108
Financial expenses	**(6,811)**	(6,447)
Share of profits of associates	**690**	463
Profit before tax	**86,046**	82,078
Income tax expense	**(17,008)**	(16,345)
Profit for the year from continuing operations	**69,038**	65,733

Profit attributable to:	2012 £'000	2011 £'000
Equity shareholders of the parent company	**69,555**	66,115
Non-controlling interest	**(517)**	(382)
Profit for the year from continuing operations	**69,038**	65,733

	Pence	Pence
Dividend per share arising in respect of the year	**38.5**	35.0
Dividend per share paid in the year	**35.0**	23.9
Earnings per share (basic and diluted)	**95.6**	90.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE
for the year ended 30th June 2012

	2012 £'000	2011 £'000
Profit for the year	**69,038**	65,733
Foreign exchange translation differences	**(1,779)**	339
Actuarial loss in the pension schemes	**(7,781)**	(1,577)
Effective portion of changes in fair value of cash flow hedges, net of recycling:	**9,039**	(5,954)
Comprehensive income and expense of associates	**(1,229)**	164
Deferred tax on income and expense recognised in equity	**(1,397)**	1,652
Expense recognised directly in equity	**(3,147)**	(5,376)
Total comprehensive income and expense for the year	**65,891**	60,357
Attributable to:		
Equity shareholders of the parent company	**66,408**	60,739
Non-controlling interest	**(517)**	(382)
Total comprehensive income and expense for the year	**65,891**	60,357

CONSOLIDATED BALANCE SHEET
at 30th June 2012

	2012 **£'000**	2011 £'000
Assets		
Property, plant and equipment	**100,972**	82,344
Intangible assets	**54,407**	47,095
Investments in associates	**6,790**	7,437
Deferred tax assets	**17,777**	23,750
Derivatives	**3,532**	684
Total non-current assets	**183,478**	161,310
Current assets		
Inventories	**53,983**	49,809
Trade receivables	**83,407**	61,533
Current tax	**2,791**	2,134
Other receivables	**10,590**	8,457
Derivatives	**3,157**	886
Pension fund cash escrow account	**11,523**	10,818
Cash and cash equivalents	**21,127**	23,733
Total current assets	**186,578**	157,370
Current liabilities		
Trade payables	**22,900**	13,821
Current tax	**5,662**	5,591
Provisions	**1,170**	770
Derivatives	**1,052**	4,789
Other payables	**25,596**	22,126
Total current liabilities	**56,380**	47,097
Net current assets	**130,198**	110,273
Non-current liabilities		
Employee benefits	**41,988**	37,664
Deferred tax liabilities	**19,492**	17,211
Derivatives	**2,313**	2,496
Other payables	**7,484**	12,494
Total non-current liabilities	**71,277**	69,865
Total assets less total liabilities	**242,399**	201,718
Equity		
Share capital	**14,558**	14,558
Share premium	**42**	42
Currency translation reserve	**2,583**	4,362
Cash flow hedging reserve	**2,526**	(4,115)
Retained earnings	**223,820**	187,750
Other reserve	**(389)**	(389)
Equity attributable to the owners of the Company	**243,140**	202,208
Non-controlling interest	**(741)**	(490)
Total equity	**242,399**	201,718

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30th June 2012

Year ended 30th June 2011	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 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
Year ended 30th June 2012								
Profit/(loss) for the year	-	-	-	-	69,555	-	(517)	69,038
Other comprehensive income and expense:								
Actuarial loss in the pension schemes (net of tax)	-	-	-	-	(6,780)	-	-	(6,780)
Foreign exchange translation differences	-	-	(1,779)	-	-	-	-	(1,779)
Changes in fair value of cash flow hedges (net of tax)	-	-	-	6,641	-	-	-	6,641
Relating to associates	-	-	-	-	(1,229)	-	-	(1,229)
Total other comprehensive income	-	-	(1,779)	6,641	(8,009)	-	-	(3,147)
Total comprehensive income	-	-	(1,779)	6,641	61,546	-	(517)	65,891
Acquisition of non-controlling interest	-	-	-	-	-	-	266	266
Dividends paid	-	-	-	-	(25,476)	-	-	(25,476)
Transactions with owners recorded directly in equity	-	-	-	-	(25,476)	-	266	(25,210)
Balance at 30th June 2012	**14,558**	**42**	**2,583**	**2,526**	**223,820**	**(389)**	**(741)**	**242,399**

