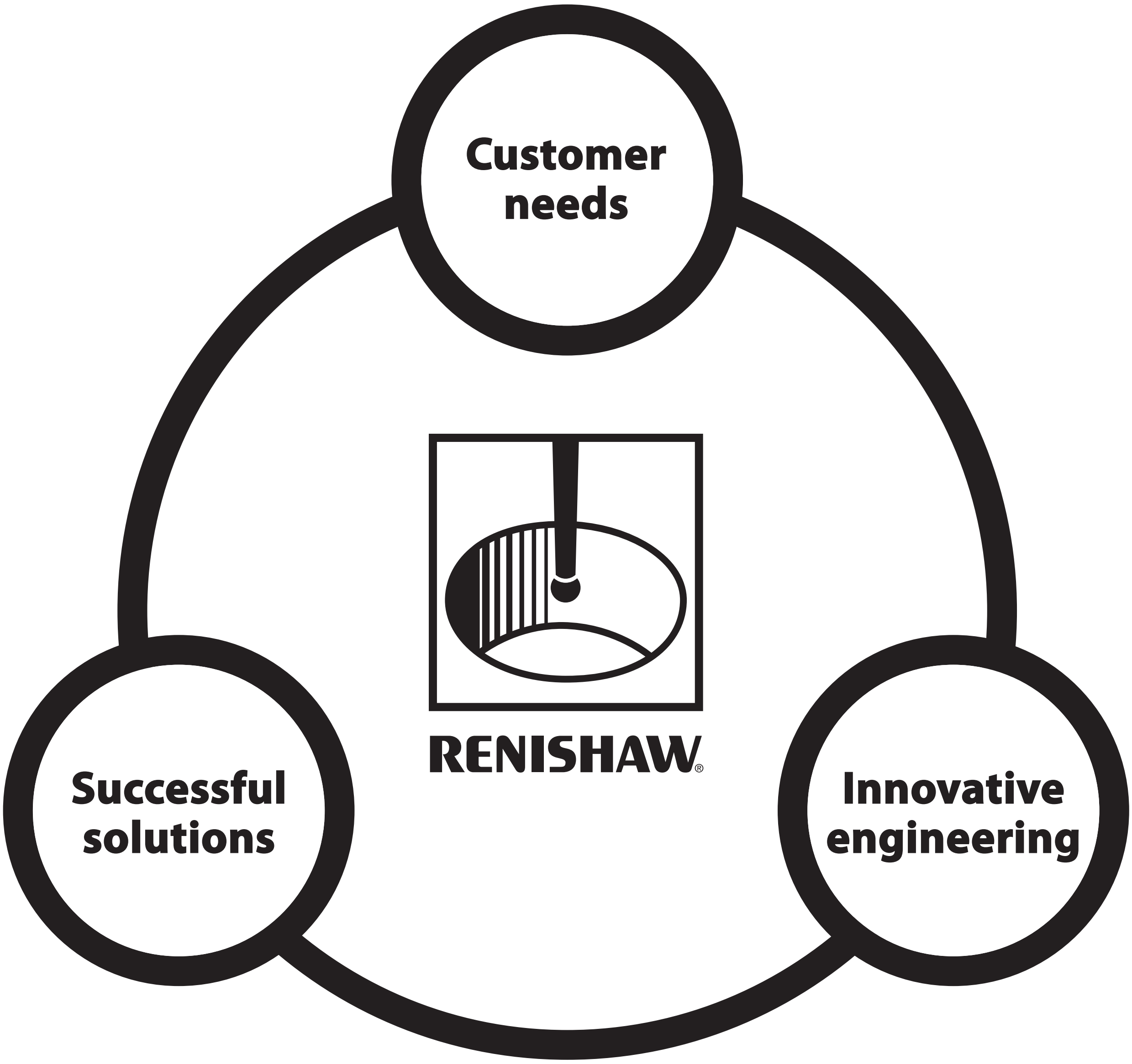
RENISHAW
apply innovation™



Annual report and accounts 2014

Contents

Introduction

Renishaw is a world leading metrology company.

With our highly experienced team, we are confidently driving our future growth through innovative and patented products and processes, efficient, high-quality manufacturing and the ability to provide local support in a growing number of geographies and markets. 93% of our sales are outside the UK.

Our continuing investment in property, plant and equipment and new product development (c.£75m in the last year) is the key to our confidence in our long-term strategic prospects. With around 3,500 skilled and motivated staff, we continue to be at the leading edge of technological innovation.

New building at New Mills
A computer generated image of our new 153,000 sq ft building due for full occupation by the first calendar quarter of 2015.

Find more information online

Downloads and webcasts

You can access the annual and half year reports for the last five years from our website. Also available are recordings of previous webcasts.

www.renishaw.com/financials

Investor information

Information of interest to shareholders and others, such as videos explaining our products and business strategy, are provided on our website.

www.renishaw.com/investor

This Annual report has been prepared for the purpose of assisting the Company's shareholders to assess the strategies adopted by the Company and the potential for those strategies to succeed and no-one, including the Company's shareholders, may rely on it for any other purpose. The directors owe their duties only to the Company as a whole and they undertake no duty of care to individual shareholders, other stakeholders or potential investors. This Annual report has been prepared on the basis of the knowledge and information available to the directors at the time. Given the nature of some forward-looking information, which has been given in good faith, the Company's shareholders should treat this information with due caution.

All dates within this document refer to financial years unless stated otherwise.

For more information visit:
www.renishaw.com

Chairman's statement

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

Sir David R McMurtry
Chairman and Chief Executive

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 is taxable, the underlying tax

2014 performance

	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	2014	Restated 2013	Change
Profit before tax (£m)	**96.4**	82.1	+17%
Basic earnings per share (pence)	**118.4**	92.9	+27%

*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.

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.

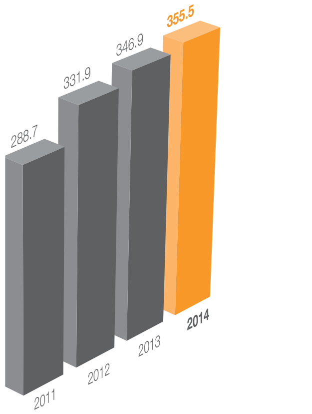
The spatial measurement product line has recently introduced the Quarryman® Pro into its mining and quarrying sector and the MX2 scanner used for mobile mapping and surveying is gaining wide market acceptance.

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.

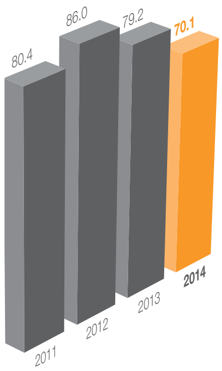
Healthcare

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

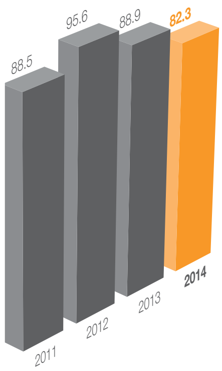
Revenue £m



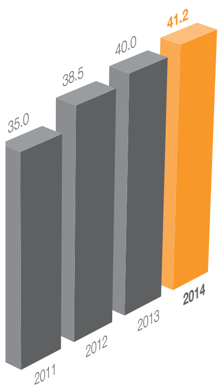
Adjusted profit before tax £m



Adjusted earnings per share pence



Dividend per share pence



Chairman's statement continued

£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 ongoing 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 to 18,000 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.

(far left)
Visit by the British Prime Minister
In May 2014 David Cameron (pictured with the neuromate® surgical robot) visited our Woodchester facility for a tour and question session with employees.

(left)
Queen's Award 2014
In April 2014 we received our 17th Queen's Award, this time for Enterprise in the Innovations category for development of our inVia Raman microscope.

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.

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

(far left)
Visit by HRH The Earl of Wessex
HRH The Earl of Wessex discusses a 3D printed gift with Renishaw co-founders Sir David McMurtry (l) and John Deer.

(left)
ATOM™ readhead
An innovative ultra-compact optical linear and rotary incremental encoder system.

Our business model

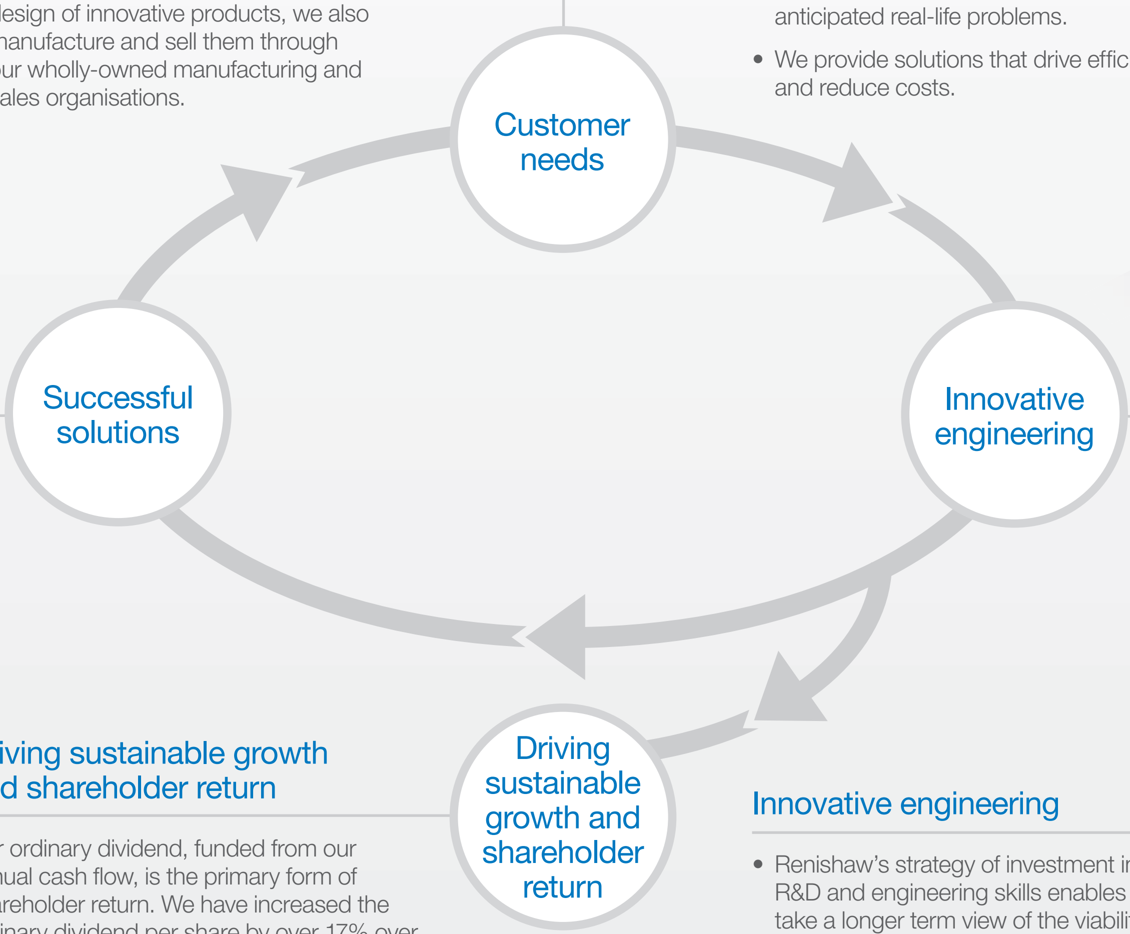
We identify customer needs, and then apply innovative engineering to deliver successful solutions.

Customer needs

- We anticipate future trends and seek to solve problems before they appear to be happening.
- All areas of our organisation work in partnership with their customers to understand and solve their current and anticipated real-life problems.
- We provide solutions that drive efficiency and reduce costs.

Successful solutions

- We are a highly vertically integrated company to assure success for our customers. We not only undertake design of innovative products, we also manufacture and sell them through our wholly-owned manufacturing and sales organisations.



Driving sustainable growth and shareholder return

Our ordinary dividend, funded from our annual cash flow, is the primary form of shareholder return. We have increased the ordinary dividend per share by over 17% over the last three years. We aim to maintain a progressive and sustainable dividend policy.

Key performance indicators
Our key performance indicators are shown on pages 42 and 43.

Principal risks and uncertainties
Information on the risks associated with our business is contained on pages 44 and 45.

