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27th July 2016

Renishaw plc and subsidiary undertakings
Preliminary announcement of results for the year ended 30th June 2016

HIGHLIGHTS

	2016	2015	Change
Revenue (£m)	**436.6**	494.7	-12%
Operating profit (£m)	**79.5**	143.9	-45%
Profit before tax (£m)	**80.0**	144.2	-44%
Earnings per share (pence)	**94.9**	167.5	-43%
Dividend per share (pence)	**48.0**	46.5	+3.2%

CHAIRMAN'S STATEMENT

I am pleased to report our 2016 annual results, with revenue for the year ended 30th June 2016 of £436.6m compared to £494.7m for last year. As highlighted in our Interim results, we had a number of large orders from Far East customers in the consumer electronics markets during the previous year which generated exceptional growth in our metrology business sector. Adjusting for these large orders and restating revenue at last year's exchange rates resulted in an underlying revenue growth of 4% for the year and 6% at actual exchange rates.

Geographically, revenue in the Far East was £195.3m compared to £257.7m last year, but with an underlying growth of 12% when excluding the large orders. Revenue in Europe was £112.1m (2015: £103.1m), in the Americas was £92.2m (2015: £96.3m) and in the UK was £23.2m (2015: £25.5m).

The Group's profit before tax for the year was £80.0m compared to £144.2m last year.

This year's tax charge amounts to £11.5m (2015: £22.8m) representing a tax rate of 14.3% (2015: 15.8%). The tax rate has benefited from the continued phasing in of the patent box tax regime, the research and development tax credit and a further reduction in the UK corporation tax rate.

Earnings per share were 94.9p compared to 167.5p last year.

Metrology
Revenue from our metrology business for the year was £408.2m compared to £467.0m last year.

Revenue in the Far East was £187.6m compared to £249.9m last year, a decrease of 25%, but an underlying increase of 13% after excluding the large orders. Revenue in the Americas was £87.4m (2015: £89.4m), in Europe was £103.1m (2015: £96.2m) and in the UK was £18.5m (2015: £20.7m).

There was good growth in our measurement automation, additive manufacturing (AM) and encoder products lines.

Operating profit for our metrology business was £85.9m (2015: £150.7m).

We have continued to invest in research and development, with total engineering costs in this business segment of £60.1m net of capitalised costs (2015: £55.0m) and a number of new product launches during the year. The CMM products line launched both REVO-2, a new version of the REVO® multi-sensor 5-axis measurement system with a vision probe option, and MODUS 2™, a new CMM metrology software package. Our spatial measurements products line launched Merlin, a marine surveying system. In relation to the AM products line we launched the AM400 and demonstrated the RenAM 500M and established four innovative AM solution centres to support the adoption of AM technology in volume production.

Healthcare

Revenue from our healthcare business for the year was £28.4m, an increase of 3% over the £27.7m last year. We experienced growth in our medical dental and neurological products lines.

Healthcare also saw continued investment in research and development, with total engineering costs in this business segment of £9.0m net of capitalised costs (2015: £8.3m).

We have continued to expand the market for our neuromate® surgical robot, including sales in the UK and Spain, along with our neuroinspire™ surgical planning software. Our neuroinspire software has now been approved for sale in Australia.

In our medical dental products line we increased sales of AM machines for the manufacture of dental products and maxillofacial and cranial products.

In our spectroscopy products line, we introduced the inVia Qontor confocal Raman microscope, with the addition of Renishaw's latest innovation, LiveTrack™ focus tracking technology, which enables users to analyse samples with uneven, curved or rough surfaces.

There was an operating loss of £6.4m, compared to a loss of £6.8m last year. We remain focused on moving this business sector into profit.

Continued investment for long-term growth

The Group continues its strategy to invest for the long term, expanding our global marketing and distribution infrastructure, along with increasing manufacturing capacity and research and development activities. During the year, we established new sales and marketing subsidiary companies in Denmark, Finland and Hungary.

Our workforce at the end of June 2016 was 4,286, an increase of 174, of which 106 were apprentices and graduates taken on as part of our on-going aim and commitment to train and develop skilled resource for the Group in the future.

Capital expenditure on property, plant and equipment for the year was £53.0m, of which £17.4m was spent on property and £35.6m on plant and equipment. New premises for our USA headquarters near Chicago are nearing completion. In the UK, the refurbishment of the remaining half of the facility at Miskin, South Wales, was completed and incorporates product display, training, research and development areas and a Healthcare Centre of Excellence. Also at Miskin we obtained planning consent for 1.74m sq ft building development at the site.

Working capital

Group inventory increased from £77.7m at the start of the year to £95.0m, as we continued our policy of holding sufficient finished inventory to ensure customer delivery performance, given our short order book of approximately five weeks. Trade debtors increased from £101.2m to £114.9m, with debtor days outstanding at the end of the current year at 70 days (2015: 67 days).

Net cash balances at 30th June 2016 were £21.3m, compared to £82.2m at 30th June 2015. Additionally, there is an escrow account of £15.3m (2015: £14.7m) relating to the provision of security to the UK defined benefit pension scheme. The lower cash balance reflects the high capital expenditure during the year, along with higher working capital demands.

Directors and employees

During the year we have made several changes at Board and senior management level to enhance the operations of the business. Will Lee, formerly the head of our machine tool products line and laser and calibration products line, was appointed as Director of Sales and Marketing to support Ben Taylor in the transition to his retirement from the Board at the end of July this year. I am now delighted to announce that Will is to be appointed to the Board as Group Sales and Marketing Director with effect from 1st August 2016.

I would like to take this opportunity to thank Ben for his outstanding contribution to the Group's performance over the last 31 years. Ben has helped me to articulate the vision for Renishaw and has been a partner in developing longstanding relationships with customers worldwide. He will be missed by all within the Group, both personally and professionally. We wish him well in his retirement.

