RENISHAW
apply innovation™

Touching lives through metrology

Annual report and accounts 2009

Contents

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KPMG Audit Plc

Solicitors
Norton Rose

Stockbrokers
UBS

Principal bankers
Lloyds TSB Bank Plc

Registrars and transfer office
Equiniti Limited, Aspect House, Spencer Road, Lancing
West Sussex BN99 6DA

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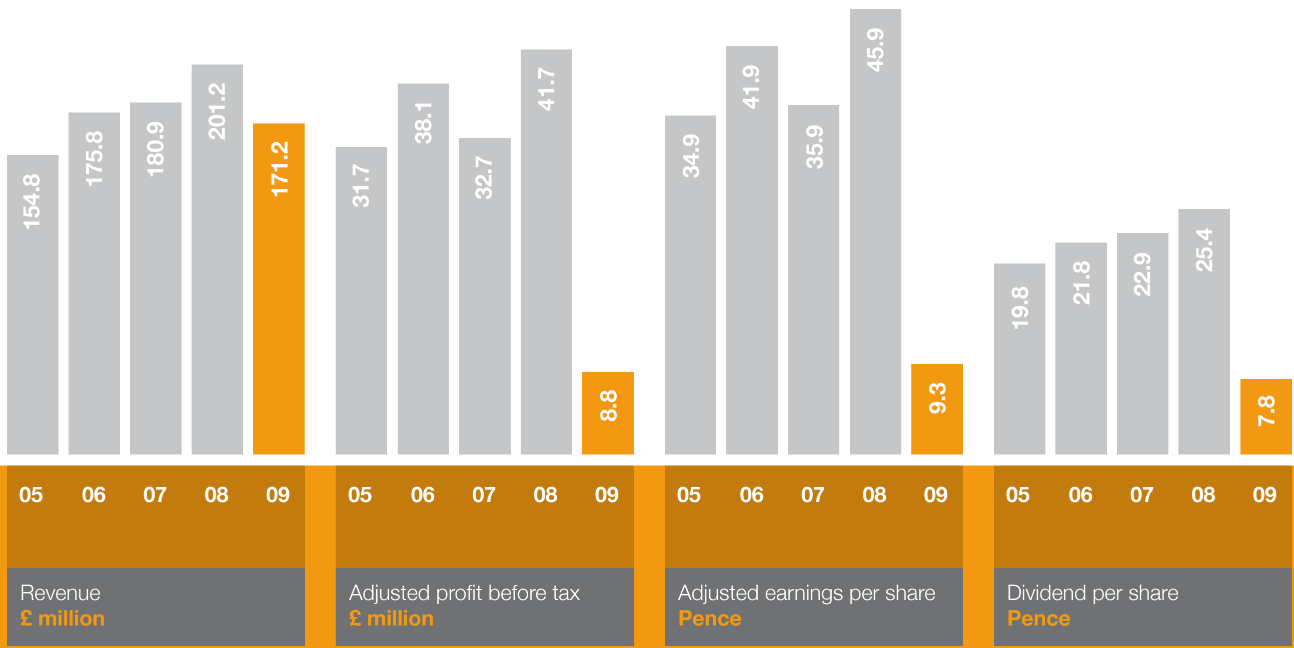
UK calls to 0871 numbers are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.

	2009	2008	change
Revenue (£m)	**171.2**	201.2	-15%
Adjusted operating profit (£m)*	**6.0**	37.3	-84%
Adjusted profit before taxation (£m)*	**8.8**	41.7	-79%
Adjusted earnings per share (pence)*	**9.3**	45.9	-80%
Dividend per share (pence)	**7.76**	25.39	-69%
Statutory			
Profit before tax (£m)	**4.7**	43.0	-89%
Basic earnings per share (pence)	**4.9**	47.6	-90%

*Adjusted figures are stated after excluding redundancy costs in 2009, the pension curtailment credit in 2008, and below, the pension curtailment credit in 2007.



The Board of directors

Sir David McMurtry, CBE, RDI, CEng, FIMechE, FREng, Chairman and Chief Executive, age 69, was employed by Rolls-Royce plc, Bristol, for 17 years, latterly holding the positions of Deputy Chief Designer and Assistant Chief of Engine Design of all Rolls-Royce engines manufactured at Filton in Bristol. After inventing the original probe in the early 1970s, Sir David founded Renishaw in 1973 with John Deer. His CBE was awarded "for services to Science and Technology" and he was appointed a Royal Designer for Industry (RDI) in 1989. He is a visiting Professor of Huddersfield University and has been awarded an honorary Doctorate of Engineering at the University of Birmingham and honorary degrees of Doctor of Engineering at Heriot-Watt University, the University of Bristol and the University of Bath. Sir David is a Chartered Engineer, a Fellow of the Institute of Mechanical Engineers, a Fellow of the American Society of Manufacturing Engineers and a Fellow of the Royal Academy of Engineering. In addition to his role as Chairman and Chief Executive, Sir David also has responsibility for group technology.

John Deer, Deputy Chairman, age 71, trained as a mechanical engineer and worked for Rolls-Royce plc, Bristol, from 1960 to 1974. He was Managing Director of Renishaw from 1974 to 1989, primarily involved in the commercial direction of the Group, with particular emphasis on marketing and the establishment of the Group's wholly-owned subsidiaries in the USA, Ireland, Japan, Germany, France and Italy. John and Sir David McMurtry were members of the four-man team of Renishaw engineers honoured with the MacRobert Award in 1987. John is responsible for group manufacturing and is chairman of the overseas marketing subsidiaries.

Ben Taylor, CEng, FIMechE, Assistant Chief Executive, age 60, has been involved in the field of metrology all his working life, after graduating in mechanical engineering and design from Pennsylvania State University. Before joining Renishaw Inc as President in 1985, he was the Director of Engineering at Sheffield Measurement, USA. Ben was appointed to the Board of Renishaw plc in 1987 and is responsible for group marketing, international operations and human resources. He serves on various metrology committees and other professional associations and is a Chartered Engineer, a fellow of the Institute of Mechanical Engineers and a Liveryman of The Worshipful Company of Scientific Instrument Makers.

Allen Roberts, FCA, Group Finance Director, age 60, is a Fellow of the Institute of Chartered Accountants in England and Wales. Before joining Renishaw in 1979, he was employed for 11 years by Peat, Marwick, Mitchell & Co. He was appointed a director in 1980. Allen heads group finance, business systems and Wotton Travel Ltd.

Geoff McFarland, Group Engineering Director, age 41, has a degree in mechanical engineering, and is a visiting professor at Bath University and an honorary professor at Heriot-Watt University. After working in the medical device and electronic manufacturing sectors, Geoff joined Renishaw's research facility in Edinburgh in 1994, before moving to Renishaw's headquarters to become Director and General Manager of the CMM product line. Geoff was appointed to the Board in July 2002. He heads the group engineering function and is also responsible for group IP and patents. Geoff is a non-executive director of Delcam plc.

John Deer

Ben Taylor

Allen Roberts

Geoff McFarland

Joe McGeehan

Terry Garthwaite

David Snowden

Bill Whiteley

Joe McGeehan, CBE, FIEE, FREng, the senior independent non-executive director, age 63, is Managing Director of Toshiba Research Ltd: Telecommunications Research Laboratory, Bristol. After obtaining the degrees of BEng and PhD in electrical and electronic engineering from the University of Liverpool, he spent several years involved in industrial research before entering academia. Since 1985, he has held a number of senior positions at the University of Bristol. In 2003 he was awarded the degree of DEng by the University of Liverpool for his major contribution to mobile communications research, much of which has formed the basis of international standards. He is a Fellow of the Institution of Electrical Engineers and a Fellow of the Royal Academy of Engineering. Joe was appointed a director in January 2001.

Terry Garthwaite, FCA, non-executive director, age 62, is a chartered accountant, who after qualifying, joined Price Waterhouse in London. He held a number of senior finance positions within Foseco plc including Director of Corporate Finance, prior to spending eleven years as Group Finance Director at the multinational engineering group Senior plc. He is a non-executive director of Brammer plc and Wilmington Group plc. Terry was appointed a director of Renishaw plc in July 2003 and is chairman of the Audit committee.

David Snowden, FCA, non-executive director, age 72, was a partner at KPMG for 25 years, latterly acting as Senior Partner for KPMG in South Wales. David was appointed a director of the Company in July 2003 and is the chairman of the Remuneration and nomination committee.

Bill Whiteley, FCMA, non-executive director, age 60 was, until his retirement in May 2008, the chief executive of Rotork plc, where he had been a director for 24 years. During this period, Bill managed Rotork plc's business during a period of major expansion, both geographically and in product lines. Bill is also chairman of Spirax-Sarco Engineering plc and a non-executive director of Brammer plc. He has been awarded an honorary degree of Doctor of Engineering at the University of Bath. Bill was appointed a director of the Company in June 2008.

Audit committee: Terry Garthwaite (Chairman), Joe McGeehan, David Snowden, Bill Whiteley

Remuneration and nomination committee: David Snowden (Chairman), Terry Garthwaite, Joe McGeehan, Bill Whiteley

1.

2.

3.


1. **Leo Somerville,** President, Renishaw Inc
2. **Dave Wallace,** Director & General Manager, CMM Products
3. **Tim Prestidge,** Director & General Manager, Machine Tool, Styli and Custom Products

Executive board

(In addition to all executive directors with Sir David McMurtry as Chairman)

1.

2.

3.

4.

5.

6.


1. **Marc Saunders,** General Manager, Group Marketing Services and UK Sales
2. **Masumu Oishi,** President, Renishaw KK
3. **Rhydian Pountney,** General Manager, ROW Sales
4. **Leo Somerville,** President, Renishaw Inc
5. **Jean-Marc Meffre,** Managing Director, Renishaw (Hong Kong) Limited
6. **Rainer Lotz,** Managing Director, Renishaw GmbH

International sales and marketing board

(In addition to the executive directors Ben Taylor and Allen Roberts with John Deer as Chairman)

Norma Tang, Corporate Lawyer and Company Secretary

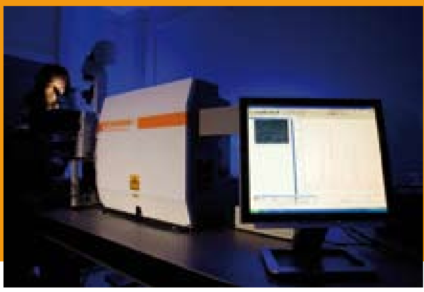
Touching lives through metrology

This last year has been the most difficult in the history of the Company, characterised by two different half year performances. The first half commenced with record first quarter results and a promising outlook for the year, followed by an unprecedented downturn in the ensuing period. We were forced to make hard decisions in order to position the business for this market environment, pending a return of better conditions.

The cost base had to be reduced to meet the new environment, whilst maintaining our commitment to customer service and new product development programmes. We had to take a number of measures, the most difficult and painful of which was a redundancy programme under which we had to lose 437 staff (20% of the group workforce) giving annual cost savings of £17m. In addition, staff worldwide accepted a voluntary pay reduction of 20%, equivalent to £1.25m per month, which continues until 31st December 2009, subject to possible additional payments to employees, dependent upon achievement of certain profitability levels.

In parallel there has been a programme to reduce other group overhead expenditure by £10m per annum and a continuing focus on the management of working capital, particularly inventory and debtors in order to sustain positive cash balances.

Sir David McMurtry
Chairman and Chief executive



THE QUEEN'S AWARDS FOR ENTERPRISE 2009

OPERATING RESULTS

There was a marked downturn in the second half of the year, with revenue reducing by some 37% compared with the previous year. Revenue in the second half was £68.9m (2008 £109.5m) and total revenue for the year amounted to £171.2m (2008 £201.2m). This is a 15% reduction compared with the previous year, which would have been a 23% reduction at previous year's exchange rates. Revenue, with the sole exception of our spectroscopy products which showed good growth, was heavily reduced in all product lines and all main geographical sectors were affected.

Operating profit for the year before exceptional items was £6.0m (2008 £37.3m) after deducting a doubtful debt provision of £2.6m (2008 £0.4m) and £1.5m in respect of legal costs relating to patent infringement litigation in the United States (2008 £ nil) which was settled in the second half of the financial year. At previous year's exchange rates this operating profit would have been a loss of £1.9m.

After the costs of the redundancy programme amounting to £4.1m and the inclusion of the share of profits of associates of £0.3m and other financial income of £2.5m, profit before tax amounted to £4.7m compared with £43.0m for the previous year. Earnings per share were 4.9p (2008 47.6p).

BALANCE SHEET

Capital expenditure during the year amounted to £11.0m (2008 £5.3m), reflecting capital commitments made in the first half of the year.

At the year end, net cash balances were £20.5m compared with £38.2m at 30th June 2008. Group inventory stood at £29.2m (2008 £34.2m) and total trade debtors were reduced to £24.1m (2008 £42.8m). Trade creditors have reduced from £12.7m to £6.6m with no extension of supplier payment dates.

PENSION FUND

At the year end, the revaluation under IAS 19 accounting standard of the Group's defined benefit pension funds, which are closed to new members and for future accruals to existing members, resulted in an increase in the deficit to £22.5m from £11.1m at the previous year end, reflecting poor investment performance and changes to assumptions for liability calculations.

QUEEN'S AWARD

The Company has received the Queen's Award for Enterprise: Innovation 2009. The Award has been granted for the Company's OMP400 ultra-compact high-accuracy touch probe which is used for 3D measurement on computer numerically controlled machine tools. This is the Company's thirteenth Queen's Award.

EMPLOYEES

I would like to thank all our employees for their steadfast support during what has been the most challenging and demanding period in our history. They have responded magnificently to all challenges and difficulties both in the UK and overseas.

Above: Graduate student Ruby Raheem using a Renishaw inVia Raman microscope for her research on sperm DNA testing. Photograph courtesy of The University of Edinburgh, UK.

Renishaw was granted a Queen's Award for Enterprise: Innovation 2009 for the OMP400 probe, which is ideally suited for use on small to medium machines. It combines miniaturisation and new advances in strain-gauge technology, both pioneered by Renishaw.

Researchers conceive of new Raman use

Researchers at the University of Edinburgh, UK and the University of California, USA are working on techniques of non-destructively testing the DNA of sperm and then selecting the best sperm for IVF. Currently most tests that identify damaged DNA require the sperm to be broken open prior to chemical analysis, thereby destroying the sperm. The new research using a Renishaw inVia Raman microscope could one day lead to a new technique that solves the problem.

Touching lives through metrology

INVESTING FOR THE FUTURE

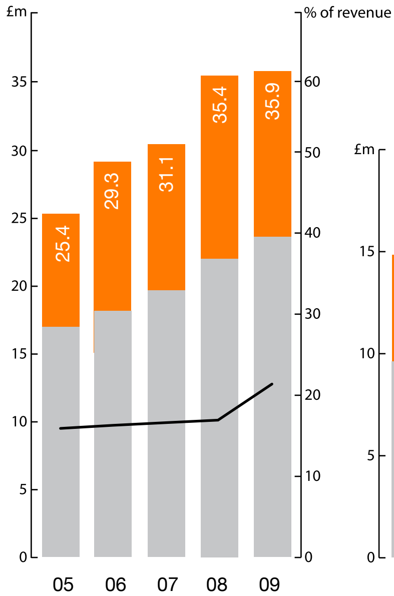
As in prior economic downturns Renishaw continues to make heavy investment in future products and this year we are accelerating our new product development to help mitigate the impact of the recession.

A number of new metrology products and applications have been added to our established product lines during the year with a number of significant products destined to come to the market in the coming year. The metrology additions have been supplemented by the licensing of the source code for the Metris Camio CMM software and the acquisition of the business and assets of Qualis Service GmbH, a Germany CMM service and calibration business, both of which enhance the development of the Group's CMM retrofit activity.

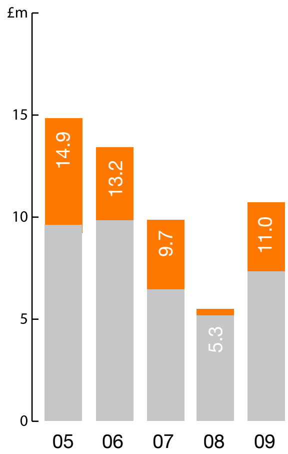
Developing from our existing metrology base has been an increasing commitment to healthcare:

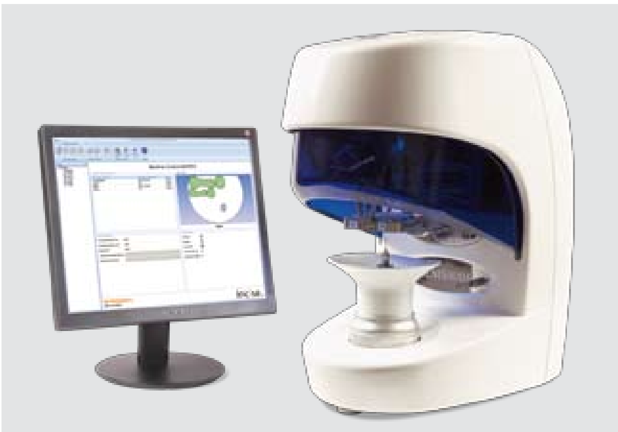
- Our new range of dental products was introduced at the International Dental Exhibition in Cologne, Germany in March.
- We acquired a 75% shareholding in Schaerer Mayfield Neuromate AG (now renamed Renishaw Mayfield SA), a company based in Switzerland, which is a leading manufacturer of surgical robots, adding to our portfolio of products for the neurosurgery market. These products were introduced at the Fifteenth Quadrennial Meeting of the World Society of Stereotactic and Functional Neurosurgery held in Toronto, Canada at the end of May with very encouraging results.
- The Company has increased its investment in PulseTeq Limited by 25% to a 75% shareholding. PulseTeq Limited specialises in the development of coils for the enhancement of images from MRI scanners.

Engineering costs
£ million
Other
Research and development
— % of revenue



Capital expenditure
£ million
Land and buildings
Plant and vehicles

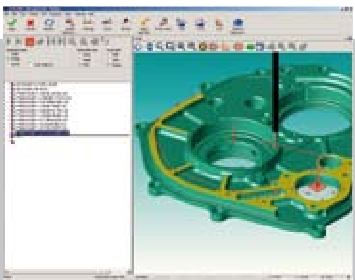




Renishaw incise™ milling machine

A bench-top machine which can typically mill 15 to 30 ceramic frameworks from a single billet of zirconia, including bridges of up to 8 units in size. With an average cutting time of just 30 minutes per unit, a single milling machine is sufficient to meet the needs of most laboratories.

incise™ CAM software allows you to specify the location on the zirconia billet where the dental framework will be made.



Left: MODUS™ software. This new metrology software application enables a complete retrofit upgrade, supplied and supported by Renishaw. With full support to the entire range of sensors, including the award-winning REVO®, MODUS™ provides a powerful platform for 5-axis measurement.

