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28th July 2010

Renishaw plc and subsidiary undertakings
Preliminary announcement of results for the year ended 30th June 2010

HIGHLIGHTS

	2010	2009	change
Revenue (£m)	**181.6**	**171.2**	**+6%**
Adjusted operating profit (£m)*	**28.1**	**6.0**	**+368%**
Adjusted profit before tax (£m)*	**28.7**	**8.8**	**+226%**
Adjusted earnings per share (pence)*	**31.6**	**9.3**	**+240%**
Dividend per share (pence)	**17.6**	**7.76**	**+127%**
STATUTORY			
Profit before tax (£m)	**27.1**	**4.7**	**+477%**
Basic earnings per share (pence)	**29.3**	**4.9**	**+498%**

* Adjusted figures are stated after excluding exceptional items, these being an impairment write-down in 2010 and redundancy costs in 2009.

CHAIRMAN'S STATEMENT

I am very pleased to announce the results for the year to 30th June 2010. This year has been characterised by a welcome return to growth, with an accelerating order intake culminating in record final quarter sales.

Operating results

Revenues continued to increase strongly during the second half of the year and amounted to a 57% increase over the comparable period in 2009 and 46% over revenues in the first half of the year. This was supported by a superb performance by our manufacturing teams. Total revenues for the year were £181.6m (2009 £171.2m), which includes a currency benefit of £8.1m when compared with the previous year's exchange rates.

Geographically, there was a comparative reduction in turnover in continental Europe and the UK, but modest growth in the Americas and particularly strong growth in the Far East, largely China, and other territories, including India.

After reporting a first half year operating profit of £6.9m (2009 £11.9m), Group operating profit for the year was £28.1m (2009 £6.0m) before an exceptional deduction of £1.7m for impairment costs of the investment in associates.

Profit before tax, including £6.8m currency benefit, amounted to £27.1m compared with £4.7m for the previous year and profit after tax was £21.3m (2009 £3.6m) resulting in earnings per share of 29.3p (2009 4.9p). Adjusted earnings per share, which excludes the exceptional impairment write-down this year and redundancy costs last year, were 31.6p, compared with 9.3p last year.

Segmental analysis

As reported at the half year, the Group has divided its operating, research and development and reporting activities into two main segments: the traditional Metrology business, the cornerstone of Renishaw, and, more recently, the as yet smaller Healthcare activities into which parts of Renishaw have migrated or which have been established or acquired.

(1) Metrology

Metrology revenue grew to £162.1m from £152.9m in 2009, with operating profits, prior to exceptional items, of £31.5m compared with £10.3m in 2009. Particular growth was experienced in the Far East and, in terms of products, there was strong demand for our encoder and laser scale products.

This sector continues to invest heavily in development of new products. Research and Development, including associated engineering costs, was £22.0m (2009 £26.2m).

This year has seen the introduction of a number of new products including the QC20-W wireless Ballbar for checking the servo-ing performance of three-axis machine tools; the RMP40, RLP40 and OLP40 compact probes with radio and optical signal transmissions for multi-axis and mill-turn machine tools and lathes; and the PH20 probe head for co-ordinate measuring machines was successfully launched at the Control Show in Germany in May. The TONIC™ range of encoders and RESOLUTE™ absolute encoders have also been enthusiastically received by the market.

On 23rd July 2010 the Group acquired a 29% shareholding in Measurement Devices Limited (MDL) for the sum of £2.3m. An agreement provides for the further purchase of the balance of the shares over a period of four years. MDL is a metrology company based in York, with offices in Aberdeen and USA (Houston). Its laser scanner products are primarily marketed in the areas of marine positioning and mine/quarry scanning. MDL's products will add to Renishaw's current range of laser-based products and 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.

(2) Healthcare

The Healthcare segment comprises the neurosurgical, dental and spectroscopy products, which includes PulseTeq (head coils for the enhancement of MRI images), Renishaw Diagnostics (molecular diagnostics for the early identification of infectious diseases) and Renishaw Mayfield (neurosurgical robots).

