

# Interim report 2010

## Financial highlights

	6 months to 31st December 2009 £'000	6 months to 31st December 2008 £'000	change %	Year ended 30th June 2009 £'000
Revenue	73,851	102,670	-28%	171,247
Adjusted operating profit	6,918	11,903	-42%	5,991
Adjusted profit before tax	7,101	14,023	-49%	8,843
Adjusted earnings per share	7.8p	15.4p	-49%	9.3p

### Statutory

Operating profit	6,918	11,903	-42%	1,870
Profit before taxation	7,101	14,023	-49%	4,722
Earnings per share	7.8p	15.4p	-49%	4.9p
Proposed dividend per share	4.00p	7.76p	-48%	7.76p

#### Note on adjusted figures

Adjusted figures only apply to the full year ended 30th June 2009 figures and these exclude the exceptional redundancy costs incurred in the second half of the 2009 financial year.

## Half year management report

### Chairman's statement

I am delighted to announce that the improvements in order intake and revenue previously reported for the first three months have accelerated throughout the second quarter ended 31st December 2009 with order intake now exceeding revenue in each of the last six months. This has resulted in the order book increasing from £9.7m at 30th June 2009 to £17.6m by 31st December 2009.

Total group revenue for the six months to 31st December 2009 amounted to £73.9m (2008 £102.7m), which, whilst contrasting adversely with that achieved for the same period last year (a reduction of 32% at previous year exchange rates), was 8% ahead of the £68.6m recorded in the second six months of the previous financial year.

Group operating profit amounted to £6.9m (2008 £11.9m), which, whilst also significantly lower than that reported for the same period last year, provided a substantial improvement over the pre-exceptional operating loss of £5.9m recorded in the second six months of the previous financial year, following the cost control measures introduced in February 2009.

After net financial income, the Group delivered profit before tax of £7.1m (2008 £14.0m), resulting in earnings per share of 7.8p compared with 15.4p in the previous year. Favourable currency movements benefited revenue and operating profits by £3.6m and £2.5m respectively.

#### Segmental analysis

This year the Group has divided its operating, research and development and reporting activities into two main segments:- the traditional metrology business, the cornerstone of Renishaw, and the smaller Healthcare activities into which parts of Renishaw have migrated or which have been established or acquired.

##### •Metrology

Revenue in our traditional Metrology product segment (probes and accessories for coordinate measuring machines ("CMM") and machine tools, laser calibration systems and linear and angle encoder systems) was £65.9m (2008 £94.2m). Although there was a decline in revenue in most geographic areas, there was growth in the Far East, excluding Japan. Current indications are that growth in China, Korea and Taiwan is likely to continue, particularly in the production of electronic products and in the recovering Japanese machine tool market, which experienced strong order intake last month.

Investment continues (albeit at a lower level than last year) in the research and development of a range of new products and applications. New products introduced to the market this year include the RMP40 compact radio transmission spindle probe and the QC20-W wireless ballbar.

##### •Healthcare

The Healthcare segment comprises the neurosurgical, dental and spectroscopy products, which includes PulseTeq (coils for MRI scanners), D3 Technologies (surface enhanced Raman spectroscopy) and Renishaw Mayfield (surgical robots, which was acquired in November 2008). Revenue for this segment amounted to £8.0m (2008 £8.5m, of which £2.5m included non-recurring revenue). Excluding the non-recurring revenue, there was growth in all geographic markets, notably the Far East.

Investment continues in marketing the newly introduced products and meeting the associated regulatory compliance requirements. The Company provided further investment of £1m in D3 Technologies Limited, bringing its shareholding up to 80% (previously 75%).

#### Balance sheet

Capital expenditure was much reduced during this period and amounted to £1.1m, of which £0.6m was property and £0.5m was plant and machinery. There were further efficiencies achieved in inventories, which reduced by £4.2m in the six months. Trade receivables rose in line with increased activity in November and December. Cost containment measures continue.