Also at board level, Kath Durrant took on the role of chair of the Remuneration Committee. This role was previously held by Sir David Grant, our senior independent director, who we are delighted to congratulate on his knighthood in the Queen's Birthday Honours 2016 for his contribution to engineering, technology and education.

We have reviewed the management of our overseas sales operations and appointed Leo Somerville as President - Renishaw North America to oversee our sales subsidiaries in Canada, USA and Mexico and Howard Salt as President -

Renishaw Inc. our principal USA sales subsidiary. These new appointments will provide strategic focus to our sales activities in these regions.

The directors would also like to thank employees for their invaluable support and contribution during the year.

UK defined benefit pension scheme
The Company and the trustees of the UK defined benefit pension scheme have entered into a funding agreement to conclude the latest triennial valuation of the fund as at 30th September 2015. This agreement came into effect on 30th June 2016 and provides for a 15-year recovery plan under which the Company will pay member pensions, retirement lump sums and transfer payments (up to £1m per annum) over this period.

In addition, the Company has provided security over UK property to the value of £62 million, and the fund will retain the cash held in an escrow account providing further security for a period of 6 years, over which time this escrow account will be scaled back to zero.

The Company and the trustees have agreed a higher funding target than agreed previously in order to make the fund self-sufficient over the 15-year period (or earlier, if achieved in the meantime) and will measure this at each triennial actuarial valuation. The funding agreement has been submitted to The Pensions Regulator.

Investor communications
In line with our commitment to improve investor communications, our third investor day was held on 12th May 2016, for existing and potential new investors. This involved presentations on group strategy, business segments and product lines, given by members of the Board and senior management, as well as tours covering the Group's activities and various Q&A sessions. The event was again well attended and gives shareholders another opportunity, in addition to the AGM and half-year and year-end webcasts, to learn more about Renishaw's business and strategy.

Brexit
Whilst the full business implications of Brexit remain uncertain, and will do for some time, the Board believes the Group to be well positioned to react to the potential challenges and opportunities ahead. The Group has a strong presence in the EU, which this year comprised 23% of our revenue, with a number of subsidiaries performing a range of functions including sales, marketing and distribution, research and development, and manufacturing. We believe this infrastructure will assist the Group in its planning for and response to changes in trading arrangements between the UK and the EU. Our risk committee will be assessing all potential impacts and putting in place strategies and actions, both in the shorter-term whilst the UK government negotiates the UK's exit from the EU and in the longer-term as the UK's trading arrangements with the EU become clearer.

Outlook
The Group continues to invest in the development of new products and applications, along with targeted investment in production, and sales and marketing facilities around the world. Despite current uncertainty surrounding Brexit and significant fluctuations in currency exchange rates, your directors remain confident in the long-term prospects for the Group and currently anticipate growth in both revenue and profits over the next financial year.

Dividend
A final dividend of 35.5 pence net per share will be paid on 17th October 2016, to shareholders on the register on 16th September 2016, giving a total dividend of 48.0 pence for the year, an increase of 3.2% over last year's 46.5 pence.

Sir David R McMurtry
CBE, RDI, FRS, FREng, CEng, FIMechE
Chairman & Chief Executive
27th July 2016

CONSOLIDATED INCOME STATEMENT
for the year ended 30th June 2016

	2016 £'000	2015 £'000
Revenue	**436,598**	494,720
Cost of sales	**(218,308)**	(221,089)
Gross profit	**218,290**	273,631
Distribution costs	**(97,808)**	(87,879)
Administrative expenses	**(40,969)**	(41,828)
Operating profit	**79,513**	143,924
Financial income	**872**	884
Financial expenses	**(1,800)**	(1,492)
Share of profits of associates	**1,451**	880
Profit before tax	**80,036**	144,196
Income tax expense	**(11,465)**	(22,850)
Profit for the year from continuing operations	**68,571**	121,346

Profit attributable to:	2016 £'000	2015 £'000
Equity shareholders of the parent company	**69,095**	121,908
Non-controlling interest	**(524)**	(562)
Profit for the year from continuing operations	**68,571**	121,346

	2016 Pence	2015 Pence
Dividend per share arising in respect of the year	**48.0**	46.5
Dividend per share paid in the year	**46.5**	42.4
Earnings per share (basic and diluted)	**94.9**	167.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE
for the year ended 30th June 2016

	2016 £'000	2015 £'000
Profit for the year	**68,571**	121,346
Other items recognised directly in equity:		
Items that will not be reclassified to the Consolidated income statement:		
Remeasurement of defined benefit pension liabilities	**(20,868)**	(6,032)
Deferred tax on remeasurement of defined benefit pension liabilities	**3,480**	1,580
Total for items that will not be reclassified	**(17,388)**	(4,452)
Items that may be reclassified to the Consolidated income statement:		
Foreign exchange translation differences	**8,409**	111
Comprehensive income and expenses of associates	**753**	-
Effective portion of changes in fair value of cash flow hedges, net of recycling	**(91,168)**	(10,511)
Deferred tax on effective portion of changes in fair value of cash flow hedges	**17,537**	2,102
Total for items that may be reclassified	**(64,469)**	(8,298)
Total other comprehensive income and expense, net of tax	**(81,857)**	(12,750)
Total comprehensive income and expense for the year	**(13,286)**	108,596
Attributable to:		
Equity shareholders of the parent company	**(12,762)**	109,158
Non-controlling interest	**(524)**	(562)
Total comprehensive income and expense for the year	**(13,286)**	108,596

