RENISHAW plc

New Mills, Wotton-under-Edge
Gloucestershire GL12 8JR
United Kingdom

Tel **+44 (0) 1453 524524**
Fax **+44 (0) 1453 524901**
Email **uk@renishaw.com**

www.renishaw.com

23rd July 2014

Renishaw plc and subsidiary undertakings
Preliminary announcement of results for the year ended 30th June 2014

HIGHLIGHTS

- **Record revenue of £355.5m (2013: £346.9m).**
- **Record quarterly revenue of £107.0m achieved in final quarter.**
- **Strong demand for our 3D metal additive manufacturing, measurement automation and encoder products.**
- **New product releases during the period include the SPRINT™ high speed contact scanning system for machine tools and ATOM™ encoder readhead.**
- **USA FDA clearance to market the neuromate® stereotactic robotic system.**
- **Continued investment in research and development, production and marketing infrastructure.**
- **Capital expenditure of £39.2m, including construction of 153,000 sq ft at New Mills, purchase of buildings in Germany and in China.**
- **17th Queen's Award for Raman inVia microscope.**
- **Sale of shareholding in Delcam plc for £32.0m.**
- **Strong balance sheet, with cash of £43.6m.**
- **Final dividend of 29.87 pence per share.**

	2014	Restated 2013	Change
Revenue (£m)	**355.5**	346.9	+2%
Operating profit (£m)*	**70.4**	79.1	-11%
Adjusted profit before tax (£m)*	**70.1**	79.2	-11%
Adjusted earnings per share (pence)*	**82.3**	88.9	-7%
Dividend per share (pence)	**41.2**	40.0	+3%
STATUTORY			
Profit before tax (£m)	**96.4**	82.1	+17%
Basic earnings per share (pence)	**118.4**	92.9	+27%

Restated and adjusted results

Restated figures

Restated figures are in respect of the amendment to IAS 19 "Employee benefits" (mandatory for years commencing on or after 1st January 2013), where the expected return on plan assets and the interest cost on liabilities in the income statement are replaced by interest on the net defined benefit asset / liability using the discount rate used to measure the defined benefit obligation. This changes the allocation of the total return on plan assets between the income statement and other comprehensive income. The amended standard is required to be applied retrospectively. As a result of the restatement, Profit before tax for the year ended 30th June 2013 decreased by £2.3m (see note 1).

Adjusted figures

Adjusted figures apply to both the current and previous financial years. For the year ended 30th June 2013, adjusted figures exclude the exceptional gain of £2.9m resulting from the early settlement of the deferred consideration liability for the purchase of the remaining 34% shareholding in Measurement Devices Limited. For the year ended 30th June 2014, adjusted figures exclude the profit on disposal of the shareholding in Delcam plc of £26.3m (see note 3).

CHAIRMAN'S STATEMENT

I am pleased to report our 2014 year's results.

Revenue for the year ended 30th June 2014 was £355.5m, compared with £346.9m for last year, an increase of 2% and includes a record quarterly revenue of £107.0m achieved in the final 3 months of the year. This and recent years have been characterised by large unpredictable revenue both in timing and value from certain Far East customers. If adjusted, this would result in underlying revenue growth of 8% for this year.

The strengthening of Sterling during the second half of the financial year has impacted group revenue; at previous year exchange rates revenue would have been higher by £11.2m, giving a revised underlying growth of 11%.

Regional analysis shows that the 8% underlying revenue growth (as adjusted above) at actual exchange rates was 11% in the Far East; 8% in the Americas; 4% in Europe and 15% in the UK. More specifically, revenue in the Americas increased from £79.2m to £85.6m; in Europe from £96.0m to £100.2m; and in the UK from £20.7m to £23.8m.

The Group's adjusted profit before tax for the year was £70.1m compared with an adjusted and restated £79.2m* last year. Statutory profit before tax was £96.4m (2013: £82.1m), which includes the exceptional gain of £26.3m on the disposal of our shareholding in Delcam plc (see below). The strength of Sterling also impacted the group profit before tax which, at previous year exchange rates, would have been higher by £6.8m.

The tax charge this year amounts to £10.7m (2013: £15.0m) representing a tax rate of 11.1% (2013: 18.3%). Excluding exceptional items, none of which are taxable, the underlying tax rate is 15.3% (2013: 19.0%). The tax rate improvement reflects a corporation tax reduction in the UK to 21% from April 2014 and 20% from April 2015, the latter being used for UK deferred tax calculations. The patent box tax incentive has resulted in a tax credit of £1.3m compared to £0.3m last year.

Adjusted earnings per share were 82.3p, compared with an adjusted and restated 88.9p last year. Statutory earnings per share were 118.4p, compared with a restated 92.9p last year.

Metrology

Revenue from our metrology business for the year was £326.6m, compared with £317.9m last year. Operating profit was £74.4m (2013: £84.5m) and reflects continued investment in this business sector, currency effects and the tough revenue comparators in the Far East referred to above.

Global investment in production systems and processes in the key markets of aerospace, automotive, energy, construction, consumer electronics and agriculture continues with each requiring our new product offerings and system solutions to achieve demanding quality standards and efficiency improvements.

We have experienced strong demand for our 3D metal additive manufacturing products as we continue to integrate the production, sales and marketing activities and the previously acquired LBC business in Germany within the group infrastructure. We also saw good growth in our measurement automation and encoder product lines.

New product releases during the year include the SPRINT™ high-speed contact scanning system for machine tools which opens up completely new process control opportunities for high-value CNC machine tools. The system incorporates a new generation of on-machine scanning technology enabling fast and accurate form and profile data capture from both prismatic and complex 3D components.

Our encoder products line launched the ultra-compact ATOM™ readhead, an innovative optical linear and rotary incremental encoder system.

The spatial measurement product line has recently introduced the Quarryman® Pro into its mining and quarrying sector and the MX2 scanner used for mobile mapping and surveying is gaining wide market acceptance.