Net cash balances at 31st December 2009 were £24.4m (30th June 2009 £20.5m, 31st December 2008 £15.7m).

The deficit in the pension fund has increased to £29.7m (£22.5m at 30th June 2009) reflecting a significant increase in liabilities (caused by a decrease in the AA Corporate Bond yield rate and an increase in the inflation assumption) offset partly by a strong investment performance

#### Prospects

After a serious and protracted global downturn we are encouraged by the progress in this first six months, particularly by the performance in this last quarter and the improvements in the rate of order intake. Overall we are cautiously optimistic for the full year and thereafter.

The Board has resolved to pay an interim dividend of 4.0p (covered 2 times by available earnings for the period) payable on 31st March 2010 to shareholders on the share register on 26th February 2010.

We are grateful for our employees' understanding and continued commitment and look forward to returning to consistent growth for our shareholders.

Sir David R McMurtry CBE, RDI, FEng, CEng, FIMechE  
Chairman & Chief Executive,  
27th January 2010

## Consolidated income statement

Unaudited

		6 months to 31st December 2009 £'000	6 months to 31st December 2008 £'000	Audited Year ended 30th June 2009 £'000
Revenue	2	73,851	102,670	171,247
Cost of sales		(41,319)	(55,484)	(101,064)
<b>Gross profit</b>		<b>32,532</b>	<b>47,186</b>	<b>70,183</b>
Distribution costs		(17,149)	(22,748)	(41,559)
Administrative expenses including exceptional item		(8,465)	(12,535)	(26,754)
Operating profit excluding exceptional item		<b>6,918</b>	11,903	5,991
Exceptional item - redundancy costs		-	-	(4,121)
<b>Operating profit</b>		<b>6,918</b>	11,903	1,870
Financial income	3	2,998	4,820	8,754
Financial expenses	3	(2,945)	(3,089)	(6,219)
Share of profits from associates		130	389	317
<b>Profit before tax</b>	4	<b>7,101</b>	14,023	4,722
Income tax expense		(1,420)	(2,805)	(1,124)
<b>Profit for the period from continuing operations</b>		<b>5,681</b>	11,218	3,598
<b>Profit attributable to:</b>				
Equity shareholders of the parent company		5,939	11,368	3,871
Minority interest		(258)	(150)	(273)
		<b>5,681</b>	11,218	3,598
		pence	pence	pence
Dividend per share arising in respect of the period	8	4.00	7.76	7.76
Earnings per share (basic and diluted)	5	7.8	15.4	4.9

## Consolidated balance sheet

Unaudited

		At 31st December 2009 £'000	At 31st December 2008 £'000	Audited At 30th June 2009 £'000
	Notes			
<b>Assets</b>				
Property, plant and equipment	6	72,021	78,433	73,583
Intangible assets	7	28,564	26,478	27,683
Investments in associates		7,024	7,252	7,085
Deferred tax assets		17,322	20,465	14,165
Other receivables	9	1,951	-	4,020
<b>Total non-current assets</b>		<b>126,882</b>	<b>132,628</b>	<b>126,536</b>
<b>Current assets</b>				
Inventories		24,972	35,899	29,156
Trade receivables		30,389	40,247	24,057
Current tax		3,107	329	1,626
Other receivables	9	4,147	5,085	4,335
Cash and cash equivalents		24,372	15,659	20,488
<b>Total current assets</b>		<b>86,987</b>	<b>97,219</b>	<b>79,662</b>
<b>Current liabilities</b>				
Trade payables		6,291	12,355	6,588
Current tax		841	2,570	910
Provisions		599	847	656
Other payables	9	16,602	29,895	13,339
<b>Total current liabilities</b>		<b>24,333</b>	<b>45,667</b>	<b>21,493</b>
<b>Net current assets</b>		<b>62,654</b>	<b>51,552</b>	<b>58,169</b>
<b>Non-current liabilities</b>				
Employee benefits	10	29,728	10,771	22,458
Deferred tax liabilities		10,624	12,410	10,618
Other payables	9	7,086	25,138	7,849
<b>Total non-current liabilities</b>		<b>47,438</b>	<b>48,319</b>	<b>40,925</b>
<b>Total assets less total liabilities</b>		<b>142,098</b>	<b>135,861</b>	<b>143,780</b>
<b>Equity</b>				
Share capital	8	14,558	14,558	14,558
Share premium	8	42	42	42
Currency translation reserve	8	2,610	1,149	1,822
Cash flow hedging reserve	8/9	(8,401)	(31,964)	(5,415)
Retained earnings	8	133,380	152,043	132,755
<b>Total equity attributable to the equity holders of the parent company</b>		<b>142,189</b>	<b>135,828</b>	<b>143,762</b>
Minority interest		(91)	33	18
<b>Total shareholders' funds</b>		<b>142,098</b>	<b>135,861</b>	<b>143,780</b>