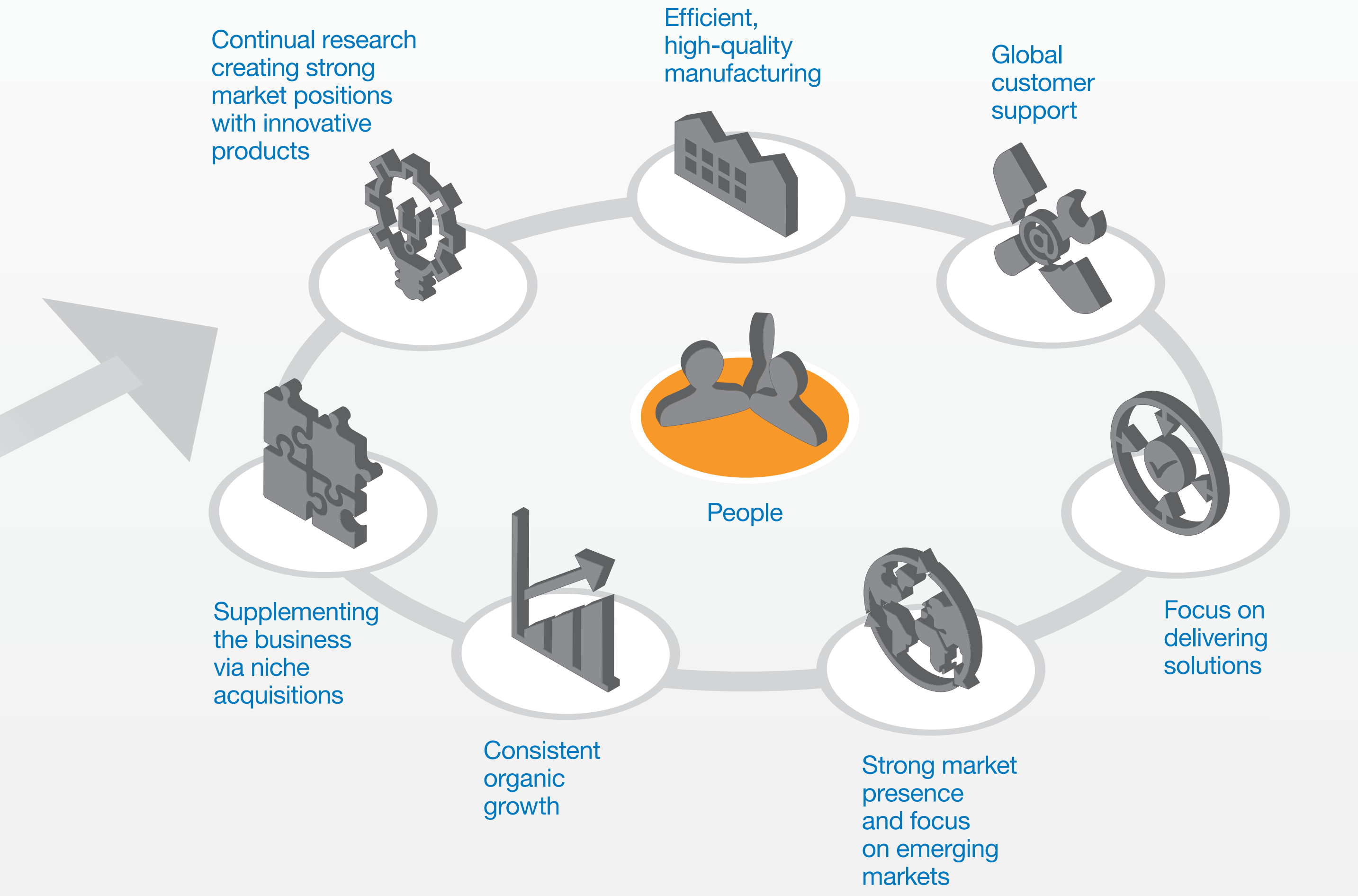
Innovative engineering

- Renishaw's strategy of investment in R&D and engineering skills enables us to take a longer term view of the viability of new technologies.
- We are actively expanding our significant portfolio of innovative and patented products.

Our strategy

See page 8 for more detail.

Eight strategic priorities drive our business model.



Sir David McMurtry and John Deer
Chairman and Chief Executive and Deputy Chairman

"Over the years, John Deer and I have tried to build a company that is different to most others. Different in how we apply technology to real world problems; in how we manufacture rather than outsource; in how we treat our customers as partners."

Our strategy in action

The progress we made during 2014 is summarised below:

	People	Continual research creating strong market positions with innovative products	Efficient, high-quality manufacturing	Global customer support
Description	Renishaw's employees are central to the success of its business. Our innovative, hard-working and loyal employees make Renishaw the business success that it is. Many staff have worked in the Group for two or three decades, creating a wealth of specialised engineering expertise. In addition, Renishaw has actively focused on the ongoing recruitment and training of many bright and enthusiastic young graduates, apprentices and experienced professionals.	Renishaw is well known for its sector-leading investment in R&D and engineering. "Apply innovation" is a way of life for Renishaw employees, not just a strap-line. We have continued to protect our core businesses with exciting new patented technology and process developments, whilst also diversifying into new product and market areas.	Renishaw is a strongly vertically integrated company with significant in-house manufacturing capabilities. With high-quality manufacturing plants located in the UK, Ireland, India, Germany, USA and France we are able to deliver robust and reliable products tested to our exacting standards. Our efficiencies, through in-house automation and the use of our own latest product developments, enable us to be competitive with the highest volume processes.	Renishaw is founded on the belief that excellent customer support delivers success. Our customers are often global, with an order being placed in one country, the product shipped to another and the eventual end-user often located on a different continent. It is by having "local" global support through our wholly-owned subsidiary network, that we are able to assure customers that whatever their needs, we are able to support and assist them, resulting in a positive return on their investment.
Progress	Headcount has increased in the Group to 3,492. This includes 1,178 in our overseas subsidiaries and 2,314 in the UK. Renishaw's in-house Academy, established initially to focus on technical applications engineer training modules, has now expanded to include sales development and corporate introductory courses for employees including graduates and apprentices. Training can be as diverse as presentation skills, team-building or technical training with one of Renishaw's software products such as MODUS™ or Productivity+™.	A significant range of new products have been brought to market during the year, including game-changing technologies such as SPRINT™ and ATOM™. 29 new patents have been filed and 81 granted during this financial year. The neuromate frameless Gen II robotic system was cleared for sale in the USA by the FDA on 29th April 2014.	We have continued to scale-up manufacturing at Miskin, increasing manufacturing capacity and reducing supply chain risk. We are now using 154,000 sq ft for electronic and final product manufacture including the production of our 3D metal additive manufacturing ("AM") machines which has been transferred from our UK facility in Stone, Staffordshire. Our machining and finishing capabilities have increased with new machine platforms and equipment now installed.	Renishaw continues to invest in training for both its technical support and sales staff. The Renishaw Academy now trains Renishaw staff around the world to ensure that they are able to deliver the excellent support levels that our customers demand. As the business continues to grow and diversify, headcount has been increased accordingly (+ 257) to ensure that resources are available where and when needed.

	Focus on delivering solutions	Strong market presence and focus on emerging markets	Consistent organic growth	Supplementing the business via niche acquisitions
Description	Renishaw's business has transitioned over recent years from primarily being a supplier of products to capital equipment manufacturers to becoming much more focused on delivering a full solution directly to end-users. Our experience in our core product lines, highlighting that our global customers need assistance in solving their problems, is being carried across into our newer product lines (dental, gauging, neurological, diagnostics and AM). Our sales force and technical support teams need to be ever more knowledgeable, not just about what our products do, but also how they can be applied to benefit our customers' processes and practices. By truly understanding our customers' needs, Renishaw is able to offer a cost-effective, efficient and easy-to-use solution.	Renishaw has always been a global group with a strong "local" presence. By ensuring we target emerging markets we are able to develop strong working partnerships with newly developing businesses. These loyal relationships build quickly as our customers realise that all our customers are important to us.	Whilst Renishaw does invest for the long term, it also closely manages costs at all levels and ensures that it does not undertake undue risks. It is through this approach that Renishaw has been able to deliver such a long-term track record of profitable growth.	We actively undertake acquisition as a means to expand our product portfolio, quicken geographic market penetration and gain access to new patents, technologies and customers.
Progress	Complex problems ideally require simple solutions. Whilst Renishaw's hardware uses the latest technologies and innovative approaches to deliver robust and repeatable functionality that is world-class, our software is becoming ever more user-friendly, intuitive and packaged for specific problems. The user's experience of Renishaw includes the sales teams, applications engineers and products, and we therefore endeavour to make this whole interaction a professional and positive experience.	Renishaw's expansion into new growth economies continues, and this year we have opened, extended or relocated to larger premises in the UK, Poland, Germany and China. This includes the purchase of a new 18,000 sq ft property in Shanghai, required to accommodate growth and act as headquarters for the China region.	Renishaw's 153,000 sq ft new building at the New Mills site, which will house R&D, corporate services teams and corporate demonstration and training areas, will be fully occupied by 2015. Relocation started in June 2014. Renishaw purchased adjoining premises at Renishaw GmbH, Germany, giving an additional 116,000 sq ft into which the LBC AM business is now housed alongside other Renishaw employees.	In March 2014 we acquired Advanced Consulting & Engineering, Inc ("ACE"), a USA-based supplier of dimensional measurement products and services focused on the automotive industry. Given the importance of being successful at acquisitions, Renishaw is strengthening its in-house process to ensure quicker and more effective integration of newly acquired businesses.

Our business sectors – Metrology

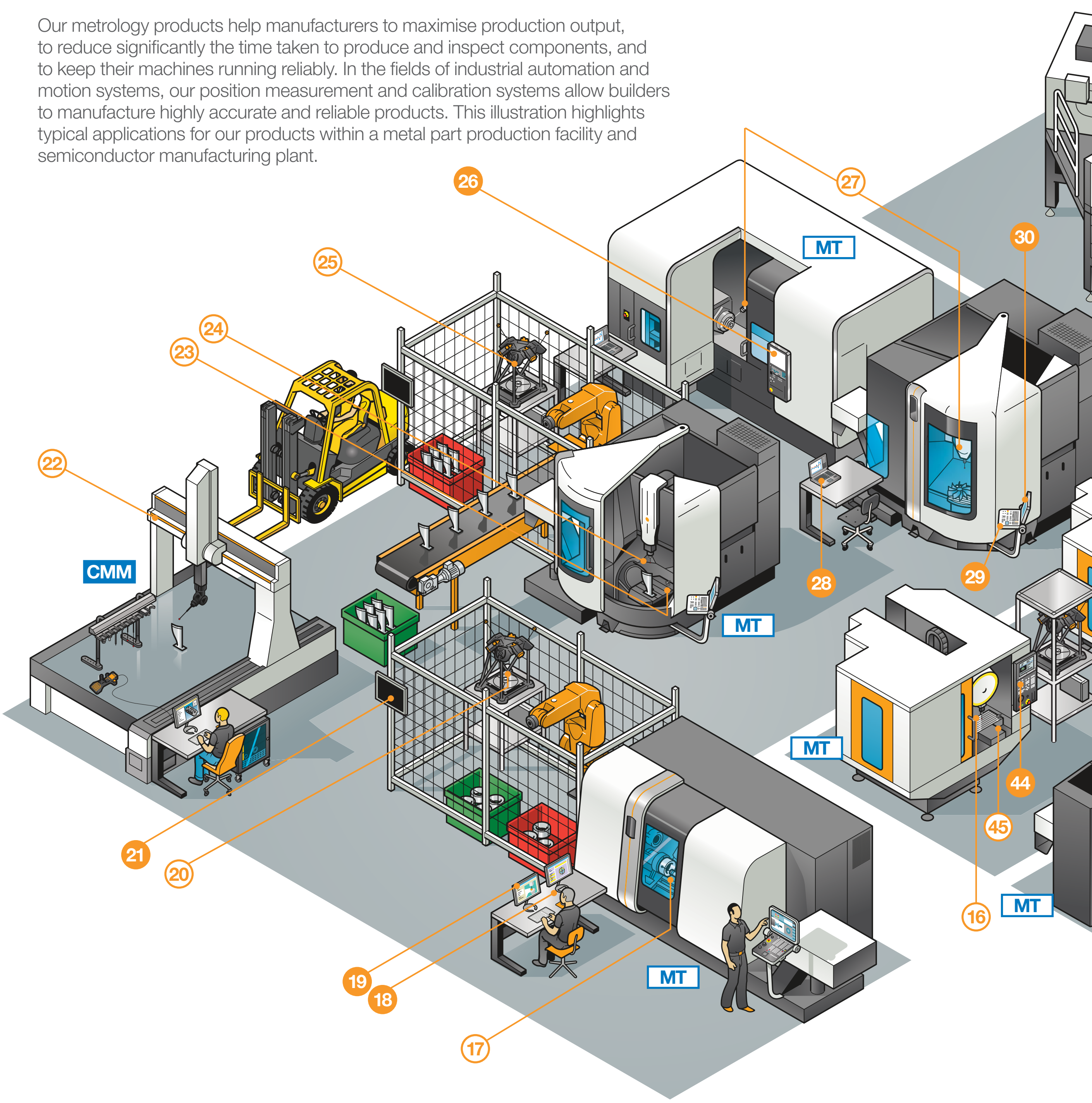
Renishaw REVO® 5-axis measurement system fitted to a CMM measuring a gear component.