PROSPECTS

It is difficult to predict how long the current market conditions will prevail. Current activity levels are showing some signs of an improvement, but we do not anticipate returning to profitability until the second quarter of this financial year. The Group, with its strong balance sheet, portfolio of existing products and new products in development (broadening into healthcare), remains strongly positioned to meet all present demands and to respond to any increase in activity as it develops. We continue to face our long-term future with great confidence.

DIVIDEND

The Company paid an interim dividend of 7.76p per share in April which was waived by the executive directors. However, in view of the exceptional adverse trading conditions we have encountered and the consequential impact on our results, we do not propose to pay a final dividend for the year.

We will continue to monitor our performance and intend to return to paying dividends when conditions improve. The level of such dividends and the policy for the future will be determined by the financial performance of the Group as it recovers.

Sir David McMurtry
CBE, RDI, CEng, FIMechE, FREng
Chairman and Chief Executive
29th July 2009

Image guided robotic neurosurgery. The neuro I mate® stereotactic robot is intended to be used in a operating suite for the spatial positioning and orientation of a tool holder or a tool guide in order to guide standard surgical instruments.

Above: Planning for precision. neuro I inspire™ stereotactic neurosurgical planning software is both functional and intuitive and designed with present needs in mind as a starting point, but ready when new emerging therapies arrive, be it drug or stem cell delivery. *Note: neuro I inspire™ is currently available in Europe only.*

The Financial review has been prepared for the purpose of assisting members of the Company to assess the strategies adopted by the Company and the potential for those strategies to succeed and no-one, including members of the Company, may rely on it for any other purpose. The directors owe their duties only to members of the Company as a whole and they undertake no duty of care to individual members, other stakeholders or potential investors.

This review has been prepared on the basis of the knowledge and information available to the directors at that time. Given the nature of some forward-looking information, which has been given in good faith, members should treat this information with due caution.

BUSINESS OUTLINE

Renishaw's business is metrology, the science of measurement. The Group manufactures a comprehensive range of high-precision probing systems, accessories, calibration and measuring systems and other innovative products which enable customers worldwide to carry out dimensional measurements to traceable standards.

The Group has been investing in the development of additional applications for new market sectors based upon its core metrology expertise. The additional investment has been focused on the healthcare sector and products for the dental and neurosurgical markets, together with growing emphasis in this sector for the application of our spectroscopy product offerings. The Group's main products comprise:

- Co-ordinate measuring machine ("CMM") probes and accessories, which are used for accurate post-process inspection of components on CMMs. With Renishaw's latest Renscan5™ 5-axis scanning technology, manufacturers can inspect complex components at unprecedented speed without compromising measurement accuracy.
- Machine tool probes and tool setting systems, used for automated component identification, workpiece and tool setting and component inspection, which can be fitted on CNC turning and milling machines. To remain competitive, companies need to automate production whilst maintaining tight control of the dimensions and finish of their manufactured components. The acceptance of quality control in the production environment means that probing is considered essential and allows the complete manufacturing process to be monitored and made self-correcting.
- Laser calibration systems and the QC10 ballbar, used to determine the accuracy of CMMs, machine tools and other industrial and scientific equipment. Regular use of these systems improves the precision of the production process and thus helps increase product quality, reduce scrap and machine down-time.
- Linear and angle encoder systems, for precise linear and rotary motion control. These systems offer precision feedback for a variety of applications, ranging from long-axis machine tools to X-Y wafer inspection systems.
- A broad range of styli for CMM, machine tool and dental probes, enabling precision measurement and scanning.
- Custom products, where Renishaw's standard product does not address the customer's specialised requirements.
- Scanning and digitising systems, used to gather data from 3D surfaces. These systems are used where high rates of data capture with high accuracy from fine detail impression dies is required. Additionally the Company has applied its manufacturing engineering technology to the dental sector and introduced a complete CAD/CAM system offering.
- Spectroscopy products, including a Raman microscope, used to identify the composition and structure of materials, which can be applied in many different fields, such as pharmaceutical, forensic, semiconductor and chemical industries.
- Neurosurgical products for use in neurosurgical procedures and for enhancing the images attained from MRI scanners.

The Group principally manufactures its products in the UK, Ireland, India, Germany and France.

The Group markets and distributes its products to customers around the world, with sales outside the UK representing over 93% of total group sales.

The Group has established overseas marketing and distribution subsidiaries in the USA, Japan, Germany, France, Italy, Spain, Switzerland, Hong Kong, Brazil, The Netherlands, India, Australia, Czech Republic, Poland, Russia, Sweden, Austria, South Korea, Canada, Israel, The People's Republic of China, Singapore and Taiwan. These subsidiaries provide support to customers in our major markets.

There are also representative offices in Hungary, Turkey, Malaysia and Thailand, and an associate company, 50%-owned, in Slovenia.

BUSINESS STRATEGY

The Group's business plan is to develop technologies that provide patented products and methods which support our product strategies. These solutions include, high-speed, high-accuracy, error-corrected dimensional measurement systems, motion controllers with enhanced high-speed performance, ultra high-resolution encoders and the development of novel approaches to materials analysis.

Based upon our core technologies, the Group is developing market opportunities in a range of other industries. These include printing, scientific research, process control in chemical, semiconductor and material production, and motion feedback systems for equipment used in the production of electronic and semiconductor components. Also, in the healthcare sector, the Group is developing systems for precision functional neurosurgery and dental procedures.

The Group continues to develop further geographic markets, with ongoing investment mainly in South East Asia, especially China and India.

To improve the Group's ability to design, manufacture and support its products, continuing investment has been made in manufacturing facilities in the UK, Ireland and in India.

It is the Board's belief that success comes from patented and innovative products and processes, low-cost, high-quality manufacturing and the ability to provide local customer support in all the Group's markets.

ACQUISITIONS

In November 2008, the Group acquired a 75% shareholding in Schaerer Mayfield Neuromate A.G. (since renamed Renishaw Mayfield SA), based in Switzerland, a leading manufacturer of surgical robots for neurosurgery.

The initial consideration was £1,145,000 (including legal costs of £107,000) and there is an option to purchase the remaining 25% shareholding.

Also in the neurosurgery field, the Group invested in a further 25% shareholding in an associate company, PulseTeq Limited, bringing the shareholding up to 75%. PulseTeq specialises in the development of coils for the enhancement of images from MRI scanners. PulseTeq Limited is now accounted for as a subsidiary undertaking.

The Group acquired the business and assets from Qualis Service GmbH, a German company specialising in the service and calibration of CMMs. This provides additional resource for the development of our CMM retrofit strategy.

RISKS AND UNCERTAINTIES

Worldwide recession

Although the Group had good results for the first quarter of the 2009 financial year, the collapse in demand for the Group's products as a consequence of the global recession induced a large turnaround in the results of the Group for the remainder of the year.

In early 2009, the Group began a cost reduction programme which included a reduction in employee head count by 437 and the introduction of a 20% voluntary reduction in group salaries, which applies up to December 2009. Also there is a targeted reduction of £10m per year in other overhead running costs.

It is impossible to forecast the timing of an upturn in the global economy and the Group's internal budgets and forecast reflect this uncertainty.

Order book

Orders from customers generally involve short lead times with the outstanding order book at any time being around one month's worth of sales value.

This limited forward order visibility restricts the Group's ability to accurately forecast demand and therefore requires maximum production flexibility.

Research and development

The Group invests heavily in research and development, to develop new products and processes to maintain the long-term growth of the Group. This research and development encompasses new innovative products within our core metrology business, as well as the application of our technology in other areas, such as dental and specific applications in the medical field.

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

These risks are minimised by operating strictly managed research and development programmes with regular reviews against milestones achieved and against forecast business plans.

Research and development also involves beta testing at our major customers to ensure that new products will meet the needs of the market at the right price.

Defined benefit pension schemes

With the closure of the UK and Irish defined benefit schemes to new employees and future accruals for existing members, the major risk surrounding accounting for pension costs and future funding arise from investment performance within the portfolio and actuarial assumptions proving appropriate.

This year has seen the Consolidated statement of income and expense (the "SORIE") bear an actuarial loss of £13.0m (2008 loss of £20.5m).

The UK defined benefit scheme is secured by a registered charge on certain of the Group's UK properties, with the Pension Regulator having confirmed that it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

Treasury

With the concentration of manufacturing in the UK and Ireland, there is inevitably an exposure to fluctuating currencies on export sales, largely in respect of the US Dollar, Euro and Japanese Yen. This year has seen significant movements in exchange rates which have been reflected in improved results when the performance of overseas operations have been translated into Sterling, although the amount was limited by the hedging of some currencies during the year.

The Group was hedged throughout the year for a significant amount of its exposure to changes in the Euro and, to a lesser extent, US Dollar and Japanese Yen.

The hedging contracts outstanding at the end of the year were marked to market at the year end and the SORIE shows a loss for the year of £1.6m on these outstanding contracts, increasing the cash flow hedging reserve to £5.4m.

The Group continues to be hedged against the Euro and Japanese Yen receivables on a rolling three-and-a-half year basis. A smaller percentage of estimated US Dollar receivables are also hedged up to June 2010. The Group monitors the effectiveness of its hedging policies regularly and any ineffective proportions may need to be accounted for in the Consolidated income statement. The policy relating to the Group's hedging practices is noted within the treasury policies on page 14.

Tax

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

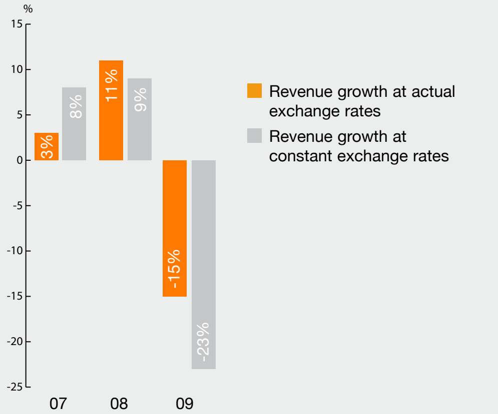
KEY PERFORMANCE INDICATORS

The Group's long-term aim is to achieve sustainable growth in revenue and profits in order to provide an increasing dividend to shareholders. This is to be achieved through the substantial investment in research and development of new products and processes, the application of technologies into different market areas and the development of its global marketing facilities.

The main financial performance measures monitored by the Board are:

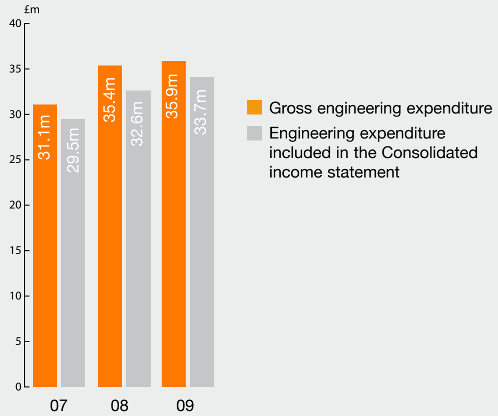
Revenue growth

We are focused on increasing our market penetration, by the growth in revenue. This, however, has been an exceptional year with a severe global economic downturn. We have endeavoured to mitigate the reduction in revenue where possible.



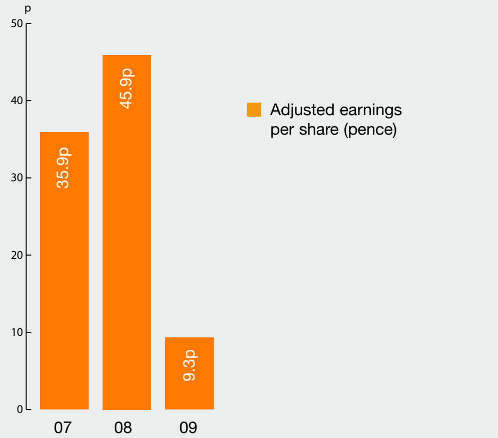
Total engineering costs including research and development

The growth of the business is fundamentally dependent on the continuing investment in engineering costs for the development of new products and processes, and the continuing development costs of existing products and processes. As in prior economic downturns, the Group continues to make heavy investment in future products and, if anything, this time we are accelerating our new product development to help mitigate the impact of the recession. This strategy has proved very successful in the past, ensuring that we maintain our leading market position.



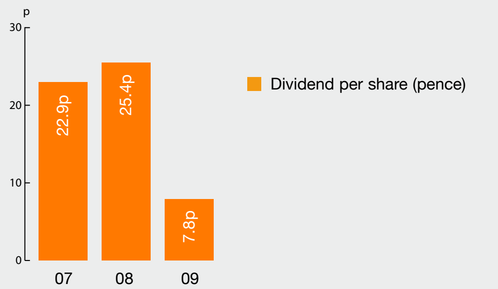
Adjusted earnings per share (pence)

In order to provide an increasing return to shareholders, along with retaining adequate funds for reinvestment in the business, we aim to achieve year-on-year growth in earnings per share. Due to exceptional trading conditions, this has clearly not been achievable this year. However, the Group has reduced its effective cost base through the 20% redundancy and a voluntary pay reduction of 20% for all employees.



Dividend per share (pence)

We aim to achieve significant long-term returns to shareholders by maintaining a progressive dividend policy. However, given the exceptional trading conditions and the consequential impact on our results, a final dividend in relation to this year is not being proposed.



INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

In accordance with EU law, the consolidated financial statements of the Company are prepared in accordance with IFRS adopted by the EU. The Company has elected to prepare its parent company financial statements in accordance with UK GAAP.

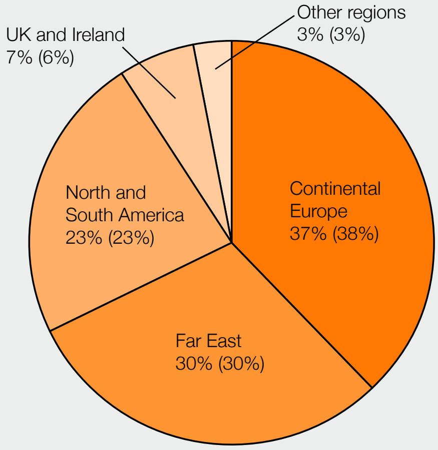
OPERATING REVIEW

In the year to 30th June 2009, group revenue decreased by £30.0m, or 15%, over the previous year, from £201.2m to £171.2m. Overall, exchange rates have been favourable for the Group relative to the previous year, although the full benefit was not realised as a significant portion of revenue had been hedged by way of forward contracts (see note on treasury policies below).

Revenue would have decreased by £46.0m, or 23%, if translated at the previous year’s exchange rates.

Geographically, the following table shows the analysis of revenue by geographical market and the effect of exchange rate changes.

Revenue by geographical segments



Geographical analysis	2009 sales at actual exchange rates £’000	Change from 2008 %	2009 sales at 2008 exchange rates £’000	Change from 2008 %	2008 sales at actual exchange rates £’000
Continental Europe	63,222	-18%	61,056	-21%	77,219
Far East, including Japan and Australia	52,006	-13%	42,370	-29%	59,536
North and South America	40,071	-14%	35,856	-23%	46,644
UK and Ireland	11,259	-6%	11,259	-6%	12,020
Other regions	4,689	-18%	4,650	-19%	5,738
Total group revenue	171,247	-15%	155,191	-23%	201,157

Headcount started the year at 2,151 at 1st July 2008. During the first half of the year, with growing revenue, headcount increased by 143, up to 2,294 by January 2009. However, the sudden and rapid downturn in the global economy during the second half of the year led to the Group implementing a compulsory redundancy programme, resulting in a reduction of 437 people (316 in the UK and 121 overseas) under this programme. Staff numbers ended at 1,843 at 30th June 2009.

Labour costs decreased by £1.5m, from £81.5m last year to £80.0m, a decrease of 2%. During the year, the Group introduced a three-month voluntary 20% pay reduction, which took effect for UK employees from 9th February 2009 and was generally effected throughout the Group, subject to local laws and regulations. This has subsequently been extended to December 2009. Employees may receive payments to compensate for salary forgone if certain profitability levels are met during this period.

Redundancy and other one-off termination payments amounted to £4.1m and are disclosed separately in the Consolidated income statement.

Research and development

The Group has a continuing commitment to a high level of research and development. The expenditure involved is directed towards the research and development of new products relating to metrology, computer aided design and manufacturing systems, Raman spectroscopy systems and an increasing emphasis on products for neurosurgical and dental procedures.

Gross expenditure in engineering costs, comprising research and development costs related to new products and processes, along with continuing development costs on existing products and processes was £35.9m. The capitalisation of development costs (net of amortisation charges) amounted to £2.2m, giving a net charge in the Consolidated income statement of £33.7m. This compares with a gross figure of £35.4m, capitalised costs of £2.8m and a net charge of £32.6m last year.

Included in engineering costs was £23.6m related to new product research and development, which compares with £21.8m spent last year.

Profits

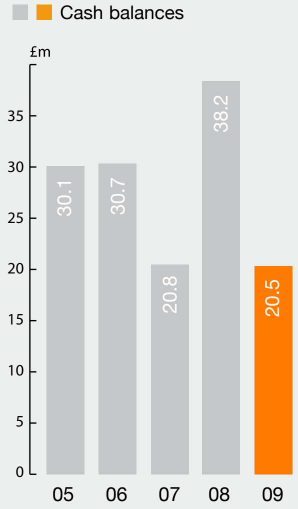
The operating profit for the year was £1.9m, compared with £38.7m in the previous year.

Profit before tax was £4.7m, compared with £43.0m in the previous year.

The overall effective rate of tax, a combination of the varying tax rates applicable throughout the countries in which the Group has operations, was 24%. The comparable rate for the previous year was 20%.

Earnings per share, decreased from 47.6p to 4.9p.

Cash balances



BALANCE SHEET

The Group spent £11.0m on property, plant and equipment during the year, mainly relating to the continuing development of our manufacturing facilities in the UK, Ireland and India. The net book value of these assets increased by £4.8m during the year, from £68.8m to £73.6m.

Intangible fixed assets, comprising capitalised development costs, goodwill and intangible assets relating to acquisitions, and software licences, grew by £8.6m during the year from £19.1m to £27.7m. The principal increases were the capitalisation of development costs, which, net of amortisation charges, amounted to £2.2m, goodwill and intangible assets arising from the acquisition of Renishaw Mayfield SA of £3.1m and the purchase of software packages of £3.5m.

Group inventories have decreased by 15% during the year, as part of a group-wide initiative, from £34.2m to £29.2m.

In response to the worsening trading position during the year, the management of cash resources became a top priority.

The reduction in cash balances was minimised by the following:

- reducing inventory;
- a 20% pay reduction for group employees with effect from February 2009;
- tight control of all overhead expenditure;
- capital expenditure limited to essential items only; and
- the decision of the executive directors to waive their interim dividend entitlement.