Other new product releases in the metrology business were the PH10M-iQ PLUS probe head (a new version of PH10 with reduced calibration time), RSP2 V2, a new improved version of the REVO 2D scanning probe, SPA3 high powered compact CMM amplifier and new software releases UCCsuite 4.6 and 4.7 and MODUS 1.6.

Healthcare

Revenue from our healthcare business for the year was £28.9m, compared with £29.0m last year. There was an operating loss of £4.0m, compared with a loss of £5.4m last year. We experienced growth in our dental products but the strength of Sterling adversely impacted the sales performance of our spectroscopy products.

Further sales of the neuromate® surgical robot have been achieved this year and, in the USA, the FDA has issued clearance to place it on the market (known as the neuromate frameless Gen II stereotactic robotic system). This opens up new sales opportunities in the largest market for medical devices. Also, product registration for the neuromate has been granted by the Saudi Food and Drug Administration where a system is in use.

There is growing interest in our 3D metal additive manufacturing system for dental applications and maxillofacial restorations.

The Company is manufacturing an investigational drug delivery system to the specifications required by an NHS Trust, which is conducting a clinician-led clinical trial for a therapy for the treatment of Parkinson's disease. The system, which delivers therapies directly into the brain, is also on trial by the Trust to deliver a chemotherapy drug for the treatment of brain tumours.

Continued investment for long-term growth

The Group strategy to invest for the long-term, expanding our global marketing and distribution infrastructure, along with increasing manufacturing capacity and research and development activities continues.

Headcount at the end of June 2014 was 3,492, an increase of 257 from the 3,235 at the start of the financial year to support our growing research and development, production and global sales and marketing activities. The staff increase included 43 apprentices and 59 graduates in the UK, 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 £39.2m, of which £21.3m was spent on property and £17.9m on plant, equipment and vehicles. Work has continued on implementing a virtual machine environment in the UK and regional data centres to further enhance the resilience and efficiency of the Group's IT infrastructure.

In the UK, work continues on the additional 153,000 sq ft facility at New Mills with first occupancy having taken place at the end of June; phased occupation is taking place over the next six months. This facility will house R&D and corporate services staff as well as corporate demonstration and training facilities and will enable our spectroscopy and laser calibration product lines to relocate to the headquarters' site.

In Germany, we have purchased buildings adjacent to our current premises in Pliezhausen, near Stuttgart, providing an additional 116,000 sq ft of facilities for our German subsidiary into which the LBC additive manufacturing business has relocated.

In Warsaw, our Polish sales subsidiary has moved to larger premises.

In Shanghai, our Chinese subsidiary acquired and relocated to18,000 sq ft of office space for the management of our operations throughout China.

Acquisition

In March 2014, the Group purchased Advanced Consulting & Engineering, Inc ("ACE"), a supplier of dimensional measurement products and services focused on the automotive industry, based in the USA. ACE provides a range of in-house and on-site measurement services to its customers including contract inspection, CMM fixture design, machine retrofits, CMM programming, training and full turnkey solutions from conception to completion. Since 2011 the company has also been a Renishaw distributor.

As Renishaw continues to focus on supplying end-user metrology solutions, including CMM retrofits and installations of our Equator gauge, the specialist programming and applications knowledge within the ACE team will be particularly valuable.

Disposal of shareholding in Delcam plc

In February 2014, Autodesk Development B.V., a wholly owned subsidiary of Autodesk, Inc. acquired the whole of the issued share capital of Delcam plc at a price of £20.75 per share. Renishaw held 1,543,032 Delcam shares (19.4%) resulting in a total consideration of £32.0m. The investment held in the balance sheet was £5.7m, giving a profit on disposal of £26.3m. This profit is disclosed as an exceptional item in the Consolidated income statement.

It is our intention that the proceeds arising will be used to support ongoing and future investments in the business.

Working capital

Group inventory decreased to £63.0m from £65.3m at the beginning of the year, reflecting the high demand for products in the last quarter of the year and continuing improvement in the group inventory management systems. Trade debtors increased from £68.1m to £81.8m in line with a higher last quarter revenue compared with the final quarter last year, with debtor days outstanding at the end of the current year at 63 days (2013: 62 days).

Net cash balances at 30th June 2014 were £43.6m, compared with £26.6m at 30th June 2013. Additionally there is an escrow account of £9.5m (2013: £11.0m) relating to the provision of security to the UK defined benefit pension scheme.

Directors and employees

Following the retirement of Bill Whiteley, Dr David Grant was appointed as the senior independent director.

The directors thank employees for their invaluable support and contribution as the Group continues its development and expansion.

Investor day

In line with our commitment to improve investor communications, our first investor day was held on 15th May 2014, for existing and potential new investors. The event was well attended and the presentations and product demonstrations were positively received.

Awards

On 21st April 2014, Renishaw received a Queen's Award for Enterprise 2014 in the Innovations category for its inVia Raman microscope. This prestigious award was granted for the continuous development of the inVia, with ultra-fast Raman imaging, which enables the rapid generation of high definition 2D and 3D chemical images for material analysis. This is the Company's seventeenth Queen's Award since the Company was set up in 1973.

Outlook

The new financial year has started well and, with the ever growing range of products, processes and applications and our skilled and experienced employees, your directors remain confident in the prospects for the Group.

Dividends

A final dividend of 29.87 pence net per share will be paid on 20th October 2014, to shareholders on the register on 19th September 2014.

***Adjusted and restated profit**

Last year's results have been restated from £84.4m to £82.1m to reflect the amendment to the accounting standard IAS 19 relating to pension accounting. Also, the adjusted profit excludes the exceptional profit of £26.3m on the disposal of the shareholding in Delcam plc for the current year and excludes an exceptional gain of £2.9m relating to an early settlement of a deferred consideration for the previous year.