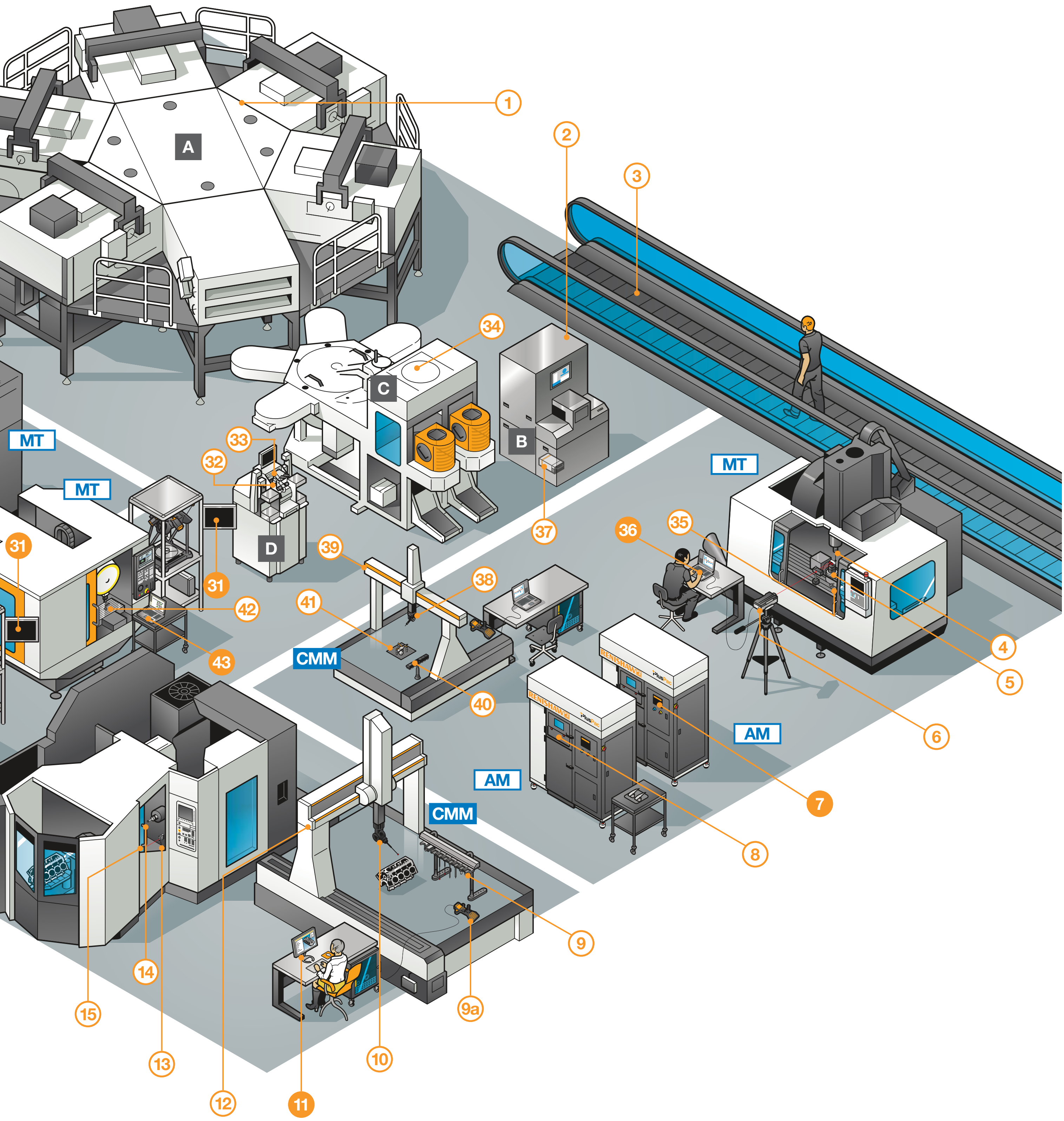
Revenue (+3%)	Operating profit (-12%)	Percentage of group revenue
£326.6m	£74.4m	92%

Open here for more detail...

Our business sectors - Metrology

Our metrology products help manufacturers to maximise production output, to reduce significantly the time taken to produce and inspect components, and to keep their machines running reliably. In the fields of industrial automation and motion systems, our position measurement and calibration systems allow builders to manufacture highly accurate and reliable products. This illustration highlights typical applications for our products within a metal part production facility and semiconductor manufacturing plant.

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Group products

1 **TONiC™**

incremental encoder for position feedback

2 **RLE**

fibre-optic laser interferometer encoder system

3 **RM44**

magnetic position encoder for use in industrial environments

4 **RMP60**

radio transmission machine tool probe

5 **XR20-W**

rotary axis calibration system

6 **XL-80**

laser calibration system

7 **Controller software**

software for the AM250 machine control

8 **AM250**

additive manufacturing machine

9 **MRS**

rack for automated probe/ stylus changing

9a **MCU5**

hand controller for CMM axes/ motorised head

10 **REVO®**

five-axis measurement system

11 **MODUS™**

metrology software for inspection on CMMs

12 **RGH22**

incremental encoder for position feedback

13 **TRS2**

non-contact broken tool detection system

14 **OMP60**

optical transmission machine tool probe

15 **NC4**

laser non-contact tool setting system

16 **OMP40-2**

optical transmission machine tool probe

17 **RMP600**

high-accuracy radio transmission machine tool probe

18 **AxiSet™ Check-Up**

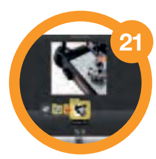
health check for machine tool rotary axes

19 **Renishaw OMV**

machine tool software for inspection/ verification

20 **SP25**

for high-speed scanning on Equator™



21 **MODUS™ Organiser**

software for shop floor operation of Equator™

22 **RGH41**

incremental encoder for position feedback

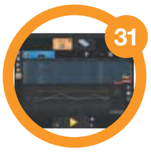
23 **OTS**

optical transmission tool setting probe

24 **OMP400**

high-accuracy optical transmission machine tool probe


25 **Equator™**
versatile gauging system


31 **Process Monitor**
re-mastering software for Equator™


36 **RotaryXL**
rotary axis calibration software


41 **Renishaw fixtures**
modular fixturing for measurement systems

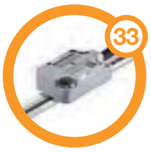

26 **SPRINT™: MTM Toolkit**
repeatable diameter measurement


32 **TONiC™**
incremental encoder for position feedback


37 **RA100**
Raman analyser for process monitoring


42 **QC20-W**
wireless ballbar for checking machine tool positioning performance

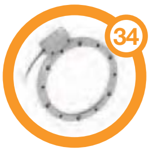

27 **SPRINT™: OSP60**
optical transmission scanning probe


33 **ATOM™**
miniature incremental position feedback encoder

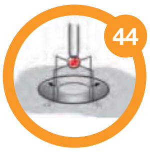

38 **PH20**
five-axis touch-trigger system for CMMs


43 **Ballbar 20**
software for operating QC20-W ballbar


28 **Renishaw CNC Reporter**
analysis and reports from Productivity+™


34 **RESOLUTE™**
true absolute position feedback encoder


39 **RGH41**
incremental encoder for position feedback


44 **Inspection Plus**
macro software for machine tool probing


29 **SPRINT™: Blade Toolkit**
high-speed measurement of blade sections


35 **RTS**
radio transmission tool setting probe


40 **MCR20**
automated module changing for PH20


45 **TS27R**
hard wired tool setting probe


30 **Productivity+™**
CNC plug-in software for SPRINT™ system

Key:

1	**Hardware**	2	**Software**
CMM	**Co-ordinate measuring machine used for off-line inspection of components**	**MT**	**CNC machine tool for machining metal components**
		AM	**Additive manufacturing machine**
A	**Flat panel display manufacturing**	**B**	**Semiconductor wafer inspection**
C	**Semiconductor wafer handling**	**D**	**Wire bonder**

The product range includes the following:

Machine tool probe systems
Sensors and software for computer numerically controlled ("CNC") metal cutting machine tools that allow the automation of setting and on-machine measurement operations, leading to more productivity from existing machines and reductions in scrap and rework. These include laser tool setters, contact tool setters, tool breakage detectors, touch probes, contact scanning systems and high-accuracy inspection probes.

Co-ordinate measuring machines ("CMM") products
Sensors, software and control systems for three dimensional CMMs, including touch-trigger probes, automated probe changers, motorised indexing probe heads and 5-axis measurement systems, that enable the highly accurate measurement of manufactured components and finished assemblies.

Styli for probe systems
Precision styli that attach to probe sensors for CMMs and machine tools to ensure that accurate measurement data is acquired at the point of contact.

Performance testing products
Calibration and testing products to determine the positioning accuracy of a wide range of industrial and scientific machinery to international standards, including a laser interferometer and wireless telescoping ballbar.

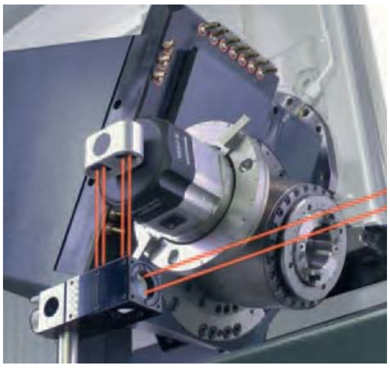
Gauging
Innovative flexible gauging technology, based on the comparison of production parts to a reference master part, that can greatly increase throughput and reduce scrap rates at a fraction of the cost of an equivalent custom gauging system.

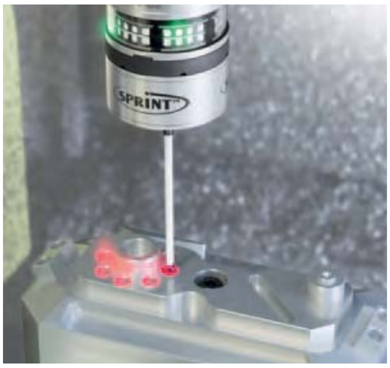
Spatial measurement
High-speed laser measurement and surveying systems for use in extreme environments such as marine positioning and mine/quarry scanning.

Fixtures
Modular and custom fixtures used to hold parts securely for dimensional inspection on CMM, vision and gauging systems.

Position encoders
Position feedback encoders that ensure accurate linear and rotary motion control in a wide range of applications from electronics, flat panel displays, robotics and semiconductors to medical, precision machining and print production. These include magnetic encoders, incremental optical encoders, absolute optical encoders and laser interferometer encoders.

Additive manufacturing ("AM")
AM and rapid prototyping systems that allow the rapid manufacture of components as part of a product development process or for full-scale production, including laser melting machines, a range of vacuum, nylon and metal casting machines and a range of materials to support these technologies. AM services are also offered, including design and simulation, and the contract manufacture of metal prototypes and production parts.





Open here for more detail...

Spatial measurement devices overview

In extreme environments, such as offshore, underground, in remote areas or in the air, getting the data needed to drive decisions is a challenge.

Renishaw's rugged and reliable spatial laser measurement systems help customers in industries as diverse as gold mining, wind farming and quarrying to obtain accurate data on a target object's distance, position and orientation, or 3D map entire areas, above or below ground.

Using time-of-flight laser technology, these systems help customers improve safety in dangerous conditions, and plan efficient, profitable operations in demanding terrains.

Renishaw's acquisition of Measurement Devices Ltd ("MDL") was completed in June 2013. The former MDL team, strengthened by experienced Renishaw resource in management, R&D and production, now forms our Renishaw-branded spatial measurement products line.

The past 12 months have seen an ambitious programme of review and development in all areas of the business, drawing on Renishaw's research, production, software development, business systems and commercial expertise, as well as its established distribution.

June 2014 saw the launch of the first Renishaw-branded product from the spatial measurement team. Quarryman® Pro was designed and brought to market in line with Renishaw's bespoke product development process to ensure a reliable product that meets customer and Renishaw requirements. The rockface profiling laser scanner incorporates many customer-requested developments to maintain it as the default choice to improve the safety, efficiency and profitability of quarrying operations.

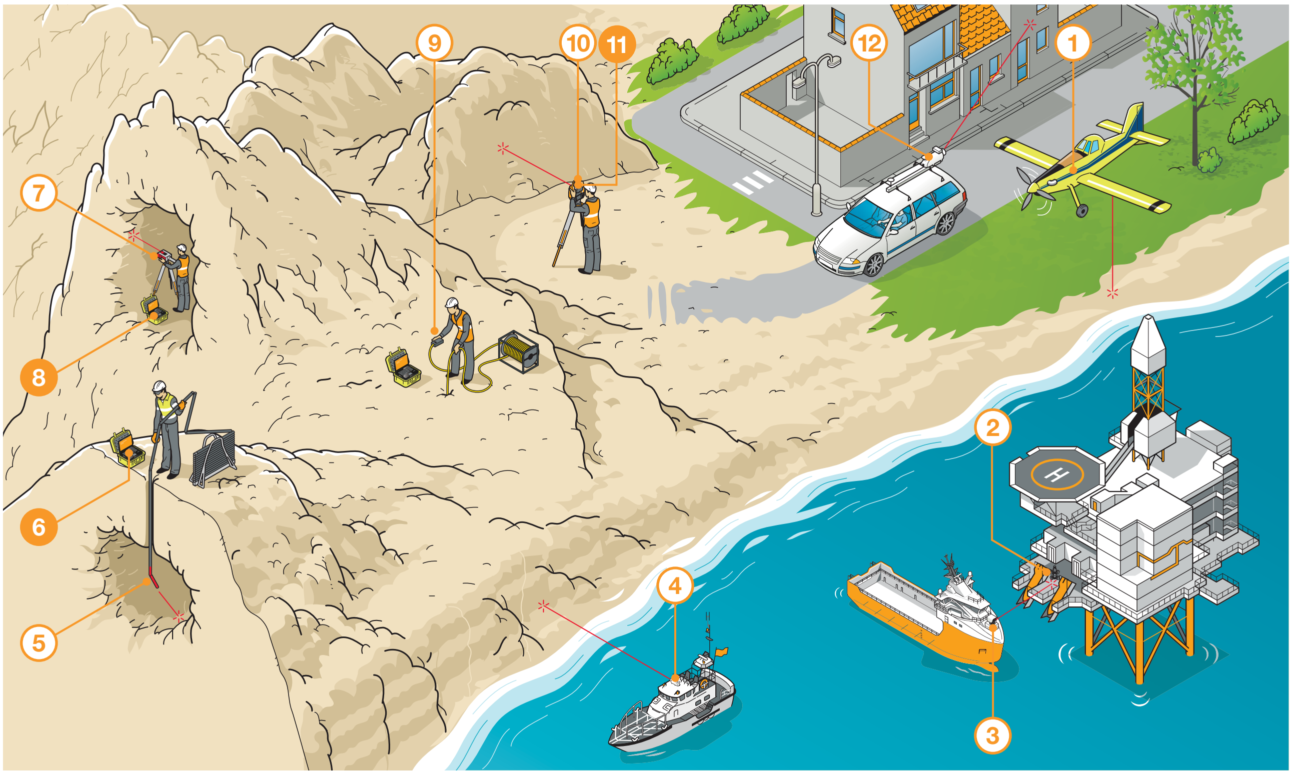
Martin Carr, Business Manager, Mining Systems, says: "Customers using the new Quarryman® Pro alongside the Boretrak® system to optimise blasting will see a significant operational and commercial benefit. By accessing accurate data on stockpile volume, rock burden or borehole deviation more quickly, in a wider range of conditions, they will be able to gain a much greater degree of control over their business operations and comply with regulatory requirements.