CONSOLIDATED BALANCE SHEET
at 30th June 2016

	2016 £'000	2015 £'000
Assets		
Property, plant and equipment	**213,917**	169,592
Intangible assets	**61,255**	57,664
Investments in associates	**5,658**	3,480
Deferred tax assets	**40,996**	19,536
Derivatives	**76**	10,504
Total non-current assets	**321,902**	260,776
Current assets		
Inventories	**94,959**	77,673
Trade receivables	**114,945**	101,213
Current tax	**1,166**	1,064
Other receivables	**18,090**	12,809
Derivatives	**859**	14,889
Pension scheme cash escrow account	**15,279**	14,731
Cash and cash equivalents	**31,278**	82,171
Total current assets	**276,576**	304,550
Current liabilities		
Trade payables	**22,379**	21,154
Overdraft	**9,975**	-
Current tax	**3,558**	10,775
Provisions	**2,375**	1,715
Derivatives	**19,987**	764
Other payables	**18,345**	28,561
Total current liabilities	**76,619**	62,969
Net current assets	**199,957**	241,581
Non-current liabilities		
Employee benefits	**67,823**	48,094
Deferred tax liabilities	**21,999**	21,991
Derivatives	**50,652**	3,165
Other payables	**-**	589
Total non-current liabilities	**140,474**	73,839
Total assets less total liabilities	**381,385**	428,518
Equity		
Share capital	**14,558**	14,558
Share premium	**42**	42
Currency translation reserve	**6,448**	(2,714)
Cash flow hedging reserve	**(56,460)**	17,171
Retained earnings	**420,419**	402,559
Other reserve	**(460)**	(460)
Equity attributable to the shareholders of the parent company	**384,547**	431,156
Non-controlling interest	**(3,162)**	(2,638)
Total equity	**381,385**	428,518

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30th June 2016

Year ended 30th June 2015	**Share capital £'000**	**Share premium £'000**	**Currency translation reserve £'000**	**Cash flow hedging reserve £'000**	**Retained earnings £'000**	**Other reserve £'000**	**Non-controlling interest £'000**	**Total £'000**
Balance at 1st July 2014	14,558	42	(2,825)	25,580	315,944	(460)	(2,076)	350,763
Profit/(loss) for the year	-	-	-	-	121,908	-	(562)	121,346
Other comprehensive income and expense (net of tax)								
Remeasurement of defined benefit pension liabilities	-	-	-	-	(4,452)	-	-	(4,452)
Foreign exchange translation differences	-	-	111	-	-	-	-	111
Changes in fair value of cash flow hedges	-	-	-	(8,409)	-	-	-	(8,409)
Total other comprehensive income	-	-	111	(8,409)	(4,452)	-	-	(12,750)
Total comprehensive income	-	-	111	(8,409)	117,456	-	(562)	108,596
Dividends paid	-	-	-	-	(30,841)	-	-	(30,841)
Balance at 30th June 2015	14,558	42	(2,714)	17,171	402,559	(460)	(2,638)	428,518
Year ended 30th June 2016								
Profit/(loss) for the year	-	-	-	-	69,095	-	(524)	68,571
Other comprehensive income and expense (net of tax)								
Remeasurement of defined benefit pension liabilities	-	-	-	-	(17,388)	-	-	(17,388)
Foreign exchange translation differences	-	-	8,409	-	-	-	-	8,409
Relating to associates	-	-	753	-	-	-	-	753
Changes in fair value of cash flow hedges	-	-	-	(73,631)	-	-	-	(73,631)
Total other comprehensive income	-	-	9,162	(73,631)	(17,388)	-	-	(81,857)
Total comprehensive income	-	-	9,162	(73,631)	51,707	-	(524)	(13,286)
Dividends paid	-	-	-	-	(33,847)	-	-	(33,847)
Balance at 30th June 2016	**14,558**	**42**	**6,448**	**(56,460)**	**420,419**	**(460)**	**(3,162)**	**381,385**

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 30th June 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Profit for the year	**68,571**	121,346
Adjustments for:		
Amortisation of development costs	**9,116**	10,141
Amortisation of other intangibles	**2,313**	2,990
Depreciation	**18,258**	14,925
Profit on sale of property, plant and equipment	**166**	(99)
Share of profits from associates	**(1,451)**	(880)
Financial income	**(872)**	(884)
Financial expenses	**1,800**	1,492
Tax expense	**11,465**	22,850
	40,795	50,535
Increase in inventories	**(17,286)**	(14,694)
Increase in trade and other receivables	**(2,951)**	(21,712)
(Decrease)/increase in trade and other payables	**(12,439)**	15,204
Increase in provisions	**660**	421
	(32,016)	(20,781)
Defined benefit pension contributions	**(2,708)**	(2,427)
Income taxes paid	**(19,463)**	(16,410)
Cash flows from operating activities	**55,179**	132,263
Investing activities		
Purchase of property, plant and equipment	**(52,996)**	(48,387)
Development costs capitalised	**(12,246)**	(12,975)
Purchase of other intangibles	**(1,294)**	(1,207)
Investment in subsidiaries and associates	**(284)**	(480)
Sale of property, plant and equipment	**826**	2,408
Interest received	**872**	884
Dividend received from associates	**310**	110
Payments to pension scheme escrow account (net)	**(548)**	(5,190)
Cash flows from investing activities	**(65,360)**	(64,837)
Financing activities		
Interest paid	**(231)**	(43)
Dividends paid	**(33,847)**	(30,841)
Cash flows from financing activities	**(34,078)**	(30,884)
Net (decrease)/increase in cash and cash equivalents	**(44,259)**	36,542
Cash and cash equivalents at beginning of the year	**82,171**	43,634
Effect of exchange rate fluctuations on cash held	**(16,609)**	1,995
Cash and cash equivalents at end of the year	**21,303**	82,171

STATUS OF THIS PRELIMINARY ANNOUNCEMENT

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30th June 2016 or 2015 but is derived from those accounts. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

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

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

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“adopted IFRS”).