Sir David R McMurtry, CBE, RDI, FRS, FREng, CEng, FIMechE
Chairman & Chief Executive
23rd July 2014

CONSOLIDATED INCOME STATEMENT
for the year ended 30th June 2014

	2014 £'000	Restated 2013 £'000
Revenue	**355,498**	346,881
Cost of sales	**(178,553)**	(164,704)
Gross profit	**176,945**	182,177
Distribution costs	**(75,367)**	(69,386)
Administrative expenses	**(31,190)**	(33,720)
Operating profit	**70,388**	79,071
Exceptional items: 2014 - Profit on disposal of shareholding in Delcam plc 2013 - Gain on deferred consideration settlement	**26,280**	2,903
Financial income	**679**	1,009
Financial expenses	**(1,736)**	(1,909)
Share of profits of associates less related amortisation	**775**	1,022
Profit before tax	**96,386**	82,096
Income tax expense	**(10,720)**	(15,046)
Profit for the year from continuing operations	**85,666**	67,050

Profit attributable to:	**2014 £'000**	2013 £'000
Equity shareholders of the parent company	**86,215**	67,643
Non-controlling interest	**(549)**	(593)
Profit for the year from continuing operations	**85,666**	67,050
	Pence	Pence
Dividend per share arising in respect of the year	**41.2**	40.0
Dividend per share paid in the year	**40.0**	39.5
Earnings per share (basic and diluted)	**118.4**	92.9

CONSOLIDATED BALANCE SHEET
at 30th June 2014

	2014 £'000	2013 £'000
Assets		
Property, plant and equipment	**140,922**	117,926
Intangible assets	**56,571**	56,143
Investments in associates	**2,230**	7,403
Deferred tax assets	**16,173**	18,276
Derivatives	**18,644**	7,976
Total non-current assets	**234,540**	207,724
Current assets		
Inventories	**62,979**	65,268
Trade receivables	**81,798**	68,082
Current tax	**1,690**	1,160
Other receivables	**10,847**	10,871
Derivatives	**13,348**	3,583
Pension scheme cash escrow account	**9,541**	10,982
Cash and cash equivalents	**43,634**	26,605
Total current assets	**223,837**	186,551
Current liabilities		
Trade payables	**18,857**	18,481
Current tax	**3,941**	2,629
Provisions	**1,294**	1,630
Derivatives	**-**	2,018
Other payables	**16,110**	19,017
Total current liabilities	**40,202**	43,775
Net current assets	**183,635**	142,776
Non-current liabilities		
Employee benefits	**43,068**	41,718
Deferred tax liabilities	**23,444**	20,032
Derivatives	**17**	10,442
Other payables	**883**	1,589
Total non-current liabilities	**67,412**	73,781
Total assets less total liabilities	**350,763**	276,719
Equity		
Share capital	**14,558**	14,558
Share premium	**42**	42
Currency translation reserve	**(2,825)**	2,929
Cash flow hedging reserve	**25,580**	(694)
Retained earnings	**315,944**	261,607
Other reserve	**(460)**	(389)
Equity attributable to the shareholders of the parent Company	**352,839**	278,053
Non-controlling interest	**(2,076)**	(1,334)
Total equity	**350,763**	276,719

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE
for the year ended 30th June 2014

	2014 £'000	Restated 2013 £'000
Profit for the year	**85,666**	67,050
Other items recognised directly in equity:		
Items that will not be reclassified to the Consolidated income statement:		
Foreign exchange translation differences	**(5,754)**	346
Remeasurement of defined benefit pension liabilities	**(2,233)**	(860)
Deferred tax on items that will not be reclassified	**(530)**	(121)
Relating to associates, net of tax	**-**	(102)
Total for items that will not be reclassified	**(8,517)**	(737)
Items that may be reclassified to the Consolidated income statement:		
Effective portion of changes in fair value of cash flow hedges, net of recycling	**32,876**	(4,225)
Deferred tax on items that may be reclassified	**(6,602)**	1,005
Total for items that may be reclassified	**26,274**	(3,220)
Total other comprehensive income and expense, net of tax	**17,757**	(3,957)
Total comprehensive income and expense for the year	**103,423**	63,093
Attributable to:		
Equity shareholders of the parent company	**103,972**	63,686
Non-controlling interest	**(549)**	(593)
Total comprehensive income and expense for the year	**103,423**	63,093

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30th June 2014

Year ended 30th June 2013 (restated)	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 2012	14,558	42	2,583	2,526	223,820	(389)	(741)	242,399
Profit/(loss) for the year	-	-	-	-	67,643	-	(593)	67,050
Other comprehensive income and expense:								
Remeasurement of defined benefit pension liabilities (net of tax)	-	-	-	-	(981)	-	-	(981)
Foreign exchange translation differences	-	-	346	-	-	-	-	346
Changes in fair value of cash flow hedges (net of tax)	-	-	-	(3,220)	-	-	-	(3,220)
Relating to associates	-	-	-	-	(102)	-	-	(102)
Total other comprehensive income	-	-	346	(3,220)	(1,083)	-	-	(3,957)
Total comprehensive income	-	-	346	(3,220)	66,560	-	(593)	63,093
Transactions with owners recorded directly in equity – dividends paid	-	-	-	-	(28,773)	-	-	(28,773)
Balance at 30th June 2013	14,558	42	2,929	(694)	261,607	(389)	(1,334)	276,719
Year ended 30th June 2014								
Profit/(loss) for the year	-	-	-	-	86,215	-	(549)	85,666
Other comprehensive income and expense:								
Remeasurement of defined benefit pension liabilities (net of tax)	-	-	-	-	(2,763)	-	-	(2,763)
Foreign exchange translation differences	-	-	(5,754)	-	-	-	-	(5,754)
Changes in fair value of cash flow hedges (net of tax)	-	-	-	26,274	-	-	-	26,274
Total other comprehensive income	-	-	(5,754)	26,274	(2,763)	-	-	17,757
Total comprehensive income	-	-	(5,754)	26,274	83,452	-	(549)	103,423
Acquisition of non-controlling interest	-	-	-	-	-	(71)	(193)	(264)
Dividends paid	-	-	-	-	(29,115)	-	-	(29,115)
Transactions with owners recorded directly in equity	-	-	-	-	(29,115)	(71)	(193)	(29,379)
Balance at 30th June 2014	**14,558**	**42**	**(2,825)**	**25,580**	**315,944**	**(460)**	**(2,076)**	**350,763**