Revenue in this sector for the year amounted to £19.5m (2009 £18.4m) which resulted in an operating loss of £3.4m, compared with a loss of £4.3m in the previous year.

Research and Development in this sector amounted to £6.6m (2009 £7.5m) and was focussed on developing the expanding range of Healthcare offerings. Significant resource and expenditure has been directed to addressing very demanding regulatory compliance regulations associated with the global supply of healthcare and medical devices.

The Group has recently entered into an agreement with a world leading dental implant company, Biomet 3i LLC, for the development and marketing of comprehensive digital dental solutions to dental professionals and patients worldwide. The collaboration will see Biomet 3i marketing Renishaw dental scanners, in-lab milling machines and dental *3i incise* CAD software to dental laboratories through its global marketing and sales organisation. Crown and bridge dental frameworks in zirconia and cobalt chrome (cobalt chrome initially available in Europe only) will be manufactured and supplied through a collaboration between both companies.

Spectroscopy product revenue, presently the largest part of our healthcare revenue, continued to show good growth, especially in the Far East.

Balance sheet

Capital expenditure for the year was £2.9m (2009 £11.0m). The Group is currently concluding the fitting out of production facilities at Pune in India, expected to be completed by December 2010 at a cost of around £3m. In addition, the refurbishment (estimated to cost £1.8m) of the recently acquired premises in Charfield, close to New Mills in Gloucestershire, UK, has commenced. These will be occupied by our dental and medical activities early in 2011.

Further investment has been made in a number of new machine tools at our Stonehouse factory. At the Woodchester facility, investment that will double the capacity of automated surface-mount electronics assembly and automation of stylus assembly processes are currently being commissioned.

Working capital (accounts receivable plus inventories less creditors) has grown by a net £12m reflecting the significantly increased level of activity, particularly in the final quarter.

Year end net cash balances amounted to £31.1m (2009 £20.5m).

Despite an improving investment performance, the deficit in the pension fund (which has been closed to future accrual since 2007) has increased to £37.3m (£22.5m at 30th June 2009) reflecting changes in the actuarial assumptions used, in particular, a significant reduction in the discount rate and a change to the mortality assumption adopted (reflecting the increasing life expectancy). The Company has a recovery plan to fund the deficit no later than 30th September 2016 and is reviewing the recovery plan with the trustees following the 30th September 2009 triennial actuarial valuation.

Staff

I am very grateful to all our employees worldwide for their loyalty and commitment, especially after the unprecedented difficulties and challenges which were successfully overcome last year.

I now look forward to a more stable business environment in which our employees will continue to play a full and important part in generating a prosperous future for the Company.

Directors

In line with the UK Corporate Governance Code, all the directors are standing for re-election at the annual general meeting, with the exception of Joe McGeehan. Joe has been a director since January 2001 and having completed nine years service, latterly as the senior independent director, will not be seeking re-election. Joe has contributed enormously to the activities of the Board during his period of appointment and his commitment has been valued greatly. On behalf of the Board, I should like to thank Joe for his efforts and contribution to Renishaw.

Bill Whiteley has been appointed the senior independent director with effect from 26th July 2010.

Dividend

Your directors are recommending a final dividend of 13.6p per share, giving a total dividend for the year of 17.6p, compared with 7.76p in 2009 (covered 1.8 times by adjusted earnings per share for the year) payable on 18th October 2010 to shareholders on the share register on 17th September 2010.

Prospects

It is clear from the strong second half performance that the Company is showing real momentum going into the new financial year, highlighted by our record order book for the start of a new year of £23.3m, compared with £9.7m at the start of the previous year.

Whilst economic uncertainties remain, we have a robust international business model that continues to spread its applications into new markets. Our particular optimism for further developments in the expanding range of healthcare offerings, together with our continued investment in new products in our traditional markets, underpins our confidence in future growth.