In 25 years of working with quarries, including some of the world's largest and most competitive global quarrying companies, Quarryman® Pro is the best product we have developed, and marks the beginning of a new era for laser-scanning systems for the mining and quarrying sectors."

In recognition of the strength of Renishaw's products and support for the mining and quarrying sector, Renishaw has recently signed a preferred supplier agreement with Lafarge SA, a world leader in building materials. This will give Renishaw access to Lafarge's global network of sites and affiliated businesses. Other ambitious programmes of research and development are underway for marine and mapping markets, as well as for laser modules for original equipment manufacturers.

Graeme Gordon, Engineering Manager, says: "As part of Renishaw we are now able to implement an intense, focused programme of new product development, which brings together Renishaw's expertise on precision engineering and project management, with our own decades-long history of developing measurement tools which work where other systems won't, and which deliver data that drives our customers to be ever more successful."

The Dynascan mobile mapping system continues to be used for a range of innovative mapping projects. One project, commissioned by Historic Scotland, has seen the spatial



measurement team working with partners on an ambitious assignment to map some of Scotland's historic sites.

The work included a unique survey of Kisimul Castle, just off the coast of the Isle of Barra, known as the "castle in the sea" since it is entirely surrounded by water and accessible only by boat.

The portability and weather-proofing of the mapping systems Renishaw produces allowed a boat-mounted operation, which enabled this historic, unique and inaccessible site to be surveyed where traditional techniques were not possible.

Karl Bradshaw, Business Manager, Mapping Products, says: "The Historic Scotland project is something we are very proud to be part of, and our involvement demonstrates the respect the mapping sector has for our products and the unique capabilities of the laser mapping systems we produce".

Group products


1 **Pencil beam laser module**
for distance and presence detection


5 **C-ALS®**
underground laser scanner (voids and cavities)


9 **Cabled Boretrak®**
borehole deviation checking for safer blasts


2 **Fanbeam® 5 prisms**
mounted to oil rig docking station


6 **C-ALS® software**
showing 3D scan of underground cavity


10 **Quarryman® Pro**
for quarry surveying and stockpile monitoring


3 **Fanbeam® 5**
laser-based dynamic positioning system


7 **Void scanner**
for mapping of underground voids and stopes


11 **Quarryman® Viewer**
intuitive software for Quarryman surveying systems


4 **Dynascan (marine mounted)**
mobile mapping and surveying system


8 **Void Scanner software**
dedicated for the mining environment


12 **Dynascan (vehicle mounted)**
mobile mapping and surveying system

Key:

1 **Hardware** 2 **Software**

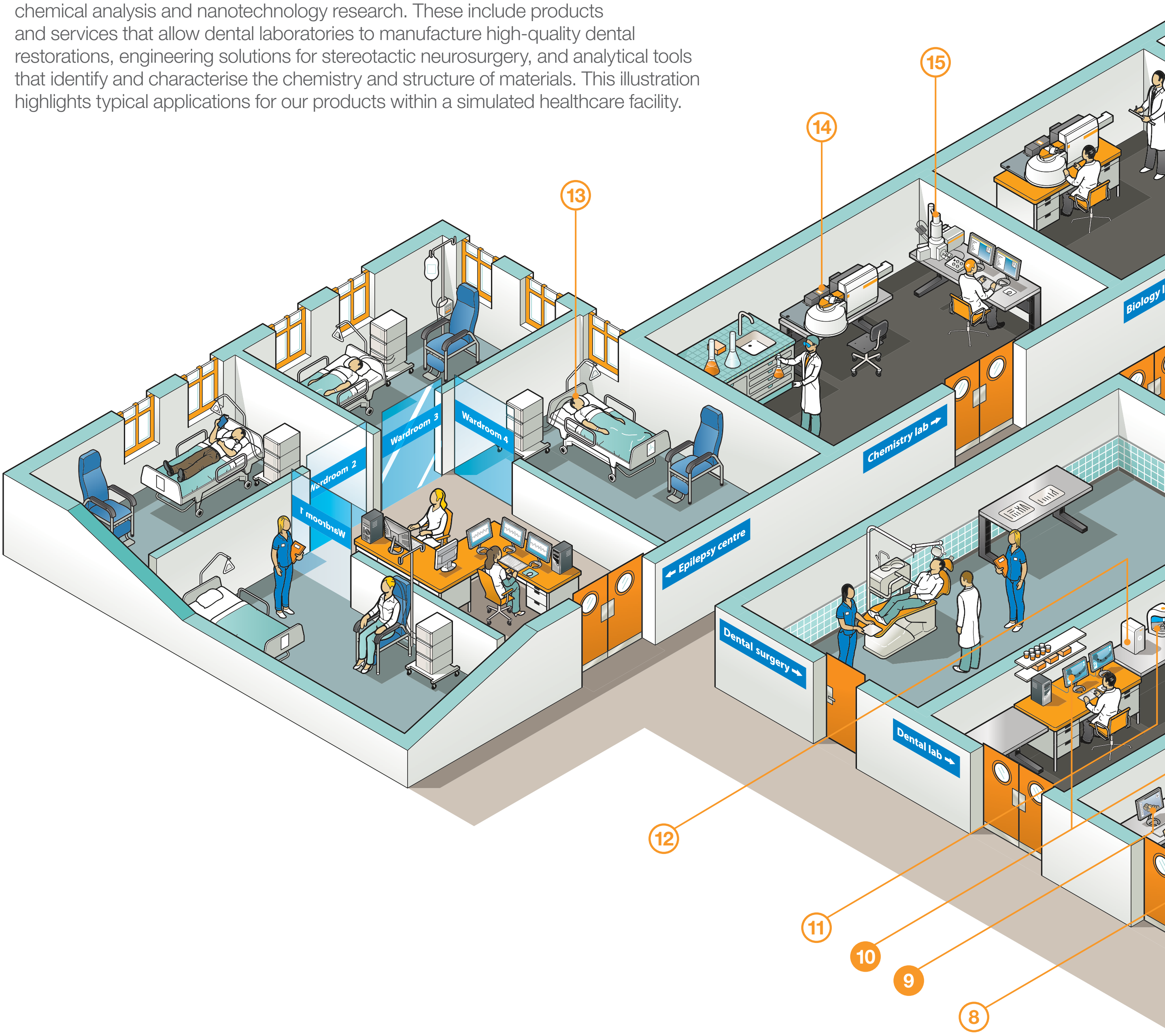
Our business sectors – Healthcare

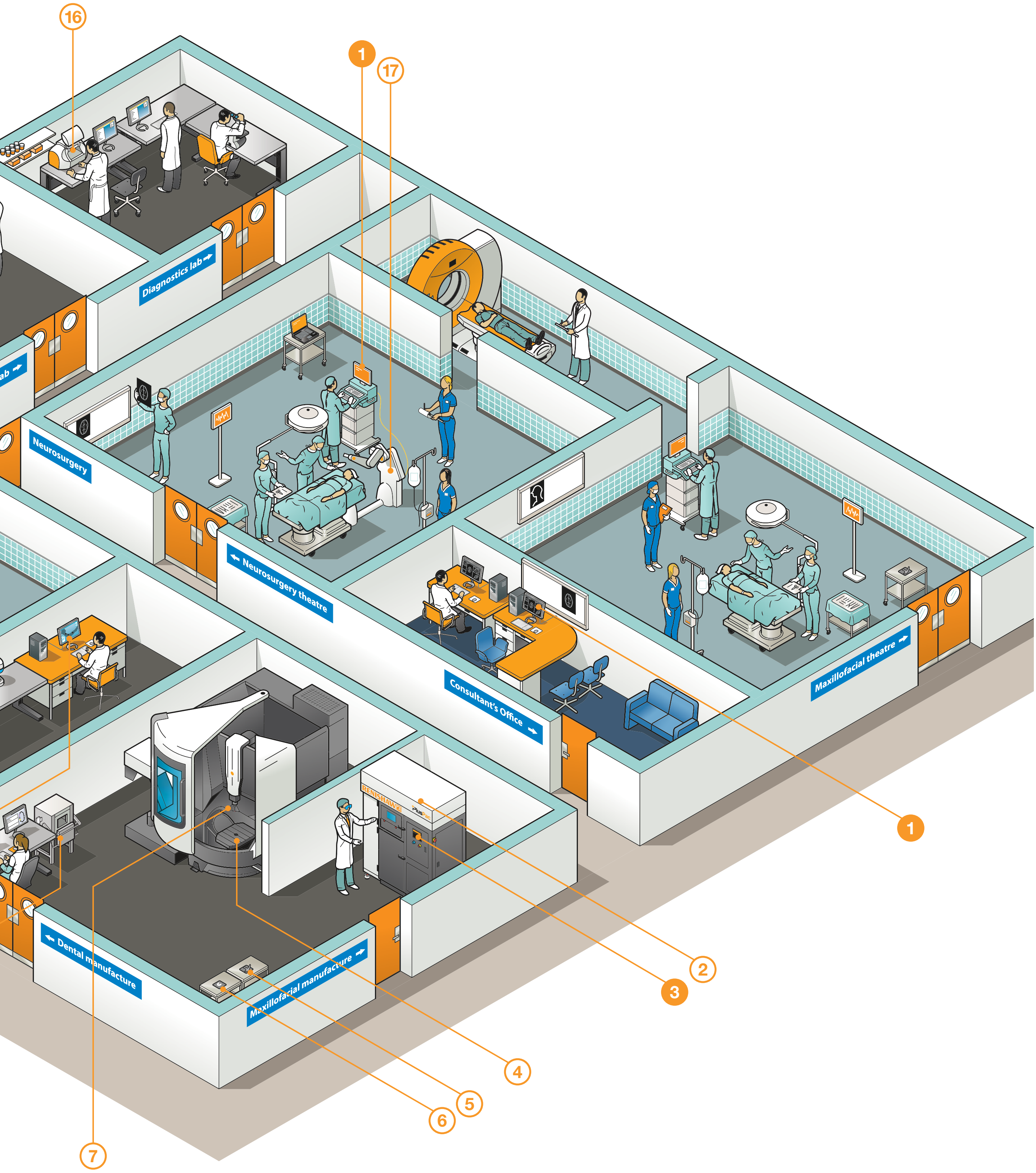
Image shows a 3-unit LaserPFM™ framework. LaserPFM frameworks, created using Renishaw's additive manufacturing technology, are a cost effective option for the dental industry when compared with traditional manufacturing techniques.

Revenue (-1%)	Operating loss	Percentage of group revenue
£28.9m	-£4.0m	8%

Our business sectors – Healthcare

Our technologies are helping within applications such as dentistry, neurosurgery, chemical analysis and nanotechnology research. These include products and services that allow dental laboratories to manufacture high-quality dental restorations, engineering solutions for stereotactic neurosurgery, and analytical tools that identify and characterise the chemistry and structure of materials. This illustration highlights typical applications for our products within a simulated healthcare facility.