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 30th June 2014

	2014 £'000	2013 £'000
Cash flows from operating activities		
Profit for the year	**85,666**	**67,050**
Adjustments for:		
Amortisation of development costs	**8,345**	**7,558**
Amortisation of other intangibles	**3,304**	**3,280**
Depreciation	**11,304**	**10,293**
Profit on sale of property, plant and equipment	**(24)**	**(36)**
Share of profits from associates	**(950)**	**(1,345)**
Exceptional gain	**(26,280)**	**(2,903)**
Financial income	**(679)**	**(1,009)**
Financial expenses	**1,736**	**1,909**
Tax expense	**10,720**	**15,046**
	7,476	**32,793**
Decrease/(increase) in inventories	**2,289**	**(11,285)**
(Increase)/decrease in trade and other receivables	**(19,089)**	**15,339**
Decrease in trade and other payables	**(2,573)**	**(6,562)**
(Decrease)/increase in provisions	**(336)**	**460**
	(19,709)	**(2,048)**
Defined benefit pension contributions	**(2,275)**	**(2,508)**
Income taxes paid	**(11,407)**	**(15,711)**
Cash flows from operating activities	**59,751**	**79,576**
Investing activities		
Purchase of property, plant and equipment	**(39,050)**	**(27,976)**
Development costs capitalised	**(11,830)**	**(10,615)**
Purchase of other intangibles	**(483)**	**(1,226)**
Investment in subsidiaries and associates	**(808)**	**-**
Payments in respect of deferred consideration	**-**	**(7,500)**
Sale of property, plant and equipment	**704**	**299**
Interest received	**679**	**1,009**
Dividend received from associates	**210**	**307**
Exceptional item – sale of shareholding in Delcam plc	**32,018**	**-**
Contributions to pension fund escrow account (net)	**1,441**	**541**
Cash flows from investing activities	**(17,119)**	**(45,161)**
Financing activities		
Interest paid	**(176)**	**(259)**
Dividends paid	**(29,115)**	**(28,773)**
Cash flows from financing activities	**(29,291)**	**(29,032)**
Net increase in cash and cash equivalents	**13,341**	**5,383**
Cash and cash equivalents at beginning of the year	**26,605**	**21,127**
Effect of exchange rate fluctuations on cash held	**3,688**	**95**
Cash and cash equivalents at end of the year	**43,634**	**26,605**

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 2014 or 2013 but is derived from those accounts. Statutory accounts for 2013 have been delivered to the registrar of companies, and those for 2014 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

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

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

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“adopted IFRS”) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies set out below have been applied consistently to all periods presented in these group financial statements with the exception of first time application of IAS 19 ‘Employee Benefits (Revised)’, IFRS 13 ‘Fair Value Measurement’ and amendments to IFRS 7 ‘Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities’. Except for the adoption of IAS 19 ‘Employee Benefits (Revised)’ the adoption of these standards has not had a significant effect on the consolidated results or financial position of the Group. The impact of adopting IAS 19 ‘Employee Benefits (Revised)’ is set out below.

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 2013 and 2014 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 (“CGU”s) 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.

(iii) 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.

(iv) Amortisation of intangibles and impairment

The periods of amortisation of intangible assets require judgements to be made on the estimated useful lives of the intangible assets to determine an appropriate rate of amortisation. Future assessments of impairment may lead to the writing off of certain amounts of intangible assets and the consequent charge in the Consolidated income statement for the accelerated amortisation.

(v) Capitalisation of development costs

Product development costs are capitalised once a project has reached a certain stage of development and these costs are subsequently amortised over a five-year period. Judgements are required to assess whether the new product development has reached the appropriate point for capitalisation of costs to begin. Should a product be subsequently obsoleted, the accumulated capitalised development costs would need to be immediately written off in the Consolidated income statement.

Pension fund cash escrow account

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

New, revised or changes to existing accounting standards

The following adopted IFRS has been applied by the Group for the first time in these financial statements.

Amendments to IAS 19 ‘Employee Benefits’ (mandatory for years commencing on or after 1st January 2013), for defined benefit schemes, the amendments introduce various changes.

(i) past service costs are recognised immediately and no longer deferred;

(ii) the expected return on plan assets and the interest cost on liabilities in the income statement are replaced by interest on the net defined benefit asset / liability using the discount rate used to measure the defined benefit obligation; this changes the allocation of the total return on plan assets between the income statement and other comprehensive income;

(iii) asset management costs are recognised in other comprehensive income while other administrative costs are charged to operating profits. Both were previously charged to operating profits;

(iv) the Group continues to assess the impact of the amended standard's requirement to recognise employee contributions over the employee's period of service, rather than as the contributions are received;

(v) removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group, since it already recognises them immediately in other comprehensive income.

The amended standard was required to be applied retrospectively. Therefore, the 2013 results have been restated with the result that the profit before tax for that year is now £2.3m lower than previously reported, with a compensating credit in other comprehensive income. The effect of the amendment on the current financial year is a decrease in net finance income by £2.9m, with a corresponding credit in other comprehensive income. The analysis of the adjustments to the Consolidated income statement and Consolidated statement of comprehensive income and expenditure is:

Consolidated income statement

	Year ended 30th June 2013 £'000
Financial income	
Expected return on assets in the pension schemes	
Originally reported	6,583
Restated	-
Change to Financial income	(6,583)
Financial expenses	
Interest on pension schemes	
Originally reported	5,638
Restated	1,378
Change to Financial expenses	4,260
Change to Profit before taxation	(2,323)
Tax thereon	548
Change to Profit for the period	(1,775)

Consolidated statement of comprehensive income and expenditure

	Year ended 30th June 2013 £'000
Actuarial loss in the pension schemes	
Originally reported	(3,183)
Restated	(860)
Change to Actuarial loss in the pension schemes	2,323
Deferred tax on items that will not be reclassified	
Originally reported	427
Restated	(121)
Change to Deferred tax on items that will not be classified	(548)
Change to Total other comprehensive income and expense	1,775

The following standards issued by the International Accounting Standards Board have been adopted by the EU, but only become effective for accounting periods commencing after 30th June 2014:

(a) IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosures of Interests in Other Entities', amendment to IAS 27 'Separate Financial Statements' and amendment to IAS 28 'Investments in Associates and Joint Ventures' are a package of new standards and amendments that set out the basis for consolidation and the accounting requirements. The Group will adopt these standards on 1st July 2014.