## Consolidated statement of cash flow

Unaudited

	6 months to 31st December 2009 £'000	6 months to 31st December 2008 £'000	Audited Year ended 30th June 2009 £'000
<b>Cash flows from operating activities</b>			
Profit for the period	5,681	11,218	3,598
Amortisation of development costs	2,220	1,276	4,433
Amortisation of other intangibles	897	1,100	1,441
Depreciation	4,050	4,056	8,890
Profit on sale of property, plant and equipment	-	(6)	151
Share of profits from associates	(130)	(389)	(317)
Financial income	(2,998)	(4,820)	(8,754)
Financial expenses	2,945	3,089	6,219
Tax expense	1,420	2,805	1,124
	8,404	7,111	13,187
Decrease/(increase) in inventories	4,184	(1,679)	5,064
(Increase)/decrease in trade and other receivables	(5,456)	14,819	28,167
Increase/(decrease) in trade and other payables	102	(5,633)	(12,026)
(Decrease)/increase in provisions	(57)	23	(168)
	(1,227)	7,530	21,037
Income taxes paid	(2,947)	(3,088)	(6,368)
<b>Cash flows from operating activities</b>	<b>9,911</b>	<b>22,771</b>	<b>31,454</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(1,103)	(6,540)	(11,005)
Development costs capitalised	(3,590)	(2,576)	(6,618)
Purchase of other intangibles	(235)	(6,863)	(7,503)
Investment in associates	-	(400)	(400)
Sale of property, plant and equipment	71	40	259
Interest received	132	956	1,161
Dividend received from associate	21	21	80
<b>Cash flows from investing activities</b>	<b>(4,704)</b>	<b>(15,362)</b>	<b>(24,026)</b>
<b>Financing activities</b>			
Interest paid	(117)	(67)	(255)
Dividends paid	-	(12,833)	(15,649)
<b>Cash flows from financing activities</b>	<b>(117)</b>	<b>(12,900)</b>	<b>(15,904)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,090</b>	<b>(5,491)</b>	<b>(8,476)</b>
Cash and cash equivalents at the beginning of the period	20,488	38,183	38,183
Effect of exchange rate fluctuations on cash held	(1,206)	(17,033)	(9,219)
<b>Cash and cash equivalents at the end of the period</b>	<b>24,372</b>	<b>15,659</b>	<b>20,488</b>