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 30th June 2012

	2012 **£'000**	2011 £'000
Cash flows from operating activities		
Profit for the year	**69,038**	65,733
Adjustments for:		
Amortisation of development costs	**6,747**	7,200
Amortisation of other intangibles	**3,901**	3,855
Depreciation	**9,518**	7,575
Profit on sale of property, plant and equipment	**(94)**	(8)
Share of profits from associates	**(1,030)**	(803)
Reversal of exceptional impairment write-down	**-**	(1,668)
Financial income	**(8,979)**	(7,108)
Financial expenses	**6,811**	6,447
Tax expense	**17,008**	16,345
	33,882	31,835
Increase in inventories	**(4,006)**	(15,698)
Increase in trade and other receivables	**(24,704)**	(16,634)
Increase in trade and other payables	**5,173**	5,705
Increase in provisions	**400**	231
	(23,137)	(26,396)
Defined benefit pension contributions	**(1,359)**	(667)
Income taxes paid	**(14,079)**	(11,698)
Cash flows from operating activities	**64,345**	58,807
Investing activities		
Purchase of property, plant and equipment	**(30,328)**	(16,491)
Development costs capitalised	**(9,679)**	(10,123)
Purchase of other intangibles	**(1,123)**	(1,203)
Investment in subsidiaries and associates	**(2,611)**	(8,418)
Sale of property, plant and equipment	**414**	71
Interest received	**695**	372
Dividend received from associate	**108**	84
Contributions to pension fund escrow account (net)	**(705)**	(10,818)
Cash flows from investing activities	**(43,229)**	(46,526)
Financing activities		
Interest paid	**(296)**	(208)
Dividends paid	**(25,476)**	(17,396)
Cash flows from financing activities	**(25,772)**	(17,604)
Net increase in cash and cash equivalents	**(4,656)**	(5,323)
Cash and cash equivalents at beginning of the year	**23,733**	31,143
Effect of exchange rate fluctuations on cash held	**2,050**	(2,087)
Cash and cash equivalents at end of the year	**21,127**	23,733

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 2012 or 2011 but is derived from those accounts. Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 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.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

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 set out below have been consistently applied in preparing both the 2011 and 2012 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 (see note 10).

(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. Details of the estimates and judgements in respect of the current year are given in note 15.

(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.

(v) Pension fund cash escrow account

The Company holds a pension fund cash escrow account as part of the security given for the UK defined benefit pension scheme. This account is shown within current assets in the Consolidated balance sheet as it may be used to settle pension fund liabilities at any time.

New, revised or changes to existing accounting standards

There have been no new or amendments to accounting standards and interpretations, issued by the IASB and endorsed by the EU or International Financial Reporting Interpretations Committee (IFRIC), which are effective for the first time in the current financial year and which have had a significant impact on the Group's consolidated results or financial position.

Consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Consolidated income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Hedge of net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. Any ineffective portion is recognised immediately in the Consolidated income statement. The effectiveness of the hedging is tested monthly.

Goodwill and other intangible assets

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Deferred consideration relating to acquisitions is subject to discounting to the date of acquisition and subsequently unwound to the date of the final payment.

Goodwill arising on acquisition represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired, net of deferred tax. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. It is not amortised but is tested annually for impairment or earlier if there are any indications of impairment. The annual impairment review involves comparing the carrying amount to the estimated recoverable amount and recognising an impairment loss if the recoverable amount is lower. Impairment losses are recognised through the Consolidated income statement.

Intangible assets such as customer lists, patents, trademarks, know-how and intellectual property that are acquired by the Group are stated at cost less amortisation and impairment losses. Amortisation is charged to the Consolidated income statement on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful lives of the intangible assets included in the Consolidated balance sheet reflect the benefit derived by the Group and vary from 5 to 10 years.