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 2015 and 2016 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) Inventory

Determining the value of inventory requires judgement, especially in respect of provisioning for slow moving and potentially obsolete inventory. Management consider historic and future forecast sales patterns of individual stock items when calculating inventory provisions.

(ii) 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.

Other estimates and judgements that have been made in these financial statements are as follows:

(i) 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.

(ii) 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.

(iii) 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.

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 normally the time of despatch. Where certain products require installation, part of the revenue may be deferred until the installation is complete. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, or the possible return of goods.

Revenue from the sale of services is recognised over the period to which the service relates. Where goods and services are sold as a bundle, the fair value of services is deferred and recognised over the period to which the service relates with the remaining revenue recognised on despatch.

Basis of consolidation

Subsidiaries - Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Associates - Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Application of the equity method to associates - Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Transactions eliminated on consolidation - Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Derivative financial instruments

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

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.

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 or on actual hours if higher.

Goodwill and other intangible assets

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Deferred consideration relating to acquisitions is subject to discounting to the date of acquisition and subsequently unwound to the date of the final payment. Goodwill arising on acquisition represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired, net of deferred tax. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Where there exists an option to purchase the non-controlling interest of a subsidiary and the option is deemed to have been exercised, the Group has adopted the anticipated-acquisition method. Any changes to the carrying amount of the liability are recognised in the Consolidated income statement.

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

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

Intangible assets such as customer lists, patents, 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 five to ten years.

On a transaction by transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date. Where there are changes to the Company's interests in subsidiaries while retaining control, any differences between the amount by which non-controlling interests are adjusted and fair value of consideration paid or received is recognised directly in equity in the "other reserve".

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 Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and the Group 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 Consolidated income statement as an expense as incurred. Capitalised development expenditure is amortised over five years and is stated at cost less accumulated amortisation and less accumulated impairment losses. Capitalised development expenditure is removed from the balance sheet ten years after being fully amortised.

Employee benefits

The Group operates contributory pension schemes, largely for UK, Ireland and USA employees, which were of the defined benefit type up to 5th April 2007, 31st December 2007 and 30th June 2012 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. Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans are included in the Consolidated income statement.

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. Where a guarantee is in place in relation to a pension scheme deficit, liabilities are reported in accordance with IFRIC 14. 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 and USA, because of the limited 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.

Going concern

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

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next twelve months. Accordingly, they continue to adopt the going concern basis in preparing the Annual report and accounts.

2. SEGMENTAL ANALYSIS

Renishaw manages its operations in two segments, comprising metrology and healthcare products. The results of these segments are regularly reviewed by the Board to allocate resources to segments and to assess their performance. The Group evaluates performance of the segments on the basis of revenue and profits. Within metrology, there are multiple operating segments that are aggregated into a reporting segment for reportable purposes, where they have similar economic characteristics, and where the nature of the products and production processes and their customer base are similar. The revenue, depreciation and amortisation, and operating profit for each reportable segment were:

Year ended 30th June 2016	**Metrology £'000**	**Healthcare £'000**	**Total £'000**
Revenue	**408,184**	**28,414**	**436,598**
Depreciation and amortisation	**26,334**	**3,353**	**29,687**
Operating profit/(loss)	**85,895**	**(6,382)**	**79,513**
Share of profits from associates	**1,451**	**-**	**1,451**
Net financial expense	**-**	**-**	**(928)**
Profit before tax	**-**	**-**	**80,036**

Year ended 30th June 2015	Metrology £'000	Healthcare £'000	Total £'000
Revenue	467,001	27,719	494,720
Depreciation and amortisation	24,055	4,001	28,056
Operating profit/(loss)	150,770	(6,846)	143,924
Share of profits from associates	880	-	880
Net financial expense	-	-	(608)
Profit before tax	-	-	144,196

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

The analysis of revenue by geographical market was:

	2016 £'000	2015 £'000
Far East, including Australasia	**195,343**	257,665
Continental Europe	**112,075**	103,106
North, South and Central America	**92,198**	96,284
UK and Ireland	**23,208**	25,499
Other regions	**13,774**	12,166
Total group revenue	**436,598**	494,720

Revenue in the above table has been allocated to regions based on the geographical location of the customer. Countries with individually material revenue figures in the context of the Group were:

	2016 £'000	2015 £'000
China	**107,628**	119,551
USA	**79,984**	82,350
Japan	**49,328**	43,946
Germany	**48,509**	44,658
South Korea	**13,245**	73,113

For the current year, there was no revenue from transactions with a single external customer which amounted to more than 10% or more of the Group's total revenue. In the previous year, there was revenue from transactions with one external customer which amounted to more than 10% or more of the Group's total revenue. This was in the Metrology segment and amounted to £62,607,000.

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

	2016 £'000	2015 £'000
United Kingdom	**190,396**	166,468
Overseas	**90,434**	64,268
Total non-current assets	**280,830**	230,736

3. FINANCIAL INCOME AND EXPENSES

Financial income	2016 £'000	2015 £'000
Bank interest receivable	**872**	884

Financial expenses	2016 £'000	2015 £'000
Net interest on pension schemes' liabilities	**1,569**	1,421
Bank interest payable	**231**	43
Unwinding of discount on deferred consideration	**-**	28
Total financial expenses	**1,800**	1,492

4. INCOME TAX EXPENSE

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax on profits for the year	**3,389**	11,526
UK corporation tax – prior year adjustments	**860**	327
Overseas tax on profits for the year	**7,651**	12,131
Total current tax	**11,900**	23,984
Deferred tax		
Origination and reversal of other temporary differences	**494**	(1,134)
Effect on deferred tax for change in UK tax rate to 19% (2015: 20%)	**(929)**	-
	(435)	(1,134)
Tax charge on profit	**11,465**	22,850
Effective tax rate (based on profit before tax)	**14.3%**	15.8%