Cash balances at 30th June 2009 of £20.5m were down £17.7m from the £38.2m held at 30th June 2008. Cash flows from operating activities decreased to £31.5m from £46.9m last year.

At the end of the year, the two defined benefit pension funds, now closed for future accrual, showed a deficit of £22.5m, compared with a deficit of £11.1m at 30th June 2008. Defined benefit pension fund assets at 30th June 2009 were £70.2m (2008 £85.1m) with liabilities of £92.6m (2008 £96.2m).

For the UK defined benefit scheme, a guide to the sensitivity of the value of the liabilities is:

Valuation sensitivity	Variation	Approximate effect on liabilities
Discount rate	0.1%	£2.2m
Inflation	0.1%	£2.0m
Mortality	Change to medium cohort	£1.4m

TREASURY POLICIES

The Group's treasury policies are designed to manage financial risks to the Group that arise from operating in a number of foreign currencies and to maximise interest income on cash deposits. As an international group, the main exposure is in respect of foreign currency risk on the trading transactions undertaken by overseas subsidiaries and on the translation of the net assets of these subsidiaries.

Weekly group-wide cash management reporting and forecasting is in place to facilitate management of this currency risk. The operations of group treasury, which is situated at head office, are governed by Board-approved policies.

All Sterling and foreign currency balances not immediately required for group operations are placed on short-term deposit with leading international highly-rated financial institutions.

The Group uses a number of financial instruments to manage foreign currency risk, such as foreign currency borrowings to hedge the exposure on the net assets of the overseas subsidiaries and, from time to time, forward exchange contracts to hedge foreign currency cash inflows.

Also, currency contracts are used to minimise the interest cost of maintaining the currency borrowings. The foreign currency borrowings are short-term with floating interest rates. The Group does not speculate with derivative financial instruments.

See note 22 on page 43 for an analysis of cash balances and currency borrowings at the year end.

During the year, there were forward contracts in place to hedge against the Group's Euro cash inflows for the year, the Group's Japanese Yen cash inflows from October 2008 onwards and a significant portion of the Group's US Dollar cash inflows from October 2008 onwards. As a result of the subsequent weakening of Sterling against these currencies, there was a loss for the year of £11.0m on maturity of these contracts, relative to the exchange rates pertaining at the maturity dates and compared with a profit of £0.1m in the previous year.

Forward contracts are in place as a hedge against the Group's estimated Euro and Japanese Yen cash inflows on a rolling three-and-a-half-years' basis and against a significant portion of the Group's estimated US Dollar cash inflows for the year ending 30th June 2010. The average exchange rates applicable to these contracts are:

Year ending 30th June	2010	2011	2012	2013 (6 months)
Euro	1.31	1.30	1.22	1.12
Japanese Yen	155	139	135	131
US Dollar	1.69	-	-	-

INVESTMENT FOR THE FUTURE

The Group has continued to invest heavily in innovative products and processes, with 21% of revenue being spent on engineering costs. The Group is committed to continuing this policy in order to develop new products to support its existing markets and to expand into new market areas, particularly the healthcare sector.

We will also continue to invest in manufacturing, improve efficiencies in production and ensure capacity for the future, and extend our presence around the world.

A C G Roberts FCA
Group Finance Director
29th July 2009

In a difficult year for many of our customers, the ability of Renishaw's products to reduce their energy costs and material consumption by increasing manufacturing efficiency and reducing wasted resources has been especially welcome. Our products help customers reduce their use of raw materials, natural resources and energy, with many examples published in the news section of our website, www.renishaw.com.

At the same time, the Board has long recognised the need for the effective management of the social and environmental factors affecting the business and, in turn, their impact on its reputation and profitability. The Company has worked closely with the local community since its formation and there has been a Renishaw Charities Committee (RCC) since 1987.

Renishaw is continuing to formalise the process of managing these factors further by evaluating measures to analyse the Company's performance in the following key areas:

> Staff

> The environment

> The community

This will include the continuing development of systems to identify and report on non-financial key performance indicators, whilst at the same time ensuring the quality of the indicators reported.

STAFF

Renishaw is an equal opportunities employer operating a strict policy of non-discriminatory behaviour. It has a diverse mix of age ranges, gender and ethnicity. As at the end of June 2009 some 18.6% of UK staff are aged over 50 with 9.2% below 25, and some 29.3% of employees are female. Within the UK workforce based at our Gloucestershire sites, non-white ethnic groups have a representation of circa 5%, which is much higher than that of the Stroud District in which these sites are situated, which in its 2001 Census totalled just 0.7%. Worldwide staff turnover (excluding redundancies) has remained stable compared to last year at around 7%, which compares favourably with the 2008 average in the UK manufacturing sector of 15.3% (source: CIPD).

Long service is rewarded at every five years of service and can include small gifts, extra holiday allowance and a cash sum, with over 300 staff benefitting this calendar year.

Despite a difficult year in which there were reductions in staffing numbers and voluntary salary reductions, close communication was maintained with employees, both direct and through newly formed work forums. The latter were established to represent the interests of staff at all eight UK sites, with representatives elected through a fully democratic ballot. During this difficult period, the Chairman & Chief Executive and Assistant Chief Executive hosted 24 one-hour meetings at the main Gloucestershire sites, where all 1,450 staff then based in the county were able to hear presentations and ask questions about the Group's difficult trading conditions, and the reasons for redundancies and requested salary reductions. All presentations and responses to questions raised at these meetings were made available on the Group's intranet which is available to staff worldwide.

A new electronic version of the in-house journal 'Probity' is being introduced in Autumn 2009, in line with both company and employee suggestions to reduce print costs and reduce environmental impact. A small number of printed copies will be made available for staff without access to email.

In August 2008 a variable working-time trial began, which proved a great success, and has now been adopted as standard practice for all UK staff. This is allowing staff members to create a better work-life balance, whilst at the same time maintaining full support to Renishaw's worldwide customer base.

Other benefits that staff receive include the use of gymnasiums at the New Mills, Stonehouse, Ireland and Woodchester sites and subsidised restaurants at the most populous UK locations. There are also discounts for sports and social activities.

In Tokyo, Renishaw KK's head office building was strengthened to meet the Japanese 'Seismic Index of Structure' recommendations, protecting both staff and the local community against the potential impact of a major earthquake on this building.

Despite the difficult economic environment, Renishaw has continued its UK apprenticeship and industrial placement programme. There are 28 apprentices currently in training, and 10 new starters confirmed for September 2009, plus 7 industrial placement students.

THE ENVIRONMENT

Renishaw takes its responsibilities to the environment very seriously, as befits a company that has many of its manufacturing facilities based in a rural setting. Energy consumption, water usage, emissions to air and water, and disposal of waste materials are all taken into consideration.

The Company has continued to prove its commitment to reducing its impact on the environment through a number of energy monitoring and reduction schemes currently being implemented. It is also continuing an ongoing programme to reduce the amount of waste sent to landfill.

All new investment in information technology is made with power consumption in mind, ensuring the most energy efficient equipment is purchased where possible. This will also ensure that as equipment is replaced, energy consumption will continue to reduce.

Energy

During the past year the Company has significantly improved its ability to monitor energy usage, and monthly executive reports are now produced that analyse the consumption of electricity and gas at the four main sites in Gloucestershire. Such data is helping the business to make better informed decisions about areas where energy efficiency gains can be made, driven by both environmental and cost considerations.

At the main Gloucestershire sites, the Company has recently improved its building management system to allow better central control of its heating, ventilation and air conditioning (HVAC) systems.

The system is designed to optimise start times of the HVAC equipment. This ensures that a building is at the correct temperature for the start of the working day by taking into account actual temperatures and switching on the equipment as late as possible, whilst still ensuring that there is enough time for the building to reach the required temperature.

At the end of each working day all unnecessary HVAC equipment is turned off to reduce energy consumption. It is estimated that these changes will lower Renishaw's annual electricity consumption by some 2.1 million kilowatt hours (kWh) and reduce carbon dioxide (CO_2) emissions by approximately 1200 tonnes.

During the year new roof cladding and insulation was applied to one of the older buildings at New Mills. The roof on the historic former weaving shed now has a low thermal transmittance 'U-value' of just 0.2, significantly reducing heat loss and saving on the energy consumption required for heating/cooling the building.

Renishaw's employees are regularly reminded that where possible they should switch off power to all their standard equipment at the end of each working day and the Company is currently considering investments for data collection systems that will help further improve the control of small power systems, such as PCs, laboratory equipment and office printers.

The Company's ongoing programme to reduce the amount of electricity consumed by lighting has seen new investments in passive infra-red detectors to switch lighting off when areas are not occupied, for example, changing rooms and toilet facilities at the Stonehouse factory.

Emissions

Renishaw is extremely conscious of the environmental impact of its operations.

Detailed analysis of the Group's carbon footprint for the 2008-2009 financial year indicates that electricity represented around 67% of the Company's total CO_2 emissions, followed by approximately 16% attributable to emissions generated by staff travelling to work.

As already noted, a focus on energy consumption is already reducing CO_2 emissions, and it is estimated that over the past 2 years, there has been a reduction of some 2,200 tonnes (18%) due to lower electricity usage.

There is very limited public transportation serving Renishaw's sites in Gloucestershire, where the majority of the Group's staff is employed. Therefore the Company actively tries to reduce the impact of CO_2 caused by travel, encouraging staff to car share by hosting a specific area on the company intranet, facilitating lift-share notices on notice boards at the various company sites and circulating regular email reminders of the benefits of car sharing.

To reduce the need for business travel, video conferencing facilities have also been implemented at three sites in Gloucestershire, at the Scottish research facility, and subsidiary operations in India, Ireland, Germany, Japan and the USA.

One particular focus has been on reducing the number of products purchased in aerosol form. A 60% reduction has been achieved in recent years, with the remainder still purchased due to the lack of current alternatives. However, this situation will be constantly monitored and alternatives procured as soon as they become available.

The analysis of the Group's carbon footprint is very complex, given its geographic spread, employment profile and varied manufacturing facilities. However, comparing the 2008-2009 financial year to that of 2006-2007 (no analysis was made in 2007-2008), it is conservatively estimated that there has been a 20% reduction in overall CO_2 emissions, primarily due to reductions in electricity consumption and air freight, attributable to both improved operating efficiencies and lower activity levels.

Waste

Renishaw continues to analyse its waste streams and is forming a strategy to deal with its waste to the highest environmental standards.

The Company has increased the amount of its waste that is recycled instead of sent to landfill, including paper, cardboard, plastic cups, toner cartridges and batteries.

It is also seen as important to reduce waste at source, and all staff are encouraged to reduce printing where possible and use double-sided printing to reduce the volumes of paper used. Increasingly, technical documentation is distributed to customers in electronic format, and during the year an enhanced 'Resource Centre' was introduced that makes it easier to source documentation through the Renishaw website. Regular marketing communications with customers in many markets is now solely by email, eliminating the need for printed newsletters and envelopes.

Although none of the Company's products currently falls within the scope of the requirements of the European Directive 2002/95/EC on the Restriction of the use of certain Hazardous Substances (RoHS), the Company has undertaken to develop and implement processes to the meet these requirements, wherever possible. All new position encoder products are now introduced as RoHS compliant.

THE COMMUNITY

As in previous years Renishaw has developed close links with the community through its involvement with a number of local and national charities and schools.

For many years Renishaw has supported the efforts of The National Blood Service which now visits the New Mills site three times per year, on each occasion taking blood donations from around 70 employees over a four-day period. The Company is proud to support this vital service which relies entirely on voluntary support.

The Company's sites in Gloucestershire are often made available to local organisations. During the year the Old Town and Woodchester car parks were used for the 'I Love Wotton' town fair and a Rolls-Royce Enthusiasts Club event in Nailsworth, plus an older building at our Woodchester site was used for a Gloucestershire Fire and Rescue Service fire simulation exercise, involving some 35 fire fighters.

Charity

Together, the Renishaw Charities Committee and staff support a number of charitable institutions on an international basis, particularly those that help enrich the lives of children and adults, from toddler groups and sports clubs, through to organisations supporting the disabled and victims of domestic violence.

In Pune, India, the RCC and local staff donated monies to enable the elderly residents of Matoshree Old Age Home to undergo a comprehensive health check at a special camp, and also supported the work of Seva Sahyog, an NGO that works with children from disadvantaged backgrounds, to supply school equipment.

The Bath Institute of Medical Engineering (BIME) is a design and development charity working in the fields of medicine, healthcare and assistive technology for disabled people. Its team of engineers works on a large number of projects, ranging from technology for people living with dementia to very practical items of daily living equipment. The RCC chose to support a project which uses bed sensors to detect when a person has left his or her bed, automatically switching on a bedside lamp – the product is now available from the BIME.

The Woodfield Youth and Community Centre in Cam, Gloucestershire, is an important part of the local community, and home to various youth groups, playgroups and clubs. However, it sought the support of the RCC to help improve the fabric and security of its building, after suffering vandalism which threatened the future of many of the groups that used the facilities.

Disabled Travel Service (DTS) aims to provide physically and financially accessible door-to-door transport for disabled and vulnerable people from within a 50-mile catchment area of the city of Bristol. Its members are able to access the service on a 24:7 basis to any destination in the UK. The RCC helped fund the purchase of a new custom-designed minibus.

In Reutlingen, Germany, the Renishaw GmbH charities committee funded catering equipment for Lobbyrestaurant, an organisation that supplies heavily subsidised meals to the homeless and people receiving welfare benefits.

Throughout the year, Renishaw also supported numerous charitable events by allowing its boundary fences at New Mills and Woodchester to be used for promotional banners, and also disseminates event information to staff via notice boards and internal communication bulletins.

Education

Nurturing the next generation of engineering excellence and a desire to present a positive image of engineering is a fundamental part of the Company's involvement with education.

During the year Renishaw hosted two organisations that are producing materials to support lecturers, teachers and pupils for the UK's new Diploma in Engineering, which is targeted at pupils aged 14 to 16. The Technology Enhancement Programme and Pearson Education, spent a total of eight days at Renishaw's Gloucestershire sites, where they were given full access to film various staff during their normal working day and to capture their thoughts about a career in engineering. The first materials are expected during Autumn 2009.

Renishaw has also become a long-term partner of Cardiff University, supporting the refurbishment of its Trevithick Library, which caters for students and researchers studying engineering, physics, computer science and manufacturing engineering. The new state-of-the-art learning facility includes the 'Renishaw Room', a group study facility that provides an inspirational learning environment for the next generation of high-class graduate engineers and physicists.

The Company also continues to foster relationships with primary and secondary schools, at both a corporate and individual staff member level, providing support for work experience, school visits, careers evenings and access to manufacturing equipment for school project work. An example of the latter saw Renishaw's rapid prototyping facilities at New Mills being made available to children from St Rose's special needs school in Stroud, who, mentored by teachers from the local Marling School, produced bodies for electrically powered vehicles.

The directors have pleasure in presenting their 36th Annual report, together with the audited financial statements for the year ended 30th June 2009 as set out on pages 24 to 52.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the Group during the year were the design, manufacture and sale of advanced precision metrology and inspection equipment, computer aided design and manufacturing systems and Raman spectroscopy systems.

A review of the business and likely future developments is given in the Chairman's statement and the Financial review. Segmental information by geographical market is given in note 2 to the financial statements.

The Companies Act 2006 requires the Directors' report to include a business review. Certain information that fulfils these requirements and those of the Disclosure and Transparency rules, which require the Annual report to include a management report, can be found in the Financial review on pages 10 to 14 of this Annual report and the description of corporate social responsibility activities on pages 15 and 16 of this Annual report, as well as in this Directors' report.

The Company's corporate governance practices are set out in the Directors' corporate governance report set out on pages 19 and 20.

There are no persons with whom the Company has contractual or other arrangements which are essential to the business of the Company.

Further information is also available on the Company's website: www.renishaw.com.

DIVIDENDS

The directors do not propose a final dividend (2008 £12,832,620 or 17.63p per share), so the interim dividend of £2,816,671 (after the waiver of dividend entitlements by the executive directors, or 7.76p per share) (2008 £5,648,391 or 7.76p per share), is the total amount of dividends for the year, compared to £18,481,011 or 25.39p per share for the previous year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the share capital of the Company (with the equivalent number of voting rights), at the beginning and the end of the year, were:-

	Ordinary shares of 20p each	
	2009	2008
Sir David McMurtry	26,377,291	26,377,291
D J Deer	12,533,040	12,533,040
B R Taylor	10,147	10,147
A C G Roberts	5,165	5,165
G McFarland	-	-
J P McGeehan	900	900
T D Snowden	5,000	5,000
T B Garthwaite	3,000	3,000
W H Whiteley	1,690	1,690

All the above holdings were beneficially held with the exception of 2,434,411 shares (2008 2,434,411 shares) which were non-beneficially held by D J Deer but in respect of which he has voting rights.

There has been no change in the above holdings in the period 1st July 2009 to 29th July 2009.

Sir David McMurtry and D J Deer, both of whom are employed under a service agreement with the Company, retire by rotation and being eligible, offer themselves for re-election at the annual general meeting ("AGM") to be held on 15th October 2009. Biographical details of the directors are shown on pages 4 and 5.

Sir David McMurtry as one party and D J Deer and Mrs M E Deer as the other party have entered into an agreement relating to the way each party would vote his or her shares if requested by the other party to do so. This agreement continues until 25th May 2013.

The powers of the directors are set out in the Company's Articles of Association. There are no powers given to the directors that are regarded as unusual.

DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

Subject to the provisions of the Companies Acts the Company's Articles of Association provide for the directors and officers of the Company to be appropriately indemnified. The Company maintains insurance for the directors and officers of the Company for their acts and omissions during the performance of their duties.

SHARE CAPITAL

Details of the Company's share capital, including rights and obligations, is given in note 21 to the financial statements. The Company is not party to any significant agreements that might terminate upon a change of control of the Company. A shareholder's authority for the purchase of its own shares was in existence during and valid at the end of the year. However, the Company did not purchase any of its own shares during the year.

AUDITORS

A resolution to re-appoint KPMG Audit Plc as auditors of the Company will be proposed at the forthcoming AGM.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ANNUAL GENERAL MEETING

The notice of AGM on page 53 sets out special business relating to a resolution for the purchase of own shares. The directors consider that the Company should have the flexibility to be able to make market purchases of its own ordinary shares, up to a total of 10% of the issued share capital. Shareholders are being asked to pass the necessary special resolution no. 6 at the AGM to give the required authority until the earlier of the conclusion of the 2010 AGM and 31st December 2010. There is at present no intention to purchase shares and, if granted, the authority would only be exercised if an improvement in earnings per share were expected to result.