Sir David R McMurtry, CBE, RDI, FREng, CEng, FIMechE
Chairman & Chief Executive
28th July 2010

CONSOLIDATED INCOME STATEMENT
for the year ended 30th June 2010

	2010 £'000	2009 £'000
Revenue	**181,607**	171,247
Cost of sales	**(93,832)**	(101,064)
Gross profit	**87,775**	70,183
Distribution costs	**(39,742)**	(41,559)
Administrative expenses including exceptional item	**(21,606)**	(26,754)
Operating profit excluding exceptional item	**28,095**	5,991
Exceptional items: 2010 – impairment write-down; 2009 – redundancy costs	**(1,668)**	(4,121)
Operating profit	**26,427**	1,870
Financial income	**5,926**	8,754
Financial expenses	**(5,775)**	(6,219)
Share of profits of associates	**479**	317
Profit before tax	**27,057**	4,722
Income tax expense	**(5,745)**	(1,124)
Profit for the year from continuing operations	**21,312**	3,598

Profit attributable to:	**2010 £'000**	2009 £'000
Equity shareholders of the parent company	**21,814**	3,871
Non-controlling interest	**(502)**	(273)
Profit for the year from continuing operations	**21,312**	3,598

	Pence	pence
Dividend per share in respect of the year	**17.6**	7.76
Dividend per share paid in the year	**4.0**	25.39
Earnings per share (basic and diluted)	**29.3**	4.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE
for the year ended 30th June 2010

	2010 £'000	2009 £'000
Profit for the year	**21,312**	3,598
Foreign exchange translation differences	**2,201**	248
Actuarial loss in the pension schemes	**(14,867)**	(13,032)
Effective portion of changes in fair value of cash flow Hedges, net of recycling:	**7,760**	(1,615)
Comprehensive income and expense of associates	**(324)**	-
Deferred tax on income and expense recognised in equity	**1,820**	3,614
Expense recognised directly in equity	**(3,410)**	(10,785)
Total comprehensive income and expense for the year	**17,902**	(7,187)
Attributable to:		
Equity shareholders of the parent company	**18,404**	(6,914)
Non-controlling interest	**(502)**	(273)
Total comprehensive income and expense for the year	**17,902**	(7,187)

CONSOLIDATED BALANCE SHEET
at 30th June 2010

	2010 **£'000**	2009 £'000
Assets		
Property, plant and equipment	**70,532**	73,583
Intangible assets	**28,613**	27,683
Investments in associates	**5,152**	7,085
Deferred tax assets	**20,056**	14,165
Derivatives	**4,002**	4,020
Total non-current assets	**128,355**	126,536
Current assets		
Inventories	**30,884**	29,156
Trade receivables	**45,873**	24,057
Current tax	**1,848**	1,626
Other receivables	**4,725**	3,626
Derivatives	**1,158**	709
Cash and cash equivalents	**31,143**	20,488
Total current assets	**115,631**	79,662
Current liabilities		
Trade payables	**10,440**	6,588
Current tax	**532**	910
Provisions	**539**	656
Derivatives	**3,346**	5,623
Other payables	**15,027**	7,716
Total current liabilities	**29,884**	21,493
Net current assets	**85,747**	58,169
Non-current liabilities		
Employee benefits	**37,251**	22,458
Deferred tax liabilities	**15,433**	10,618
Derivatives	**1,575**	6,627
Other payables	**1,222**	1,222
Total non-current liabilities	**55,481**	40,925
Total assets less total liabilities	**158,621**	143,780
Equity		
Share capital	**14,558**	14,558
Share premium	**42**	42
Currency translation reserve	**4,023**	1,822
Cash flow hedging reserve	**172**	(5,415)
Retained earnings	**140,459**	132,755
Other reserve	**(201)**	-
Non-controlling interest	**(432)**	18
Total equity	**158,621**	143,780

