

RENISHAW UK SALES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

Introduction

The directors present their strategic report for the year ended 30 June 2024.

Business review

Revenue for the year ended 30 June 2024 was £126,778,008 (2023: £125,288,270) with operating profit of £3,307,984 (2023: £2,780,076). Revenue was £1,489,738 (1.2%) higher than the previous year, with sales to other companies in the Renishaw Group increasing by around 6.6% and sales to third parties decreasing by 3.9%. The decrease in third party revenue sales was attributable to reduced sales of co-ordinate measuring machines (CMMs), however, this was partially offset by growth in sales of Additive Manufacturing (AM).

The Gross profit for the year ended 30 June 2024 was £14,798,841 (2023: £11,536,890). Gross profit was £3,261,951 (28.3%) higher than the previous year, reflecting lower material cost purchases. The Operating profit for the year ended 30 June was £3,307,985 (2023: £2,780,077). Operating profit was £527,908 (19%) higher than the previous year due to higher Gross profit, however, this was partially offset by higher distribution and administrative expenses.

The Company maintains a strong cash position, with cash balances of £6,715,656 at 30 June 2024 (2023: £7,328,569). Net assets at 30 June 2024 were £25,012,411 (2023: £23,151,139), reflecting higher retained profit for the year. While the Company has significant cash balances and has experienced another year of profitability, the Directors are mindful of the future repayment of the loan facility with Renishaw plc, and so do not propose a dividend in respect of the year ended 30 June 2024.

The Company is the main UK trading company of its ultimate parent undertaking Renishaw plc ('the Group').

Financial key performance indicators

The Directors monitor Revenue, Gross profit, and Operating profit against forecasts. There are no specific financial or non-financial KPIs relating to the Company.

Principal risks and uncertainties

The directors consider the below to be the principal risks and uncertainties.

(a) Current trading levels and order book

Revenue growth can be difficult to predict and orders from customers generally involve short-lead times. The core Group products that the Company distributes, remain world-leading, and the range of products is expanding and diversifying. The Company balance sheet is, and is expected to remain, strong with significant cash reserves.

(b) Global economic uncertainty.

With a significant proportion of revenue being generated outside of the UK, macroeconomic uncertainty increases both credit risk and currency risk. Credit risk is managed by performing credit checks and relevant review procedures on third-party customers, and by the use of stage payments and finance leases for certain higher-value sales. Currency risk to the Renishaw Group is managed by the Group Treasury team, who advise on significant currency fluctuations where relevant. Currency risk is further managed by review of transfer prices for goods purchased by the Company in Sterling.

Statement on Section 172 of the Companies Act 2006

The Directors are required to act in a way that they consider, in good faith, would be most likely to promote the success of the Company, for the benefit of its members as a whole. In doing so, the Directors must have regard to (amongst other things):

- the likely consequences of any decision in the long term,
- the interests of the Company's employees,
- the need to foster the Company's business relationships with suppliers, customers and others,

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2024

- the impact of the Company's operations on the community and the environment,
- the desirability of the Company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the Company.

The Board considers the key stakeholders to be employees, customers and other Renishaw plc group companies. The following are the key matters that the Directors considered this year when performing their duty to promote the success of the Company:

a) Implementation of Microsoft Dynamics 365 ('D365')

The Board was updated on the implementation of new ERP System, D365. The Board noted that D365 was the chosen ERP system by Renishaw plc management as the preferred platform for its ERP system after considering various other options. D365 is planned to be implemented in the next financial year following user access testing and data integrity checks. The Board approved the implementation timing for the Company, noting that it expects that D365 will lead to efficiencies for employees, improved marketing & opportunity management for existing and new customers, and further reporting capabilities for management of the Company. The Board will continue to be updated on the status of the implementation.

b) Distribution of Magnetic encoders products

During the year, the Board discussed the distribution of the Magnetic encoders products which are produced by a joint venture of Renishaw plc, RLS Merilna tehnika d.o.o ('RLS'). The Board agreed to cease being a distributor of Magnetic encoders, with the customers transferred to RLS. The Board considered the financial implications, being the return to its shareholder, Renishaw plc, the impact on customer relationships through the transfer of business, and the allocation of employee resources within the company.

Streamlined Energy and Carbon Reporting (SECR)

The Company is exempt from the UK Streamlined Energy and Carbon Reporting (SECR) regulations. The performance of the Group in respect of these regulations can be found in pages 35 to 44 of the Group's Annual Report for the year ended 30 June 2024.

This report was approved by the board on 3rd December 2024 and signed on its behalf.



Brett Allard
Director