SUBSTANTIAL SHAREHOLDINGS

Apart from the shareholdings (and corresponding voting rights) of Sir David McMurtry and John Deer (36.2% and 17.2% respectively), the following voting rights have been notified to the directors, which represent 3% or more of the voting rights attached to issued shares in the Company, as at 29th July 2009: Capital Research and Management Company, 4.8%.

RESEARCH AND DEVELOPMENT

The Group has a continuing commitment to a high level of research and development. The expenditure involved is directed towards the research and development of new products relating to metrology, computer aided design and manufacturing systems, Raman spectroscopy systems, dental and certain areas in the medical field.

CREDITOR PAYMENT POLICY

The Company has a variety of payment terms:

- Contracts have been negotiated with a number of suppliers and payments are made in accordance with the terms of these contracts.
- Payment terms are disclosed on the Company's standard purchase order forms. The Company's policy is to ensure that all invoices are settled within 60 days of the receipt and agreement of a valid and complete invoice.

Two payment runs are made each month. Wherever possible, payments are made using the Bankers' Automated Clearing Service.

Typically, the Company settles all due invoices in the calendar month following their receipt. The number of days' purchasing outstanding at the end of June 2009 was approximately 30 days (2008 30 days).

EMPLOYEES

The maintenance of a highly skilled workforce is essential to the future of the business and the directors place great emphasis on the continuation of the Company's approved training policy. Health and safety matters are given special attention by the directors and well established systems of safety management are in place throughout the Group to safeguard employees, customers and visitors.

Employment policies are designed to provide equal opportunities irrespective of race, colour, religion, sex, age, disability or sexual orientation. Opportunities are given to employees who become disabled, to continue in their employment or to be trained for other positions.

Regular contact is maintained with all employees through monthly communications meetings and departmental channels. In addition, in February and August, the Assistant Chief Executive presents the interim results and final results respectively, to all employees following their publication.

Employees are encouraged to be involved in the Company's performance through various methods, including a staff suggestion scheme under which awards are given for innovative suggestions for improving the way in which the Company undertakes its business, an inventors award scheme for individuals who are named as inventors on patent applications that are subsequently granted and an annual performance bonus programme which is dependent upon individual performance and the performance of the Company.

During the year, the Company implemented employee work forums at each of its UK sites. Employee work forum representatives were elected to liaise with management on employee matters. The employee representatives were consulted regarding a Group cost reduction programme and a compulsory redundancy programme which were implemented during the period. 316 staff were made redundant in the UK and 121 overseas. Further information on employee matters is contained in the description of corporate social responsibility activities set out on pages 15 and 16.

DONATIONS

During the year the Group made charitable donations of £91,000 (2008 £41,000). The Group organises its charitable donations by two methods: firstly, by allocating a fund of money to its Charities Committee; and secondly, through direct grants as decided by the Board. The Charities Committee meets at least four times a year to consider all applications for donations from local groups in the area. Its donations policy is to provide funds to local causes or local branches of national groups, with focus on youth projects. Further information is set out on pages 15 and 16.

No political donations were made during the year (2008 £nil).

By order of the Board
N Tang
Secretary
29th July 2009

The Board is committed to maintaining high standards of corporate governance. This report, together with the Directors' remuneration report on page 21 sets out how the Company has applied the principles of the Combined Code on Corporate Governance (the "Code") issued by the Financial Reporting Council and contains the information required by Section 7 of the FSA Disclosure and Transparency Rules.

A. DIRECTORS

THE BOARD

The Board comprises five executive and four non-executive directors. The directors holding office at the date of this report and their biographical details are given on pages 4 and 5.

The Board focuses on formulation of strategy, management of effective business controls and review of business performance. There is a formal schedule of matters specifically reserved to it for decision. These include the approval of annual and interim results and interim management statements, company and business acquisitions and disposals, major capital expenditure, borrowings, material agreements, director and company secretary appointments and removals, any patent-related dispute and other material litigation, forecasts and major product development projects.

The Board meets as often as is necessary to discharge its duties effectively. In the financial year ended 30th June 2009, the Board met ten times and the directors' attendance record at Board and committee meetings is set out at the end of this report. In addition, the non-executive directors met a number of times without executive directors present.

The Board has two formally constituted committees, the Audit committee and the Remuneration and nomination committee. There is an executive committee known as the Executive Board that is responsible for the executive management of the Group's businesses. It is chaired by the Chairman and includes the executive directors of Renishaw plc and other senior management representatives.

A framework of delegated authorities is in place that maps out the structure of delegation below Board level and includes the matters reserved to the Executive Board. The Company maintains liability insurance for its directors and officers as disclosed in the Directors' report.

The Company amended its articles of association in October 2008 to deal with, amongst other things, the provisions on conflicts of interest in the Companies Act 2006 which came into force in October 2008. The Board adopted a conflict of interests policy, putting in place procedures for the disclosure and review of any conflicts and potential conflicts and authorisation by the Board if felt appropriate. The Board intends to review the authorisations granted, and the terms of such, on an annual basis.

CHAIRMAN AND CHIEF EXECUTIVE

The role of Chairman and Chief Executive is a combined role and thus contrary to the recommendations of the Code. However, the Board considers that there is still a clear division of responsibilities at Board level to ensure an appropriate balance of power and authority.

BOARD BALANCE AND INDEPENDENCE

Each of the four non-executive directors is considered by the Board to be independent in character and judgement and there are no relationships or circumstances that are likely to affect a non-executive director's judgement.

The Code recommends that at least half the board, excluding the Chairman, should comprise independent non-executive directors. If the Chairman were to be excluded, this Code requirement would be met. However, as the Chairman is an executive director, the intention behind the Code requirement is not met. The Board does not comply with this requirement as it considers the balance of the Board to be appropriate for the size of its business.

The senior independent director is Joe McGeehan and he is available to discuss concerns with shareholders should the normal channels of the Chairman and Chief Executive or the Group Finance Director fail to resolve such concerns or for which such contact is inappropriate.

APPOINTMENTS TO THE BOARD

The Remuneration and nomination committee is the committee responsible for reviewing the structure and composition of the Board and nominating candidates for appointment to the Board. All the members of this committee are independent non-executive directors and a list of membership and the chair of the committee is set out on page 5. The terms of reference of this committee are published on the Company's website.

The terms of appointment of the non-executive directors are available for inspection at the AGM and at the registered office upon written request.

None of the executive directors holds a directorship in a FTSE 100 company.

INFORMATION AND PROFESSIONAL DEVELOPMENT

The Board receives appropriate documentation, management accounts, forecasts and commentaries thereon in advance of each Board meeting to enable its members to review the financial performance of the Group, current trading and key business initiatives.

Directors are offered the opportunity to attend formal training courses to update their knowledge of their duties as directors. Guidance notes on changes to law and regulations are provided as appropriate. Non-executive directors are invited to attend internal conferences, which provide information to the Group on new product development and marketing initiatives. All directors have access to the company secretary and to independent professional advice at the Company's expense where necessary to discharge their responsibilities as directors.

PERFORMANCE EVALUATION

The Board has established a formal process, led by the senior independent director, for the annual evaluation of the performance of the Board and the Chairman. This includes the completion of a questionnaire designed and approved by the Board to provide a framework for the evaluation process. It is the role of the senior independent director to summarise the responses and discuss them with individual directors and with the Board as a whole.

RE-ELECTION

In accordance with the articles of association of the Company, the directors who offer themselves up for re-election at the AGM to be held on 15th October 2009 will be Sir David McMurtry and John Deer.

B. DIRECTORS' REMUNERATION

The Directors' remuneration report set out on page 21 explains how the Company applies the Code principles relating to remuneration.

C. ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

The respective responsibilities of the directors and auditors in connection with the financial statements are explained in the Statement of directors' responsibilities and the Independent auditors' report.

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 Financial review on pages 10 to 14, where also given are details of the financial and liquidity positions. In addition, note 22 on pages 43 and 44 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 despite the current uncertain economic outlook.

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.

INTERNAL CONTROL

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

There are defined lines of responsibility and delegation of authorities. There are also established and centrally documented control procedures, including, for example, capital and other expenditure, information and technology security, and legal and regulatory compliance. These are applied throughout the Group.

The Group internal audit function provides independent and objective assurance that the procedures are appropriate and effectively applied. The Group Audit Manager attends Audit committee meetings to present annual internal audit plans and the results of such internal audits. Actions are monitored by the Audit committee on an ongoing basis.

There is a process for the review of business risks throughout the Group. These are reported on a monthly basis by senior management and overseas subsidiaries. These reports are reviewed by the Board at each of its meetings.

The Board ensures that there are effective internal controls over the financial reporting and consolidation processes. Monthly accounts and forecasts are presented to the Board for review. The Group internal audit function undertakes a programme of review of subsidiaries' accounting processes and performance to provide assurance to the Board on the integrity of the information supplied by each company which forms part of the consolidated results of the Group.

The Board undertakes an annual formal review of the effectiveness of the Group's system of internal controls and an updated risk and controls analysis for the Group. The review covers all material controls, including financial, operational and compliance controls and risk management systems.

The Board considers that there is an ongoing process for identifying, evaluating and managing the significant risks facing the Group that has been in place during the year, is regularly reviewed and accords with the Turnbull guidance. The Board confirms that necessary action has been or is being taken to remedy any significant failings or weaknesses identified from its review.

AUDIT COMMITTEE AND AUDITORS

The Audit committee comprises the four non-executive directors. A list of the members and the chairman is set out on page 5. The Board is satisfied that at least two members of the committee have recent and relevant financial experience, being Terry Garthwaite and David Snowden. The terms of reference of this committee were reviewed during the year and are available on the Company's website.

The committee reviews the accounting policies and procedures of the Group, its annual and interim financial statements before submission to the Board and its compliance with statutory requirements. The committee monitors the integrity of the Group's financial statements and announcements relating to financial performance and reviews the significant reporting judgements contained therein. It also reviews the scope, remit and effectiveness of the internal control systems and internal audit function.

The committee has primary responsibility for making the recommendation on the appointment, re-appointment and removal of external auditors, which the Board puts to shareholders for approval at the AGM.

It keeps under review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors. The auditors provide a confirmation of independence on an annual basis. The committee reviews the nature and extent of the non-audit services supplied by the auditors, receiving regular reports on the balance of audit to non-audit fees.

The committee reviews the policy by which employees of the Company may, in confidence, raise matters of concern, including possible improprieties in financial reporting or other matters.

The committee meets at least three times a year with the Group Finance Director, the Group Financial Controller, the Group Audit Manager and the external auditors in attendance. At least one meeting, or part, is held with the external auditors without executive directors present.

D. RELATIONS WITH SHAREHOLDERS

DIALOGUE WITH INSTITUTIONAL SHAREHOLDERS

Presentations are given to institutional investors following publication of the half-year and full-year results, following which interim reports are published and annual reports are delivered to all shareholders. Institutional investors are actively encouraged to visit the Company's headquarters and manufacturing sites where they will meet at least one of the executive directors and have the opportunity of discussing any issues with them. Meetings with investors, analysts and media are reported at each Board meeting and analysts' and brokers' reports circulated so that the Board develops an understanding of the views of investors and others.

If requested, non-executive directors are available to attend meetings with major shareholders. All directors attend the AGM at which they have the opportunity to meet with shareholders.

CONSTRUCTIVE USE OF THE AGM

The AGM takes place at the Company's headquarters and formal notification is sent to the shareholders at least 20 working days before the meeting. A business presentation is given at the meeting and all directors are available for questions during and after the meeting. Tours of the Company's facilities are offered.

The Company reports on the number of proxy votes lodged on each resolution, the balance for and against each resolution and the number of abstentions after the resolution has been dealt with on a show of hands. This information is provided to the shareholders attending the AGM and published on the Company's website following the meeting.

FSA DISCLOSURE RULE DTR 7.2.6 R

The information required to be disclosed by this rule is contained in the Directors' report.

BOARD AND COMMITTEE MEMBERSHIP ATTENDANCE RECORD

Shown against each director's name is the number of meetings of the Board and its committees at which the director was present and, in brackets, the number of meetings that the director was eligible to attend during the year.

Director	Board	Audit committee	Remuneration & nomination committee
Sir David McMurtry	10 (10)	-	-
D J Deer	10 (10)	-	-
B R Taylor	10 (10)	-	-
A C G Roberts	10 (10)	-	-
G McFarland	10 (10)	-	-
J P McGeehan	9 (10)	2 (3)	1 (1)
T D Snowden	10 (10)	2 (3)	1 (1)
T B Garthwaite	9 (10)	3 (3)	1 (1)
W H Whiteley	8 (10)	2 (3)	0 (1)

COMPLIANCE STATEMENT

The Board considers that it has complied with the requirements of the Code except in relation to the following matters (the reasons for non-compliance are stated in the report above):

- the combined role of chairman and chief executive; and
- at least half the board, excluding the chairman, does not comprise independent non-executive directors.

N Tang
Secretary
29th July 2009

REMUNERATION POLICY

The Remuneration and nomination committee is responsible for deciding the Company's framework of executive remuneration and setting remuneration packages for each of the executive directors.

The committee's policy is to motivate and retain executive directors by rewarding them with competitive salary and benefit packages and incentives. These are linked to the overall performance of the Group and, in turn, to the interests of the shareholders.

The committee reviews annually all aspects of the executive directors' remuneration, performance and employment.

REMUNERATION AND NOMINATION COMMITTEE

All the members of this committee are non-executive directors and a list of membership and the chair of the committee is set out on page 5. The terms of reference of this committee are published on the Company's website.

The remuneration of the non-executive directors is determined by the executive directors.

No new appointments of directors were made during the year.

REMUNERATION

Salary

The committee reviews basic salaries to take effect from 1st July each year. In deciding appropriate levels, the committee takes account of financial data taken from a cross-section of UK companies within the electronics and engineering sectors.

The salaries of all employees of the Company, including directors, were temporarily reduced by 20% from 9th February 2009 to 31st December 2009.

Bonus

The Company introduced a revised bonus scheme for executive directors last year based on an assumption of improving group profit shown by the Renishaw business plan.

As a consequence of the reduction in group profitability reported in these accounts there will be no annual bonus for executive directors in the current year.

There are no share options or long-term incentive schemes in operation for the directors but the position is kept under review.

The non-executive directors do not participate in a bonus scheme.

Other benefits

Company cars and other benefits provided to directors are subject to income tax. The benefits are included in the directors' remuneration table on page 34.

Geoff McFarland is a non-executive director of Delcam plc, in respect of which no remuneration is payable by Delcam plc.

Pensions

The Company makes annual contributions of 15% of underlying basic salary to individual pension policies for Ben Taylor and Allen Roberts. Neither bonus scheme payments nor other benefits are eligible for pension scheme contributions.

Geoff McFarland participated in the Company's defined benefit scheme up to its termination on 5th April 2007 and since that date the Company's defined contribution scheme. More details are given in note 7 on page 34.

The non-executive directors do not participate in the Company's pension schemes.

Summary

Details of directors' remuneration (including pensions) which form the audited section of this report are shown in note 7 on page 34.

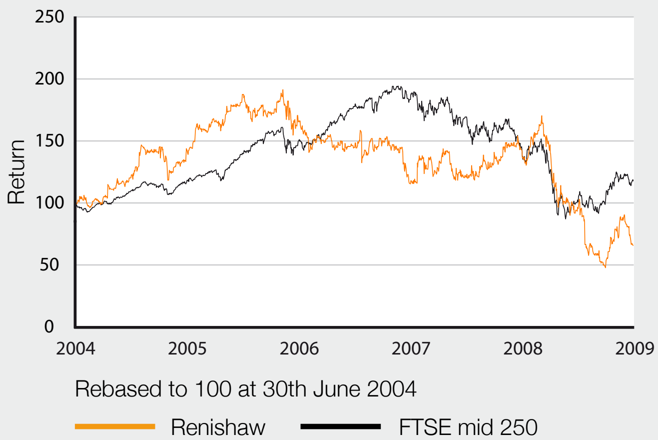
SERVICE CONTRACTS AND COMPENSATION

The executive directors have each entered into a service contract with the Company. The contracts do not contain any specific provisions governing the payment of compensation for loss of office or employment, whether as a result of a takeover bid or otherwise. The notice period for termination of the contract is twelve months to be given by either the Company or the director.

The non-executive directors have been appointed under contracts for services which are intended to continue for an initial period of three years. However, these contracts may be terminated by either the Company or the director on one month's notice.

PERFORMANCE GRAPH

The graph below shows the Company's total shareholder return ("TSR") performance, compared with the FTSE mid 250 index, which the directors believe is the most appropriate broad index for comparison.