16
1
17
Diagnostics lab
Neurosurgery
Neurosurgery theatre
Consultant's Office
Maxillofacial theatre
Dental manufacture
Maxillofacial manufacture
RENISHAW
1
2
3
4
5
6
7

Group products


1 neuroinspire™
surgical planning software


2 AM250
additive manufacturing machine


3 Controller software
software for the AM250 machine control


4 OTS
optical transmission tool setting probe


5 Maxillofacial build plate
additive parts for cutting and placement guides


6 Dental build plate
additively manufactured dental structures


7 OMP400
high-accuracy machine tool probe


8 Furnace
for sintering milled zirconia dental structures


9 Productivity+™
PC-based machine tool probing software


10 Renishaw Dental Studio
CAD software for dental scanning


11 DS10
contact dental scanner


12 DS20
optical non contact dental scanner


13 DIXI medical electrodes
recording electrodes for epilepsy


14 inVia Raman microscope
for non-destructive material analysis

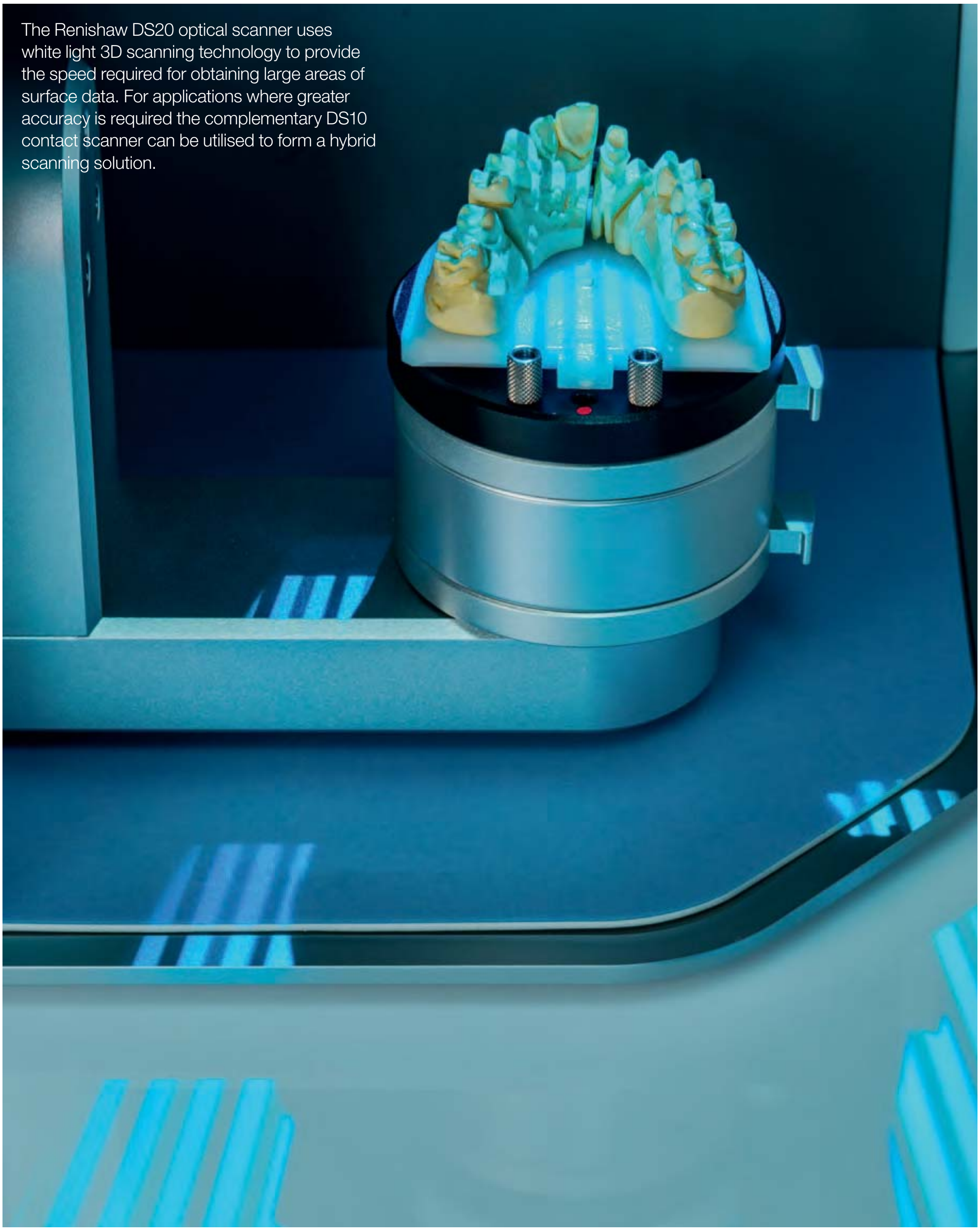

15 Structural and chemical analyser (SCA)
combines SEM and Raman analytical technologies


16 RenDx® SA 1000
analyser for identification of biological targets


17 neuromate®
robot for stereotactic neurosurgery

Key:

1 Hardware
2 Software


The Renishaw DS20 optical scanner uses white light 3D scanning technology to provide the speed required for obtaining large areas of surface data. For applications where greater accuracy is required the complementary DS10 contact scanner can be utilised to form a hybrid scanning solution.

Open here for more detail...

The product range includes the following:

Dental scanners
3D contact scanners and non-contact optical scanners used for digitising of dental preparations and for the measurement of implant locations for tooth-supported frameworks, custom abutments and implant bridge structures.

Dental CAD software
Dental CAD software that allows set-up of scanning routines and enables laboratory staff to design abutments and structures for crowns and bridges, including strength calculations.

Dental structures manufacturing service
A central manufacturing service that can handle CAD files from various dental scanning systems to produce structures for crowns and bridges in zirconia, cobalt chrome, PMMA (a transparent thermoplastic) and wax, and abutments and implant bridges in cobalt chrome.

Neurosurgical robot
A stereotactic robot that provides a platform solution for a broad range of functional neurosurgical procedures including deep brain stimulation ("DBS"), stereoelectroencephalography ("SEEG"), neuroendoscopy, stereotactic biopsies and delivery of therapeutics deep into the brain.

Neurosurgical planning software
Planning software that allows advanced planning of targets and trajectories for stereotactic neurosurgery.

Neurosurgical implants
Implantable devices that allow surgeons to verify expected DBS electrode position relative to targeted anatomy using magnetic resonance imaging ("MRI") for the treatment of Parkinson's disease, other movement disorders and neuropathic pain.

Neurosurgical accessories
Specialist electrodes and instruments for use in epilepsy neurosurgery, manufactured by DIXI Medical.

Raman microscopes
Scientists and engineers worldwide use Renishaw's research-grade inVia Raman microscope for the non-destructive chemical analysis and imaging of materials. Its high-speed, high-quality results and upgradeability are valued in fields as diverse as nanotechnology, biology and pharmaceuticals.

Hybrid Raman systems
Renishaw's hybrid systems unite the chemical analysis power of Raman spectroscopy with the high spatial resolution of other techniques, such as atomic force microscopy and scanning electron microscopy. These new instruments are vital tools for investigating materials and devices for nanotechnology applications.

Turnkey Raman analysis
The RA800 benchtop platform provides companies with a high-performance chemical imaging and analysis system that can be tailored for the needs of their customers. RA800 gives research-grade Raman microscopy performance in a Class 1 laser-safe, simple-to-use form. It is already in use at Renishaw Diagnostics Limited ("RDL"), where it forms part of RDL's RenDx® RUO Multiplex Assay System, developed as a tool for research into infectious diseases.

Diagnostic systems
RDL is in the process of developing the RenDx Multiplex Assay System, an automated diagnostic platform for clinical diagnosis of infectious diseases and has launched the RUO research system as mentioned above.

Open here for more detail...

Our markets – Delivering solutions globally

The Group has over 70 locations in 32 countries from where we distribute and support products for our global customer base, with 93% of sales outside the UK. We manufacture our products in the UK, Ireland, India, Germany, the USA and France.

Our products are used in many applications, the principal markets and relevant key drivers of consumption being the following:

Agriculture

Increasing global demand for food products from developing nations

Increasing global demand for biofuels

Greater investment in machinery for intensive farming capabilities

Automotive

Continuing investment in manufacturing capacity to meet growing global demand

Improved fuel efficiency requires tighter tolerances on powertrain components

Cost efficiencies and automated processes required throughout the supply chain

Aerospace

New aircraft production to meet growing global demand for civil air transport

New fuel-efficient engines with complex parts requiring faster measurement

Improvements to fuel efficiency by minimising airframe weight

Construction

Major infrastructure projects driving heavy equipment sales

Skills shortages requiring more automation in equipment manufacturers

Enhanced safety standards for mines necessitate surveying tools

Powergen

Manufacture of components for civil nuclear and wind energy

Increasing focus on maximising output from machinery used in power generation

Medical

Neurological disorders require highly precise surgical therapies

Growing demand for cosmetic dentistry with superior aesthetics

Need to rapidly diagnose infectious diseases for faster, more specific treatments

Consumer products

Rapid growth in consumer products

New technologies prompting flat screen factory investment

New generations of electronic devices demand precision manufacturing systems

Key facilities developments

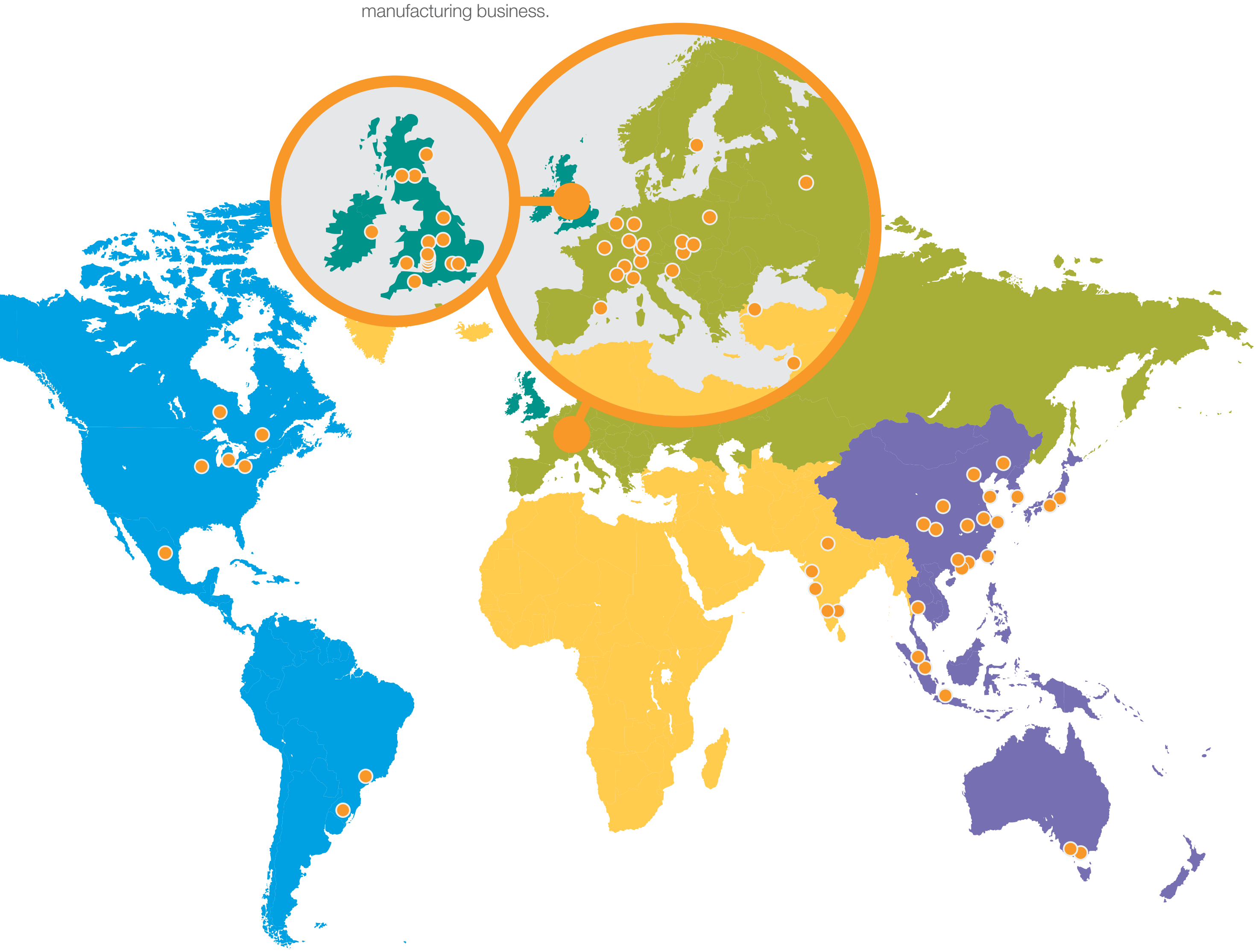
Shanghai, China
Acquired new 18,000 sq ft premises for the management of our sales, marketing, distribution and support operations throughout China.

Pliezhausen, Germany
Purchased buildings adjacent to our current premises in Pliezhausen, near Stuttgart, providing an additional 116,000 sq ft of facilities for our sales operations in Germany and the LBC additive manufacturing business.

Warsaw, Poland
Moved our sales facility to larger 5,700 sq ft premises near Warsaw's Chopin international airport.

New Mills, UK
Nearing completion on the additional 153,000 sq ft facility at New Mills with full occupation to be completed by the first calendar quarter of 2015.

Miskin, UK
Applied for 1.74m sq ft of development at our Miskin site, of which 400,000 sq ft would be for long-term use by Renishaw.



Americas
9 Locations
Metrology revenue
£80.1m
Healthcare revenue
£5.5m
94% 6%

UK and Ireland
16 Locations
Metrology revenue
£20.3m
Healthcare revenue
£3.5m
85% 15%

Continental Europe
18 Locations
Metrology revenue
£91.8m
Healthcare revenue
£8.4m
92% 8%

Other regions
8 Locations
Metrology revenue
£9.6m
Healthcare revenue
£1.7m
85% 15%

Far East
22 Locations
Metrology revenue
£124.8m
Healthcare revenue
£9.8m
93% 7%

Metrology Healthcare

Performance – Overview

In a year of record revenue, there was a continued focus on long-term business growth, with strong investments in global marketing and distribution infrastructure, technology acquisition, new product development, manufacturing capacity and the recruitment and training of skilled staff.

Review of 2014

Against a backdrop of tough comparators due to exceptionally high revenue from certain Far East customers in the first half of the previous year and an adverse currency environment, we still achieved record revenues. There was a continued focus on long-term growth of the business, with strong investments including global marketing and distribution infrastructure, technology acquisition, new product development, manufacturing capacity and the recruitment and training of skilled staff. As mentioned previously, operating profit was lower, primarily due to tough comparators from the previous year.

Work continued on a large development at our New Mills headquarters, for which we have permission ultimately to construct a building of up to 230,000 sq ft. This will allow staff from our spectroscopy and calibration product lines to relocate to the site from their current overcrowded locations, and enable us to meet the space requirements for our projected future growth in R&D resource across all product lines and necessary growth in corporate support functions.