(b) Amendments to IAS 32 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'. This amendment sets out the criteria required for offsetting. The Group will adopt this amendment on 1st July 2014.

The Group does not currently expect that adoption of these standards will have a significant effect on the consolidated results or financial position of the Group.

Consolidation

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

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

Derivative financial instruments

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

Hedge of net investment in foreign operation

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

Goodwill and other intangible assets

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

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

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

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.

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 5 to 10 years.

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

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'.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business review, where also given are details of the financial and liquidity positions.

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

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

Annual report and accounts.

2. SEGMENTAL ANALYSIS

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

Year ended 30th June 2014	**Metrology £'000**	**Healthcare £'000**	**Total £'000**
Revenue	**326,633**	**28,865**	**355,498**
Depreciation and amortisation	**19,036**	**3,917**	**22,953**
Operating profit/(loss) before exceptional item	**74,374**	**(3,986)**	**70,388**
Share of profits from associates	**775**	**-**	**775**
Exceptional gain on disposal of shareholding in Delcam plc	**26,280**	**-**	**26,280**
Net financial expense	**-**	**-**	**(1,057)**
Profit before tax	**-**	**-**	**96,386**

Year ended 30th June 2013 (restated)	Metrology £'000	Healthcare £'000	Total £'000
Revenue	317,857	29,024	346,881
Depreciation and amortisation	17,776	3,355	21,131
Operating profit/(loss)	84,528	(5,457)	79,071
Share of profits from associates	1,022	-	1,022
Exceptional gain on deferred consideration settlement	2,903	-	2,903
Net financial expense	-	-	(900)
Profit before tax	-	-	82,096

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:

	2014 £'000	2013 £'000
Far East, including Australasia	**134,569**	138,806
Continental Europe	**100,199**	96,003
North, South and Central America	**85,562**	79,220
UK and Ireland	**23,816**	20,668
Other regions	**11,352**	12,184
Total group revenue	**355,498**	346,881

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:

	2014 £'000	2013 £'000
USA	**71,007**	66,426
China	**66,575**	75,228
Germany	**43,043**	41,085
Japan	**39,190**	35,655

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

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

	2014 £'000	2013 £'000

United Kingdom	**142,079**	128,875
Overseas	**57,644**	52,597
Total non-current assets	**199,723**	181,472

3. EXCEPTIONAL ITEM

Year ended 30th June 2014

In February 2014, Autodesk Development B.V., a wholly owned subsidiary of Autodesk, Inc. acquired the whole of the issued share capital of Delcam plc at a price of £20.75 per share. Renishaw held 1,543,032 Delcam shares (19.4%) which resulted in a total consideration of £32.0m. The investment held in the balance sheet was £5.7m, giving a profit on disposal of £26.3m, which has been disclosed as an exceptional item. Delcam plc was accounted for as an associate undertaking.

Year ended 30th June 2013

In November 2012, the Group purchased the remaining 34% shareholding in Measurement Devices Limited for the sum of £4,500,000, paid in cash.

The original shareholders' agreement provided Renishaw with the option to purchase the remaining shareholding in three tranches in May 2012, May 2013 and May 2014. The price per share to be paid was calculated as seven times earnings before interest and tax, with a minimum price per share of £2 and a maximum price per share of £8.94.

The Group had applied the anticipated-acquisition method to this transaction, and an estimate of the outstanding purchase price, based on MDL's three-year forecast, was provided within the financial statements as deferred contingent consideration. This consideration totalled £7,403,000 in November 2012 and the subsequent re-measurement resulted in an exceptional gain of £2,903,000 recognised in the Consolidated income statement.

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The Group had applied the anticipated-acquisition method to this transaction, and an estimate of the outstanding purchase price, based on MDL's 3-year forecast, was provided within the financial statements as deferred contingent consideration. This consideration totalled £7,403,000 in November 2012 and the subsequent re-measurement resulted in an exceptional gain of £2,903,000 recognised in the Consolidated income statement.

4. FINANCIAL INCOME AND EXPENSES

Financial income	**2014 £'000**	Restated 2013 £'000
Bank interest receivable	**679**	1,009
Financial expenses		
Interest on pension schemes' liabilities	**1,392**	1,378
Bank interest payable	**176**	259
Unwinding of deferred acquisition cost interest	**168**	272
Total financial expenses	**1,736**	1,909

5. INCOME TAX EXPENSE

	2014 £'000	Restated 2013 £'000
Current tax:		
UK corporation tax on profits for the year	**3,983**	4,876
Overseas tax on profits for the year	**8,354**	9,245
Total current tax	**12,337**	14,121
Deferred tax		
Origination and reversal of other temporary differences	**(99)**	1,533
Effect on deferred tax for change in UK tax rate to 20% (2013: 23%)	**(1,518)**	(608)
	(1,617)	925
Tax charge on profit	**10,720**	15,046
Effective tax rate (based on profit before tax)	**11.1%**	18.3%

The tax for the year is lower (2013: lower) than the weighted average UK standard rate of corporation tax of 22.5% (2013: 23.75%). The differences are explained as follows:

	2014 £'000	Restated 2013 £'000
Profit before tax	**96,386**	82,096
Tax at 22.5% (2013: 23.75%)	**21,687**	19,498
Effects of:		
Different tax rates applicable in overseas subsidiaries	**(911)**	(2,082)
Research and development tax credit and patent box	**(2,923)**	(1,942)
Expenses not deductible for tax purposes	**345**	558
Companies with unrelieved tax losses	**477**	469
Items with no tax effect	**(6,400)**	(932)
Effect on deferred tax for change in UK tax rate to 20% (2013: 23%)	**(1,518)**	(608)
Other differences	**(37)**	85
Tax charge on profit	**10,720**	15,046

The reductions of the UK corporation tax rate to 21% effective from 1st April 2014 and 20% from 1st April 2015 were substantively enacted on 3rd July 2013. At 30th June 2014, UK deferred tax has been calculated at the rate of 20% for all timing differences.

6. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated on earnings after tax of £86,215,000 (2013: £67,643,000) 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.

The adjusted earnings per share figure for 2014 and for 2013 exclude the exceptional items.

7. PROPERTY, PLANT AND EQUIPMENT

Year ended 30th June 2014	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 2013	92,682	114,451	7,709	5,304	220,146
Additions	8,110	5,786	1,064	24,240	39,200
Transfers	1,504	14,110	-	(15,614)	-
Disposals	(115)	(874)	(334)	-	(1,323)
Currency adjustment	(4,125)	(2,339)	(390)	-	(6,854)
At 30th June 2014	98,056	131,134	8,049	13,930	251,169
Depreciation					
At 1st July 2013	20,642	76,825	4,753	-	102,220
Charge for the year	1,502	8,960	842	-	11,304
Released on disposals	(78)	(359)	(206)	-	(643)
Currency adjustment	(952)	(1,474)	(208)	-	(2,634)
At 30th June 2014	21,114	83,952	5,181	-	110,247
Net book value					
At 30th June 2014	**76,942**	**47,182**	**2,868**	**13,930**	**140,922**
At 30th June 2013	72,040	37,626	2,956	5,304	117,926

At 30th June 2014, properties with a net book value of £37,597,000 (2013: £25,825,000) were subject to a registered charge to secure the UK defined benefit pension scheme liabilities.

Additions to assets in the course of construction of £24,240,000 (2013: £8,310,000) comprise £13,185,000 (2013: £1,208,000) for freehold land and buildings and £11,055,000 (2013: £7,102,000) for plant and equipment.

8. INTANGIBLE ASSETS

			Software licences	
Goodwill on	Other intangible	Internally generated development		In the course of

Year ended 30th June 2014	consolidation £'000	assets £'000	costs £'000	In use £'000	acquisition £'000	Total £'000
Cost						
At 1st July 2013	20,182	10,768	66,358	20,152	-	117,460
Additions	469	-	11,830	394	89	12,782
Transfers	-	-	-	53	(53)	-
Disposals	-	-	-	(51)	-	(51)
Currency adjustment	(778)	(124)	-	(39)	-	(941)
At 30th June 2014	19,873	10,644	78,188	20,509	36	129,250
Amortisation						
At 1st July 2013	198	7,259	42,026	11,834	-	61,317
Charge for the year	-	1,397	8,345	1,732	-	11,474
Released on disposal	-	-	-	(51)	-	(51)
Currency adjustment	-	(25)	-	(36)	-	(61)
At 30th June 2014	198	8,631	50,371	13,479	-	72,679
Net book value						
At 30th June 2014	**19,675**	**2,013**	**27,817**	**7,030**	**36**	**56,571**
At 30th June 2013	19,984	3,509	24,332	8,318	-	56,143

Goodwill acquired has arisen on the acquisition of a number of businesses and has an indeterminable useful life. Therefore it is not amortised but is tested for impairment annually and at any point during the year when an indicator of impairment exists. Goodwill is allocated to the Group's cash generating units (CGUs), which are currently the statutory entities acquired. This is the lowest level in the Group at which goodwill is monitored for impairment and is at a lower level than the Group's operating segments. In the table below, only the goodwill relating to the acquisition of R&R Fixtures, LLC is expected to be subject to tax relief.

The analysis of acquired goodwill on consolidation is:

	2014 £'000	2013 £'000
itp GmbH	**2,770**	2,960
Renishaw Diagnostics Limited (92.4%)	**1,784**	1,784
Renishaw Mayfield S.A. (75%)	**1,487**	1,569
Measurement Devices Limited	**6,661**	6,661
Renishaw Software Limited	**1,559**	1,559
R&R Fixtures, LLC	**4,050**	4,556
Other smaller acquisitions	**1,364**	895
Total acquired goodwill	**19,675**	19,984

The recoverable amounts of acquired goodwill are based on value in use calculations. These calculations use cash flow projections with assumptions as follows:

- itp GmbH and Renishaw Software Limited (both part of the metrology segment) - actual operating results and an average growth rate of 5% for 5 years with a nil growth rate to perpetuity (2013: same basis).
- Renishaw Diagnostics Limited, Renishaw Mayfield S.A. (both in the healthcare segment), Measurement Devices Limited and R&R Fixtures, LLC (both in the metrology segment) - 5-year business plans with a nil growth rate to perpetuity (2013: same basis).

These are considered prudent estimates based on management's view of the future and experience of past performance. The growth rates used in the business plans vary from 20% to 34%, except for Renishaw Diagnostics Limited, which is in its research and development phase and thus has negligible revenue to date.

A pre-tax discount rate of 12% has been used in discounting the projected cash flows of itp GmbH, Measurement Devices Limited and R&R Fixtures, LLC (2013: 12%). A pre-tax discount rate of 15% has been used for Renishaw Diagnostics Limited and Renishaw Mayfield S.A. (2013: 15%). The discount rates have been derived by comparison with rates adopted by other market participants, adjusted to reflect Group and CGU specific risks. On this basis, no impairment write-downs are required.

There is significant headroom in all the above and for an impairment to arise, there would need to be a significant material deterioration in business; this is considered to be remote. An increase of 5% in the discount rate would not result in an impairment. For goodwill to be impaired in the CGU with the minimum headroom, the discount rate would have to increase to 32%.

9. INVESTMENT IN ASSOCIATES

The Group has the following investments in associates (all investments being in the ordinary share capital of the associate), whose accounting years end on 30th June unless otherwise stated:

	Country of incorporation	Ownership 2014 %	Ownership 2013 %
RLS merilna tehnika d.o.o.	Slovenia	**50**	50
Metrology Software Products Limited	England & Wales	**50**	50

During the year, the Group disposed of its 20% shareholding in Delcam plc.