On a transaction by transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review, where also given are details of the financial and liquidity positions. In addition, note 22 in the financial statements includes the Group’s objectives and policies for managing its capital, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

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.

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. Within metrology, there are multiple operating segments that are aggregated into a reporting segment for reportable purposes, where the nature of the products and their customer base are similar. The revenue, depreciation and amortisation, and operating profit for each reportable segment were:

Year ended 30th June 2012	**Metrology £'000**	**Healthcare £'000**	**Total £'000**
Revenue	**305,832**	**26,060**	**331,892**
Depreciation and amortisation	**16,360**	**3,806**	**20,166**
Operating profit/(loss) before exceptional item	**91,845**	**(8,657)**	**83,188**
Share of profits from associates	**690**	**-**	**690**
Net financial income			**2,168**
Profit before tax			**86,046**

Year ended 30th June 2011	Metrology £'000	Healthcare £'000	Total £'000
Revenue	267,022	21,728	288,750
Depreciation and amortisation	15,337	3,293	18,630
Operating profit/(loss) before exceptional item	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.

The analysis of revenue by geographical market was:

	2012 £'000	2011 £'000
Far East	**130,169**	114,553
Continental Europe	**95,702**	85,751
North and South America	**76,841**	65,113
United Kingdom	**18,885**	14,761
Other regions ("ROW")	**10,295**	8,572
Total group revenue	**331,892**	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:

	2012 £'000	2011 £'000
China	**65,166**	54,204
USA	**64,584**	52,796
Germany	**42,539**	38,612
Japan	**38,496**	36,139

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:

	2012 £'000	2011 £'000
United Kingdom	**114,329**	93,071
Overseas	**47,840**	43,805
Total non-current assets	**162,169**	136,876

3. FINANCIAL INCOME AND EXPENSES

Financial income	2012 £'000	2011 £'000
Expected return on assets in the pension schemes	**8,284**	6,736
Bank interest receivable	**695**	372
Total financial income	**8,979**	7,108
Financial expenses		
Interest on pension scheme liabilities	**6,186**	6,239
Bank interest payable	**296**	208
Unwinding of deferred acquisition cost interest	**329**	-
Total financial expenses	**6,811**	6,447

4. INCOME TAX EXPENSE

	2012 £'000	2011 £'000
Current tax:		
UK corporation tax on profits for the year	**7,906**	9,223
Overseas tax on profits for the year	**5,049**	7,460
Adjustments for prior years	**-**	(74)
Total current tax	**12,955**	16,609
Deferred tax		
Origination and reversal of other temporary differences	**4,982**	447
Effect on deferred tax for change in UK tax rate to 24%	**(929)**	(711)
	4,053	(264)
Tax charge on profit	**17,008**	16,345
Effective tax rate (based on profit before tax)	**20%**	20%

The tax for the year is lower (2011 lower) than the weighted average UK standard rate of corporation tax of 25.5% (2011 27.5%). The differences are explained as follows:

	2012 £'000	2011 £'000
Profit before tax	**86,046**	82,078
Tax at 25.5% (2011 27.5%)	**21,942**	22,571
Effects of:		
Different tax rates applicable in overseas subsidiaries	**(3,776)**	(4,126)
Research and development tax credit	**(1,342)**	(1,461)
Adjustments for prior years	**-**	(74)
Expenses not deductible for tax purposes	**312**	142
Companies with unrelieved tax losses	**527**	406
Exceptional item with no tax effect	**-**	(459)
Effect on deferred tax for change in UK tax rate to 24%	**(929)**	(711)
Other differences	**274**	57
Tax charge on profit	**17,008**	16,345

The UK corporation tax rate is proposed to reduce to 22%, with a phased reduction until April 2014. As a result of the reduction in the corporation tax rate by 1% to 23%, which is expected to take effect from 1st April 2013, the group tax charge is estimated to reduce next year by approximately £600,000. A further reduction of £400,000 in the group tax charge is expected to be made in the following year if the corporation tax rate reductions are enacted as proposed.

5. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated on earnings after tax of £69,555,000 (2011 £66,115,000) 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. The previous year has been amended to be based on the profit attributable to equity shareholders of the Company.

6. PROPERTY, PLANT AND EQUIPMENT

Year ended 30th June 2012	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	5,396	3,973	1,522	19,437	30,328
Acquisitions through business combinations	-	689	127	-	816
Transfers	7,961	12,318	-	(20,279)	-
Disposals	-	(2,456)	(749)	-	(3,205)
Currency adjustment	(2,443)	(1,974)	(360)	-	(4,777)
At 30th June 2012	85,854	96,615	7,056	3,996	193,521
Depreciation					
At 1st July 2011	17,736	66,143	4,136	-	88,015
Charge for the year	1,747	6,844	927	-	9,518
Released on disposals	-	(2,252)	(633)	-	(2,885)
Currency adjustment	(745)	(1,155)	(199)	-	(2,099)
At 30th June 2012	18,738	69,580	4,231	-	92,549
Net book value					
At 30th June 2012	**67,116**	**27,035**	**2,825**	**3,996**	**100,972**
At 30th June 2011	57,204	17,922	2,380	4,838	82,344

At 30th June 2012, properties with a net book value of £22,148,000 (2011 £22,718,000) were subject to a registered charge to secure the UK defined benefit pension scheme liabilities.

Additions to assets in the course of construction of £19,437,000 (2011 £6,896,000) comprise £8,285,000 (2011 £2,420,000) for freehold land and buildings and £11,152,000 (2011 £4,476,000) for plant and equipment.

7. INTANGIBLE ASSETS

				Software licences		
Year ended 30th June 2012	Goodwill on consolidation £'000	Other intangible assets £'000	Internally generated development costs £'000	In use £'000	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	-	25	9,679	679	419	10,802
Additions through acquisitions	7,069	43	-	-	-	7,112
Transfers	-	-	-	475	(475)	-
Currency adjustment	(349)	60	-	(18)	-	(307)
At 30th June 2012	19,414	10,347	55,743	19,652	31	105,187
Amortisation						
At 1st July 2011	-	4,149	27,721	8,615	-	40,485
Charge for the year	198	1,758	6,747	1,605	-	10,308
Currency adjustment	-	-	-	(13)	-	(13)
At 30th June 2012	198	5,907	34,468	10,207	-	50,780
Net book value						
At 30th June 2012	**19,216**	**4,440**	**21,275**	**9,445**	**31**	**54,407**
At 30th June 2011	12,694	6,070	18,343	9,901	87	47,095

Additions to Goodwill on consolidation include £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 year, goodwill of £198,000 relating to the acquisition of PulseTeq Limited was written off following a review of the Group's healthcare strategy.

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. In the table below, only the goodwill relating to the acquisition of R&R Sales LLC is expected to be subject to tax relief.

The analysis of acquired goodwill on consolidation is:

	2012	2011
	£'000	£'000
itp GmbH	**2,886**	3,120
Renishaw Diagnostics Limited (92.4%)	**1,784**	1,784
Renishaw Mayfield S.A. (75%)	**1,559**	1,674
Measurement Devices Limited (66%)	**6,661**	5,713
Renishaw Software Limited	**1,559**	-
R&R Sales LLC	**4,275**	-
Other smaller acquisitions	**492**	403
Total acquired goodwill	**19,216**	12,694

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 (2011 same basis).
- Renishaw Diagnostics Limited, Renishaw Mayfield S.A. (both in the healthcare reportable segment), Measurement Devices Limited and R&R Sales LLC (both in the metrology reportable segment) -5-year business plans with a nil growth rate to perpetuity (2011 same basis where applicable).

These are considered prudent estimates based on management's view of the future and experience of past performance. The growth rates used in the business plans vary from 13% to 26%, except for Renishaw Diagnostics Limited, which is in its research and development phase and thus has negligible revenue to date.

A pre-tax discount rate of 12% has been used in discounting the projected cash flows of itp GmbH, Measurement Devices Limited and R&R Sales LLC (2011 12% where applicable). A pre-tax discount rate of 15% has been used for Renishaw Diagnostics Limited and Renishaw Mayfield S.A. (2011 15%). These have been set on the basis of them 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. For goodwill to be impaired in the CGU with the minimum headroom, the discount rate would have to increase to 21.5%.