The report was approved by the Board of directors on 29th July 2009 and has been signed on its behalf by:-

T D Snowden FCA
Chairman, Remuneration and nomination committee

Statement of directors' responsibilities in respect of the Annual report and the financial statements

The directors are responsible for preparing the Annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, directors' remuneration report and directors' corporate governance statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

(a) the financial statements, prepared in accordance with the accounting standards referred to in the Statement of directors' responsibilities, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) the Financial review includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board
A C G Roberts FCA
Group Finance Director

We have audited the financial statements of Renishaw plc for the year ended 30 June 2009 set out on pages 24 to 52. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2009 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 19, in relation to going concern; and
- the part of the corporate governance statement as contained in the Directors' corporate governance report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

A C Campbell-Orde
Senior Statutory Auditor

For and on behalf of

KPMG Audit Plc
Registered Auditor
Chartered Accountants
29th July 2009

100 Temple Street
Bristol
BS1 6AG

Consolidated income statement

for the year ended 30th June 2009

from continuing operations	Notes	**2009 £'000**	2008 £'000
Revenue	2	**171,247**	201,157
Cost of sales		**(101,064)**	(106,759)
Gross profit		**70,183**	94,398
Distribution costs		**(41,559)**	(35,694)
Administrative expenses including exceptional items		**(26,754)**	(20,025)
Operating profit excluding exceptional items		**5,991**	37,335
Exceptional items: 2009 - Redundancy costs; 2008 - Pension curtailment credit		**(4,121)**	1,344
Operating profit		**1,870**	38,679
Financial income	4	**8,754**	9,194
Financial expenses	4	**(6,219)**	(5,070)
Share of profits of associates	11	**317**	256
Profit before tax	5	**4,722**	43,059
Income tax expense	6	**(1,124)**	(8,443)
Profit for the year from continuing operations		**3,598**	34,616

Profit attributable to:			
Equity shareholders of the parent company	21	**3,871**	34,716
Minority interest	21	**(273)**	(100)
		3,598	34,616

		pence	pence
Dividend per share arising in respect of the year	21	**7.76**	25.39
Dividend per share paid in the year		**25.39**	23.58
Earnings per share (basic and diluted)	8	**4.9**	47.6

at 30th June 2009

	Notes	2009 £'000	2008 £'000
Assets			
Property, plant and equipment	9	**73,583**	68,766
Intangible assets	10	**27,683**	19,085
Investments in associates	11	**7,085**	6,788
Deferred tax assets	13	**14,165**	10,025
Other receivables	14	**4,020**	-
Total non-current assets		**126,536**	104,664
Current assets			
Inventories	16	**29,156**	34,220
Trade receivables	22	**24,057**	42,803
Current tax		**1,626**	490
Other receivables	14	**4,335**	5,036
Cash and cash equivalents	17,22	**20,488**	38,183
Total current assets		**79,662**	120,732
Current liabilities			
Trade payables		**6,588**	12,691
Current tax		**910**	2,178
Provisions	18	**656**	824
Other payables	19	**13,339**	14,351
Total current liabilities		**21,493**	30,044
Net current assets		**58,169**	90,688
Non-current liabilities			
Employee benefits	15	**22,458**	11,055
Deferred tax liabilities	13	**10,618**	12,382
Other payables	20	**7,849**	5,270
Total non-current liabilities		**40,925**	28,707
Total assets less total liabilities		**143,780**	166,645
Equity			
Share capital	21	**14,558**	14,558
Share premium	21	**42**	42
Currency translation reserve	21	**1,822**	1,574
Cash flow hedging reserve	21	**(5,415)**	(4,252)
Retained earnings	21	**132,755**	154,403
Total equity attributable to the equity shareholders of the parent company		**143,762**	166,325
Minority interest	21	**18**	320
Total shareholders' funds		**143,780**	166,645

These financial statements were approved by the Board of directors on 29th July 2009 and were signed on its behalf by:-

Sir David McMurtry

A C G Roberts

Directors

Consolidated statement of cash flow

for the year ended 30th June 2009

	Notes	2009 £'000	2008 £'000
Cash flows from operating activities			
Profit for the year		**3,598**	34,616
Adjustments for:			
Amortisation of development costs	10	**4,433**	2,743
Amortisation of other intangibles	10,11	**1,441**	1,512
Depreciation	9	**8,890**	8,061
Loss/(profit) on sale of property, plant and equipment		**151**	(1,042)
Share of profits from associates	11	**(317)**	(256)
Pension curtailment credit		**-**	(1,344)
Financial income	4	**(8,754)**	(9,194)
Financial expenses	4	**6,219**	5,070
Tax expense	6	**1,124**	8,443
		13,187	13,993
Decrease in inventories	16	**5,064**	1,958
Decrease/(increase) in trade and other receivables		**28,167**	(2,733)
(Decrease)/increase in trade and other payables		**(12,026)**	5,916
Difference between pension service cost and contributions	15	**-**	(58)
(Decrease)/increase in provisions	18	**(168)**	131
		21,037	5,214
Income taxes paid		**(6,368)**	(6,902)
Cash flows from operating activities		**31,454**	46,921
Investing activities			
Purchase of property, plant and equipment	9	**(11,005)**	(5,133)
Development costs capitalised	10	**(6,618)**	(5,497)
Purchase of other intangibles	10	**(7,503)**	(1,319)
Purchase of business		**-**	(482)
Investment in associate	11	**(400)**	-
Sale of property, plant and equipment		**259**	1,421
Interest received	4	**1,161**	1,743
Dividend received from associate	11	**80**	80
Cash flows from investing activities		**(24,026)**	(9,187)
Financing activities			
Interest paid	4	**(255)**	(141)
Dividends paid	21	**(15,649)**	(17,164)
Cash flows from financing activities		**(15,904)**	(17,305)
Net (decrease)/increase in cash and cash equivalents		**(8,476)**	20,429
Cash and cash equivalents at the beginning of the year		**38,183**	20,761
Effect of exchange rate fluctuations on cash held		**(9,219)**	(3,007)
Cash and cash equivalents at the end of the year	17	**20,488**	38,183

for the year ended 30th June 2009

	Notes	**2009 £'000**	2008 £'000
Foreign exchange translation differences	21	**248**	1,784
Actuarial loss in the pension schemes	15	**(13,032)**	(20,541)
Effective portion of changes in fair value of cash flow hedges, net of recycling:			
Amounts recycled during the year		**(1,938)**	(2,563)
Fair value of outstanding amounts		**323**	(5,906)
		(1,615)	(8,469)
Deferred tax on income and expense recognised in equity		**3,614**	7,999
Expense recognised directly in equity		**(10,785)**	(19,227)
Profit for the year		**3,598**	34,616
Total recognised income and expense for the year		**(7,187)**	15,389

Attributable to:		
Equity shareholders of the parent company	**(6,914)**	15,489
Minority interest	**(273)**	(100)
Total recognised income and expense for the year	**(7,187)**	15,389

(forming part of 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"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 46 to 52.

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 2009 and 2008 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 on page 36).

(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 on pages 39 and 40.

(iii) Taxation

Certain areas of taxation require judgements to be made in relation to the calculation of taxes due, especially for transactions involving different tax jurisdictions. Subsequent investigations by tax authorities could lead to additional taxes being paid in respect of prior years.

(iv) 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.

(v) 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.

IFRS adopted by the EU not yet applied

The following standards or interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee have been adopted by the EU but only become effective for accounting periods commencing after 30th June 2009:

IFRS 8, Operating Segments, is effective for annual periods beginning on or after 1st January 2009 and the Group plans to apply it from 1st July 2009. The standard requires the presentation of segmental information based on internal reports used by the Board in order to allocate resources and make decisions about operating matters. The adoption of this standard will have no effect on the consolidated results or financial position of the Group.

IFRS 3, Business Combinations (Revised), and IAS 27 (Amendment), Consolidated and Separate Financial Statements, are effective for annual periods beginning on or after 1st July 2009. The changes introduced by the standards include the expensing of acquisition-related costs, a greater emphasis on fair value and the requirement to remeasure interests at the time when control is achieved or lost. The Group will apply IFRS 3 (Revised) and IAS 27 (Amendment) to business combinations from 1st July 2009.

IAS 1 (Amendment), Presentation of Financial Statements: A Revised Presentation, is effective for annual periods beginning on or after 1st January 2009. The revised standard will impact on the presentation of the Group financial statements requiring that all items of income and expense (including those currently recognised through equity) are presented in either a single statement (a 'statement of comprehensive income') or in two statements (a separate 'income statement' and 'statement of comprehensive income'). In the limited circumstances where an accounting policy is retrospectively applied or an item is reclassified an additional balance sheet ('statement of financial position') for the beginning of the earliest comparative period will be required. The statement of changes in equity, currently presented as a note, will be presented as a separate financial statement. The Group will apply IAS 1 (Amendment) from 1st July 2009.

IAS 23 (Amendment), Borrowing costs, removes the option of immediately recognising an expense for borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset. The Group does not believe the adoption of this standard will have a significant effect on the consolidated results or financial position of the Group.

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.

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.

The Group does not currently believe the adoption of these standards or interpretations will have a significant effect, with the exception of changes to disclosures, on the consolidated results or financial position of the Group.

1. ACCOUNTING POLICIES: CONTINUED

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.

Revenue

Revenue from the sale of goods is recognised in the Consolidated income statement when the significant risks and rewards of ownership have been transferred to the buyer, which is considered to be at the time of despatch. Where certain products require installation, part of the revenue may be deferred until installation and acceptance by the customer are complete.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, or the possible return of goods.

Where the sale of goods has been made by leasing the goods to the purchaser, the sale has been accounted for on the basis of a manufacturer lessor, where the profit has been accounted for on the same basis as an outright sale and the finance income has been apportioned over the period of the lease.

Foreign currencies

Foreign subsidiaries' results are translated into Sterling at weighted average exchange rates for the year, which is effected by translating each foreign subsidiary's monthly results at exchange rates applicable to each of the respective months. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Sterling at the foreign exchange rate ruling at that date. Differences on exchange resulting from the translation of overseas assets and liabilities are recognised directly in equity.

Gains and losses arising on currency borrowings used to hedge the foreign currency exposure on the net assets of the foreign operations, are accounted for directly in equity, to the extent that hedge accounting criteria are met and are included in the Consolidated statement of recognised income and expense. See the note on derivative financial instruments below, for the accounting policies for forward exchange contracts and currency borrowings.

Derivative financial instruments

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

Forward exchange contracts are recognised initially at cost and then subsequently remeasured at fair value. Where a forward contract is designated as a hedge of the variability in future cash inflows, the effective part of any gain or loss on the forward contract is recognised directly in equity. Any effective cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the Consolidated income statement immediately.

If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss held in equity is recognised in the Consolidated income statement immediately.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity and the fair value of the instrument is accounted for under other receivables or other payables in the Consolidated balance sheet.

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the Consolidated income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. An ineffective part of any gain or loss is recognised immediately in the Consolidated income statement.

The effectiveness of cash flow hedges is tested on a monthly basis by comparing the cash inflows with the hedging amounts.

If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Consolidated income statement.

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 by applying the purchase method. In respect of business acquisitions, 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.

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, trade marks, 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.

Intangible assets – research and development costs

Expenditure on research activities is recognised in the Consolidated income statement as an expense as incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

1. ACCOUNTING POLICIES: CONTINUED

Intangible assets – software licences

Intangible assets comprising software licences, that are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life of the assets. The useful life of each of these assets is assessed on an individual basis and they range from 2 to 10 years.

Property, plant and equipment

Freehold land is not depreciated. Other assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost of assets less their estimated residual value on a straight-line basis over their estimated useful economic lives as follows:

Freehold buildings	50 years
Plant and equipment	3 to 10 years
Vehicles	3 to 4 years

Warranty provisions

The Group provides a warranty from the date of purchase on all its products. This is typically for a twelve-month period, although up to three years is given for a small number of products. A warranty provision is included in the financial statements, which is calculated on the basis of historical returns and internal quality reports.

Employee benefits

The Group operates contributory pension schemes, which, for UK and Irish employees, were of the defined benefit type up to 5th April 2007 and 31st December 2007 respectively, at which time they ceased any future accrual for existing members and were closed to new members.

The schemes are administered by trustees who are independent of the group finances.

Pension scheme assets of the defined benefit schemes are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The expected return on the schemes' assets and the interest on the schemes' liabilities arising from the passage of time are included in financial income and financial expenses respectively. The Group recognises actuarial gains and losses in full in the Consolidated statement of recognised income and expense. The pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the Consolidated balance sheet under Employee benefits.

Foreign-based employees are covered by state, defined benefit and private pension schemes in their countries of residence. Actuarial valuations of foreign pension schemes were not obtained, apart from Ireland, because of the smaller number of foreign employees.

For defined contribution schemes, the amount charged to the Consolidated income statement represents the contributions payable to the schemes in respect of the accounting period.

Accruals are made for holiday pay, based on a calculation of the number of days holiday earned during the year, but not yet taken.

Inventory and work in progress

Inventory and work in progress is valued at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses which are required to bring inventories to their present location and condition. Overheads are absorbed into inventories on the basis of normal capacity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term (with an original maturity of less than three months) deposits. Bank overdrafts that are repayable on demand form part of cash and cash equivalents for the purpose of the Consolidated statement of cash flow.

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately declared and authorised and no longer at the discretion of the Company. Unpaid dividends that do not meet this criteria are disclosed in the Directors' report.

Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the Consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the Consolidated statement of recognised income and expense.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Exceptional items

Exceptional items are items which due to their size, incidence and non-recurring nature have been classified separately in order to draw them to the attention of the reader of the accounts and, in management's judgement, to show more accurately the underlying results of the Group. Such items are included within the income statement caption to which they relate and are disclosed separately on the face of the Consolidated income statement.

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 Financial review on pages 10 to 14, where also given are details of the financial and liquidity positions. In addition, note 22 on pages 43 and 44 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 despite the current uncertain economic outlook.

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

The primary format used for segmental reporting is by geographic segment, as the Group operates materially in only one business segment. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expenses comprise corporate expenses. Intragroup trading is determined on an arm's length basis.

Geographic segments

The Group operates in the following geographic segments:

Continental Europe (excluding the UK and Ireland)
Far East, including Japan and Australasia
Americas (North and South)
UK and Ireland
Rest of the World ("ROW")

Analysis by geographic segment:

Revenue	**Continental Europe £'000**	**Far East £'000**	**Americas £'000**	**UK and Ireland £'000**	**ROW £'000**	**Eliminations £'000**	**Total £'000**
Year ended 30th June 2009							
Revenue	**63,222**	**52,006**	**40,071**	**11,259**	**4,689**	**-**	**171,247**
Inter-segment revenue	**442**	**-**	**-**	**91,798**	**4,279**	**(96,519)**	**-**
Total revenue	**63,664**	**52,006**	**40,071**	**103,057**	**8,968**	**(96,519)**	**171,247**
Year ended 30th June 2008							
Revenue	77,219	59,536	46,644	12,020	5,738	-	201,157
Inter-segment revenue	469	-	-	149,159	4,476	(154,104)	-
Total revenue	77,688	59,536	46,644	161,179	10,214	(154,104)	201,157
Segment result							
Year ended 30th June 2009							
Segment result	**1,614**	**747**	**(2,730)**	**4,417**	**1,441**	**-**	**5,489**
Unallocated central costs							**(3,302)**
Net financial income							**2,535**
Profit before tax							**4,722**
Year ended 30th June 2008							
Segment result	13,284	4,147	3,019	20,627	2,210	-	43,287
Unallocated central costs							(4,352)
Net financial income							4,124
Profit before tax							43,059
Assets							
Year ended 30th June 2009							
Assets by location	**32,035**	**20,157**	**16,520**	**176,070**	**7,539**	**(61,914)**	**190,407**
Tax balances							**15,791**
Total Group assets							**206,198**
Year ended 30th June 2008							
Assets by location	37,250	26,265	21,569	192,418	5,099	(67,720)	214,881
Tax balances							10,515
Total Group assets							225,396

2. SEGMENTAL ANALYSIS: CONTINUED

Liabilities	Continental Europe £'000	Far East £'000	Americas £'000	UK and Ireland £'000	ROW £'000	Eliminations £'000	Total £'000
Year ended 30th June 2009							
Liabilities by location	**16,667**	**7,833**	**10,910**	**65,145**	**507**	**(50,172)**	**50,890**
Tax balances							**11,528**
Total Group liabilities							**62,418**
Year ended 30th June 2008							
Liabilities by location	18,134	17,657	8,813	50,445	999	(51,857)	44,191
Tax balances							14,560
Total Group liabilities							58,751
Depreciation and amortisation							
Year ended 30th June 2009	**1,303**	**362**	**379**	**11,898**	**482**	**-**	**14,424**
Year ended 30th June 2008	977	259	302	10,585	193	-	12,316
Capital spend							
Year ended 30th June 2009	**4,297**	**1,025**	**160**	**17,980**	**1,664**	**-**	**25,126**
Year ended 30th June 2008	805	121	248	12,497	212	-	13,883

3. PERSONNEL EXPENSES

The aggregate payroll costs for the year were:	**2009 £'000**	2008 £'000
Wages and salaries (including annual performance bonus in 2008)	**65,775**	67,430
Compulsory social security contributions	**8,330**	8,118
Current service cost for defined benefit plans (note 15)	**-**	202
Contributions to defined contribution plans	**5,944**	5,772
	80,049	81,522
Redundancy costs	**4,121**	-
	84,170	81,522

The average number of persons employed by the Group during the year was:	**Number**	Number
Continental Europe	**218**	195
Far East	**145**	135
Americas	**124**	123
UK and Ireland	**1,537**	1,586
ROW	**130**	104
	2,154	2,143

4. FINANCIAL INCOME AND EXPENSES

Financial income	**2009 £'000**	2008 £'000
Expected return on assets in the pension schemes (note 15)	**7,593**	7,451
Bank interest receivable	**1,161**	1,743
	8,754	9,194

4. FINANCIAL INCOME AND EXPENSES: CONTINUED

Financial expenses	2009 £'000	2008 £'000
Interest on pension fund liabilities (note 15)	**5,964**	4,929
Bank interest payable	**255**	141
	6,219	5,070

5. PROFIT BEFORE TAX

Included in the profit before tax are the following costs/(income):	Notes	2009 £'000	2008 £'000
Depreciation of property, plant and equipment	(a)	**8,890**	8,061
Amortisation of intangibles	(a)	**5,534**	4,255
Research and development expenditure	(b)	**23,630**	21,810
Pension curtailment credit	(e)	**-**	(1,344)
Exchange gains	(c)	**-**	(461)
Loss/(profit) on sale of property, plant and equipment	(d)	**151**	(1,042)
Auditors:			
Fees payable to the Company's auditor for audit of the Company's annual accounts	(d)	**75**	73
Audit of subsidiary undertakings pursuant to legislation	(d)	**165**	120
Tax services	(d)	**385**	175
Fees in respect of pension schemes - audit	(d)	**9**	13
- advisory	(d)	**48**	69
Other services	(d)	**99**	97

These costs/(income) can be found under the following headings in the Consolidated income statement: (a) within cost of sales, distribution costs and administrative expenses; (b) within cost of sales; (c) within revenue and administrative expenses; (d) within administrative expenses; and (e) identified separately.

6. INCOME TAX EXPENSE

	2009 £'000	2008 £'000
Current tax:		
UK corporation tax on profits for the year	**-**	357
Overseas tax on profits for the year	**3,415**	5,650
Adjustments for prior years	**-**	60
Total current tax	**3,415**	6,067
Deferred tax:		
Origination and reversal of other temporary differences	**(2,291)**	2,376
Tax charge on profit	**1,124**	8,443
Effective tax rate (based on profit before tax)	**24%**	20%

The tax for the year is lower (2008 lower) than the UK standard rate of corporation tax of 28.0% (2008 weighted average 29.5%). The differences are explained as follows:

	2009 £'000	2008 £'000
Profit before tax	**4,722**	43,059
Tax at 28.0% (2008 29.5%)	**1,322**	12,702
Effects of:		
Different tax rates applicable in overseas subsidiaries	**(1,397)**	(2,966)
Research and development tax credit	**(1,471)**	(1,190)
Change in UK corporation tax rate to 28%	**-**	(201)
Adjustments for prior years	**-**	60
Expenses not deductible for tax purposes	**80**	32
Companies with unrelieved tax losses	**2,525**	63
Other differences	**65**	(57)
Tax charge on profit	**1,124**	8,443

7. DIRECTORS' REMUNERATION

The total remuneration of the directors was:	**2009 £'000**	2008 £'000
Salaries and fees	**1,946**	1,977
Benefits	**89**	88
Performance bonus	**-**	1,120
Pension contributions	**140**	139
	2,175	3,324

	2009					2008				
	Salary & fees £'000	**Benefits £'000**	**Performance bonus £'000**	**Pension contributions £'000**	**Total £'000**	Salary and fees £'000	Benefits £'000	Performance bonus £'000	Pension contributions £'000	Total £'000
Chairman										
Sir David McMurtry	**572**	**-**	**-**	**-**	**572**	604	1	357	-	962
Other executive directors										
D J Deer	**353**	**31**	**-**	**-**	**384**	365	28	216	-	609
B R Taylor	**405**	**21**	**-**	**63**	**489**	418	22	247	63	750
A C G Roberts	**251**	**22**	**-**	**39**	**312**	253	23	150	38	464
G McFarland	**253**	**15**	**-**	**38**	**306**	253	14	150	38	455
Non-executive										
J P McGeehan	**28**	**-**	**-**	**-**	**28**	28	-	-	-	28
T D Snowden	**28**	**-**	**-**	**-**	**28**	28	-	-	-	28
T B Garthwaite	**28**	**-**	**-**	**-**	**28**	28	-	-	-	28
W H Whiteley	**28**	**-**	**-**	**-**	**28**	-	-	-	-	-
	1,946	**89**	**-**	**140**	**2,175**	1,977	88	1,120	139	3,324

W H Whiteley was appointed a director on 20th June 2008 and received no remuneration from the Company during the year ended 30th June 2008. Along with all other staff, the directors received a salary review in July 2008, but agreed to a voluntary salary reduction of 20% from 9th February 2009 to 31st December 2009.