A reassessment of strategic requirements led to the first phase of development of the building expanding from 120,000 sq ft to 153,000 sq ft, although first occupancy commenced at the end of June 2014, the building is expected to be fully completed by the end of 2014. The new building is part of a wider site re-development which will see some existing buildings refurbished to allow staff from the calibration and spectroscopy product lines to relocate in the first calendar quarter of 2015.

At the end of February 2014 we submitted a planning application for 1.74 million sq ft of development at our Miskin site, of which 400,000 sq ft would be for long-term use by Renishaw. A decision from the planning authorities on this complex application is expected later in 2014. At the existing facility, delivery of a large order of new machine tools has been completed, providing component-machining capacity that will allow us to respond quickly to future projected demand.

Outside the UK there were further investments in group facilities, with the acquisition of 18,000 sq ft of space in Shanghai, China, for the management of our expanding operations in China, including provision for product demonstration and training. In Germany, an additional 116,000 sq ft of facilities has been purchased adjacent to our current premises near Stuttgart. This has allowed the relocation of the LBC additive manufacturing business acquired last year and also provides a rental income from existing tenants. In Poland we moved to a new 5,700 sq ft facility close to Warsaw's Chopin international airport.

Against strong competition for skilled engineers, we continued to acquire the necessary skills for the current and future growth of the business, increasing headcount by 257 staff during the year. Once again, there was a major drive to develop younger staff, resulting in a record intake of 68 graduates and 40 apprentices who will all start their careers with Renishaw during summer 2014. We have recently been recognised by The JobCrowd (acclaimed to be the UK's "leading graduate job review website") as one of the top three employers of engineering/manufacturing graduates in the UK, and applications for our graduate scheme have quadrupled in the past three years.

Advanced Consulting & Engineering, Inc ("ACE")

ACE staff at their facility in the heart of the USA automotive industry.

Advanced Consulting & Engineering
A RENISHAW. Group Company

Market conditions

The year was always going to be challenging, due to tough comparators against last year's record year for revenues, which saw a number of exceptionally large orders in China related to the consumer electronics market. The adverse effect on the results was also compounded by the strengthening of Sterling, which has caused a negative impact on revenue of £11.2m.

With the exception of the Far East, and despite continuing challenges in the Eurozone, all regions saw growth. In fact, excluding the exceptional revenue from certain customers, in the Far East we also achieved underlying revenue growth of 11%. This spread of growth on a global basis underlines the strength of the Group's product portfolio and distribution infrastructure.

We have continued to see global investment in production systems and processes for key sectors such as aerospace, automotive, energy and construction, all of which require Renishaw systems to meet their need for ever tighter production tolerances and cost controls.

Strategy

To meet our key strategic aims, we continued to make investments which this year included focusing on supporting our drive to become a solutions provider, rather than simply a provider of products for integration by machine builders, and also to continue to develop a strong market presence in emerging markets.

In March 2014 we purchased ACE, a supplier of dimensional measurement products and services for the automotive industry based in the USA. The company has over 15 years of experience in supplying a range of services for demanding applications within the automotive sector, including contract inspection, fixture design, machine retrofits, CMM programming and full turnkey measurement solutions. As we continue to focus on supplying end-user metrology solutions, including CMM retrofits and installations of our Equator™ gauge, the specialist knowledge within the ACE team and customer relationships in the USA will be particularly valuable.

Renishaw's office in Poland originally opened in 2002 with just two staff. In February 2014 we formally opened a new facility to give improved facilities for a market where we now have 15 employees. The office includes purpose-built metrology and demonstration rooms, allowing us to offer enhanced commercial and technical support to our customers throughout Polish industry, including our spectroscopy product line.

Performance – Metrology

Performance

There was strong growth for our AM products (for 3D printing in metal), whilst for the second consecutive year we also experienced good growth for our encoder and measurement automation product lines. The latter, which is currently focused on the award-winning Equator™ gauge, is seeing high levels of success in the automotive, aerospace and consumer electronics sectors on a global basis, with integration within automation cells continuing to be a notable trend.

The AM products line, which includes the LBC business in Germany, is continuing to benefit from high levels of investment and integration within the Group's infrastructure, including the relocation of LBC to our enlarged offices near Stuttgart, Germany. There has been significant re-engineering of the AM machines, plus investments in multiple machines for applications support and process development, and new machines for demonstration facilities in major markets. This is now bearing fruit and we are seeing strong interest from the aerospace, medical, motorsport and mould and die sectors.

As last year, position encoders was one of our strongest lines, continuing to benefit from a recovery in investments into the electronics, semiconductor and flat panel display markets, especially in the Far East. The business is also being aided by the drive to industrial automation to increase capacity and flexibility, improve product quality and reduce manufacturing lead times and costs. Such automation requires the rapid, reliable and accurate measurement of position between moving parts delivered by our encoders.

Whilst demand for the encoder product line can be unpredictable, our continuing infrastructure investments in the Far East and agile manufacturing capabilities mean that we are very well positioned to provide the rapid supply and expert local support required by customers responding to the fast-paced needs of these sectors.

Market conditions

In the relentless drive to reduce costs, shorten lead times and improve the quality of finished products, manufacturers continue to adopt the latest Renishaw technologies to keep machines running reliably, to maximise output from those machines and to reduce significantly the time taken to inspect finished components. The skills shortages faced on a global basis in engineering and manufacturing is also driving increased investments in automated processes, many of which require our products.

The important automotive sector is showing positive signs of recovery in Europe, with year-on-year growth each month since January 2014, whilst growth continues to be driven from China, where a major programme has been announced to scrap older, high-polluting vehicles. The global car rental market is also forecast to increase strongly over the next five years, with higher levels of business and leisure travel in markets such as India, China and Asia-Pacific.

In the civil aviation sector the trends are also very positive for Renishaw, with the 2013 Airbus Global Market Forecast predicting a doubling of air traffic over the next 15 years. The report also sees the number of aircraft required in the Asia-Pacific region, for example, more than doubling over the next 20 years, requiring an additional 11,000 aircraft to meet expected demand. Our metrology products are heavily used in this sector.

Case study

Creating the first titanium bike frame using additive manufacturing technology

Exciting new manufacturing developments enable a lighter bike with the potential for customisation.

Customer needs — Innovative engineering — Successful solutions

Renishaw, the UK's only manufacturer of an AM machine that prints metal parts, has collaborated with Empire Cycles to create the world's first additive manufactured bike frame made from titanium.

This mountain bike's frame is lighter than a metal frame made from the traditionally used aluminium, whilst continuing to be extremely strong, corrosion resistant and long lasting.

Although there are lighter carbon fibre bikes available, Chris Williams, Managing Director at Empire Cycles, stated that "the durability of carbon fibre can't compare to a metal bike".

Given the innovative approach to making the bike parts, testing went beyond the normal levels and successfully achieved six times the normal standard without failure. The bike was designed, manufactured and built over a 20-week timescale, ready for its debut at the Euromold 2013 trade show.

The final titanium frame weighed in at 1,400g compared with 2,100g for an aluminium alloy of the same design, a 33% weight saving.

Benefits of this type of manufacturing are wide; not only was the bike lighter and stronger, there are huge possibilities for customisation and tailoring, as one-offs are as easy to produce as production batches.

See more at
www.renishaw.com

Performance – Metrology continued

Strategy for growth

We continue to position Renishaw as a "solutions provider" and reduce the risks of over-reliance on large customers who integrate our products. Our measurement automation and AM products are supplied direct to the end-user, whilst we continue to strengthen our portfolio of hardware and software for CMMs that can be used to upgrade measuring machines already installed. For example, during the year we launched a new line of metrology fixtures, following the purchase of R&R Fixtures, LLC ("R&R") in 2012. This allows us to further develop our end-user metrology business, whilst minimising risk by selling fixtures to organisations with which we already have a business relationship.

A key focus is on developing technologies that provide patented products and methods which support our product strategies, with £45.3m (net of capitalisation costs) expenditure on R&D and engineering during the year. The current technology focus includes miniaturised, high-resolution position feedback systems, high-speed, high-accuracy dimensional measurement systems, and the development of AM systems with faster processing capability and improved process control for large-scale manufacturing.

We also constantly evaluate new opportunities for existing or complementary technologies both to increase sales to our existing customer base and to expand upon that base, especially within the metal cutting sector. This is illustrated by the new SPRINT high-speed scanning system for machine tools which will develop new high-value opportunities with existing customers. We also invest in businesses that provide complementary technologies and skill-sets for faster market access, as demonstrated by the purchase of ACE.

Key developments

In September 2013, at EMO Hannover, the world's largest metalworking industry trade show, we gave full market launches to the SPRINT scanning system and the new Renishaw fixtures product line.

SPRINT is a high-speed contact scanning system which incorporates a new generation of on-machine scanning technology that we believe will open up new process control opportunities for high-value CNC machine tools. It will enable fast and accurate form and profile data to be captured from prismatic and complex 3D components, creating possibilities for sales into the aero-engine blade refurbishment market.

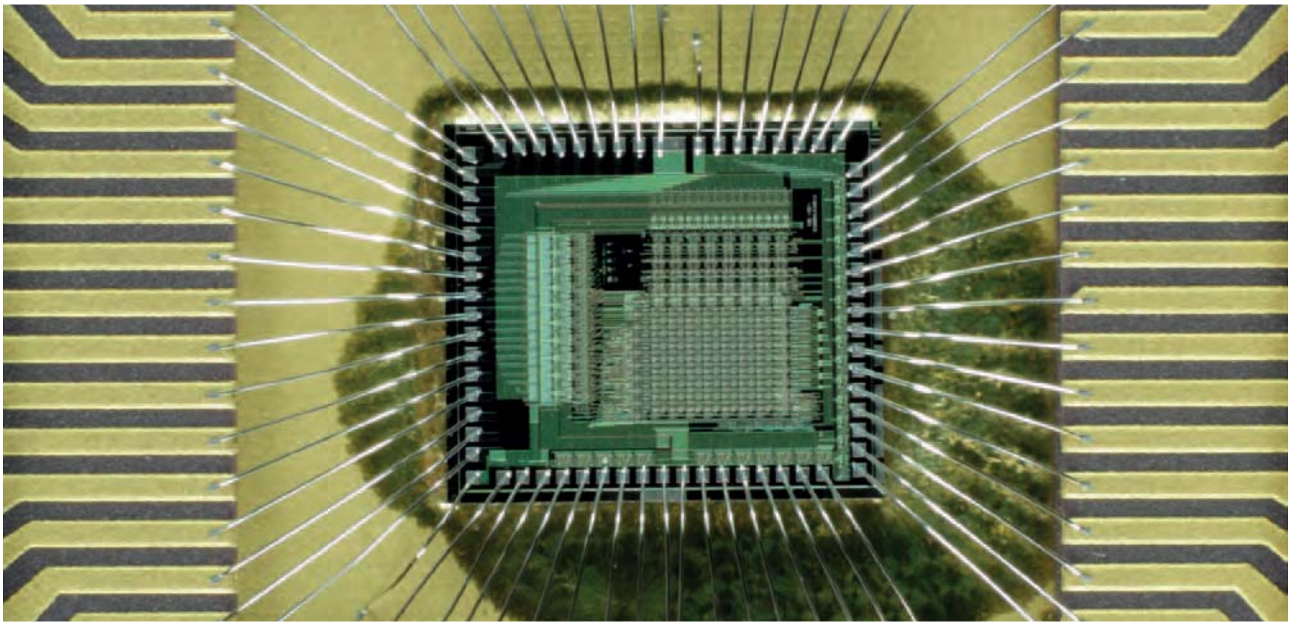
Following the acquisition of R&R, we have also developed an extensive new range of modular fixturing, designed specifically for CMMs, vision systems and the Equator gauging system.

ATOM™ ultra-compact readhead

AksIM true-absolute magnetic rotary encoder

SPRINT™ contact scanning system for machine tools

Case study



Renishaw encoders at the forefront of electronics

The semiconductor industry is unforgivingly fast-paced and competitive. ASM Pacific Technology Limited ("ASMPT") holds a leading position and works with Renishaw at the forefront of continuous technological advances.

Customer needs

ASMPT is the world's largest supplier of wafer assembly and packaging equipment for the semiconductor industry. A wide variety of encoders was required for the linear and rotary axes of various ASMPT machines. Their requirements include excellent dirt immunity, compact package size and low mass. These features guard against airborne contaminants, minimise machine footprint and allow rapid acceleration of low inertia axes.

Innovative engineering

Renishaw optical encoders, from the RG2 and RG4 incremental family through to the RESOLUTE™ absolute series, are ideally suited to ASMPT's most demanding applications. Renishaw was the first to provide an integral set-up LED to allow simple readhead installation bringing immediate benefit to ASMPT's production efficiency. Renishaw's ultra-high accuracy TONiC™ DSi rotary encoder system eliminates eccentricity error giving cost effective state-of-the-art positioning performance. ASMPT and their customers benefit further from Renishaw's use of dynamic signal processing which ensures the highest standards of servo feedback performance and axis stability throughout the life of the equipment.

Successful solutions

ASMPT's leading position hinges on its ability to remain at the forefront of technological advances. Renishaw's continuing encoder product development supports the latest ASMPT equipment - illustrating the closed loop of innovation established between Renishaw and its customers.