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30th June 2010

Year ended 30th June 2009	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 2008	14,558	42	1,574	(4,252)	154,403	-	320	166,645
Profit/(loss) for the year	-	-	-	-	3,871	-	(273)	3,598
Other comprehensive income and expense:								
Actuarial loss in the pension schemes	-	-	-	-	(9,870)	-	-	(9,870)
Foreign exchange translation differences	-	-	248	-	-	-	-	248
Changes in fair value of cash flow hedges	-	-	-	(1,163)	-	-	-	(1,163)
Total other comprehensive income	-	-	248	(1,163)	(9,870)	-	-	(10,785)
Total comprehensive income	-	-	248	(1,163)	(5,999)	-	(273)	(7,187)
Acquisition of non-controlling interest	-	-	-	-	-	-	(29)	(29)
Dividends paid	-	-	-	-	(15,649)	-	-	(15,649)
Transactions with owners recorded directly in equity	-	-	-	-	(15,649)	-	(29)	(15,678)
Balance at 30th June 2009	14,558	42	1,822	(5,415)	132,755	-	18	143,780
Year ended 30th June 2010								
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 associate	-	-	-	-	(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**

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 30th June 2010

	2010 £'000	2009 £'000
Cash flows from operating activities		
Profit for the year	**21,312**	3,598
Adjustments for:		
Amortisation of development costs	**4,692**	4,433
Amortisation of other intangibles	**1,871**	1,441
Depreciation	**7,907**	8,890
(Profit)/loss on sale of property, plant and equipment	**(31)**	151
Share of profits from associates	**(479)**	(317)
Exceptional impairment write-down	**1,668**	-
Financial income	**(5,926)**	(8,754)
Financial expenses	**5,775**	6,219
Tax expense	**5,745**	1,124
	21,222	13,187
(Increase)/decrease in inventories	**(1,728)**	5,064
(Increase)/decrease in trade and other receivables	**(21,252)**	28,167
Increase/(decrease) in trade and other payables	**10,711**	(12,026)
(Decrease) in provisions	**(117)**	(168)
	(12,386)	21,037
Income taxes paid	**(5,615)**	(6,368)
Cash flows from operating activities	**24,533**	31,454
Investing activities		
Purchase of property, plant and equipment	**(2,868)**	(11,005)
Development costs capitalised	**(6,968)**	(6,618)
Purchase of other intangibles	**(184)**	(7,503)
Investment in subsidiaries and associates	**(149)**	(400)
Sale of property, plant and equipment	**190**	259
Interest received	**255**	1,161
Dividend received from associate	**80**	80
Cash flows from investing activities	**(9,644)**	(24,026)
Financing activities		
Interest paid	**(178)**	(255)
Dividends paid	**(2,912)**	(15,649)
Cash flows from financing activities	**(3,090)**	(15,904)
Net increase/(decrease) in cash and cash equivalents	**11,799**	(8,476)
Cash and cash equivalents at beginning of the year	**20,488**	38,183
Effect of exchange rate fluctuations on cash held	**(1,144)**	(9,219)
Cash and cash equivalents at end of the year	**31,143**	20,488

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 2010 or 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the registrar of companies, and those for 2010 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").

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.

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.

New, revised or changes to existing accounting standards

IAS1 (revised) 'Presentation of financial statements' became effective 1st January 2009. The revision has resulted in minor changes to the presentation of the primary statements.

IFRS 8 'Operating segments' became effective on 1st January 2009. This new standard has resulted in changes to segmental reporting from that reported in the 2009 Annual report. Reportable segments have been determined on the basis of the information supplied to the Board for the purposes of assessing performance and the allocation of resources.
Amendments to IAS 32 'Presentation', IAS 39 ' Financial instruments', IFRS 7 'Financial instruments: Disclosures' and IAS 27 ' Consolidated and separate financial statements' became effective before the year end and have not had a material impact on the Group.

IFRS 3 'Business combinations (revised)' became effective on 1st July 2009 and results in acquisition costs being expensed, rather than included within the cost of the investment. This change has not had a material impact on the financial statements.

IAS 23 'Borrowing costs' amendment became effective on 1st January 2009 and requires borrowing costs which meet certain criteria to be capitalized. The Group does not currently have any material borrowing or interest costs.