The tax for the year is lower (2015: lower) than the weighted average UK standard rate of corporation tax of 20% (2015: 20.75%). The differences are explained as follows:

	2016 £'000	2015 £'000
Profit before tax	**80,036**	144,196
Tax at 20% (2015: 20.75%)	**16,007**	29,921
Effects of:		
Different tax rates applicable in overseas subsidiaries	**(2,594)**	(2,723)
Research and development tax credit and patent box	**(2,359)**	(5,745)
Expenses not deductible for tax purposes	**266**	324
Companies with unrelieved tax losses	**461**	749
Items with no tax effect	**(290)**	(183)
Prior year adjustments	**860**	327
Effect on deferred tax for change in UK tax rate to 19%	**(929)**	-
Other differences	**43**	180
Tax charge on profit	**11,465**	22,850

On 26th October 2015, the reduction in the UK rate of corporation tax to 19% from 1st April 2017 and 18% from 1st April 2020 was substantively enacted. Deferred tax assets and liabilities have been calculated based on the rate of 19%.

5. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated on earnings after tax of £69,095,000 (2015: £121,908,000) and on 72,788,543 shares, being the number of shares in issue during both years. There is no difference between the weighted average earnings per share and the basic and diluted earnings per share.

6. PROPERTY, PLANT AND EQUIPMENT

Year ended 30th June 2016	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 2015	127,097	145,642	8,575	7,875	289,189
Additions	4,462	23,865	1,475	23,194	52,996
Transfers	2,141	14,042	-	(16,183)	-
Disposals	(1,020)	(2,162)	(1,190)	-	(4,372)
Currency adjustment	9,985	5,661	740	-	16,386
At 30th June 2016	142,665	187,048	9,600	14,886	354,199
Depreciation					
At 1st July 2015	22,608	91,393	5,596	-	119,597
Charge for the year	2,915	14,283	1,060	-	18,258
Released on disposals	(621)	(1,831)	(1,129)	-	(3,581)
Currency adjustment	2,339	3,200	469	-	6,008
At 30th June 2016	27,241	107,045	5,996	-	140,282
Net book value					
At 30th June 2016	**115,424**	**80,003**	**3,604**	**14,886**	**213,917**
At 30th June 2015	104,489	54,249	2,979	7,875	169,592

At 30th June 2016, properties with a net book value of £66,485,000 (2015: £45,033,000) were subject to a registered charge to secure the UK defined benefit pension scheme liabilities.

Additions to assets in the course of construction comprise:

	2016 £'000	2015 £'000
Freehold land and buildings	**12,938**	13,556
Plant and equipment	**10,256**	13,730
	23,194	27,286

7. INTANGIBLE ASSETS

Year ended 30th June 2016	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 2015	19,736	10,655	89,475	21,490	25	141,381
Additions	-	44	12,246	1,201	49	13,540
Transfers	-	-	-	74	(74)	-
Disposals	-	-	(258)	(249)	-	(507)
Currency adjustment	1,532	550	-	71	-	2,153
At 30th June 2016	21,268	11,249	101,463	22,587	-	156,567
Amortisation						
At 1st July 2015	-	9,914	58,824	14,979	-	83,717
Charge for the year	-	617	9,116	1,696	-	11,429
Released on disposal	-	-	(258)	(48)	-	(306)
Currency adjustment	-	408	-	64	-	472
At 30th June 2016	-	10,939	67,682	16,691	-	95,312
Net book value						
At 30th June 2016	**21,268**	**310**	**33,781**	**5,896**	**-**	**61,255**
At 30th June 2015	19,736	741	30,651	6,511	25	57,664

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 CGUs, which are mainly the statutory entities acquired. This is the lowest level in the Group at which goodwill is monitored for impairment and is at a lower level than the Group's operating segments. In the table below, only the goodwill relating to the acquisition of R&R Fixtures, LLC is expected to be subject to tax relief.

The analysis of acquired goodwill on consolidation is:

	2016 £'000	2015 £'000
itp GmbH	**2,886**	2,456
Renishaw Diagnostics Limited (92.4%)	**1,784**	1,784
Renishaw Mayfield S.A. (75%)	**1,738**	1,537
Measurement Devices Limited	**6,661**	6,661
Renishaw Software Limited	**1,559**	1,559
R&R Fixtures, LLC	**5,168**	4,411
Other smaller acquisitions	**1,472**	1,328
Total acquired goodwill	**21,268**	19,736

The recoverable amounts of acquired goodwill are based on value in use calculations. These calculations use cash flow projections based on either the financial business plans approved by management for next five financial years, or estimated growth rates, which are set out below. The cash flows beyond this forecast are extrapolated to perpetuity using a nil growth rate on a prudent basis, to reflect the uncertainties over forecasting further than five years.

Key assumptions

The key assumptions utilised in the value in use calculations are:

Discount rate

The following pre-tax discount rates have been used in discounting the projected cash flows:

	2016 Discount rate	2015 Discount rate
itp GmbH	**12%**	12%
Renishaw Software Limited	**12%**	12%
Measurement Devices Limited	**12%**	12%
R&R Fixtures, LLC	**12%**	12%
Renishaw DiagnosticsLimited	**15%**	15%
Renishaw Mayfield S.A.	**15%**	15%

Forecast cash flows and future growth rates

	2016 Basis of forecast	2015 Basis of forecast
itp GmbH	**5 % growth rate**	5% growth rate
Renishaw Software Limited	**5 % growth rate**	5% growth rate
Measurement Devices Limited	**5 year business plan**	5 year business plan
R&R Fixtures, LLC	**5 year business plan**	5 year business plan
Renishaw Diagnostics Limited	**5 year business plan**	5 year business plan
Renishaw Mayfield S.A.	**5 year business plan**	5 year business plan

These forecast cash flows are considered prudent estimates based on management's view of the future and experience of past performance of the individual CGUs and are calculated at a disaggregated level. The key judgement within these business plans is the forecasting of revenue growth.