See more at www.renishaw.com/ASMPT

Performance – Metrology continued

In March 2014 we launched the ultra-compact ATOM readhead, an innovative optical linear and rotary incremental encoder system with unrivalled metrology performance that uniquely combines miniaturisation with leading-edge dirt immunity, signal stability and reliability. It is ideally suited to a variety of space-critical motion control, inspection and metrology applications.

Other products introduced during the year for our CMM products line include the PH10M-iQ PLUS probe head, a new version of our market leading PH10 with reduced calibration time that is ideal for “body-in-white” inspection; the SPA3 high power, compact CMM amplifier; RSP2 V2, a new improved version of the REVO 2D scanning probe; and a new release of our MODUS metrology software (V1.6), which includes surface finish measurement and enhanced scanning routines.

There were also two new enhancements for the Renishaw Equator gauging system. A new process monitoring window instantly displays measurement results of inspected features on a bar-graph display and shows the history of measurement on each feature so that process trends can be seen. Renishaw EZ-IO software provides simple comprehensive communication functions for automated cells.

For position feedback, our associate RLS, launched AksIM, an 18-bit true-absolute magnetic rotary encoder for embedded OEM motion control applications, which is available through Renishaw’s worldwide distribution network.

Outlook

We are confident that there will be increased adoption of AM technologies by many of our existing customer groups, whilst a continuing recovery in the electronics sector will benefit our position encoder product line.

The outlook for global investment for production systems in civil aviation, consumer products, agriculture, construction and power generation (including oil, gas and renewables) continues to look favourable. These trends should all result in increased demand for our metrology products to help drive efficiencies, reduce waste, increase automation and aid product measurement traceability.

New process monitor software window for the Equator gauge.

Performance – Manufacturing

Following the refurbishments of manufacturing space at the Miskin facility in 2013 and the ramp-up of machining, electronics and final product assembly, the schedule of investment in further capacity has continued with two new machining platforms introduced during this financial year and further investment in ancillary equipment and automation for machining and electronics assembly. These investments over the last two years have provided additional capacity for the Group and also reduced risks by strategic duplication of key processes at this second facility.
At the Stonehouse facility we are planning to invest in technology that will improve recycling of waste generated in the metal cutting processes in order to provide further cost savings and reduce our environmental impact.

Performance – Healthcare

Performance

Growth came from our dental product line, with the spectroscopy line only slightly ahead of the previous year's record annual sales due to the negative impacts of currency. The former was boosted by growing demand for metal frameworks and abutments manufactured by Renishaw on our AM machines as mentioned below.

Demand for our spectroscopy products remains strong across nanotechnology, advanced materials and life sciences, and we have seen a re-emergence of investment from the pharmaceutical sector. Research sales into advanced battery technologies, such as lithium ion, were also strong during the year, whilst the wider green energy market offers a range of advanced materials development areas for which Raman spectroscopy is well suited. The market for graphene research has also been particularly strong, and is increasingly applications-based rather than solely for fundamental R&D. During the year we developed a customised version of our inVia Raman microscope for monitoring the growth of large area graphene in a chemical vapour deposition chamber.

Whilst overall revenue for our neurosurgical business declined, we continued to achieve new sales of the neuromate® stereotactic robot which is used for functional neurosurgery. In the Middle East we made our first Qatari installation with a sale to the Hamad Medical Center in Doha, whilst in the Kingdom of Saudi Arabia we achieved a significant breakthrough when the Saudi Food and Drug Authority granted marketing authorisation for the sale of neuromate. This has already led to the installation of a robot at the King Fahad Medical City Hospital in Riyadh, which is the first placement of any neurosurgical robot in the Kingdom of Saudi Arabia. Elsewhere there were also robots installed at a leading UK children's hospital and at the University Hospital in Cologne, Germany. We continue to sell standalone seats of our neuroinspire™ surgical planning software system, including a recent installation at the Charing Cross Hospital, London.

During the year we again achieved a new record for the production levels of metal dental structures created from cobalt chrome powder using AM. We now have a strong portfolio of products manufactured using this process including LaserPFM™ frameworks (crowns and bridges), LaserBridges™ for implant supported frameworks (using a hybrid of AM and conventional 5-axis machining to achieve a high quality of fit) and Laser Abutments™ which are implant supported custom abutments that are also machine finished for fitment (a custom abutment is a prosthetic device inserted into an implant to replace natural dentition and provide functional support for a crown). We continue to benefit from offering dental materials that are fully certified and traceable, and a central manufacturing facility to dental laboratories that use non-Renishaw CAD systems.

Market conditions

Life expectancy is increasing in both developed and developing markets, meaning that key drivers include the requirement for faster procedures to reduce waiting times, more economical treatments and safer procedures with reduced human errors. Our dental and neurological products are well placed to deliver on these requirements.

The global funding picture remains stronger for biomedical research than for some markets. There is variation in research investment, with currency and quantitative easing effects impacting on different governments' priorities on research spending. However, as our Raman spectroscopy systems are ideally suited to many priority research areas, we feel customers for our systems are well placed to contest for the available research funding.

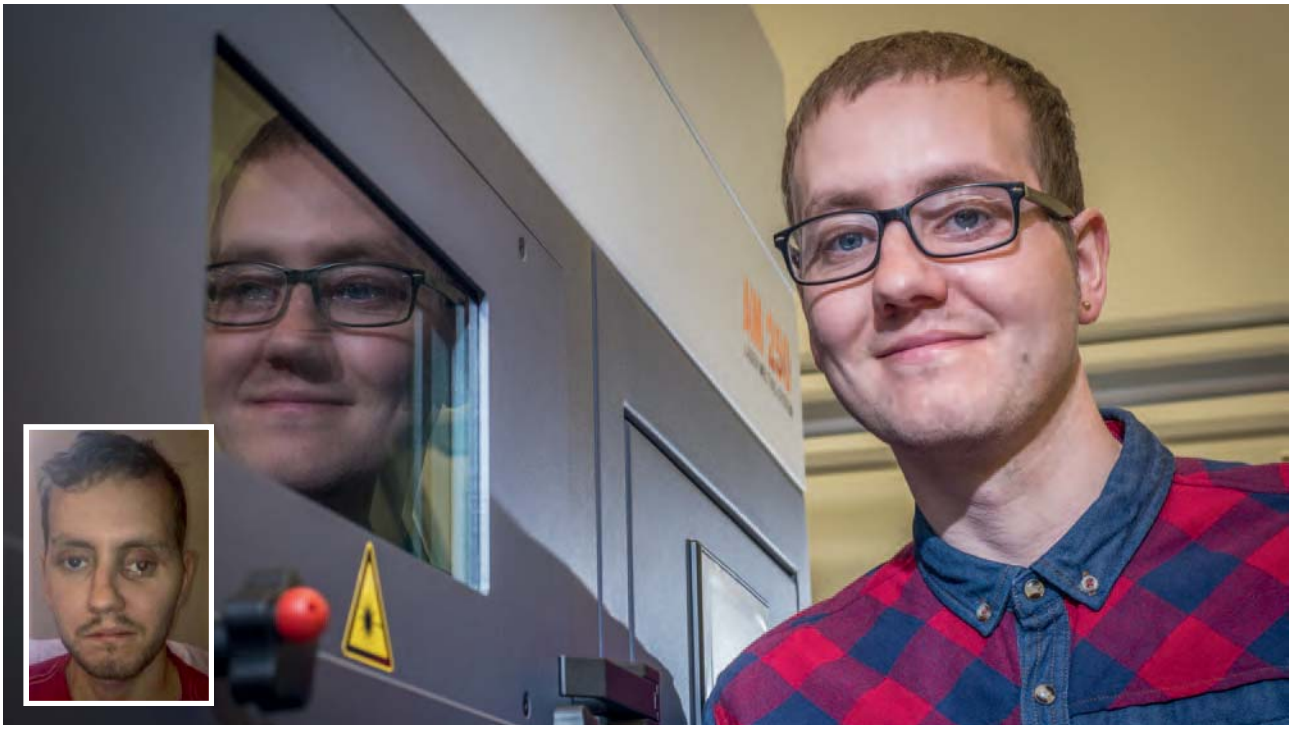
Strategy for growth

We aim to develop innovative healthcare products that will significantly advance our customers' operational performance by maximising research capabilities, reducing process times and improving the efficacy of medical procedures.

As a key Renishaw focus is to develop technologies that provide patented products and methods, we invested £8.0m (net of capitalisation costs) of expenditure on R&D and engineering during the year. The regulatory requirements for healthcare products demand significant investment, but make barriers to entry high for competitive products.

Our metrology and healthcare businesses are interconnected and we employ core metrology technologies and manufacturing expertise to minimise technology risks. This is illustrated very clearly in our dental CAD/CAM scanners and the zirconia milling systems that we use in our dental structure production, which utilise proven measurement sensors, encoders, software and our knowledge of subtractive machining, whilst, as mentioned previously, we also produce a range of 3D printed metal dental structures on Renishaw AM machines.

Case study



Pioneering AM reshapes patient's face

Motorcycle trauma victim, Stephen Power has seen first-hand the benefits of surgeons and engineers working together and how the outcome can change a person's life.

Customer needs → **Innovative engineering** → **Successful solutions**

A horrific incident left Stephen with multiple skull fractures that changed his life and meant he would require reconstructive surgery.

However, Professor Adrian Sugar, consultant in Cleft & Maxillofacial Surgery at the Morriston Hospital in Swansea, was keen to push the boundaries of his profession and embrace new techniques and processes.

Despite the recent introduction of AM to create bespoke maxillofacial implants, the surgical procedure itself still remains time consuming and onerous.

Renishaw worked in collaboration with the Centre for Applied Reconstructive Technologies in Surgery (CARTIS) in South Wales, to provide Morriston Hospital with the bone cutting jig and implant placement guide that made the surgery quicker and more accurate. The metal jig and guide were manufactured on a Renishaw AM250 AM machine.

Professor Sugar felt that the jig and guide resulted in a more predictable outcome and said: "I think its incomparable - the results are in a different league from anything we've done before". Stephen's response was even more emphatic: "It is totally life-changing".

See more at
www.renishaw.com

Performance – Healthcare continued

We also apply AM to an increasing number of healthcare applications. The metal delivery port of an investigational drug delivery system (see below) is manufactured using a combination of AM and conventional machining, and also during the year we worked with a leading maxillofacial surgeon and other partners to print metal cutting and placement guides for breakthrough facial reconstruction surgery (see page 35).

We also actively consider acquiring businesses and/or technologies that we feel are complementary to our existing healthcare products.

Key developments

During the year we launched StreamLineHR™ Rapide for our inVia Raman microscopes. This dramatically increases the speed of Raman imaging and, coupled with the large file handling capacity introduced last year, enables customers to collect highly detailed chemical images faster than ever before. We also enhanced 3D Raman image viewing so that biological cells and other structures can be clearly visualised, and added a new capability known as Surface, so that data can be collected from sloping or uneven sample surfaces.

There were also new releases within our dental line. During the year we introduced Realistic™, a highly translucent zirconia material that allows dental laboratories to design lifelike crowns using CAD software programs such as Renishaw's Dental Studio™. Using Realistic there is no longer the need to apply porcelain to machined crowns, as these require only a quick stain and glaze finish to achieve the desired tooth characteristics and therefore save dental laboratories time and money. With growing interest in the use of AM for dental restorations, we are now selling our AM machines specifically tailored to the needs of the dental market. A 'dental-ready' add-on package is an option that can be supplied with machines purchased by dental customers ensuring that the machines are fine-tuned for the production of dental structures in cobalt chrome powder.

Towards the end of the year the FDA issued Renishaw clearance to market the neuromate stereotactic robotic system in the USA. This represents a significant opportunity for our neurosurgical product line as the USA is the world's largest market for medical devices.

We are also manufacturing an investigational drug delivery system to the specification 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.

Outlook

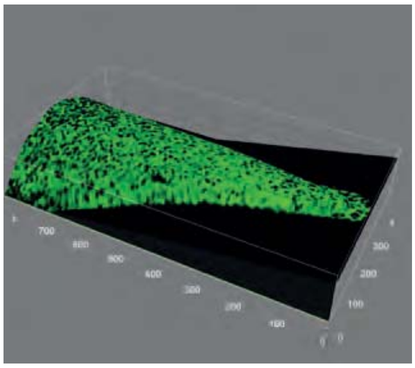
Increased life expectancy on a global basis means greater incidences of degenerative neurological diseases which will require surgical therapies. With new regulatory approvals we are increasingly well placed to supply neurosurgeons with the products and techniques to support such procedures.

In developing markets, levels of wealth are increasing at a national and individual level, which are driving demand for higher-quality medical treatments, often requiring more technologically advanced products.

The market for Raman spectroscopy continues to grow in fields such as nanotechnology, advanced materials and life sciences.

Metal dental framework produced on a Renishaw AM machine

Dental crowns produced from a Realistic™ zirconia material



Raman image of titanium coated drill bit using Surface

Case study

Neurosurgical advances change future

Renishaw's neuromate robot has dramatically changed the life of Stella, a 13 year old who has suffered from up to 100 potentially life threatening epilepsy attacks every day since the age of 1.

Customer needs — Innovative engineering — Successful solutions

Customer needs

Stella (aged 13) developed severe epilepsy when she was 1 year old and subsequently endured up to 100 potentially life threatening seizures every day. Over 10 years, she underwent 5 invasive surgical procedures, and after every procedure, the seizures returned immediately, often more violently than before.