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 2012 %**	Ownership 2011 %
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 2012 was £7.525 (2011 £4.55). The Company holds 1,543,032 shares (2011 1,543,032). Equity accounting has been applied in the Group's results based on the company's management accounts to 30th June 2012.

Movements during the year were:

	2012 £'000	2011 £'000
Balance at the beginning of the year	**7,437**	5,152
Investments made during the year	**-**	74
Dividends received	**(108)**	(84)
Share of profits of associates	**1,030**	803
Amortisation of intangibles	**(340)**	(340)
Other comprehensive income and expense	**(1,229)**	164
Reversal of impairment write-down	**-**	1,668
Balance at the end of the year	**6,790**	7,437

Summarised aggregated financial information for associates:

	2012 £'000	2011 £'000
Revenue	**12,287**	10,232
Share of profits for the year	**1,030**	803
Assets	**10,771**	10,015
Liabilities	**6,161**	5,049

9. ACQUISITIONS

Thomas Engineering and Construction Limited

On 3rd February 2012 the Group acquired a 100% shareholding in Thomas Engineering and Construction Limited ("TEC") for the sum of £0.7m, of which £0.2m was paid at the date of acquisition and the balance is payable over the following two years. Prior to acquisition, the company had been a supplier in Canada of products manufactured by Measurement Devices Limited, a subsidiary undertaking of Renishaw plc. Further payments may be payable subject to the future profitability of the acquired company, although the amount is not material.

The fair values of assets acquired were £659,000.

Included in the fair value of assets are acquired intangible assets, which comprise customer relationships and customer list. Acquisition costs were £15,000 and are included in administrative expenses.

Of the total consideration, £211,000 was paid in cash and £448,000 has been accounted for as deferred contingent consideration and is shown within other payables (£203,000 within one year and £245,000 beyond one year).

R&R Sales LLC

On 26th April 2012 the Group acquired a 100% shareholding in R&R Sales LLC, ("R&R") for the sum of £2,609,000. There may be additional payments in respect of the shares acquired based on the earnings of R&R over the five year period to 31st December 2016. An estimate of the outstanding purchase price, based on R&R's five year forecast, but which will be between £nil and £5.9m, is provided for within the financial statements. R&R is a US-based supplier of fixtures for the global measurement and inspection market.

The fair values of assets acquired, which were considered to be not materially different from their book value, were:

	Fair value £'000
Tangible fixed assets	504
Inventories	119
Receivables and prepayments	227
Cash	77
Creditors	(504)
Fair value of assets acquired	423
Goodwill	4,275
Total consideration	4,698

Of the total consideration, £2,609,000 was paid in cash and £2,089,000 has been accounted for as deferred contingent consideration and is shown within other payables (£151,000 within one year and £1,938,000 beyond one year).

Goodwill exists due to the potential future opportunities from combining this business with the Group's Equator product range. The Group's investment in R&R will enable R&R to expand further on a global basis and benefit from Renishaw's worldwide distribution network and manufacturing expertise. Acquisition costs were £64,000 and are included in administrative expenses.

TEC's and R&R's contribution to the consolidated profit before tax since acquisition and their historical trading results for their previous full year were:

	TEC		R&R	
	Period to 30th June 2012	Year to 29th February 2012	**Period to 30th June 2012**	Year to 31st December 2011
	£'000	£'000	**£'000**	£'000
Revenue	**501**	1,407	**313**	1,701
Expenses	**(427)**	(1,296)	**(303)**	(1,188)
Profit before tax	**74**	111	**10**	513

If TEC and R&R had been within the Group for the full year, their contribution to the Group's revenue would have been £3,110,000 and their contribution to the Group's profit before tax would have been a profit of £536,000.