Benefits include company cars (or cash alternative), private telephone and private health insurance. There were no directors' share options outstanding at any time during the year or the previous year.

The amounts in respect of pension contributions are the amounts paid by the Company to the personal pension plans of the directors for the relevant periods, except for G McFarland, where the amounts paid are those to the Company's defined contribution scheme, in which he participates. The values required to be reported in respect of the defined benefit scheme for G McFarland were:

Year ended 30th June 2009

AB* at 30th June 2009 £ p.a.	Increase in AB excluding inflation (A) £	Increase in AB including inflation £	Transfer value of (A) less director's contribution £	Transfer value of AB at 30th June 2008 £	Transfer value of AB at 30th June 2009 £	Increase/(decrease) in transfer value less director's contribution £
25,178	-	1,200	-	361,887	300,113	(61,774)

Year ended 30th June 2008

AB* at 30th June 2008 £ p.a.	Increase in AB excluding inflation (A) £	Increase in AB including inflation £	Transfer value of (A) less director's contribution £	Transfer value of AB at 30th June 2007 £	Transfer value of AB at 30th June 2008 £	Increase in transfer value less director's contribution £
23,978	-	900	-	161,095	361,887	200,792

* AB = Accrued benefits

8. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated on earnings of £3,598,000 (2008 £34,616,000) 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.

9. PROPERTY, PLANT AND EQUIPMENT

Year ended 30th June 2009	**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 2008	**57,415**	**70,088**	**4,760**	**565**	**132,828**
Additions	**3,679**	**5,473**	**991**	**862**	**11,005**
Transfers	**381**	**566**	**-**	**(947)**	**-**
Disposals	**-**	**(974)**	**(810)**	**-**	**(1,784)**
Currency adjustment	**3,591**	**980**	**188**	**-**	**4,759**
At 30th June 2009	**65,066**	**76,133**	**5,129**	**480**	**146,808**
Depreciation					
At 1st July 2008	**11,292**	**49,650**	**3,120**	**-**	**64,062**
Charge for the year	**1,548**	**6,430**	**912**	**-**	**8,890**
Released on disposals	**-**	**(681)**	**(693)**	**-**	**(1,374)**
Currency adjustment	**701**	**827**	**119**	**-**	**1,647**
At 30th June 2009	**13,541**	**56,226**	**3,458**	**-**	**73,225**
Net book value					
At 30th June 2009	**51,525**	**19,907**	**1,671**	**480**	**73,583**
At 30th June 2008	46,123	20,438	1,640	565	68,766

At 30th June 2009, properties with a net book value of £23,815,000 (2008 £24,210,000) were subject to a registered charge to secure the UK defined benefit pension scheme liabilities.

Additions to assets in the course of construction of £862,000 (2008 £877,000) comprise £136,000 (2008 £181,000) for freehold land and buildings and £726,000 (2008 £696,000) for plant and equipment.

Year ended 30th June 2008	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 2007	54,718	64,560	4,348	958	124,584
Additions	50	3,516	840	877	5,283
Transfers	186	1,084	-	(1,270)	-
Disposals	(290)	(335)	(710)	-	(1,335)
Currency adjustment	2,751	1,263	282	-	4,296
At 30th June 2008	57,415	70,088	4,760	565	132,828
Depreciation					
At 1st July 2007	9,418	42,769	2,937	-	55,124
Charge for the year	1,186	6,214	661	-	8,061
Released on disposals	(60)	(271)	(625)	-	(956)
Currency adjustment	748	938	147	-	1,833
At 30th June 2008	11,292	49,650	3,120	-	64,062
Net book value					
At 30th June 2008	46,123	20,438	1,640	565	68,766
At 30th June 2007	45,300	21,791	1,411	958	69,460

10. INTANGIBLE ASSETS

Year ended 30th June 2009	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 2008	**4,156**	**2,829**	**22,355**	**7,660**	**34**	**37,034**
Additions	**1,413**	**2,587**	**6,618**	**3,462**	**41**	**14,121**
Transfers	**-**	**-**	**-**	**75**	**(75)**	**-**
Currency adjustment	**-**	**-**	**-**	**55**	**-**	**55**
At 30th June 2009	**5,569**	**5,416**	**28,973**	**11,252**	**-**	**51,210**
Amortisation						
At 1st July 2008	**-**	**573**	**11,396**	**5,980**	**-**	**17,949**
Charge for the year	**-**	**577**	**4,433**	**524**	**-**	**5,534**
Currency adjustment	**-**	**-**	**-**	**44**	**-**	**44**
At 30th June 2009	**-**	**1,150**	**15,829**	**6,548**	**-**	**23,527**
Net book value						
At 30th June 2009	**5,569**	**4,266**	**13,144**	**4,704**	**-**	**27,683**
At 30th June 2008	4,156	2,256	10,959	1,680	34	19,085

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.

The analysis of acquired goodwill on consolidation is:	**2009 £'000**	2008 £'000
Acquisition of itp GmbH	**2,372**	2,372
Acquisition of D3 Technologies Limited (75%)	**1,784**	1,784
Acquisition of Renishaw Mayfield SA (75%)	**1,215**	-
Acquisition of PulseTeq Limited (75%)	**198**	-
	5,569	4,156

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 - actual operating results and an average growth rate of 5% for 5 years with a nil terminal growth rate.

D3 Technologies Limited, PulseTeq Limited and Renishaw Mayfield SA - 5 year business plans with a nil terminal growth rate.

A pre-tax discount rate of 13% has been used in discounting the projected cash flows. This has been set on the basis of it being an appropriate rate 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.

Year ended 30th June 2008	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 2007	1,811	1,944	16,858	7,175	39	27,827
Additions	1,784	885	5,497	420	14	8,600
Transfers	561	-	-	19	(19)	561
Currency adjustment	-	-	-	46	-	46
At 30th June 2008	4,156	2,829	22,355	7,660	34	37,034
Amortisation						
At 1st July 2007	-	265	8,653	5,098	-	14,016
Charge for the year	-	308	2,743	844	-	3,895
Currency adjustment	-	-	-	38	-	38
At 30th June 2008	-	573	11,396	5,980	-	17,949
Net book value						
At 30th June 2008	4,156	2,256	10,959	1,680	34	19,085
At 30th June 2007	1,811	1,679	8,205	2,077	39	13,811

11. INVESTMENTS 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 2009 %**	Ownership 2008 %
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

During the year, the Group invested in a further 25% shareholding in an associate company, PulseTeq Limited, bringing the shareholding up to 75%. PulseTeq Limited, accounted for as an associate last year, is now accounted for as a subsidiary undertaking.

Delcam plc is listed on AIM at the London Stock Exchange. Its share price on 30th June 2009 was £2.40 (2008 £3.20). The Company holds 1,524,052 shares.

Movements during the year were:	**2009 £'000**	2008 £'000
Balance at the beginning of the year	**6,788**	6,972
Investments made during the year	**400**	-
Dividends received	**(80)**	(80)
	7,108	6,892
Share of profits of associates	**317**	256
Amortisation of intangibles	**(340)**	(360)
Balance at the end of the year	**7,085**	6,788

Summarised aggregated financial information for associates:	**2009 £'000**	2008 £'000
Revenue	**7,922**	8,144
Share of profits for the period	**317**	256
Assets	**7,011**	6,934
Liabilities	**2,934**	3,558

12. ACQUISITIONS

Renishaw Mayfield SA

On 20th November 2008, the Group acquired a 75% shareholding in Schaerer Mayfield Neuromate A.G. (since renamed Renishaw Mayfield SA), based in Switzerland, a leading manufacturer of surgical robots for neurosurgery. The initial consideration was £1,145,000 (including legal costs of £107,000) and there is an option to purchase the remaining 25% shareholding, calculated at 7 times the operating profit of the company for the year ending 31st December 2012 (with also the option for the minority shareholders to purchase such number of shares from the Group as would give the minority a majority shareholding, at the original purchase price, should the Group not exercise its option). The fair values of assets acquired were:

	Book value £'000	Adjustments £'000	Fair value £'000
Tangible fixed assets	5	-	5
Intangible fixed assets	1,415	486	1,901
Inventories	91	-	91
Debtors, cash and prepayments	264	-	264
Creditors	(2,355)	-	(2,355)
Fair value of liabilities acquired	(580)	486	(94)
Minority interest			24
Goodwill on consolidation			1,215
Consideration paid, including costs of £107,000			1,145

The fair value adjustment is in respect of the valuation of acquired intangible assets, which comprise patents and licences. Goodwill exists due to the potential opportunities possible in the future from combining this business with other research and development projects being undertaken in other Group companies.

12. ACQUISITIONS: CONTINUED

PulseTeq Limited

On 1st July 2008, the Group acquired a further 25% shareholding in PulseTeq Limited by additional investment in the share capital of the company, which was formerly accounted for as an associate and is now accounted for as a subsidiary undertaking. PulseTeq Limited manufactures and sells coils for the enhancement of images from MRI scanners. The fair values of assets acquired were:

	Book value £'000	Adjustments £'000	Fair value £'000
Tangible fixed assets	48	-	48
Intangible assets	-	198	198
Inventories	48	-	48
Debtors, cash and prepayments	205	-	205
Creditors	(157)	-	(157)
Fair value of assets acquired	144	198	342
Minority interest			(86)
Goodwill on consolidation			198
Consideration paid			454

No adjustment was deemed necessary to the valuation of intangible assets from the valuation at the time of the initial investment.

Renishaw Mayfield SA's and PulseTeq Limited's contribution to the consolidated profit before tax since acquisition and their historical results for their previous full year were:

	Renishaw Mayfield SA		PulseTeq Limited	
	21st November 2008 to 30th June 2009 £'000	Year to 31st December 2008 £'000	Year to 30th June 2009 £'000	Year to 30th June 2008 £'000
Revenue	296	341	298	202
Expenses	707	931	398	366
Loss before tax	(411)	(590)	(100)	(164)
Minority interest	(103)	n/a	(25)	(82)
Group share of retained reserves	(308)	n/a	(75)	(82)

13. DEFERRED TAX ASSETS AND LIABILITIES

Balances at the end of the year were:	**2009**			2008		
	Assets £'000	**Liabilities £'000**	**Net £'000**	Assets £'000	Liabilities £'000	Net £'000
Property, plant and equipment	**-**	**(2,817)**	**(2,817)**	-	(4,259)	(4,259)
Intangible assets	**-**	**(4,241)**	**(4,241)**	-	(3,630)	(3,630)
Intragroup trading (inventory)	**3,952**	**-**	**3,952**	5,291	-	5,291
Pension schemes	**5,701**	**-**	**5,701**	2,996	-	2,996
Other	**4,512**	**(3,560)**	**952**	1,738	(4,493)	(2,755)
Balance at the end of the year	**14,165**	**(10,618)**	**3,547**	10,025	(12,382)	(2,357)

The movements in the deferred tax balance during the year were:	**2009 £'000**	2008 £'000
Balance at the beginning of the year	**(2,357)**	(7,419)
Movements in the Consolidated income statement	**2,291**	(2,376)
Movement in relation to cash flow hedging reserve	**452**	2,372
Movement in relation to the pension schemes	**3,161**	5,627
Total movement in the Consolidated statement of recognised income and expense	**3,613**	7,999
Transfer in relation to goodwill	-	(561)
Balance at the end of the year	**3,547**	(2,357)

No deferred tax asset has been recognised in respect of tax losses carried forward of £3,518,000 (2008 £993,000) due to the uncertainty over their recoverability.

14. OTHER RECEIVABLES

Other receivables (non-current assets) of £4,020,000 (2008 £nil) comprise the fair value of outstanding forward contracts which mature after more than one year. Included in other receivables (current assets) is £709,000 (2008 £nil) in respect of the fair value of outstanding forward contracts which mature within one year.

15. EMPLOYEE BENEFITS

The Group operates a number of pension schemes throughout the world. The major scheme, which covers the UK-based employees, was of the defined benefit type. In April 2007, this scheme ceased any future accrual for current members and was closed to new members. UK employees are now covered by a defined contribution scheme.

The total pension cost of the Group for the year was £5,944,000 (2008 £5,974,000, see note 3), of which £140,000 (2008 £139,000) related to directors and £1,657,000 (2008 £1,394,000) 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 2009 by a qualified independent actuary. The major assumptions used by the actuary were:

	30th June 2009	30th June 2008	30th June 2007
Rate of increase in pension payments	**3.3%**	3.8%	3.1%
Discount rate	**6.2%**	6.2%	5.7%
Inflation rate	**3.4%**	4.1%	3.4%
Expected return on equities	**8.3%**	9.1%	8.2%
Expected return on cash	**3.4%**	5.0%	4.75%
Expected return on bonds	**5.5%**	6.5%	5.3%
Retirement age	**64**	64	64

The mortality assumption adopted for 2009 is PA92, year of birth, short cohort, which reflects the increasing life expectancy.

The assets and liabilities in the defined benefit schemes were:	**30th June 2009 £'000**	% of total assets	30th June 2008 £'000	% of total assets	30th June 2007 £'000	% of total assets	30th June 2006 £'000	% of total assets	30th June 2005 £'000	% of total assets
Market value of assets:										
Equities	**68,538**	98	82,576	97	89,924	98	70,836	98	52,450	97
Bonds and cash	**1,630**	2	2,574	3	1,575	2	1,377	2	1,350	3
	70,168	100	85,150	100	91,499	100	72,213	100	53,800	100
Actuarial value of liabilities	**(92,626)**		(96,205)		(85,937)		(91,051)		(74,500)	
(Deficit)/surplus in the schemes	**(22,458)**		(11,055)		5,562		(18,838)		(20,700)	
Deferred tax thereon	**5,701**		2,996		(1,791)		5,451		5,870	

The expected rates of return on each asset category are based on market conditions at 30th June 2009 and represent the best estimate of future returns, allowing for risk premiums where appropriate.

For a sensitivity analysis of certain elements of the pension fund, see the note in the Financial review on page 14.

The movements in the schemes' assets and liabilities were:

Year ended 30th June 2009	**Assets £'000**	**Liabilities £'000**	**Total £'000**
Balance at 1st July	**85,150**	**(96,205)**	**(11,055)**
Expected return on pension schemes' assets	**7,593**	**-**	**7,593**
Interest on pension schemes' liabilities	**-**	**(5,964)**	**(5,964)**
Actuarial (loss)/gain	**(22,575)**	**9,543**	**(13,032)**
Balance at 30th June	**70,168**	**(92,626)**	**(22,458)**

Year ended 30th June 2008	Assets £'000	Liabilities £'000	Total £'000
Balance at 1st July	91,499	(85,937)	5,562
Contributions paid	260	-	260
Current service cost	-	(202)	(202)
Expected return on pension schemes' assets	7,451	-	7,451
Interest on pension schemes' liabilities	-	(4,929)	(4,929)
Pension curtailment credit	-	1,344	1,344
Actuarial loss	(14,060)	(6,481)	(20,541)
Balance at 30th June	85,150	(96,205)	(11,055)

15. EMPLOYEE BENEFITS: CONTINUED

The income/(expense) recognised in the Consolidated income statement was:	**2009 £'000**	2008 £'000
Current service cost	**-**	(202)
Expected return on pension schemes' assets	**7,593**	7,451
Interest on pension schemes' liabilities	**(5,964)**	(4,929)
Pension curtailment credit	**-**	1,344
	1,629	3,664

The expected return on pension schemes' assets and the interest on pension schemes' liabilities are recognised within financial income and financial expenses respectively. The current service cost is recognised within cost of sales, distribution costs and administrative expenses. The curtailment credit was shown separately.

The analysis of the amount recognised in the Statement of recognised income and expense was:	**2009 £'000**	2008 £'000
Actual return less expected return on scheme assets	**(21,601)**	(14,591)
Experience loss arising on scheme liabilities	**(3,954)**	-
Changes in financial assumptions	**12,523**	(5,950)
	(13,032)	(20,541)

The history of experience gains and losses is:	**Year ended 30th June 2009**	Year ended 30th June 2008	Year ended 30th June 2007	Year ended 30th June 2006	Year ended 30th June 2005
Difference between the expected and actual return on scheme assets					
amount (£'000)	**(21,601)**	(14,591)	7,147	6,492	4,600
percentage of scheme assets	**(31%)**	(17%)	8%	9%	9%
Experience gains and losses on scheme liabilities					
amount (£'000)	**(3,954)**	-	(3,421)	(180)	1,120
percentage of present value of scheme liabilities	**(4%)**	-	(4%)	-	2%
Total amount recognised in the Consolidated statement of recognised income and expense					
amount (£'000)	**(13,032)**	(20,541)	3,144	(147)	(9,370)
percentage of present value of scheme liabilities	**(14%)**	(21%)	4%	-	(13%)

The assumptions used for mortality rates for members at the expected retirement age of 65 years are:	**2009 years**	2008 years
Male currently aged 65	**21.7**	21.3
Female currently aged 65	**24.0**	24.2
Male currently aged 45	**22.8**	22.4
Female currently aged 45	**24.9**	25.2

Under the defined benefit deficit funding plan, there are no contributions expected to be made in the year ending 30th June 2010. 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. No scheme assets are invested in the Group's own equity.

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 £5,944,000 (2008 £5,772,000).

16. INVENTORIES

An analysis of inventories at the end of the year was:	**2009 £'000**	2008 £'000
Raw materials	**12,335**	12,573
Work in progress	**5,606**	6,292
Finished goods	**11,215**	15,355
Balance at the end of the year	**29,156**	34,220

During the year, the amount of inventories recognised as an expense in the Consolidated income statement was £61,386,000 (2008 £66,460,000) and the amount of write-down of inventories recognised as an expense in the Consolidated income statement was £1,335,000 (2008 £513,000).