Movements during the year were:

	2014 £'000	2013 £'000
Balance at the beginning of the year	**7,403**	6,790
Dividends received	**(210)**	(307)
Share of profits of associates	**950**	1,345
Amortisation of intangibles	**(175)**	(323)
Disposal of shareholding in Delcam plc	**(5,738)**	-
Other comprehensive income and expense	**-**	(102)
Balance at the end of the year	**2,230**	7,403

Summarised aggregated financial information for associates:

	2014 £'000	2013 £'000
Revenue	**9,278**	13,545
Share of profits for the year	**950**	1,345
Assets	**4,172**	11,882
Liabilities	**2,258**	5,976

10. DEFERRED TAX ASSETS AND LIABILITIES

Balances at the end of the year were:

	2014			2013		
	Assets £'000	**Liabilities £'000**	**Net £'000**	Assets £'000	Liabilities £'000	Net £'000
Property, plant and equipment	**-**	**(4,439)**	**(4,439)**	-	(4,678)	(4,678)
Intangible assets	**-**	**(7,724)**	**(7,724)**	-	(8,445)	(8,445)
Intragroup trading (inventory)	**7,224**	**-**	**7,224**	8,415	-	8,415
Pension schemes	**8,141**	**-**	**8,141**	8,973	-	8,973
Other	**808**	**(11,281)**	**(10,473)**	888	(6,909)	(6,021)
Balance at the end of the year	**16,173**	**(23,444)**	**(7,271)**	18,276	(20,032)	(1,756)

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

	2014 £'000	2013 £'000
Balance at the beginning of the year	**(1,756)**	(1,715)
Movements in the Consolidated income statement	**1,617**	(1,473)
Movement in relation to the cash flow hedging reserve	**(6,602)**	1,005
Movement in relation to the pension schemes	**(530)**	427
Total movement in the Consolidated statement of comprehensive income and expense	**(7,132)**	1,432
Balance at the end of the year	**(7,271)**	(1,756)

No deferred tax asset has been recognised in respect of tax losses carried forward of £10,675,000 (2013: £10,113,000) due to the uncertainty over their recoverability, as a significant proportion may only be carried forward for a limited period of time.

11. DERIVATIVES

	2014 £'000	2013 £'000
Derivatives comprising the fair value of outstanding forward contracts with positive fair values are shown within:		

Non-current assets	**18,644**	7,976
Current assets	**13,348**	3,583
Total of derivatives with positive fair values	**31,992**	11,559

Derivatives comprising the fair value of outstanding forward contracts with negative fair values are shown within:	**2014 £'000**	2013 £'000
Non-current liabilities	**17**	10,442
Current liabilities	**-**	2,018
Total of derivatives with negative fair values	**17**	12,460

12. 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 £13,246,000 (2013: £11,273,000), of which £182,000 (2013: £169,000) related to directors and £3,537,000 (2013: £4,482,000) related to overseas schemes.

The latest full actuarial valuation of the UK defined benefit scheme was carried out at September 2012 and updated to 30th June 2014 by a qualified independent actuary. The mortality assumption used for 2014 is S1PMA and S1PFA tables, CMI (core) 2011 model with long term improvements of 1% per annum.

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

	2014		2013	
	UK scheme	**Ireland scheme**	UK scheme	Ireland scheme
Rate of increase in pension payments	**3.5%**	**1.9%**	3.5%	2.5%
Discount rate	**4.4%**	**2.7%**	4.8%	3.6%
Inflation rate (RPI)	**3.7%**	**1.9%**	3.7%	2.5%
Inflation rate (CPI)	**2.7%**	**-**	2.7%	-
Retirement age	**64**	**65**	64	65

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

	2014 £'000	2013 £'000
Market value of assets:		
Equities	**127,805**	117,114
Bonds and cash	**1,950**	1,653
	129,755	118,767
Actuarial value of liabilities	**(172,823)**	(160,485)
Deficit in the schemes	**(43,068)**	(41,718)
Deferred tax thereon	**8,141**	8,973

The movements in the schemes' assets and liabilities were:

Year ended 30th June 2014	**Assets £'000**	**Liabilities £'000**	**Total £'000**
Balance at the beginning of the year	118,767	(160,485)	(41,718)
Contributions paid	2,275	-	2,275
Interest on pension schemes	9,213	(10,605)	(1,392)
Remeasurement gain/(loss)	1,887	(4,120)	(2,233)
Benefits received/(paid)	(2,387)	2,387	-
Balance at the end of the year	**129,755**	**(172,823)**	**(43,068)**

Under the UK and Ireland defined benefit pension scheme deficit funding plans, there are certain UK properties, owned by the Company, and a property owned by Renishaw (Ireland) Limited, which are subject to registered fixed charges to secure the UK and Ireland defined benefit pension schemes' deficits respectively. The Company has also established an escrow account, which is subject to a registered floating charge to secure the UK defined benefit pension scheme liabilities. The balance of this account was £9,541,000 at the end of the year (2013: £10,982,000).

The Company has given a guarantee relating to recovery plans for the UK defined benefit pension scheme and the trustees have the right to enforce the charges to recover any deficit up to £40,830,000 if an insolvency event occurs in relation to the Company before 1st November 2016 or if the Company has not made good any deficit up to £40,830,000 by midnight on 1st November 2016. No scheme assets are invested in the Group's own equity.

The value of the guarantee discussed above is greater than the value of the pension scheme's deficit. As such, in line with IFRIC 14, the UK defined benefit pension scheme's liabilities have been increased by £8,000,000, to represent the maximum discounted liability as at 30th June 2014 (2013: £10,300,000).

13. INVENTORIES

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

	2014 £'000	2013 £'000
Raw materials	**22,795**	25,067
Work in progress	**15,338**	15,415
Finished goods	**24,846**	24,786
Balance at the end of the year	**62,979**	65,268

During the year, the amount of inventories recognised as an expense in the Consolidated income statement was £114,597,000 (2013: £104,881,000) and the amount of write-down of inventories recognised as an expense in the Consolidated income statement was £1,017,000 (2013: £397,000).