## Consolidated statement of comprehensive income and expense

Unaudited

	6 months to 31st December 2009 £'000	6 months to 31st December 2008 £'000	Audited Year ended 30th June 2009 £'000
Profit for the period	5,681	11,218	3,598
<b>Other items recognised directly in equity:</b>			
Foreign exchange translation differences	788	(425)	248
Actuarial loss in the pension schemes	(7,308)	(558)	(13,032)
Effective portion of changes in fair value of cash flow hedges, net of recycling:			
Amounts recycled during the period	(2,559)	(987)	(1,938)
Fair value of outstanding amounts	(1,588)	(37,502)	323
	(4,147)	(38,489)	(1,615)
Deferred tax on income and expense recognised in equity	3,155	10,440	3,614
<b>Expense recognised directly in equity</b>	<b>(7,512)</b>	<b>(29,032)</b>	<b>(10,785)</b>
<b>Total comprehensive income and expense for the period</b>	<b>(1,831)</b>	<b>(17,814)</b>	<b>(7,187)</b>
<b>Attributable to:</b>			
Equity shareholders of the parent company	(1,573)	(17,664)	(6,914)
Minority interest	(258)	(150)	(273)
<b>Total comprehensive income and expense for the period</b>	<b>(1,831)</b>	<b>(17,814)</b>	<b>(7,187)</b>

## Responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the Interim report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

A C G Roberts FCA  
Group Finance Director  
27th January 2010



## Notes

### 1. Status of Interim report and accounting policies

The Interim report, which has not been audited, was approved by the directors on 27th January 2010.

#### General information

The Interim report has been prepared in accordance with the EU endorsed standard IAS 34, 'Interim financial reporting'. This interim financial information has been prepared on the basis of the accounting policies adopted in the most recent annual financial statements, these being for the year ended 30th June 2009, as revised for the implementation of specified new amended endorsed standards or interpretations.

Given the nature of some forward-looking information included in this report, which the directors have given in good faith, this information should be treated with due caution. The Interim report is available on our website [www.renishaw.com](http://www.renishaw.com).

The interim financial information for the six months to 31st December 2009 and the comparative figures for the six months to 31st December 2008 are unaudited. The comparative figures for the financial year ended 30th June 2009 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

#### Going concern

The Group has considerable financial resources at its disposal and the directors have considered the current financial projections. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Interim report.

#### Accounting policies

The accounting policies applied and significant estimates used by the Group in this Interim report are the same as those applied by the Group for the year ended 30th June 2009.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 30th June 2010:

- IAS 1 (revised), 'Presentation of financial statements' became effective from 1st January 2009. The revision has resulted in minor changes to the presentation of the primary statements in the Interim report.
- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1st January 2009. This new standard has resulted in changes in the disclosure of the segmental results of the Group.
- IFRS 3 (2008), 'Business combinations', a revision, became effective for annual periods beginning on or after 1st July 2009. It is not expected to have any material impact on the financial statements in this financial year.
- IFRIC 14, 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', became effective for annual periods beginning on or after 1st January 2009. This interpretation has not had a material effect on the interim results of the Group.

### 2. Segmental information

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.

In addition to developing the Group's traditional core metrology business, the Group has also been investing in the development of additional applications for new market sectors based upon its core metrology expertise. The additional investment has been focussed on the healthcare sector and products for the dental and neurosurgical markets, together with our spectroscopy product offerings. The Group thus manages its business in two business segments, Metrology, being the traditional core business, and Healthcare.

## 2. Segmental information (continued)

The Group's main products within these segments comprise:

Metrology - Co-ordinate measuring machine ("CMM") probes and accessories, which are used for accurate post-process inspection of components on CMMs; Machine tool probes and tool setting systems, used for automated component identification, workpiece and tool setting and component inspection; Laser calibration systems and the QC20-W ballbar, used to determine the accuracy of CMMs, machine tools and other industrial and scientific equipment; Linear and angle encoder systems, for precise linear and rotary motion control; and a broad range of styli for all probes.

Healthcare - Scanning and digitising systems applied to the dental sector, offering a complete CAD/CAM system for crown and bridge frameworks; Spectroscopy products, including a Raman microscope, used to identify the composition and structure of materials (including medicinal tablet mapping, molecular diagnostics and DNA analysis); and Neurosurgical products for use in neurosurgical procedures and for enhancing the images obtained from MRI scanners.