IFRIC 14, IAS 19, 'The Limit on a Defined Benefit Asset Minimum Funding Requirements and their interaction' provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory minimum funding requirement. This interpretation became effective for this year, and it has not had a material impact on the financial statements.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' provides guidance on identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation; where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting; and how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. This interpretation became effective for this year, and it has not had a material impact on the financial statements.

IAS 24 'Related party disclosures' clarifies the definition of related parties and becomes effective from 1st January 2011. This is not expected to have a material effect on the financial statement disclosures.

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 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 before exceptional item	**31,537**	**(3,442)**	**28,095**
Exceptional item – Impairment write-off	**(1,668)**	**-**	**(1,668)**
Share of profits from associates	**479**	**-**	**479**
Net financial income			**151**
Profit before tax			**27,057**

Year ended 30th June 2009	Metrology £'000	Healthcare £'000	Total £'000
Revenue	152,894	18,353	171,247
Depreciation and amortisation	12,415	2,349	14,764
Operating profit before exceptional item	10,315	(4,324)	5,991
Exceptional item – Redundancy costs	(3,808)	(313)	(4,121)
Share of profits from associates	317	-	317
Net financial income			2,535
Profit before tax			4,722

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:

	2010 £'000	2010 at 2009 Exchange rates £'000	2009 £'000
Far East	**71,051**	65,904	52,006
Continental Europe	**52,147**	51,297	63,222
North and South America	**41,455**	39,359	40,071
United Kingdom	**10,650**	10,650	11,259
Other regions ("ROW")	**6,304**	6,268	4,689
Total group revenue	**181,607**	173,478	171,247

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:

	2010 £'000	2009 £'000
USA	**35,381**	34,795
China	**34,211**	19,458
Germany	**23,042**	28,385
Japan	**19,552**	20,946

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:

	2010 £'000	2009 £'000
United Kingdom	**71,660**	76,098
Overseas	**36,639**	36,273
Total non-current assets	**108,299**	112,371

3. FINANCIAL INCOME AND EXPENSES

Financial income	**2010 £'000**	2009 £'000
Expected return on assets in the pension schemes	**5,671**	7,593
Bank interest receivable	**255**	1,161
Total financial income	**5,926**	8,754
Financial expenses		
Interest on pension scheme liabilities	**5,597**	5,964
Bank interest payable	**178**	255
Total financial expenses	**5,775**	6,219

4. INCOME TAX EXPENSE

	2010 £'000	2009 £'000
Current tax:		
UK corporation tax on profits for the year	**14**	-
Overseas tax on profits for the year	**3,187**	3,415
Adjustments for prior years	**1,800**	-
Total current tax	**5,001**	3,415
Deferred tax		
Origination and reversal of other temporary differences	**744**	(2,291)
Tax charge on profit	**5,745**	1,124
Effective tax rate (based on profit before tax)	**21%**	24%

The tax for the year is lower (2009 lower) than the UK standard rate of corporation tax of 28% (2009 28%). The differences are explained as follows:

	2010 £'000	2009 £'000
Profit before tax	**27,057**	4,722
Tax at 28% (2009 28%)	**7,576**	1,322
Effects of:		
Different tax rates applicable in overseas subsidiaries	**(3,437)**	(1,397)
Research and development tax credit	**(1,376)**	(1,471)
Adjustments for prior years	**1,800**	-
Expenses not deductible for tax purposes	**231**	80
Companies with unrecognised tax losses	**495**	2,525
Exceptional item with no tax effect	**467**	-
Other differences	**(11)**	65
Tax charge on profit	**5,745**	1,124

The tax calculations do not account for the reduction in the UK corporation tax rate from 28% to 27%, to come into effect on 1st April 2011.

5. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated on earnings of £21,312,000 (2009 £3,598,000) 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.