10. DEFERRED TAX ASSETS AND LIABILITIES

Balances at the end of the year were:

	2012			2011		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Property, plant and equipment	**-**	**(4,561)**	**(4,561)**	-	(4,628)	(4,628)
Intangible assets	**-**	**(7,630)**	**(7,630)**	-	(5,329)	(5,329)
Intragroup trading (inventory)	**7,261**	**-**	**7,261**	8,690	-	8,690
Pension schemes	**9,519**	**-**	**9,519**	9,393	-	9,393
Other	**997**	**(7,301)**	**(6,304)**	5,667	(7,254)	(1,587)
Balance at the end of the year	**17,777**	**(19,492)**	**(1,715)**	23,750	(17,211)	6,539

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

	2012	2011
	£'000	£'000
Balance at the beginning of the year	**6,539**	4,623
Movements in the Consolidated income statement	**(4,053)**	264
Intangible assets acquired	**(2,804)**	-
Movement in relation to the cash flow hedging reserve	**(2,398)**	1,667
Movement in relation to the pension schemes	**1,001**	(15)
Total movement in the Consolidated statement of comprehensive income and expense	**(1,397)**	1,652
Balance at the end of the year	**(1,715)**	6,539

No deferred tax asset has been recognised in respect of tax losses carried forward of £8,104,000 (2011 £8,431,000) due to the uncertainty over their recoverability.

11. DERIVATIVES

	2012	2011
Derivatives comprising the fair value of outstanding forward contracts with positive fair values are shown within:	**£'000**	£'000
Non-current assets	**3,532**	684
Current assets	**3,157**	886
Total of derivatives with positive fair values	**6,689**	1,570

	2012	2011
Derivatives comprising the fair value of outstanding forward contracts with negative fair values are shown within:	**£'000**	£'000
Non-current liabilities	**2,313**	2,496
Current liabilities	**1,052**	4,789
Total of derivatives with negative fair values	**3,365**	7,285

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 £9,674,000 (2011 £7,703,000), of which £162,000 (2011 £154,000) related to directors and £3,059,000 (2011 £2,267,000) 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 2012 by a qualified independent actuary.

The major assumptions used by the actuary for the UK and Irish schemes were:

	2012		2011	
	UK scheme	**Irish scheme**	UK scheme	Irish scheme
Rate of increase in pension payments	**2.7%**	**1.7%**	3.4%	2.4%
Discount rate	**4.3%**	**3.4%**	5.5%	4.9%
Inflation rate (RPI)	**2.7%**	**1.7%**	3.6%	2.4%
Inflation rate (CPI)	**1.7%**	**-**	2.9%	-
Expected return on equities	**6.7%**	**5.8%**	8.3%	7.5%
Retirement age	**64**	**65**	64	65

The mortality assumption used for 2012 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:

	2012 **£'000**	2011 £'000
Market value of assets:		
Equities	**93,827**	99,365
Bonds and cash	**1,409**	1,684
	95,236	101,049
Actuarial value of liabilities	**(137,224)**	(138,713)
Deficit in the schemes	**(41,988)**	(37,664)
Deferred tax thereon	**9,519**	9,393

The expected rates of return on each asset category are based on market conditions at 30th June 2012 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 2012	**Assets** **£'000**	**Liabilities** **£'000**	**Total** **£'000**
Balance at the beginning of the year	101,049	(138,713)	(37,664)
Contributions paid	1,359	-	1,359
Expected return on pension schemes' assets	8,284	-	8,284
Interest on pension schemes' liabilities	-	(6,186)	(6,186)
Actuarial gain/(loss)	(13,868)	6,087	(7,781)
Benefits received/(paid)	(1,588)	1,588	-
Balance at the end of the year	**95,236**	**(137,224)**	**(41,988)**

Under the defined benefit deficit funding plans, there are certain UK properties, owned by Renishaw plc, and a property owned by Renishaw (Ireland) Limited, which are subject to registered fixed charges 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 in 2011 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 balance of this account was £11,523,000 at the end of the year (2011 £10,818,000).

The Company has given a guarantee relating to recovery plans for the UK scheme and the trustees have the right to enforce the charges to recover any deficit up to £44,210,000 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 £44,210,000 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 £9,700,000, to represent the maximum discounted liability as at 30th June 2012 (30th June 2011 £23,700,000).