Revenue	Metrology £'000	Healthcare £'000	Total £'000
6 months to 31st December 2009	65,876	7,975	73,851
6 months to 31st December 2008	94,205	8,465	102,670
Year ended 30th June 2009	152,894	18,353	171,247
Depreciation and amortisation	Metrology £'000	Healthcare £'000	Total £'000
6 months to 31st December 2009	6,335	832	7,167
6 months to 31st December 2008	5,571	861	6,432
Year ended 30th June 2009	12,773	1,991	14,764
Operating profit	Metrology £'000	Healthcare £'000	Total £'000
6 months to 31st December 2009	9,029	(2,111)	6,918
Share of profits from associates	130	-	130
Net financial income			53
Profit before tax			7,101
6 months to 31st December 2008	13,878	(1,975)	11,903
Share of profits from associates	389	-	389
Net financial income			1,731
Profit before tax			14,023
Year ended 30th June 2009	6,286	(4,416)	1,870
Share of profits from associates	317	-	317
Net financial income			2,535
Profit before tax			4,722

There is no allocation of assets and liabilities to operating segments. Depreciation is included within certain other overhead expenditure which is allocated to segments on the basis of the level of activity.

## 2. Segmental information (continued)

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

	6 months to 31st December 2009 at actual exchange rates £'000	6 months to 31st December 2008 at actual exchange rates £'000	6 months to 31st December 2009 at previous year's exchange rates £'000
Continental Europe	22,565	38,690	22,550
Far East	26,649	32,179	24,224
North & South America	17,303	23,076	16,221
United Kingdom and Ireland	4,983	5,874	4,983
Other Regions ("ROW")	2,351	2,851	2,349
	<b>73,851</b>	<b>102,670</b>	<b>70,327</b>

Revenue in the above table has been allocated to regions based on the geographical location of the customer. Individual countries which comprised more than 10% of Group revenue were:

	6 months to 31st December 2009 £'000	6 months to 31st December 2008 £'000	Year ended 30th June 2009 £'000
USA	15,114	21,341	38,618
Germany	12,556	18,277	31,020
China	12,365	10,575	19,458
Japan	7,665	15,031	23,165

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

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

	At 31st December 2009 £'000	At 31st December 2008 £'000	At 30th June 2009 £'000
United Kingdom	72,612	73,075	76,098
Overseas	36,948	39,088	36,273
	<b>109,560</b>	<b>112,163</b>	<b>112,371</b>

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

## 3. Financial income and expenses

Financial income	6 months to 31st December 2009 £'000	6 months to 31st December 2008 £'000	Year ended 30th June 2009 £'000
Expected return on assets in the pension schemes	2,866	3,864	7,593
Bank interest receivable	132	956	1,161
	<b>2,998</b>	<b>4,820</b>	<b>8,754</b>

### 3. Financial income and expenses (continued)

Financial expenses	6 months to 31st December 2009 £'000	6 months to 31st December 2008 £'000	Year ended 30th June 2009 £'000
Interest on pension scheme liabilities	2,828	3,022	5,964
Bank interest payable	117	67	255
	<b>2,945</b>	<b>3,089</b>	<b>6,219</b>

### 4. Income tax expense

The income tax expense has been estimated at a rate of 20% (December 2008: 20%), the rate expected to be applicable for the full year.

### 5. Earnings per share

Earnings per share are calculated on earnings of £5,681,000 (December 2008: £11,218,000) and on 72,788,543 shares, being the number of shares in issue during the period.

Earnings per share for the year ended 30th June 2009 are calculated on earnings of £3,598,000 and on 72,788,543 shares, being the number of shares in issue during that year.