6. PROPERTY, PLANT AND EQUIPMENT

Year ended 30th June 2010	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 2009	65,066	76,133	5,129	480	146,808
Additions	512	1,431	496	429	2,868
Transfers	-	460	-	(460)	-
Disposals	-	(882)	(729)	-	(1,611)
Currency adjustment	2,411	265	163	-	2,839
At 30th June 2010	67,989	77,407	5,059	449	150,904
Depreciation					
At 1st July 2009	13,541	56,226	3,458	-	73,225
Charge for the year	1,417	5,766	724	-	7,907
Released on disposals	-	(805)	(647)	-	(1,452)
Currency adjustment	333	273	86	-	692
At 30th June 2010	15,291	61,460	3,621	-	80,372
Net book value					
At 30th June 2010	52,698	15,947	1,438	449	70,532
At 30th June 2009	51,525	19,907	1,671	480	73,583

At 30th June 2010, properties with a net book value of £23,393,000 (2009 £23,815,000) were subject to a registered charge to secure the UK defined benefit pension scheme liabilities.

Additions to assets in the course of construction of £429,000 (2009 £862,000) comprise £95,000 (2009 £136,000) for freehold land and buildings and £334,000 (2009 £726,000) for plant and equipment.

7. INTANGIBLE ASSETS

Year ended 30th June 2010	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 2009	5,569	5,416	28,973	11,252	-	51,210
Additions	-	50	6,968	17	117	7,152
Currency adjustment	-	-	-	2	-	2
At 30th June 2010	5,569	5,466	35,941	11,271	117	58,364
Amortisation						
At 1st July 2009	-	1,150	15,829	6,548	-	23,527
Charge for the year	-	653	4,692	878	-	6,223
Currency adjustment	-	-	-	1	-	1
At 30th June 2010	-	1,803	20,521	7,427	-	29,751
Net book value						
At 30th June 2010	5,569	3,663	15,420	3,844	117	28,613
At 30th June 2009	5,569	4,266	13,144	4,704	-	27,683

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:

	2010 £'000	2009 £'000
Acquisition of itp GmbH	**2,372**	2,372
Acquisition of Renishaw Diagnostics Limited (84.8%)(2009 75%)	**1,784**	1,784
Acquisition of Renishaw Mayfield SA (75%)	**1,215**	1,215
Acquisition of PulseTeq Limited (75%)	**198**	198
Total acquired goodwill	**5,569**	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 terminal growth rate (2009 same basis).

Renishaw Diagnostics Limited, PulseTeq Limited and Renishaw Mayfield SA (all in the healthcare reportable segment) - 5 year business plans with a nil terminal growth rate (2009 same basis).

A pre-tax discount rate of 12% has been used in discounting the projected cash flows of itp GmbH (2009 13%) and 15% for Renishaw Diagnostics Limited (2009 13%), PulseTeq Limited (2009 13%) and Renishaw Mayfield SA (2009 13%). 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 2010 %**	Ownership 2009 %
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 2010 was £2.40 (2009 £2.40). The Company holds 1,524,052 shares.

Movements during the year were:

	2010 £'000	2009 £'000
Balance at the beginning of the year	**7,085**	6,788
Investments made during the year	**-**	400
Dividends received	**(80)**	(80)
Share of profits of associates	**479**	317
Amortisation of intangibles	**(340)**	(340)
Other comprehensive income and expense	**(324)**	-
Impairment of investment in Delcam plc	**(1,668)**	-
Balance at the end of the year	**5,152**	7,085

During the year, the Board decided to write down its investment of Delcam plc, originally purchased at a price of £4.00 per share (whose results are reported as part of the metrology reporting segment), to reflect the prevailing share price of £2.40 as at 30th June 2010. An impairment charge of £1,668,000 is shown as an exceptional item in the Consolidated income statement.