17. CASH AND CASH EQUIVALENTS

An analysis of cash and cash equivalents at the end of the year was:	**2009 £'000**	2008 £'000
Bank balances and cash in hand	**10,468**	11,850
Short-term deposits	**10,020**	26,333
Balance at the end of the year	**20,488**	38,183

18. PROVISIONS

Warranty provision

Movements during the year were:	**2009 £'000**	2008 £'000
Balance at the beginning of the year	**824**	693
Utilised during the year	**(769)**	(565)
Created in the year	**601**	696
	(168)	131
Balance at the end of the year	**656**	824

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.

19. OTHER PAYABLES

Balances at the end of the year were:	**2009 £'000**	2008 £'000
Payroll taxes and social security	**3,955**	4,692
Fair value of forward exchange contracts	**5,623**	1,938
Other creditors and accruals	**3,761**	7,721
	13,339	14,351

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

20. OTHER PAYABLES (NON-CURRENT)

Balances at the end of the year were:	**2009 £'000**	2008 £'000
Fair value of forward exchange contracts	**6,627**	3,968
Deferred consideration	**1,222**	1,302
	7,849	5,270

The deferred consideration is in respect of the investment in D3 Technologies Limited, which is payable over a five-year period from the date of the initial investment.

21. CAPITAL AND RESERVES

Movements during the year were:

Year ended 30th June 2009	**Share capital £'000**	**Share premium £'000**	**Currency translation reserve £'000**	**Cash flow hedging reserve £'000**	**Retained earnings £'000**	**Total £'000**
Balance at the beginning of the year	**14,558**	**42**	**1,574**	**(4,252)**	**154,403**	**166,325**
Profit for the year	**-**	**-**	**-**	**-**	**3,871**	**3,871**
Other recognised income and expense	**-**	**-**	**248**	**(1,163)**	**(9,870)**	**(10,785)**
Dividends paid	**-**	**-**	**-**	**-**	**(15,649)**	**(15,649)**
Balance at the end of the year	**14,558**	**42**	**1,822**	**(5,415)**	**132,755**	**143,762**

21. CAPITAL AND RESERVES: CONTINUED

Movements during the year were:

Year ended 30th June 2008	Share capital £'000	Share premium £'000	Currency translation reserve £'000	Cash flow hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at the beginning of the year	14,558	42	(210)	1,845	151,765	168,000
Profit for the year	-	-	-	-	34,716	34,716
Other recognised income and expense	-	-	1,784	(6,097)	(14,914)	(19,227)
Dividends paid	-	-	-	-	(17,164)	(17,164)
Balance at the end of the year	14,558	42	1,574	(4,252)	154,403	166,325

Share capital

	2009 £'000	2008 £'000
Authorised		
75,000,000 ordinary shares of 20p each	**15,000**	15,000
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 and 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:	**2009 £'000**	2008 £'000
Balance at the beginning of the year	**(4,252)**	1,845
Amounts transferred to the Consolidated income statement	**1,395**	(1,845)
Revaluation of contracts outstanding at the end of the year	**(2,558)**	(4,252)
Balance at the end of the year	**(5,415)**	(4,252)

Dividends paid

Dividends paid comprise:	**2009 £'000**	2008 £'000
2008 final dividend paid of 17.63p per share (2007 15.82p)	**12,833**	11,515
2009 interim dividend paid of 7.76p per share (2008 7.76p), net of waivers in 2009	**2,816**	5,649
	15,649	17,164

Minority interest

Movements during the year were:	**2009 £'000**	2008 £'000
Balance at the beginning of the year	**320**	-
Share of investments	**(29)**	420
Share of loss for the year	**(273)**	(100)
Balance at the end of the year	**18**	320

The minority interest represents the 25% minority shareholdings in D3 Technologies Limited, PulseTeq Limited and Renishaw Mayfield SA.

22. FINANCIAL INSTRUMENTS

The Group has exposure to credit risk, liquidity risk and market risk arising from its use of financial instruments. This note presents information about the Group's exposure to these risks, along with the Group's objectives, policies and processes for measuring and managing the risks.

Credit risk

The Group carries a credit risk, being the risk of non-payment of trade receivables by its customers. Credit evaluations are carried out on all new customers before credit is given above certain thresholds. There is a spread of risks among a large number of customers with no significant concentration with one customer or in any one geographical area. The Group establishes an allowance for impairment in respect of trade receivables where recoverability is considered doubtful.

An analysis by currency of Group financial assets at the year end is as follows:

	Trade receivables		Other receivables		Cash	
Currency	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Pounds Sterling	**2,373**	4,294	**2,784**	3,700	**63,255**	77,170
US Dollar	**8,283**	13,177	**177**	219	**(10,012)**	(13,178)
Japanese Yen	**2,796**	5,234	**426**	246	**(9,895)**	(9,325)
Euro	**7,706**	14,539	**1,749**	624	**(24,660)**	(17,816)
Other	**2,899**	5,559	**825**	737	**1,800**	1,332
	24,057	42,803	**5,961**	5,526	**20,488**	38,183

The ageing of gross trade receivables at the end of the year was:	**2009 £'000**	2008 £'000
Not past due	**17,615**	32,104
Past due 0 -1 month	**3,838**	6,579
Past due 1 - 2 months	**2,301**	2,880
Past due more than 2 months	**4,209**	2,936
Balance at the end of the year	**27,963**	44,499

Movements in the provision for impairment of trade receivables during the year were:	**2009 £'000**	2008 £'000
Balance at the beginning of the year	**1,696**	1,651
Changes in amounts provided	**2,574**	444
Amounts utilised	**(364)**	(399)
Balance at the end of the year	**3,906**	1,696

Liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation. The Group is cash generative and uses monthly cash flow forecasts to monitor cash requirements.

In respect of net cash, the carrying value approximates to fair value because of the short maturity of the deposits and borrowings. Interest rates are floating and based on libor/libid, which can change over time, affecting the Group's interest income. The market value of forward exchange contracts is determined by reference to market data.

The contractual maturities of financial liabilities at the year end were:

Year ended 30th June 2009	**Carrying amount £'000**	**Up to 1 year £'000**	**1 - 2 years £'000**	**2 - 5 years £'000**
Trade payables	**6,588**	**6,588**	**-**	**-**
Current tax	**910**	**910**	**-**	**-**
Other payables	**8,938**	**8,938**	**-**	**-**
Forward exchange contracts	**12,250**	**5,623**	**4,313**	**2,314**
	28,686	**22,059**	**4,313**	**2,314**

Year ended 30th June 2008	Carrying amount £'000	Up to 1 year £'000	1 - 2 years £'000	2 - 5 years £'000
Trade payables	12,691	12,691	-	-
Current tax	2,178	2,178	-	-
Other payables	13,715	13,715	-	-
Forward exchange contracts	5,906	1,938	1,878	2,090
	34,490	30,522	1,878	2,090

22. FINANCIAL INSTRUMENTS: CONTINUED

For non-current other receivables of £4,020,000 (2008 £nil), £1,484,000 is receivable between 1 and 2 years and £2,536,000 is receivable between 2 and 5 years.

The contracted cash flows for the financial liabilities are the same as the carrying values. There is no significant difference between the fair value of financial assets and financial liabilities and their carrying value in the balance sheet.

Market risk

As noted in the Financial review under Risks and uncertainties, the Group operates in a number of foreign currencies with the majority of sales being made in these currencies but with a concentration of manufacturing in the UK, Ireland and India.

Exchange rates and sensitivity analysis

The main exchange rate which may have a significant effect on the Group's results is the US Dollar. The Group has hedged its forecasted Euro and Japanese Yen cash flows and hence there is not expected to be a significant impact on the Group's results resulting from fluctuations in these exchange rates against Sterling.

The following are the exchange rates which have been applicable during the financial year. Also noted is the increase in profit that a one US Dollar cent change in exchange rate, where the foreign currency is strengthening against Sterling, might have on the Group's results. The method of estimation involves assessing the impact of this currency on the Group's transactions assuming all other variables are unchanged.

	2009		2008		
Currency	Year end exchange rate	Average exchange rate	Year end exchange rate	Average exchange rate	Increase in group profit of one cent movement £'000
US Dollar	1.65	1.60	1.99	2.01	160
Japanese Yen	159	159	211	220	-
Euro	1.17	1.17	1.26	1.36	-
Average US Dollar forward contract rates	-	1.70	-	-	-
Average Japanese Yen forward contract rates	-	170	-	-	-
Average Euro forward contract rates	-	1.33	-	1.35	-

The Group classifies its forward contracts hedging forecasted transactions as cash flow hedges and states them at fair value.

Further details are noted in the Treasury policies on page 14.

Net assets and associated borrowings

The Group maintains foreign currency borrowings as a method of providing hedging against the currency translation risk of the net assets of its overseas subsidiaries. The level of hedging in place at the year end for the major currencies and their relative base borrowing interest rates, were:

Currency	Net assets of subsidiary £'000	Currency borrowing £'000	Base borrowing interest rate %
US Dollar	13,264	13,088	0.25%
Japanese Yen	9,329	9,920	0.25%
Euro	20,201	21,114	1.00%

The currency borrowings are short-term, with floating interest rates. In order to minimise the cost of these borrowings, short-term currency swaps are used on a rolling one-month cycle. These currency swaps are not reflected in the table above.

The Company has US Dollar, Japanese Yen and Euro forward contracts which mature after the balance sheet date. The fair value of these contracts at the year end was a loss of £5,415,000 (2008 loss £4,252,000) (see note 21 on page 42).

Capital management

The Board's policy is to maintain a strong capital base and to maintain a balance between significant returns to shareholders, with a progressive dividend policy, whilst ensuring the security of the Group supported by a sound capital position.

23. OPERATING LEASES

The total of future minimum lease payments under non-cancellable operating leases (all of which relate to land and buildings in subsidiaries) were:	**2009 £'000**	2008 £'000
Expiring within one year	**1,021**	531
Expiring between two and five years	**1,174**	375
	2,195	906

Lease payments recognised as an expense during the year were:	**2009 £'000**	2008 £'000
Total lease payments for the financial year	**1,321**	867

24. CAPITAL COMMITMENTS

Capital commitments at the end of the year, for which no provision has been made in the financial statements, were:

	2009 £'000	2008 £'000
Authorised and committed	**803**	3,887

25. CONTINGENCIES

The UK banking arrangements are subject to cross-guarantees between the Company and its UK subsidiaries. These accounts are subject to a right of set-off.

26. SUBSIDIARY UNDERTAKINGS

The following are the subsidiary undertakings of Renishaw plc, all of which are wholly-owned, unless otherwise stated, and all of which are consolidated into the results of the Group. The country of incorporation and registration is England and Wales unless otherwise stated. The country of incorporation is also the country of operation. The accounting year end for each subsidiary undertaking is 30th June unless otherwise stated.

Company	**Principal activities**
Renishaw International Limited*	Overseas holding and investment company.
Renishaw (Ireland) Limited (Republic of Ireland)*	Manufacture and sale of advanced precision metrology and inspection equipment.
Renishaw Finance and Insurance (Guernsey) Limited (Guernsey)*	Finance and captive insurance company (31st January)
Renishaw Holdings Limited	Holding and investment company.
Renishaw Finance Limited*	Group finance company.
Renishaw S.A.S. (France)*	Service, distribution, research and development and manufacture of group products.
itp GmbH (Germany)*	Manufacture and sale of advanced precision metrology and inspection equipment.
Wotton Travel Limited	Travel agency.
D3 Technologies Limited (75%) (Scotland)	Design and sale of surface-enhanced Raman spectroscopy products.
Renishaw Mayfield SA (Switzerland)*	Manufacture and sale of surgical robots for neurosurgical applications.
PulseTeq Limited (75%)	Manufacture and sale of coils for the enhancement of images from MRI scanners.

Company – principal activity is the service and distribution of group products

Renishaw Inc (USA)*
Renishaw KK (Japan)*
Renishaw GmbH (Germany)*
Renishaw S.p.A. (Italy)*
Renishaw Ibérica S.A.U. (Spain)*
Renishaw A.G. (Switzerland)*
Renishaw (Hong Kong) Limited (Hong Kong)*
Renishaw Latino Americana Ltda. (Brazil)* (31st December)
Renishaw Metrology Systems Private Limited (India)* (31st March)
Renishaw Benelux BV (The Netherlands)*
Renishaw Oceania Pty Limited (Australia)*
Renishaw s.r.o. (Czech Republic)*
Renishaw Sp. z o.o. (Poland)*
OOO Renishaw (Russia)* (31st December)
Renishaw AB (Sweden)*
Renishaw (Austria) GmbH (Austria)*
Renishaw (Korea) Limited (South Korea)*
Renishaw (Canada) Limited (Canada)*
Renishaw (Israel) Limited (Israel)*
Renishaw (Shanghai) Trading Company Limited (The People's Republic of China)* (31st December)
Renishaw (Singapore) Pte Limited (Singapore)*
Renishaw (Taiwan) Inc (Taiwan)*

*equity held by a subsidiary undertaking

27. RELATED PARTIES

During the year, associates purchased goods and services from the Group to the value of £168,000 (2008 £236,000) and sold goods and services to the Group to the value of £1,990,000 (2008 £1,450,000). At 30th June 2009, associates owed £132,000 to the Group (2008 £479,000). Associates were owed £77,000 by the Group (2008 £90,000). Dividends of £80,000 were received from associates during the year (2008 £80,000).

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

Company balance sheet

at 30th June 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	29	**49,260**	46,248
Investments in subsidiaries	30	**6,034**	5,128
Investments in associates	31	**6,814**	6,714
		62,108	58,090
Current assets			
Deferred tax	32	**7,909**	974
Stock	33	**18,288**	21,190
Debtors	34	**144,458**	177,821
Cash at bank		**10,044**	22,884
		180,699	222,869
Creditors			
Amounts falling due within one year	35	**(40,653)**	(56,504)
Net current assets			
Due within one year		**45,323**	67,067
Due after more than one year		**94,723**	99,298
		140,046	166,365
Total assets less current liabilities		**202,154**	224,455
Creditors			
Amounts falling due after more than one year	36	**(9,477)**	(7,138)
Provisions for liabilities and charges	37	**(543)**	(686)
Net assets excluding pension liability		**192,134**	216,631
Pension liability	38	**(13,825)**	(7,562)
Net assets including pension liability		**178,309**	209,069
Capital and reserves			
Called up share capital	39	**14,558**	14,558
Share premium account		**42**	42
Currency reserve	40	**(5,415)**	(4,252)
Profit and loss account	41	**169,124**	198,721
Shareholders' funds – equity		**178,309**	209,069

These financial statements were approved by the Board of directors on 29th July 2009 and were signed on its behalf by:

Sir David McMurtry
A C G Roberts
Directors

Reconciliation of movements in shareholders' funds

for the year ended 30th June 2009

	2009 £'000	2008 £'000
(Loss)/profit for the financial year	**(6,547)**	7,409
Dividends paid	**(15,649)**	(17,164)
Fair value of forward exchange contracts, net of deferred tax	**(1,163)**	(6,097)
Actuarial loss in the pension scheme, net of deferred tax	**(7,401)**	(14,284)
Decrease in shareholders' funds	**(30,760)**	(30,136)
Shareholders' funds at 1st July	**209,069**	239,205
Shareholders' funds at 30th June	**178,309**	209,069

28. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

Basis of preparation

The financial statements have been prepared in accordance with applicable UK GAAP.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Advantage has been taken of FRS 8 'Related party disclosures' not to disclose transactions with subsidiaries on the basis that all transactions were with members of the Group, 90% or more of whose voting rights were controlled.

The Company has adopted FRS 29 'Financial Instruments Disclosures', which came into effect from 1st January 2007. However, the Company has taken the exemption available to parent companies not to present financial instrument disclosures as the Group financial statements contain disclosures that comply with the standard.

Investments

Investments in subsidiary and associated undertakings are stated at cost less any provision for permanent impairment losses.

Tangible assets and depreciation

Tangible assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost of assets less their estimated residual value on a straight-line basis over their estimated useful economic lives as follows:-

Freehold buildings – 50 years

Plant and equipment – 3 to 10 years

Motor vehicles – 3 to 4 years

No depreciation is provided on freehold land.

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately declared and authorised and no longer at the discretion of the Company. Unpaid dividends that do not meet this criteria are disclosed in the Directors' report.

Research and development

Research and development expenditure is charged to profit and loss account in the year in which it is incurred.

Taxation

The charge for taxation is based on the Company profit for the year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Long-term amount owed by a group undertaking

A balance owing to the Company by a subsidiary undertaking, which is expected to be repaid over a number of years, has been initially valued at fair value and is valued at amortised cost thereafter.

Employee benefits

The Company operated a contributory pension scheme, of the defined benefit type up to 5th April 2007, after which this scheme was closed for future accruals to existing members and was closed to new members. Since 5th April 2007, the Company has operated a defined contribution scheme, which is part of the same scheme.

The scheme is administered by trustees who are independent of the Company finances.

Pension scheme assets in the defined benefit scheme are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The expected return on the scheme's assets and the interest on the scheme's liabilities arising from the passage of time are included in other finance income.

The pension scheme's surplus, to the extent that it is considered recoverable, or deficit is recognised in full and presented on the face of the balance sheet net of the related deferred tax.

Accruals are made for holiday pay, based on a calculation of the number of days holiday earned during the year, but not yet taken and also for the annual performance bonus.

Warranty on the sale of products

The Company provides a warranty from the date of purchase on all its products. This is typically for a twelve-month period, although up to three years is given for a small number of products. A warranty provision is included in the accounts, which is calculated on the basis of historical returns and internal quality reports.

Derivative financial instruments

In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account. The fair value of forward exchange contracts is their quoted market price at the balance sheet date.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises direct materials and labour plus overheads applicable to the stage of manufacture reached.

Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on such translation are recognised in the profit and loss account.

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 Financial review on pages 10 to 14, where also given are details of the financial and liquidity positions. In addition, note 22 on pages 43 and 44 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 despite the current uncertain economic outlook.

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.

29. TANGIBLE FIXED ASSETS

Year ended 30th June 2009	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 2008	**33,093**	**66,079**	**2,247**	**600**	**102,019**
Additions	**2,269**	**6,562**	**510**	**903**	**10,244**
Transfers	**381**	**642**	**-**	**(1,023)**	**-**
Disposals	**-**	**(749)**	**(482)**	**-**	**(1,231)**
At 30th June 2009	**35,743**	**72,534**	**2,275**	**480**	**111,032**
Depreciation					
At 1st July 2008	**6,638**	**47,385**	**1,748**	**-**	**55,771**
Charge for the year	**759**	**5,821**	**332**	**-**	**6,912**
Released on disposals	**-**	**(482)**	**(429)**	**-**	**(911)**
At 30th June 2009	**7,397**	**52,724**	**1,651**	**-**	**61,772**
Net book value					
At 30th June 2009	**28,346**	**19,810**	**624**	**480**	**49,260**
At 30th June 2008	26,455	18,694	499	600	46,248

At 30th June 2009, properties with a net book value of £23,815,000 (2008 £24,210,000) were subject to a registered charge to secure the UK defined benefit pension scheme liabilities.