### 6. Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Assets in the course of construction £'000	Total £'000
<b>Cost</b>					
At 1st July 2009	65,066	76,133	5,129	480	146,808
Additions	590	444	22	47	1,103
Transfers	-	133	-	(133)	-
Disposals	-	(98)	(139)	-	(237)
Currency adjustment	1,409	710	171	-	2,290
At 31st December 2009	<b>67,065</b>	<b>77,322</b>	<b>5,183</b>	<b>394</b>	<b>149,964</b>
<b>Depreciation</b>					
At 1st July 2009	13,541	56,226	3,458	-	73,225
Charge for the period	809	2,871	370	-	4,050
Released on disposals	-	(49)	(117)	-	(166)
Currency adjustment	342	392	100	-	834
At 31st December 2009	<b>14,692</b>	<b>59,440</b>	<b>3,811</b>	<b>-</b>	<b>77,943</b>
<b>Net book value</b>					
At 31st December 2009	<b>52,373</b>	<b>17,882</b>	<b>1,372</b>	<b>394</b>	<b>72,021</b>
At 30th June 2009	51,525	19,907	1,671	480	73,583

## 7. Intangible assets

	Goodwill on consolidation £'000	Other intangible assets £'000	Internally generated development costs £'000	Software licences		Total £'000
				In use £'000	In the course of acquisition £'000	
<b>Cost</b>						
At 1st July 2009	5,569	5,416	28,973	11,252	-	51,210
Additions	149	69	3,590	17	-	3,825
Currency adjustment	-	-	-	18	-	18
<b>At 31st December 2009</b>	<b>5,718</b>	<b>5,485</b>	<b>32,563</b>	<b>11,287</b>	<b>-</b>	<b>55,053</b>
<b>Amortisation</b>						
At 1st July 2009	-	1,150	15,829	6,548	-	23,527
Charge for the period	-	277	2,220	450	-	2,947
Currency adjustment	-	-	-	15	-	15
<b>At 31st December 2009</b>	<b>-</b>	<b>1,427</b>	<b>18,049</b>	<b>7,013</b>	<b>-</b>	<b>26,489</b>
<b>Net book value</b>						
At 31st December 2009	5,718	4,058	14,514	4,274	-	28,564
At 30th June 2009	5,569	4,266	13,144	4,704	-	27,683

## 8. Reconciliations of movements in equity

6 months to 31st December 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 period	14,558	42	1,822	(5,415)	132,755	143,762
Profit for the period	-	-	-	-	5,939	5,939
Other recognised income and expense	-	-	788	(2,986)	(5,314)	(7,512)
<b>Balance at the end of the period</b>	<b>14,558</b>	<b>42</b>	<b>2,610</b>	<b>(8,401)</b>	<b>133,380</b>	<b>142,189</b>

6 months to 31st December 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 period	14,558	42	1,574	(4,252)	154,403	166,325
Profit for the period	-	-	-	-	11,368	11,368
Other recognised income and expense	-	-	(425)	(27,712)	(895)	(29,032)
Dividends paid	-	-	-	-	(12,833)	(12,833)
<b>Balance at the end of the period</b>	<b>14,558</b>	<b>42</b>	<b>1,149</b>	<b>(31,964)</b>	<b>152,043</b>	<b>135,828</b>

## 8. Reconciliations of movements in equity (continued)

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

Dividends paid during the period were:	6 months to 31st December 2009 £'000	6 months to 31st December 2008 £'000	Year ended 30th June 2009 £'000
2008 final dividend of 17.63p per share	-	12,833	12,833
2009 interim dividend of 7.76p, net of waivers	-	-	2,816
	-	12,833	15,649

No final dividend was paid in respect of the year ended 30th June 2009. The 2009 interim dividend of 7.76p per share was subject to waivers totalling £2,833,000.

An interim dividend for 2010 of £2,911,542 (4.0p per share) will be paid on 31st March 2010, to shareholders on the register on 26th February 2010, with an ex-div date of 24th February 2010.