Summarised aggregated financial information for associates:

	2010 £'000	2009 £'000
Revenue	**8,185**	7,922
Share of profits for the year	**479**	317
Assets	**7,344**	7,011
Liabilities	**3,432**	2,934

9. DEFERRED TAX ASSETS AND LIABILITIES

Balances at the end of the year were:

	2010			2009		
	Assets £'000	**Liabilities £'000**	**Net £'000**	Assets £'000	Liabilities £'000	Net £'000
Property, plant and equipment	**-**	**(3,760)**	**(3,760)**	-	(2,817)	(2,817)
Intangible assets	**860**	**(4,879)**	**(4,019)**	-	(4,241)	(4,241)
Intragroup trading (inventory)	**5,309**	**-**	**5,309**	3,952	-	3,952
Pension schemes	**9,694**	**-**	**9,694**	5,701	-	5,701
Other	**4,193**	**(6,794)**	**(2,601)**	4,512	(3,560)	952
Balance at the end of the year	**20,056**	**(15,433)**	**4,623**	14,165	(10,618)	3,547

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

	2010 £'000	2009 £'000
Balance at the beginning of the year	**3,547**	(2,357)
Movements in the Consolidated income statement	**(744)**	2,291
Movement in the cash flow hedging reserve	**(2,173)**	452
Movement in relation to the pension schemes	**3,993**	3,161
Total movement in the Consolidated statement of comprehensive income and expense	**1,820**	3,613
Balance at the end of the year	**4,623**	3,547

No deferred tax asset has been recognised in respect of tax losses carried forward of £5,513,000 (2009 £3,518,000) due to the uncertainty over their recoverability.

10. DERIVATIVES

Derivatives (non-current assets) of £4,002,000 (2009 £4,020,000) comprise the fair value of outstanding forward contracts with positive fair values, which mature after more than one year. Derivatives (current assets) of £1,158,000 (2009 £709,000) comprise the fair value of outstanding forward contracts with positive fair values, which mature within one year.

Derivatives (non-current liabilities) of £1,575,000 (2009 £6,627,000) comprise the fair value of outstanding forward contracts with negative fair values, which mature after more than one year. Derivatives (current liabilities) of £3,346,000 (2009 £5,623,000) comprise the fair value of outstanding forward contracts with negative fair values, which mature within one year.

11. EMPLOYEE BENEFITS

The Group operates a number of pension schemes throughout the world. The major scheme, which covers the UK-based employees, was of the defined benefit type. In 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 £4,983,000 (2009 £5,944,000), of which £125,000 (2009 £140,000) related to directors and £1,516,000 (2009 £1,657,000) related to overseas schemes.

The latest full actuarial valuation of the UK defined benefit scheme was carried out at September 2006 and updated to 30th June 2010 by a qualified independent actuary. The major assumptions used by the actuary for the UK and Irish schemes were:

	2010		2009	
	UK scheme	**Irish scheme**	UK scheme	Irish scheme
Rate of increase in pension payments	**3.3%**	**2.4%**	3.3%	2.5%
Discount rate	**5.3%**	**4.4%**	6.2%	5.5%
Inflation rate	**3.4%**	**2.4%**	3.4%	2.5%
Expected return on equities	**8.1%**	**7.1%**	8.3%	7.4%
Retirement age	**64**	**65**	64	65

The mortality assumption adopted for 2010 is PCA00, year of birth, medium cohort (2009 short cohort), which reflects the increasing life expectancy.

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

	2010 £'000	2009 £'000
Market value of assets:		
Equities	**81,737**	68,538
Bonds and cash	**1,447**	1,630
	83,184	70,168
Actuarial value of liabilities	**(120,435)**	(92,626)
(Deficit) in the schemes	**(37,251)**	(22,458)
Deferred tax thereon	**9,694**	5,701

The expected rates of return on each asset category are based on market conditions at 30th June 2010 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 2010	**Assets £'000**	**Liabilities £'000**	**Total £'000**
Balance at the beginning of the year	70,168	(92,626)	(22,458)
Expected return on pension schemes' assets	5,671	-	5,671
Interest on pension schemes' liabilities	-	(5,597)	(5,597)
Actuarial gain/(loss)	7,345	(22,212)	(14,867)
Balance at the end of the year	**83,184**	**(120,435)**	**(37,251)**

Under the defined benefit deficit funding plan, there are no contributions expected to be made in the year ending 30th June 2011. There are certain UK properties, owned by Renishaw plc, which are subject to a registered charge to secure the UK defined benefit pension scheme liabilities. The Trustees have the right to enforce the charge to recover any deficit if an insolvency event occurs in relation to the Company before 30th September 2016 or if the Company has not made good any deficit by midnight on 30th September 2016. No scheme assets are invested in the Group's own equity. The valuation of the liability applying IFRIC 14 does not give a higher value to the liability than that accounted for.