The average growth rates included in the significant CGUs business plans are as follows:

	2016 Average revenue growth	2015 Average revenue growth
Measurement Devices Limited	**15%**	11%
R&R Fixtures, LLC	**13%**	30%

These business plans are recognised as key inputs to the impairment calculation. They are monitored by management regularly and updated for expected variances in future performance.

Sensitivity to key assumptions

Management have performed sensitivity analysis on the key assumptions detailed above.

Discount rate

An increase of 5% in the discount rate would not result in an impairment on any of the CGUs. Management believe any increase in discount rates above 5% to be remote.

Forecast cash flows and future growth rates

Given the average revenue growth assumptions included in the five-year business plans, management's sensitivity analysis involves a reduction of 10% in the forecast cash-flows utilised in those business plans and therefore into perpetuity. For there to be an impairment there would need to be a reduction of 33% in the forecast cash flows for Measurement Devices limited and a reduction of 42% for R&R Fixtures, LLC.

8. INVESTMENT IN ASSOCIATES

The Group's investments in associates (all investments being in the ordinary share capital of the associate), whose accounting years end on 30th June, except where noted otherwise, were:

	Country of incorporation	**Ownership 2016 %**	Ownership 2015 %
RLS merilna tehnika d.o.o.	Slovenia	**50.0**	50.0
Metrology Software Products Limited	England & Wales	**50.0**	50.0
HiETA Technologies Limited (31st December)	England & Wales	**24.9**	20.0

Movements during the year were:

	2016 £'000	2015 £'000
Balance at the beginning of the year	**3,480**	2,230
Dividends received	**(310)**	(110)
Share of profits of associates	**1,451**	880
Other comprehensive income and expense	**753**	-
Additions	**284**	480
Balance at the end of the year	**5,658**	3,480

Summarised aggregated financial information for associates:

	2016 £'000	2015 £'000
Revenue	**6,282**	5,713
Share of profits for the year	**1,451**	880
Assets	**6,953**	4,978
Liabilities	**2,495**	2,393

9. DEFERRED TAX ASSETS AND LIABILITIES

Balances at the end of the year were:

	2016			2015		
	Assets £'000	**Liabilities £'000**	**Net £'000**	Assets £'000	Liabilities £'000	Net £'000
Property, plant and equipment	**-**	**(6,969)**	**(6,969)**	-	(5,589)	(5,589)
Intangible assets	**-**	**(8,061)**	**(8,061)**	-	(8,017)	(8,017)
Intragroup trading (inventory)	**13,454**	**-**	**13,454**	9,237	-	9,237
Pension schemes	**12,529**	**-**	**12,529**	9,398	-	9,398
Other	**15,013**	**(6,969)**	**8,044**	901	(8,385)	7,484)
Balance at the end of the year	**40,996**	**(21,999)**	**18,997**	19,536	(21,991)	(2,455)

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

	2016 £'000	2015 £'000
Balance at the beginning of the year	**(2,455)**	(7,271)
Movements in the Consolidated income statement	**435**	1,134
Movement in relation to the cash flow hedging reserve	**17,537**	2,102
Movement in relation to the pension schemes	**3,480**	1,580
Total movement in the Consolidated statement of comprehensive income and expense	**21,017**	3,682
Balance at the end of the year	**18,997**	(2,455)

No deferred tax asset has been recognised in respect of tax losses carried forward of £16,393,000 (2015: £13,045,000) due to the uncertainty over their recoverability, as a significant proportion held in overseas subsidiaries may only be carried forward for a limited period of time.

10. DERIVATIVES

Derivatives comprising the fair value of outstanding forward contracts with positive fair values are shown within:	2016 £'000	2015 £'000
Non-current assets	**76**	10,504
Current assets	**859**	14,889
Total of derivatives with positive fair values	**935**	25,393

	2016 £'000	2015 £'000
Derivatives comprising the fair value of outstanding forward contracts with negative fair values are shown within:		
Non-current liabilities	**50,652**	3,165
Current liabilities	**19,987**	764
Total of derivatives with negative fair values	**70,639**	3,929

11. EMPLOYEE BENEFITS

The Group operates a number of pension schemes throughout the world. As noted in the accounting policies, actuarial valuations of foreign pension schemes are not obtained for the most part because of the limited number of foreign employees.

The major scheme, which covers the UK-based employees, was of the defined benefit type. This scheme, along with the Ireland and USA defined benefit schemes, has ceased any future accrual for current members and these schemes are closed to new members. UK, Ireland and USA employees are now covered by defined contribution schemes.

The total pension cost of the Group for the year was £18,061,000 (2015: £16,347,000), of which £183,000 (2015: £178,000) related to directors and £4,854,000 (2015: £5,035,000) related to overseas schemes.

The latest full actuarial valuation of the UK defined benefit scheme was carried out as at September 2015 and updated to 30th June 2016 by a qualified independent actuary. The mortality assumption used for 2016 is S2PMA and S2PFA tables, CMI (core) 2014 model with long term improvements of 0.2% per annum.

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

	2016		2015	
	UK scheme	**Ireland scheme**	UK scheme	Ireland scheme
Rate of increase in pension payments	**3.2%**	**1.5%**	3.4%	1.6%
Discount rate	**3.2%**	**2.0%**	4.0%	3.0%
Inflation rate (RPI)	**3.3%**	**1.5%**	3.6%	1.6%
Inflation rate (CPI)	**2.3%**	**-**	2.6%	-
Retirement age	**64**	**65**	64	65

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

	2016 £'000	2015 £'000
Market value of assets:		
Equities	**145,914**	138,174
Bonds and cash	**3,313**	2,325
	149,227	140,499
Actuarial value of liabilities	**(217,050)**	(188,593)
Deficit in the schemes	**(67,823)**	(48,094)
Deferred tax thereon	**12,528**	9,398

All equities have quoted prices in active markets in the UK, North America, Europe, Asia-Pacific, Japan and emerging markets.