## 9. Currency hedging reserve

Outstanding forward contracts were revalued based on the forward exchange rates pertaining at 31st December 2009. The currency hedging reserve of £(8,401,000) (December 2008 £(31,964,000)) is analysed as:

	At 31st December 2009 £'000	At 31st December 2008 £'000	At 30th June 2009 £'000
Included in other receivables in non-current assets	1,951	-	4,020
Included in other receivables in current assets	618	-	709
Included in other payables in current liabilities	(7,151)	(19,257)	(5,623)
Included in other payables in non-current liabilities	(7,086)	(25,138)	(6,627)
	(11,668)	(44,395)	(7,521)
Included in deferred tax assets	3,267	12,431	2,106
	(8,401)	(31,964)	(5,415)

## 10. Employee benefits

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

The latest full actuarial valuation of the UK defined benefit scheme was carried out at September 2006 and updated to 31st December 2009 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31st December 2009 £'000	At 31st December 2008 £'000	At 30th June 2009 £'000
Discount rate	5.7%	5.7%	6.2%
Inflation rate	3.8%	2.7%	3.4%
Expected return on equities	8.3%	9.1%	8.3%
Retirement age	64	64	64

The assets and liabilities in the defined benefit schemes were:

	At 31st December 2009 £'000	At 31st December 2008 £'000	At 30th June 2009 £'000
Market value of assets	86,246	70,371	70,168
Actuarial value of liabilities	(115,974)	(81,142)	(92,626)
<b>Deficit in the schemes</b>	<b>(29,728)</b>	<b>(10,771)</b>	<b>(22,458)</b>
Deferred tax thereon	7,697	2,659	5,701

The movements in the schemes' assets and liabilities were:

	6 months to 31st December 2009 £'000	6 months to 31st December 2008 £'000	Year ended 30th June 2009 £'000
Balance at the beginning of the period	(22,458)	(11,055)	(11,055)
Expected return on pension schemes' assets	2,866	3,864	7,593
Interest on pension schemes' liabilities	(2,828)	(3,022)	(5,964)
Actuarial loss	(7,308)	(558)	(13,032)
<b>Balance at the end of the period</b>	<b>(29,728)</b>	<b>(10,771)</b>	<b>(22,458)</b>

Under the defined benefit deficit funding plan, 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.

## 11. Related party transactions

The only related party transactions to have taken place during the first half year were normal business transactions between the Group and its associates, which have not had a material effect on the results of the Group for this period.

## 12. Risks and uncertainties

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

### Current trading levels and order book

The downturn in the global economic climate adversely affected the Group's second half revenue and profits for last year and, whilst the first half of the current year has shown a significant improvement, with the Group showing a profit compared with last year's second half loss, the transition from recessions around the world are expected to be gradual.

Orders from customers generally involve short lead-times with the outstanding order book at any time being around one month's worth of revenue value. This limited forward order visibility leaves the annual revenue forecasts at risk.

The Chairman and Chief Executive's statement in this Interim report includes a comment on the outlook for the Group for the remaining six months of the financial year.

### Research and development

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

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

These risks are minimised by operating strictly managed research and development programmes with regular reviews against milestones achieved and against forecast business plans. Research and development also involves beta testing at customers to ensure that new products will meet the needs of the market at the right price.

### Defined benefit pension schemes

The Group has previously closed its major defined benefit pension schemes for future accruals, so has eliminated the major risk of growth in liabilities for future accrual of salary increases above RPI and additional years of service. The fund is still subject to fluctuations arising from investment performance and actuarial assumptions. The UK defined benefit scheme is secured by a registered charge on certain of the Group's UK properties.

### Treasury

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

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

### Tax

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

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## Financial calendar

Record date for 2010 interim dividend	26th February 2010
2010 interim dividend payment	31st March 2010
Announcement of 2010 full year results	28th July 2010
Mailing of 2010 Annual report	Late August 2010
Annual general meeting	14th October 2010
2010 final dividend payment	18th October 2010



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