Additions to assets in the course of construction of £903,000 (2008 £892,000) comprise £136,000 (2008 £181,000) for freehold land and buildings and £767,000 (2008 £711,000) for plant and equipment.

30. INVESTMENTS IN SUBSIDIARIES

Movements during the year were:	**2009 £'000**	2008 £'000
Balance at the beginning of the year	**5,128**	216
Investments made during the year	**152**	1,742
Deferred consideration	**-**	3,170
Transfer from investments in associates	**754**	-
Balance at the end of the year	**6,034**	5,128

A list of subsidiary undertakings is shown in note 26.

31. INVESTMENTS IN ASSOCIATES

Movements during the year were:	**2009 £'000**	2008 £'000
Balance at the beginning of the year	**6,714**	6,714
Investments made during the year	**854**	-
Transfer to investments in subsidiaries	**(754)**	-
Balance at the end of the year	**6,814**	6,714

32. DEFERRED TAX

Movements during the year were:	**2009 £'000**	2008 £'000
Balance at the beginning of the year	**974**	-
Movements during the year	**6,935**	974
Balance at the end of the year	**7,909**	974

32. DEFERRED TAX: CONTINUED

The deferred tax asset is represented by:	2009 £'000	2008 £'000
Difference between accumulated depreciation and capital allowances	**913**	(525)
Other timing differences	**6,996**	1,499
	7,909	974
Deferred tax on pension scheme liability	**5,376**	2,941
	13,285	3,915

The movements in the deferred tax balance were:	2009 £'000	2008 £'000
Balance at the beginning of the year	**3,915**	(4,438)
Amount credited to the Profit and loss account	**6,483**	1,120
Amount reflected through the Statement of total recognised gains and losses	**2,887**	7,233
Balance at the end of the year	**13,285**	3,915

33. STOCK

An analysis of stock at the end of the year was:	2009 £'000	2008 £'000
Raw materials	**8,511**	7,916
Work in progress	**5,575**	6,705
Finished goods	**4,202**	6,569
Balance at the end of the year	**18,288**	21,190

34. DEBTORS

An analysis of debtors at the end of the year was:	2009 £'000	2008 £'000
Debtors due within one year		
Trade debtors	**5,632**	8,802
Amounts owed by group undertakings	**48,719**	67,145
Amounts owed by associated undertakings	**132**	479
Corporation tax	**599**	-
Prepayments and other receivables	**1,853**	3,071
Fair value of forward exchange contracts	**709**	-
	57,644	79,497
Debtors due after more than one year		
Amounts owed by group undertakings	**82,794**	98,324
Fair value of forward exchange contracts	**4,020**	-
Balance at the end of the year	**144,458**	177,821

Amounts owed by group undertakings due after more than one year at 30th June 2009 are shown at their amortised cost, calculated using the effective interest method. The balance at 30th June 2009 of £82,794,000 (2008 £98,324,000) is based on an original amount of £102,029,000 (2008 £125,180,000).

35. CREDITORS

Amounts falling due within one year

An analysis of creditors due within one year at the end of the year was:	2009 £'000	2008 £'000
Trade creditors	**4,082**	9,633
Amounts owed to group undertakings	**28,156**	36,608
Amounts owed to associated undertakings	**52**	77
Corporation tax	**-**	1,279
Other taxes and social security	**1,110**	1,434
Other creditors	**1,630**	5,535
Fair value of forward exchange contracts	**5,623**	1,938
Balance at the end of the year	**40,653**	56,504

36. CREDITORS

Amounts falling due after more than one year

An analysis of creditors due after more than one year was:	**2009 £'000**	2008 £'000
Deferred consideration	**2,850**	3,170
Fair value of forward exchange contracts	**6,627**	3,968
	9,477	7,138

The deferred consideration is in respect of the investment in D3 Technologies Limited, which is payable over a five-year period from the date of the initial investment.

37. PROVISIONS FOR LIABILITIES AND CHARGES

Warranty provision

Movements during the year were:	**2009 £'000**	2008 £'000
Balance at the beginning of the year	**686**	559
Utilised during the year	**(647)**	(467)
Created in the year	**504**	594
	(143)	127
Balance at the end of the year	**543**	686

The warranty provision has been calculated on the basis of historical return-in-warranty information and other quality 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.

38. PENSION SCHEME

The Company operated a pension scheme, which was of the defined benefit type. In April 2007, this scheme ceased any future accrual for current members and was closed to new members. Employees of the Company are now covered by a defined contribution scheme.

The total pension cost of the Company for the year was £4,262,000 (2008 £4,563,000), of which £140,000 (2008 £139,000) related to directors.

The latest full actuarial valuation of the scheme was carried out at September 2006 and updated to 30th June 2009 on an FRS 17 basis by a qualified independent actuary. The major assumptions used by the actuary for the scheme were:

	30th June 2009	30th June 2008	30th June 2007
Rate of increase in pension payments	**3.3%**	3.8%	3.1%
Discount rate	**6.2%**	6.2%	5.7%
Inflation rate	**3.4%**	4.1%	3.4%
Expected return on equities	**8.3%**	9.1%	8.2%
Expected return on cash	**3.4%**	5.0%	4.75%
Expected return on bonds	**5.5%**	6.5%	5.3%
Retirement age	**64**	64	64

The mortality assumption adopted for 2009 is PA92, year of birth, short cohort, which reflects the increasing life expectancy.

The assets and liabilities in the scheme were:	**30th June 2009 £'000**	% of total assets	30th June 2008 £'000	% of total assets	30th June 2007 £'000	% of total assets	30th June 2006 £'000	% of total assets	30th June 2005 £'000	% of total assets
Market value of assets:										
Equities	**65,550**	99	79,143	98	84,906	98	67,722	99	50,050	99
Bonds and cash	**441**	1	1,243	2	1,740	2	565	1	650	1
	65,991	100	80,386	100	86,646	100	68,287	100	50,700	100
Actuarial value of liabilities	**(85,192)**		(90,889)		(79,796)		(86,119)		(69,700)	
Deficit in the scheme	**(19,201)**		(10,503)		6,850		(17,832)		(19,000)	
Deferred tax thereon	**5,376**		2,941		(1,920)		5,350		5,700	
Pension (liability)/asset	**(13,825)**		(7,562)		4,930		(12,482)		(13,300)	

38. PENSION SCHEME: CONTINUED

The history of experience gains and losses is:	**Year ended 30th June 2009**	Year ended 30th June 2008	Year ended 30th June 2007	Year ended 30th June 2006	Year ended 30th June 2005
Difference between the expected and actual return on scheme assets					
amount (£'000)	**(20,244)**	(12,651)	6,738	6,288	4,395
percentage of scheme assets	**(31%)**	(16%)	8%	9%	9%
Experience gains and losses on scheme liabilities					
amount (£'000)	**(3,954)**	-	(2,751)	(483)	1,069
percentage of present value of scheme liabilities	**(5%)**	-	(3%)	(1%)	2%
Total amount recognised in the Statement of total recognised gains and losses					
amount (£'000)	**(10,279)**	(19,842)	3,444	(866)	(8,036)
percentage of present value of scheme liabilities	**(12%)**	(22%)	4%	(1%)	(12%)

The movements in the scheme were:	**2009 £'000**	2008 £'000
(Deficit)/surplus in scheme at 1st July	**(10,503)**	6,850
Other finance income	**1,581**	2,489
Actuarial loss	**(10,279)**	(19,842)
Deficit in scheme at 30th June	**(19,201)**	(10,503)

The income recognised in the Profit and loss account was:	**2009 £'000**	2008 £'000
Expected return on pension scheme's assets	**7,175**	7,019
Interest on pension scheme's liabilities	**(5,594)**	(4,530)
	1,581	2,489

The analysis of the amount recognised in the Statement of total recognised gains and losses was:	**2009 £'000**	2008 £'000
Actual return less expected return on scheme assets	**(20,244)**	(12,651)
Experience loss arising on scheme liabilities	**(3,954)**	-
Changes in financial assumptions	**13,919**	(7,191)
	(10,279)	(19,842)

39. SHARE CAPITAL

	2009 £'000	2008 £'000
Authorised 75,000,000 ordinary shares of 20p each	**15,000**	15,000
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.

40. CURRENCY RESERVE

The unrealised currency loss on foreign exchange forward contracts outstanding at the year end has been recognised net of deferred tax.

Movements during the year were:	**2009 £'000**	2008 £'000
Balance at the beginning of the year	**(4,252)**	1,845
Amounts recycled into the Profit and loss account in the year	**1,395**	(1,845)
Revaluations of outstanding amounts	**(2,558)**	(4,252)
Balance at the end of the year	**(5,415)**	(4,252)

41. PROFIT AND LOSS ACCOUNT

Movements in the Profit and loss account during the year were:	**2009 £'000**	2008 £'000
Balance at the beginning of the year	**198,721**	222,760
(Loss)/profit for the year	**(6,547)**	7,409
Dividends paid in the year	**(15,649)**	(17,164)
Actuarial loss in the pension scheme	**(10,279)**	(19,842)
Deferred tax thereon	**2,878**	5,558
	(7,401)	(14,284)
Balance at the end of the year	**169,124**	198,721

The profit and loss account reserve in the Company of £169,124,000 (2008 £198,721,000) includes £124,324,000 (2008 £124,324,000) which is currently non-distributable.

42. RELATED PARTIES

During the year, associates purchased goods and services from the Company to the value of £168,000 (2008 £236,000) and sold goods and services to the Company to the value of £1,352,000 (2008 £1,184,000).

At 30th June 2009, associates owed £132,000 (2008 £479,000) to the Company. Associates were owed £52,000 (2008 £77,000) by the Company. Dividends of £80,000 were received from associates during the year (2008 £80,000).

All transactions were on an arm's length basis. There were no bad debts written off during the year (2008 £nil).

43. PERSONNEL EXPENSES

The aggregate payroll costs for the year were:	**2009 £'000**	2008 £'000
Wages and salaries (including annual performance bonus in 2008)	**43,336**	48,603
Compulsory social security contributions	**4,529**	5,222
Contributions to pension scheme	**4,262**	4,563
Redundancy costs	**2,934**	-
	55,061	58,388

The average number of persons employed by the Company during the year was:	**Number**	Number
	1,410	1,465

44. CAPITAL COMMITMENTS

Capital commitments at the end of the year, for which no provision has been made in the financial statements, were:	**2009 £'000**	2008 £'000
Authorised and committed	**221**	3,117

Notice is hereby given that the 36th annual general meeting of the Company will be held at New Mills, Wotton-under-Edge, Gloucestershire GL12 8JR on Thursday 15th October 2009 at noon. You will be asked to consider and pass the resolutions below. Resolution 6 will be proposed as a special resolution. All other resolutions will be proposed as ordinary resolutions.

Ordinary resolutions

1. To receive and adopt the reports of the directors and auditors and the financial statements for the year ended 30th June 2009;
2. To re-elect as a director of the Company Sir David McMurtry, who is retiring by rotation;
3. To re-elect as a director of the Company D J Deer, who is retiring by rotation;
4. To approve the Directors' remuneration report contained in the Annual report 2009;
5. To re-appoint KPMG Audit Plc as auditor of the Company and to authorise the directors to determine their remuneration;

Special resolutions

6. To consider and, if thought fit, to pass the following resolution:

   That the Company be and is hereby unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 20p each in the capital of the Company ("ordinary shares") provided that:

   (i) the maximum number of ordinary shares hereby authorised to be purchased is 7,278,854;

   (ii) the maximum price that may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the 10 business days immediately preceding the day on which the ordinary share is purchased;

   (iii) the minimum price which may be paid for an ordinary share shall be 20p;

   (iv) the authority hereby conferred shall expire at the earlier of the conclusion of the annual general meeting to be held in 2010 and 31st December 2010 unless such authority is renewed prior to such time; and

   (v) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to such contract.

By order of the Board

N Tang
Secretary

21st August 2009

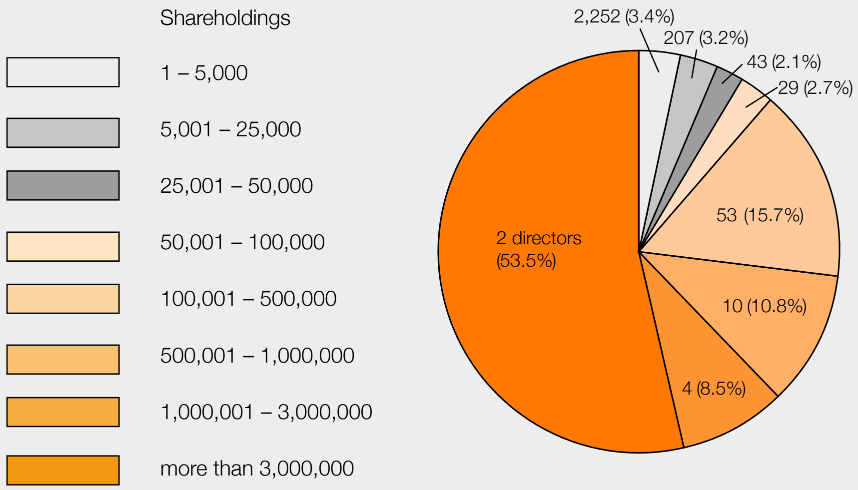
New Mills
Wotton-under-Edge
Gloucestershire
GL12 8JR

NOTES

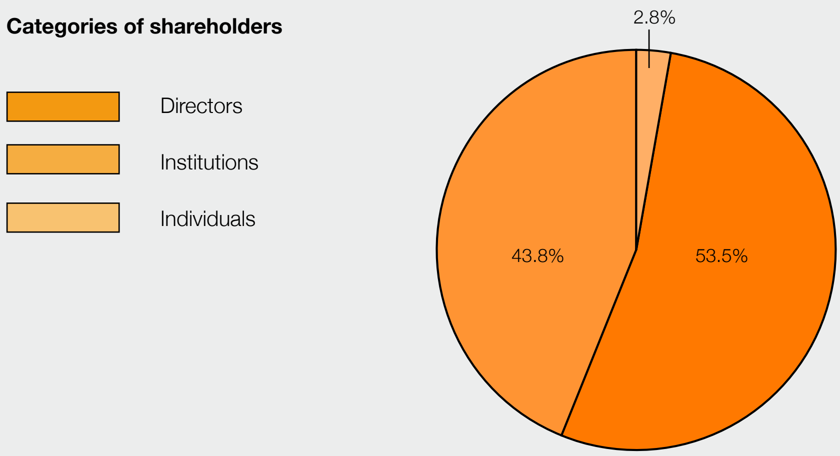
1. The Company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6pm on 13th October 2009 shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6pm on 13th October 2009 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member entitled to attend and vote is entitled to appoint a proxy or proxies to exercise the member's rights to attend and to speak and vote at the meeting. A proxy need not be a member of the Company and the appointment of a proxy will not preclude a member from attending and voting at the meeting. A form of proxy is enclosed for this purpose.
3. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast, and the voting rights in respect of those discretionary proxies, when added to the voting rights in the Company already held by the Chairman, result in the Chairman having a notifiable obligation under the Financial Services Authority's Disclosure Rules and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Rules and Transparency Rules, need not make a separate notification to the Company and to the Financial Services Authority.
4. Copies of the executive directors' service contracts and letters of appointment of non-executive directors will be available for inspection at the registered office of the Company during normal business hours (8.00am - 4.15pm) and at the place of the meeting from 11.30am until the meeting closes.

Shareholders' profile

Number of shareholders in each shareholding range



Categories of shareholders



The above information was compiled from the register as at 8th July 2009.

Financial calendar

Annual general meeting
15th October 2009

Dividends

Interim dividend (provisional)

Payment date	12th April 2010
Record date	12th March 2010
Ex-div date	10th March 2010

Announcement of results
Annual results – July
Half year results – January

The interim results and the preliminary announcement of the full year's results are published on our website, which is at www.renishaw.com no later than ten minutes after they have been released at the Financial Services Authority.

Results

	note 4 **2009** **£'000**	note 3 2008 £'000	note 3 2007 £'000	2006 £'000	note 2 2005 £'000	2004 £'000	2003 £'000	2002 £'000	2001 £'000	note 1 2000 £'000
Overseas revenue	**159,988**	189,137	169,094	164,322	144,438	118,881	100,969	94,769	113,133	94,106
UK and Ireland revenue	**11,259**	12,020	11,789	11,513	10,361	8,820	9,671	9,721	12,215	11,488
Total revenue	**171,247**	201,157	180,883	175,835	154,799	127,701	110,640	104,490	125,348	105,594
Operating profit	**5,991**	37,335	29,729	35,468	29,307	18,053	15,644	13,448	27,943	25,677
Profit before tax	**8,843**	41,715	32,672	38,102	31,733	20,146	17,799	16,062	30,795	28,261
Taxation	**2,105**	8,309	6,532	7,621	6,297	4,023	3,454	880	6,082	7,065
Profit for the year	**6,738**	33,406	26,140	30,481	25,436	16,123	14,345	15,182	24,713	21,196

Capital employed

	2009 **£'000**	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000	2002 £'000	2001 £'000	2000 £'000
Share capital	**14,558**	14,558	14,558	14,558	14,558	14,558	14,558	14,558	14,558	14,558
Share premium	**42**	42	42	42	42	42	42	42	42	42
Reserves	**129,162**	151,725	153,400	128,136	110,857	93,110	90,626	93,085	94,722	82,498
Shareholders' funds	**143,762**	166,325	168,000	142,736	125,457	107,710	105,226	107,685	109,322	97,098

Statistics

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Overseas sales as a percentage of total sales	**93.4%**	94.0%	93.5%	93.5%	93.3%	93.1%	91.3%	90.7%	90.3%	89.1%
Basic earnings per share	**9.3p**	45.9p	35.9p	41.9p	34.9p	22.1p	19.7p	20.9p	34.0p	29.1p
Proposed dividend per share	**7.76p**	25.39p	22.87p	21.78p	19.80p	18.00p	16.70p	15.90p	15.14p	13.16p

Notes

1. The 2000 figures have been restated to reflect the impact of the adoption of IAS 19 - Employee benefits.
2. For the year 2005 and onwards, the financial statements have been prepared under adopted IFRS. Financial statements for the years prior to 2005 were prepared under UK GAAP and have not been adjusted to adopted IFRS.
3. The results and basic earnings per share for 2007 and 2008 exclude the pension curtailment credits.
4. The results and basic earnings per share for 2009 exclude the redundancy costs.

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