13. INVENTORIES

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

	2012	2011
	£'000	£'000
Raw materials	**25,758**	20,793
Work in progress	**11,511**	10,560
Finished goods	**16,714**	18,456
Balance at the end of the year	**53,983**	49,809

During the year, the amount of inventories recognised as an expense in the Consolidated income statement was £99,211,000 (2011 £82,320,000) and the amount of write-down of inventories recognised as an expense in the Consolidated income statement was £567,000 (2011 £289,000).

14. CASH AND CASH EQUIVALENTS

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

	2012	2011
	£'000	£'000
Bank balances and cash in hand	**10,118**	12,891
Short-term deposits	**11,009**	10,842
Balance at the end of the year	**21,127**	23,733

The pension fund cash escrow account is shown separately within current assets. In the previous year, this was shown within cash and cash equivalents.

15. PROVISIONS

Warranty provision

Movements during the year were:

	2012	2011
	£'000	£'000
Balance at the beginning of the year	**770**	539
Created during the year	**526**	513
Acquired through business combinations	**-**	99
Utilised in the year	**(126)**	(381)
	400	231
Balance at the end of the year	**1,170**	770

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:

	2012	2011
	£'000	£'000
Payroll taxes and social security	**3,965**	3,814
Other creditors and accruals	**21,631**	18,312
Total other payables	**25,596**	22,126

17. OTHER PAYABLES (NON-CURRENT)

The deferred consideration of £7,484,000 (2011 £12,494,000) comprises:

- £5,301,000 (2011 £8,312,000) in respect of the investment in Measurement Devices Limited, which is payable over the next two years.

- £1,938,000 (2011 £nil) in respect of the investment in R&R Sales LLC, which is payable over the next five years.

- £245,000 (2011 £nil) in respect of the investment in Thomas Engineering and Construction Limited, which is payable over the next two years.

The previous year included £1,182,000 in respect of the investment in Renishaw Diagnostics Limited and £3,000,000 in respect of the investment in Renishaw Software Limited. Following a rights issue undertaken by Renishaw Diagnostics Limited during the year, the majority of their liability has been extinguished. The remaining liability to the non-controlling interest of £182,000 is shown within current liabilities. The liability in respect of Renishaw Software Limited is now classified as a current payable.

18. CAPITAL AND RESERVES

Share capital

	2012 £'000	2011 £'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 a loss of £1,779,000 (2011 gain £339,000) comprises a loss on the net assets of foreign currency operations of £3,829,000 (2011 gain £2,426,000) and a gain on foreign currency bank accounts of £2,050,000 (2011 loss £2,087,000).

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:

	2012 £'000	2011 £'000
Balance at the beginning of the year	**(4,115)**	172
Amounts transferred to the Consolidated income statement	**3,835**	2,188
Revaluations during the year	**5,204**	(8,142)
Deferred tax movement	**(2,398)**	1,667
Balance at the end of the year	**2,526**	(4,115)

Dividends paid

Dividends paid comprised:

	2012 £'000	2011 £'000
2011 final dividend paid of 24.7p per share	**17,979**	9,899
Interim dividend paid of 10.3p per share (2011 10.3p)	**7,497**	7,497
Total dividends paid	**25,476**	17,396

A final dividend in respect of the current financial year of 28.2p per share is proposed, to be paid on 22nd October 2012 to shareholders on the register on 21st September 2012, with an ex-dividend date of 19th September 2012.

Non-controlling interest

Movements during the year were:

	2012 **£'000**	2011 £'000
Balance at the beginning of the year	**(490)**	(432)
Share of investments	**266**	324
Share of loss for the year	**(517)**	(382)
Balance at the end of the year	**(741)**	(490)

The non-controlling interest represents the minority shareholdings in Renishaw Diagnostics Limited -7.6% (2011 15.2%), Renishaw Mayfield S.A. - 25% and Renishaw Advanced Materials Limited - 45%. The change in the ownership share in Renishaw Diagnostics Limited was the result of an issue of shares by that company during the year.