The weighted average duration of the defined benefit obligation is around 24 years.

The movements in the schemes' assets and liabilities were:

Year ended 30th June 2016	**Assets £'000**	**Liabilities £'000**	**Total £'000**
Balance at the beginning of the year	140,499	(188,593)	(48,094)
Contributions paid	2,708	-	2,708
Interest on pension schemes	5,552	(7,121)	(1,569)
Remeasurement gain/(loss)	3,166	(24,034)	(20,868)
Benefits paid	(2,698)	2,698	-
Balance at the end of the year	**149,227**	**(217,050)**	**(67,823)**

An agreement has been entered into with the trustees of the UK defined benefit pension scheme in relation to deficit funding plans which supersede the previous arrangements.

The Company has agreed to pay all monthly pensions payments and lump sum payments, and transfer payments up to a limit of £1,000,000 in each year (Benefits in Payment).

A number of UK properties owned by the Company are subject to registered fixed charges. One or more of the properties may be released from the fixed charge if on a subsequent valuation, the value of all properties under charge exceed 120% of the deficit.

The Company has also established an escrow bank account, which is subject to a registered floating charge. The balance of this account was £15,279,000 at the end of the year (2015: £14,731,000). The funds will be released back to the Company from the escrow account over a period of 6 years.

The agreement continues until 30th June 2031, but may end sooner if the deficit (calculated on a self sufficiency basis as defined in the agreement) is eliminated in the meantime. At 30th June 2031 the Company is obliged to pay any deficit at that time. All properties will be released from charge when the deficit no longer exists.

The charges may be enforced by the trustees if one of the following occurs: (a) the Company does not pay any Benefits in Payment; (b) an insolvency event occurs in relation to the Company; or (c) the Company does not pay any deficit at 30th June 2031.

Under the Ireland defined benefit pension scheme deficit funding plan, a property owned by Renishaw (Ireland) Limited is subject to a registered fixed charge to secure the Ireland defined benefit pension scheme's deficit.

No scheme assets are invested in the Group's own equity.

The Company has given a guarantee relating to recovery plans for the UK defined benefit pension scheme. The value of the guarantee is greater than the value of the pension scheme's deficit. As such, in line with IFRIC 14, the UK defined benefit pension scheme's liabilities have been increased by £15,400,000, to represent the maximum discounted liability as at 30th June 2016 (2015: £10,200,000).

12. INVENTORIES

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

	2016 £'000	2015 £'000
Raw materials	**35,932**	28,344
Work in progress	**26,225**	20,087
Finished goods	**32,802**	29,242
Balance at the end of the year	**94,959**	77,673

During the year, the amount of inventories recognised as an expense in the Consolidated income statement was £135,718,000 (2015: £144,547,000) and the amount of write-down of inventories recognised as an expense in the Consolidated income statement was £2,454,000 (2015: £1,254,000). At the end of the year, the gross cost of inventories which had provisions held against them totalled £10,134,000 (2015: £8,960,000).

13. CASH AND CASH EQUIVALENTS

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

	2016 £'000	2015 £'000
Bank balances and cash in hand	**26,416**	77,282
Short-term deposits	**4,862**	4,889
Overdraft	**(9,975)**	-
Balance at the end of the year	**21,303**	82,171

The UK defined benefit pension scheme cash escrow account is shown separately within current assets.

14. PROVISIONS

Warranty provision

Movements during the year were:

	2016 £'000	2015 £'000
Balance at the beginning of the year	**1,715**	1,294
Created during the year	**1,878**	1,518
Utilised in the year	**(1,218)**	(1,097)
	660	421
Balance at the end of the year	**2,375**	1,715

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.

15. OTHER PAYABLES (CURRENT)

Balances at the end of the year were:

	2016 £'000	2015 £'000
Payroll taxes and social security	**6,304**	5,097
Other creditors and accruals	**12,041**	23,464
Total other payables	**18,345**	28,561

16. OTHER PAYABLES (NON-CURRENT)

The deferred consideration in the previous year of £589,000 was in respect of investments in subsidiaries, which was payable over the following two years. All outstanding deferred consideration is now shown within other payables (current).

17. CAPITAL AND RESERVES

Share capital

	2016 £'000	2015 £'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 instruments.

Movements during the year were:

	2016 **£'000**	2015 £'000
Balance at the beginning of the year	**(2,714)**	(2,825)
Gain/(loss) on net assets of foreign currency operations	**28,778**	(2,390)
(Loss)/gain on foreign currency borrowings held for the purpose of net investment hedging	**(20,369)**	2,501
Gain in the year relating to subsidiaries	**8,409**	111
Currency exchange differences relating to associates	**753**	-
Balance at the end of the year	**6,448**	(2,714)

Cash flow hedging reserve

The cash flow hedging reserve comprises all foreign exchange differences arising from the valuation of forward exchange contracts which are effective hedges and mature after the year end. These are valued on a mark-to-market basis, are accounted for directly in equity and are recycled through the Consolidated income statement when the hedged item affects the Consolidated income statement. The forward contracts mature over the next three and a half years.