Defined contribution pension liabilities
The Group makes contributions to a number of defined contribution plans around the world to provide benefits for employees upon retirement. The total expense relating to these plans in the year was £4,983,000 (2009 £5,944,000).

12. INVENTORIES

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

	2010 £'000	2009 £'000
Raw materials	**13,409**	12,335
Work in progress	**7,107**	5,606
Finished goods	**10,368**	11,215
Balance at the end of the year	**30,884**	29,156

During the year, the amount of inventories recognised as an expense in the Consolidated income statement was £59,310,000 (2009 £61,386,000) and the amount of write-down of inventories recognised as an expense in the Consolidated income statement was £434,000 (2009 £1,335,000).

13. PROVISIONS

Warranty provision

Movements during the year were:

	2010 £'000	2009 £'000
Balance at the beginning of the year	**656**	824
Utilised during the year	**(599)**	(769)
Created during the year	**482**	601
	(117)	(168)
Balance at the end of the year	**539**	656

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.

14. OTHER PAYABLES

Balances at the end of the year were:

	2010 £'000	2009 £'000
Payroll taxes and social security	**3,081**	3,955
Other creditors and accruals	**11,946**	3,761
Total other payables	**15,027**	7,716

15. OTHER PAYABLES (NON-CURRENT)

The deferred consideration of £1,222,000 (2009 £1,222,000) is in respect of the investment in Renishaw Diagnostics Limited, which is payable over a five-year period from the date of the initial investment.

16. CAPITAL AND RESERVES

Share capital

	2010 £'000	2009 £'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.

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:

	2010 £'000	2009 £'000
Balance at the beginning of the year	**(5,415)**	(4,252)
Amounts transferred to the Consolidated income statement	**3,538**	1,395
Revaluations during the year	**2,049**	(2,558)
Balance at the end of the year	**172**	(5,415)

Dividends paid

Dividends paid comprised:

	2010 £'000	2009 £'000
2008 final dividend paid of 17.63p per share	**-**	12,833
Interim dividend paid of 4.00p per share (2009 7.76p, net of waivers in 2009)	**2,912**	2,816
Total dividends paid	**2,912**	15,649

A final dividend in respect of the current financial year of 13.6p per share is proposed, to be paid on 18th October 2010 to shareholders on the register on 17th September 2010, with an ex-dividend date of 15th September 2010.

Non-controlling interest

Movements during the year were:

	2010 £'000	2009 £'000
Balance at the beginning of the year	**18**	320
Share of investments	**52**	(29)
Share of loss for the year	**(502)**	(273)
Balance at the end of the year	**(432)**	18

The non-controlling interest represents the Non-controlling shareholdings in Renishaw Diagnostics Limited (15.2%) (2009 75%), PulseTeq Limited (25%) and Renishaw Mayfield SA (25%).

17. RELATED PARTIES

During the year, associates (RLS merilna tehnika d.o.o., Metrology Software Products Limited and Delcam plc) purchased goods and services from the Group to the value of £199,000 (2009 £168,000) and sold goods and services to the Group to the value of £2,329,000 (2009 £1,990,000). At 30th June 2010, associates owed £169,000 to the Group (2009 £132,000). Associates were owed £144,000 by the Group (2009 £77,000). Dividends of £80,000 were received from associates during the year (2009 £80,000).

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

18. POST-BALANCE SHEET EVENT

In July 2010, the Group acquired a shareholding of 29% in Measurement Devices Limited, a company incorporated in Scotland and operating in the metrology business. The consideration was £2.3m. An agreement provides for the further purchase of the balance of majority shareholder shares over a period of four years with the price payable based on the earnings of MDL during the relevant period. It is also intended that the shares held by minority shareholders (14%) will be acquired by a court-approved scheme of arrangement.

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