14. CASH AND CASH EQUIVALENTS

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

	2014 £'000	2013 £'000
Bank balances and cash in hand	**9,993**	13,641
Short-term deposits	**33,641**	12,964
Balance at the end of the year	**43,634**	26,605

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

15. PROVISIONS

Warranty provision

Movements during the year were:

	2014 £'000	2013 £'000
Balance at the beginning of the year	**1,630**	1,170
Created during the year	**458**	826
Utilised in the year	**(794)**	(366)
	(336)	460
Balance at the end of the year	**1,294**	1,630

The warranty provision has been calculated on the basis of historical return-in-warranty information and other internal reports. It is expected that most of this expenditure will be incurred in the next financial year and all expenditure will be incurred within three years of the balance sheet date.

16. OTHER PAYABLES

Balances at the end of the year were:

	2014 £'000	2013 £'000
Payroll taxes and social security	**4,153**	3,712
Other creditors and accruals	**11,957**	15,305

Total other payables	**16,110**	19,017

17. OTHER PAYABLES (NON-CURRENT)

The deferred consideration of £883,000 is in respect of investments in subsidiaries, which is payable over the next three years (2013: £1,589,000).

18. CAPITAL AND RESERVES

Share capital

	2014 **£'000**	2013 £'000
Allotted, called-up and fully paid		
72,788,543 ordinary shares of 20p each	**14,558**	14,558

The ordinary shares are the only class of share in the Company. Holders of ordinary shares are entitled to vote at general meetings of the Company and receive dividends as declared. The Articles of Association of the Company do not contain any restrictions on the transfer of shares nor on voting rights.

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the foreign operations, offset by foreign exchange differences on bank liabilities which have been accounted for directly in equity on account of them being classified as hedging items. The movement in the year of a loss of £5,754,000 (2013: gain £346,000) comprises a loss on the net assets of foreign currency operations of £11,307,000 (2013: gain £193,000) and a gain on foreign currency bank accounts of £5,553,000 (2013: gain £153,000).

Cash flow hedging reserve

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

Movements during the year were:

	2014 **£'000**	2013 £'000
Balance at the beginning of the year	**(694)**	2,526
Amounts transferred to the Consolidated income statement	**(1,565)**	(2,106)
Revaluations during the year	**34,441**	(2,119)
Deferred tax movement	**(6,602)**	1,005
Balance at the end of the year	**25,580**	(694)

Dividends paid

Dividends paid comprised:

	2014 **£'000**	2013 £'000
2013 final dividend paid of 28.67p per share (2012: 28.2p)	**20,868**	20,526
Interim dividend paid of 11.33p per share (2013: 11.33p)	**8,247**	8,247
Total dividends paid	**29,115**	28,773

A final dividend in respect of the current financial year of £21,741,938 (2013: £20,868,475), at the rate of 29.87p net per share (2013: 28.67p) is proposed, to be paid on 20th October 2014 to shareholders on the register on 19th September 2014, with an ex-dividend date of 17th September 2014.

Non-controlling interest

Movements during the year were:

	2014 **£'000**	2013 £'000
Balance at the beginning of the year	**(1,334)**	(741)
Acquisition of further share in subsidiary	**(193)**	-
Share of loss for the year	**(549)**	(593)

Balance at the end of the year	**(2,076)**	(1,334)

The non-controlling interest represents the minority shareholdings in Renishaw Diagnostics Limited – 7.6% and Renishaw Mayfield S.A. – 25%. The previous year also included Renishaw Advanced Materials Limited – 45%, which shareholding was purchased during this financial year.

19. RELATED PARTIES

During the year, associates and other related parties purchased goods and services from the Group to the value of £249,000 (2013: £247,000) and sold goods and services to the Group to the value of £6,515,000 (2013: £5,024,000). At 30th June 2014, associates owed £56,000 to the Group (2013: £54,000). Associates were owed £318,000 by the Group (2013: £167,000). Dividends of £210,000 were received from associates during the year (2013: £307,000). Loans to related parties from the Group at 30th June 2014 were £2,520,000 (2013: £2,991,000).

There were no bad debts written off during the year (2013: £nil).

20. PRINCIPAL RISKS AND UNCERTAINTIES

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

Risk or uncertainty	Potential impact	Mitigation
Current trading levels and order book Revenue growth is unpredictable and orders from customers generally involve short lead-times with the outstanding order book at any time being around one month's worth of revenue value.	Global market conditions continue to highlight risks to growth and demand 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. • The Group is applying its measurement expertise to grow its healthcare business activities. • The Group regularly monitors the integration of acquisitions which expand its product range in new and complementary market sectors.
Research and development (R&D) 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 forecast business plans and, when necessary, projects are cancelled. • 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 (a new surface mount electronics assembly line has been commissioned at our site in Miskin during the year). • 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, regulatory and quality assurance staff are employed to support the healthcare business. • Experience of healthcare regulatory matters exists 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 are subject to economic and social factors which are outside of the control of the Group.	Volatility in investment returns and actuarial assumptions can significantly affect the defined benefit pension fund deficit, impacting on future funding requirements.	• The investment strategy is managed by the pension fund trustees who operate in line with a statement of investment principles which is agreed by the Company • Recovery plans are in place for the 2006 and 2009 actuarial valuations.
Treasury Fluctuating foreign exchange rates may affect the results of the Group.	With over 93% 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 can adversely impact both the Group's income statement and balance sheet.	• The Group enters into forward contracts to hedge varying proportions of forecast US Dollar, Euro and Japanese Yen revenue. • The Group uses currency borrowings to hedge the foreign currency denominated assets held in the Group's balance sheet.

Enquiries:	B R Taylor	01453 524445
	A C G Roberts	01453 524445

Registered office:	New Mills, Wotton-under-Edge, Gloucestershire. GL12 8JR
Telephone:	01453 524524
Registered number:	1106260, England and Wales
Website:	www.renishaw.com