Movements during the year were:

	2016 **£'000**	2015 £'000
Balance at the beginning of the year	**17,171**	25,580
Amounts transferred to the Consolidated income statement	**(14,125)**	(13,348)
Revaluations during the year	**(77,043)**	2,837
Deferred tax movement	**17,537**	2,102
Balance at the end of the year	**(56,460)**	17,171

Dividends paid

Dividends paid comprised:

	2016 **£'000**	2015 £'000
2015 final dividend paid of 34.0p per share (2014: 29.87p)	**24,748**	21,742
Interim dividend paid of 12.5p per share (2015: 12.5p)	**9,099**	9,099
Total dividends paid	**33,847**	30,841

A final dividend in respect of the current financial year of £25,839,932 (2015: £24,748,105), at the rate of 35.5p net per share (2015: 34.0p) is proposed, to be paid on 17th October 2016 to shareholders on the register on 16th September 2016, with an ex-dividend date of 15th September 2016.

Non-controlling interest

Movements during the year were:

	2016 **£'000**	2015 £'000
Balance at the beginning of the year	**(2,638)**	(2,076)
Share of loss for the year	**(524)**	(562)
Balance at the end of the year	**(3,162)**	(2,638)

The non-controlling interest represents the minority shareholdings in Renishaw Diagnostics Limited – 7.6%, Renishaw Mayfield SARL – 25% and Renishaw Mayfield S.A. – 25%.

18. RELATED PARTIES

Associates and other related parties had the following transactions and balances with the Group:

	2016 **£'000**	2015 £'000
Purchased goods and services from the Group during the year	**640**	1,288
Sold goods and services to the Group during the year	**8,573**	8,648
Paid dividends to the Group during the year	**310**	110
Amounts owed to the Group at the year end	**264**	525
Amounts owed by the Group at the year end	**411**	499
Loans owed to the Group at the year end	**4,366**	3,048

There were no bad debts written off during the year (2015: £nil).

19. PRINCIPAL RISKS AND UNCERTAINTIES

Our performance is subject to a number of risks, of which the principal risks and changes impacting on them are set out in the table below.

The Board has conducted a robust assessment of the principal risks facing the business. With the exception of the potential impacts of Brexit, no new principal risks have emerged during the financial year. As reported in the Chairman's statement, the full business implications of Brexit remain uncertain, which will be the case for some time, and the risks arising will be a key focus area for the risk committee. Currency fluctuations, trading arrangements, employment issues and other risks that become apparent over time will be monitored by the committee and mitigations put in place where possible.

Area of risk	**Description**	**Potential impact**	**Mitigation**
Current trading levels and order book	Revenue growth is unpredictable and orders from customers generally involve short lead-times with the outstanding order book at any time being around one month's worth of revenue value.	Global market conditions continue to highlight risks to growth and demand which can lead to fluctuating levels of revenue. Whilst global investment in production systems and processes is expected to expand, future growth is difficult to predict, especially with such a short-term order book. This limited forward order visibility leaves the annual revenue forecasts uncertain.	• The Group is expanding and diversifying its product range in order to maintain a world-leading position in its sales of metrology products. Investment in sales and marketing resources continues in order to support the breadth of the product offerings. • The Group is applying its measurement expertise to grow its healthcare and additive manufacturing business activities. • The Group retains a strong balance sheet and has the ability to to flex manufacturing resource levels and shift patterns.

Research and development	The development of new products and processes involves risk, such as development timescales, meeting the required technical specification and the impact of alternative technology developments.	Being at the leading edge of new technology in metrology and healthcare, there are uncertainties whether new developments will provide an economic return.	• Patent and intellectual property generation is core to new product developments. • R&D programmes are regularly reviewed against milestones and, when necessary, projects are cancelled. • Medium to long-term R&D strategies are monitored regularly by both the Board and Executive Board, including reviews of the allocation of R&D resource to key projects. • Product development processes around the group are reviewed and aligned where possible to provide consistency and efficiency. • New products involve beta testing at customers to ensure they will meet the needs of the market. • Market developments are closely monitored.
Supply chain management	Customer deliveries may be threatened by a failure in the supply chain.	Inability to meet customer deliveries could result in loss of revenue and profit.	• Production facilities are maintained with fire and flood risk in mind. • Critical production processes are replicated at different locations where practical. • The group is highly vertically integrated providing increased control over many aspects of the supply chain. • Ability to flex manufacturing resource levels and shift patterns. • Regular vendor reviews are performed for critical part suppliers. • Stock policies are reviewed by the Board on a regular basis. • Product quality is closely monitored.
Regulatory legislation for healthcare products	The expansion of the Group's business into the healthcare markets involves a significantly increased requirement to obtain regulatory approval prior to the sale of these products.	Regulatory approval can be very expensive and time-consuming. This area is also very complex and there is a risk that the correct approvals are not obtained.	• Specialist legal and regulatory staff are in place to support the healthcare business. • Experience of healthcare regulatory matters at board level. • Healthcare operations in UK and France have ISO13485 certification for their quality management systems, with Ireland and other subsidiary healthcare operations falling under the UK quality management system.

Defined benefit pension schemes	Investment returns and actuarial valuations of the defined benefit pension fund liabilities are subject to economic and social factors which are outside of the control of the Group.	Volatility in investment returns and actuarial assumptions can significantly affect the defined benefit pension fund deficit, impacting on future funding requirements.	• The investment strategy is managed by the pension fund trustees who operate in line with a statement of investment principles. • A new recovery plan was agreed in June 2016 for the 2015 actuarial valuation based on funding to self-sufficiency.
Exchange rate fluctuations	Fluctuating foreign exchange rates may affect the results of the Group.	With over 94% of revenue generated outside of the UK, there is an exposure to major currency fluctuations, mainly in respect of the US Dollar, Euro and Japanese Yen. Such fluctuations could adversely impact both the Group's income statement and balance sheet.	• The Group enters into forward contracts in order to hedge varying proportions of forecast US Dollar, Euro and Japanese Yen revenue. • The Group uses currency borrowings to hedge the foreign currency denominated assets held in the Group's balance sheet. • Monthly board review of currency rates and hedging position.

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