19. RELATED PARTIES

During the year, associates and other related parties purchased goods and services from the Group to the value of £319,000 (2011 £276,000) and sold goods and services to the Group to the value of £4,328,000 (2011 £3,142,000). At 30th June 2012, associates owed £73,000 to the Group (2011 £100,000). Associates were owed £253,000 by the Group (2011 £229,000). Dividends of £108,000 were received from associates during the year (2011 £84,000). Loans to related parties from Renishaw plc at 30th June 2012 were £2,745,000 (2011 £1,498,000).

All transactions were on an arm's length basis. There were no bad debts written off during the year (2011 £nil).

20. PRINCIPAL RISKS AND UNCERTAINTIES

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

Risk or uncertainty	**Potential impact**	**Mitigation**
Current trading levels and order book Revenue growth is unpredictable and orders from customers generally involve short lead-times with the outstanding order book at any time being around one month's worth of revenue value.	Global market conditions continue to highlight risks to growth and demand, especially in the Far East, with a forecast economic slowdown in China, where high growth over the past three years has helped to sustain the global economic recovery and in the Eurozone where governments are targeting substantial cuts in public expenditure budgets. Against this background, revenue growth for the Group for the year was encouraging at 15%, but future growth is difficult to predict, especially with such a short-term order book. This limited forward order visibility leaves the annual revenue forecasts uncertain.	The Group has sought to expand and diversify its product range in order to maintain a world-leading position in its sales of metrology products and to lessen the risks to revenue growth by applying our measurement expertise into the growing healthcare business sector. The Group has made a small number of acquisitions to expand the product range with complementary technologies into new market areas. The Group pays close attention to the management of production and inventory levels, to ensure the timely supply of product to customers, whilst keeping inventory levels at an acceptable level. The Board monitors closely costs and approves all labour additions.

Research and development The development of new products and processes involves risk, such as development timescales, meeting the required technical specification and the impact of alternative technology developments.	Being at the leading edge of new technology in metrology and healthcare, there are uncertainties whether new developments will provide an economic return.	R&D risks are minimised by operating strictly managed research and development programmes with regular reviews against milestones achieved and against forecast business plans. Research and development also involves beta testing at customers to ensure that new products will meet the needs of the market. When necessary, projects may be cancelled. Development of alternative technologies is monitored closely. Expenditure is only capitalised once the commercial and technical feasibility of a product is proven.
Supply chain management Customer deliveries may be threatened by a failure in the supply chain.	Inability to meet customer deliveries could result in loss of revenue and profit.	Production facilities are maintained with fire and flood risk in mind and production lines are replicated at different locations where practical. Regular vendor reviews are performed for critical part suppliers and stock policies are reviewed by the Board on a regular basis. Product quality is closely monitored.
Regulatory legislation for healthcare products The expansion of the Group's business into the healthcare markets involves a significantly increased requirement to obtain regulatory approval prior to the sale of these products.	Regulatory approval can be very expensive and time-consuming. This area is also very complex and there is a risk that the correct approvals are not obtained.	Specialist legal and regulatory staff have been recruited to support the healthcare business. Along with external advisers, all regulatory legislation is considered and approvals obtained as necessary.
Defined benefit pension schemes Investment returns and actuarial valuations of the defined benefit pension fund liabilities are subject to economic and social factors which are outside of the control of the Group.	Volatility in investment returns and actuarial assumptions can significantly affect the defined benefit pension fund deficit, impacting on future funding requirements.	The investment strategy is managed by the pension fund trustees who operate in line with a statement of investment principles which is agreed by the Company. Recovery plans are in place for the defined benefit pension schemes which will be reviewed following the tri-annual actuarial valuations.
Treasury Fluctuating foreign exchange rates may affect the results of the Group.	With over 94% of revenue generated outside of the UK, there is an exposure to major currency fluctuations, mainly in respect of the US Dollar, Euro and Japanese Yen. Such fluctuations could adversely impact both the Group's income statement and balance sheet.	The Group enters into forward contracts to hedge varying proportions of forecast US Dollar, Euro and Japanese Yen revenue. The Group also uses currency contracts to hedge the foreign currency denominated assets held in the Group's balance sheet.

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