Innovative engineering

For Stella's family, their last hope was at the Niguarda Ca' Granda hospital in Milan, Italy where the neurosurgical team are pioneering the use of the Renishaw neuromate® stereotactic robot as a tool during the treatment of epilepsy. Due to the precision and stability of the neuromate the surgical team were able to implant stereoelectroencephalography ("SEEG") electrodes deep into the brain, enabling an accurate mapping of the source of the seizures. A subsequent surgery was then carried out to remove the identified section.

Successful solutions

Immediately after surgery, Stella's seizures stopped and she has been seizure-free now for 2 years. A life changing success story for the whole family.

See more at
www.renishaw.com

Performance – Financial review

Allen Roberts
Group Finance Director

The Group has had another record year for revenue of £355.5m (2013: £346.9m), including a record quarterly revenue of £107.0m in the final 3 months of the year.

International Financial Reporting Standards ("IFRS")

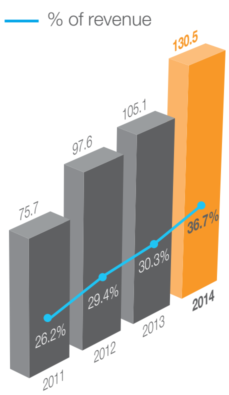
In accordance with EU law, the consolidated financial statements of the Company are prepared in accordance with IFRS adopted by the EU.
The Company has elected to prepare its parent company financial statements in accordance with UK GAAP (Generally Accepted Accounting Practice).

Restated and adjusted results

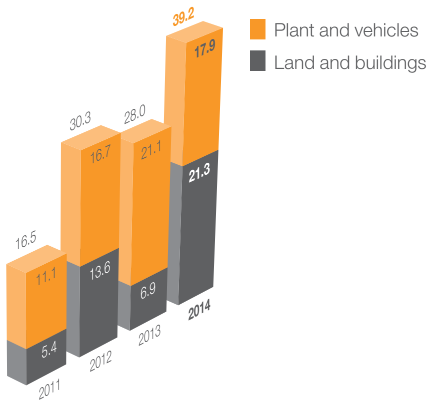
Restated figures

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.

Working capital £m



Capital expenditure £m



Revenue by region

	2014 revenue at actual exchange rates £'000	Change from 2013 %	2014 revenue at 2013 exchange rates £'000	Change from 2013 %	2013 revenue at actual exchange rates £'000
Far East, including Australasia	**134,569**	-3%	141,194	+2%	138,806
Continental Europe	**100,199**	+4%	101,086	+5%	96,003
North, South and Central America	**85,562**	+8%	89,123	+13%	79,220
UK and Ireland	**23,816**	+15%	23,816	+15%	20,668
Other regions	**11,352**	-7%	11,487	-6%	12,184
Total group revenue	**355,498**	+2%	366,706	+6%	346,881

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 4).

Financial performance

The Group has had another record year for revenue of £355.5m (2013: £346.9m), including a record quarterly revenue of £107.0m in the final 3 months of the year.

This was achieved against a significant strengthening of Sterling in the second half of the year and substantial sales of products last year to a number of Far East customers in the consumer electronics industry which were not repeated to the same extent in the current year. Adjusting for these items, there was underlying revenue growth of 11%.

The Group has continued to invest in its production facilities, sales and marketing resource and research and development activities and the resulting increased cost base, combined with adverse currency effects, has led to an adjusted profit before tax for the year of £70.1m (2013: a restated and adjusted £79.2m).

Revenue

Group revenue for the year was £355.5m, an increase of £8.6m, or 2%, over the previous year of £346.9m. Revenue would have been £11.2m higher at the previous year's exchange rates. There was growth of 8% in the Americas, 4% in Europe and 15% in the UK and in the Far East, adjusting for the unrepeated substantial consumer electronics industry orders mentioned above, we experienced an underlying growth of 18%.

The Group hedges a proportion of its revenue by the use of forward contracts, which partially mitigated the impact of a stronger Sterling, limiting the reduction in revenue by £5m to £11.2m.

The table above shows the analysis of group revenue by geographical market.

In our metrology business segment, revenue grew by 3%, from £317.9m last year to £326.6m this year. Revenue in our healthcare business segment was at a similar level to last year, at £28.9m.

A geographical analysis of our metrology and healthcare businesses is shown in the Strategic report on page 25.

Profit and tax

The group adjusted profit before tax amounted to £70.1m (2013: a restated and adjusted £79.2m). At the previous year's exchange rates, the adjusted profit before tax would have been £6.8m higher.

Statutory profit before tax, which includes the profit on disposal of our shareholding in Delcam plc of £26.3m for the current year and includes £2.9m resulting from the early settlement of a deferred consideration liability for the previous year, was £96.4m, compared with £82.1m last year.

In our metrology business, operating profit was £74.4m, compared with £84.5m last year. In our healthcare business we recorded an operating loss of £4.0m, compared with a loss of £5.4m last year, as we target at least a breakeven run rate towards the end of this financial year.

The overall effective rate of tax was 11.1% (2013: 18.3%), and 15.3% (2013: 19.0%) after excluding the exceptional items which were non-taxable. This reflects a combination of the varying tax rates applicable throughout the countries in which the Group operates. In the UK, the

Performance – Financial review continued

tax charge includes a £1.3m benefit (2013: £0.3m) arising from the patent box tax rate, which took effect from April 2013, along with a lower UK current corporation tax rate of 22.5% for this financial year (2013: 23.75%). A tax rate of 20% (2013: 23%) has been used for UK deferred tax calculations. The effective rate of tax will benefit further next year from the reduction in the UK tax rate and the phased introduction of the patent box tax initiative.

Earnings per share ("eps") and dividend

Adjusted eps, excluding the exceptional item, decreased from a restated 88.9p last year to 82.3p this year. Statutory eps was 118.4p, compared with a restated 92.9p last year.

A final dividend of 29.87p net per share results in a total dividend for the year of 41.2p, an increase of 3% over the 40.0p in 2013. Dividend cover based on adjusted eps is 2.0 times (2.9 times when based on statutory eps) and compares with 2.2 times (statutory 2.3 times) last year.

Research and development

Gross expenditure on engineering costs, including research and development on new products, was £56.8m (2013: £51.8m). The capitalisation of development costs (net of amortisation charges) amounted to £3.5m (2013: £3.1m), giving a net charge in the Consolidated income statement of £53.3m (2013: £48.7m). The gross charge amounts to 16% of group revenue (2013: 15%).

Between the business segments, net of the capitalisation costs, £45.3m (2013: £40.2m) was spent in the metrology segment and £8.0m (2013: £8.5m) was spent in our healthcare segment.

New product research and development expenditure amounted to £36.3m, which compares with £33.9m spent last year. There have been a number of new product releases in both our metrology and healthcare business segments, and there is an extensive new product pipeline with a number of new product introductions anticipated in this financial year.

Group headcount

Group headcount has increased from 3,235 at 30th June 2013 to 3,492 at 30th June 2014, with the average for the year of 3,345, compared with 3,092 last year. The year end increase of 257 comprised additional staff of 157 in the UK and 100 overseas. The 157 staff increase in the UK included 43 apprentices and 59 graduates, and, in addition, we sponsor 35 students at universities across the UK, demonstrating our commitment to the training and development of skilled staff within our engineering and commercial functions. As a result, labour costs increased by 7% to £146.9m (2013: £137.3m) reflecting the additional staff in the Group's production, sales and marketing and research and development activities and the full year cost of staff taken on last year.

Consolidated balance sheet

The Group's shareholders' funds at the end of the year were £352.8m, an increase of £74.7m over the £278.1m at 30th June 2013, and comprise an increase in retained reserves.

Additions to tangible fixed assets totalled £39.2m, of which £21.3m was spent on property and £17.9m on plant and machinery, IT equipment and vehicles.

The main property additions were:

- at New Mills, construction has continued on a 153,000 sq ft building for our head office and research and development facilities with phased occupancy planned to take place over the next six months;
- in Shanghai, China, the Group has acquired and relocated to new premises for the management of our sales, marketing, distribution and support operations throughout China;
- 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; and
- in Warsaw, our Polish sales subsidiary has moved to larger premises.

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.

Intangible fixed assets increased by £0.5m during the year, from £56.1m to £56.6m. Additions included capitalised research and development expenditure of £3.5m (net of annual amortisation charges) and £0.5m relating to an acquisition in the USA (see commentary under the Acquisition heading below).

Within working capital, inventories decreased to £63.0m from £65.3m at the beginning of the year reflecting record 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 trading levels, with debtor days outstanding at the end of the current year at 63 days (2013: 62 days).

Cash balances at 30th June 2014 were £43.6m (2013: £26.6m) and benefited from the £32.0m proceeds from the disposal of our shareholding in Delcam plc.

As noted below under Treasury policies, the Group uses forward contracts to hedge against future foreign currency inflows. At the end of the year these contracts had a cumulative gain of £25.6m, net of tax, compared with a deficit of £0.7m at the start of the year. This has increased shareholders' equity by £26.3m over the year.

At the end of the year, the Group's defined benefit pension funds, now closed for future accrual, showed a deficit of £43.1m, compared with a deficit of £41.7m at 30th June 2013. Defined benefit pension scheme assets at 30th June 2014 increased to £129.8m from £118.8m at 30th June 2013, representing investment performance during the year. Pension fund liabilities increased from £160.5m to £172.8m, reflecting the market rates at 30th June 2014.

The Company has given a guarantee relating to recovery plans for the UK defined benefit pension scheme deficit, which is supported by registered charges over certain UK properties and an escrow account with a cash balance of £9.5m at 30th June 2014 (2013: £11.0m). The application of IFRIC14 increased pension scheme liabilities by £8.0m (2013: £10.3m).

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

Valuation sensitivity	Variation	Approximate effect on liabilities
Discount rate	0.1%	£3.5m
Inflation	0.1%	£2.9m

Acquisition

In March 2014, the Group purchased Advanced Consulting & Engineering, Inc ("ACE"), a USA-based supplier of dimensional measurement products and services focused on the automotive industry. The acquisition of family-owned ACE, based in Rochester Hills, Michigan, provides Renishaw with further specialist programming capabilities using leading industry packages and will help to support Renishaw's sales of co-ordinate measuring machine probing systems and Equator gauges in the USA.

Treasury policies

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

The information below includes disclosures which are required by IFRS and are an integral part of the financial statements. Weekly groupwide cash management reporting and forecasting is in place to facilitate management of this currency risk. The operations of group treasury, which is situated at head office, are governed by Board-approved policies.

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

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

There are forward contracts in place to hedge against the Group's Euro, US Dollar and Japanese Yen cash inflows. Also, currency contracts are used to minimise the interest cost of maintaining the currency borrowings. The foreign currency borrowings are short-term with floating interest rates. The Group does not speculate with derivative financial instruments.

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

Investment for the future

In recent years, the Group has made a number of small niche-market acquisitions, which have broadened the Group's range of products and markets in both our metrology and healthcare businesses. We have also invested significantly in expanding our research and development resources, production capacity and our marketing and support infrastructure. We will continually look to the long-term growth of the Group and to invest in R&D, manufacturing and production processes to ensure capacity for the future, and expand our marketing and support presence around the world.

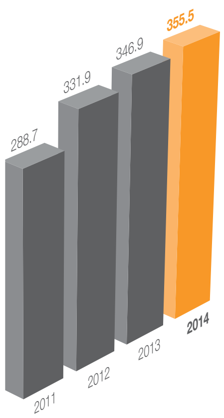
Allen Roberts
Group Finance Director
23rd July 2014

Key performance indicators

The Group's long-term aim is to achieve sustainable growth in revenue and profits in order to provide an increasing dividend to shareholders. This is to be achieved through substantial investment in people and in research and development of new products and processes, acquisition of niche businesses complementary to and supporting the Group's strategic development aims, the application of technologies into different market areas and the development of its global marketing facilities. The main performance measures monitored by the Board are:

Financial KPIs

Revenue growth £m

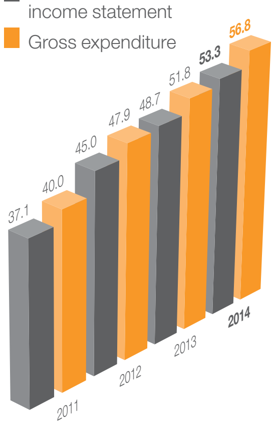


We are focused on growth in revenue, through increasing our market and geographic penetration and continually introducing new products. We have also made a number of acquisitions over the last five years which expand our product range and will support revenue growth by using the Group's worldwide marketing and distribution infrastructure to expand these businesses.

Total engineering costs including research and development £m

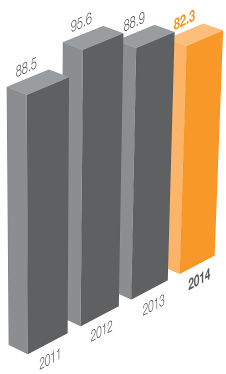
Included in the Consolidated income statement

Gross expenditure



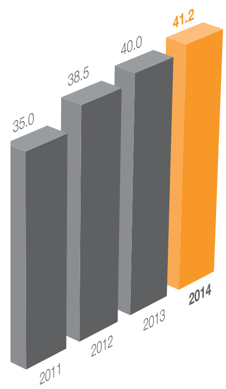
The growth of the business is fundamentally dependent on the continuing investment in engineering costs for the development of new products and processes. The Group continues to make significant investment in future products, with engineering costs equal to approximately 16% of group revenue, and has also been accelerating new product development in certain areas.

Adjusted earnings per share pence



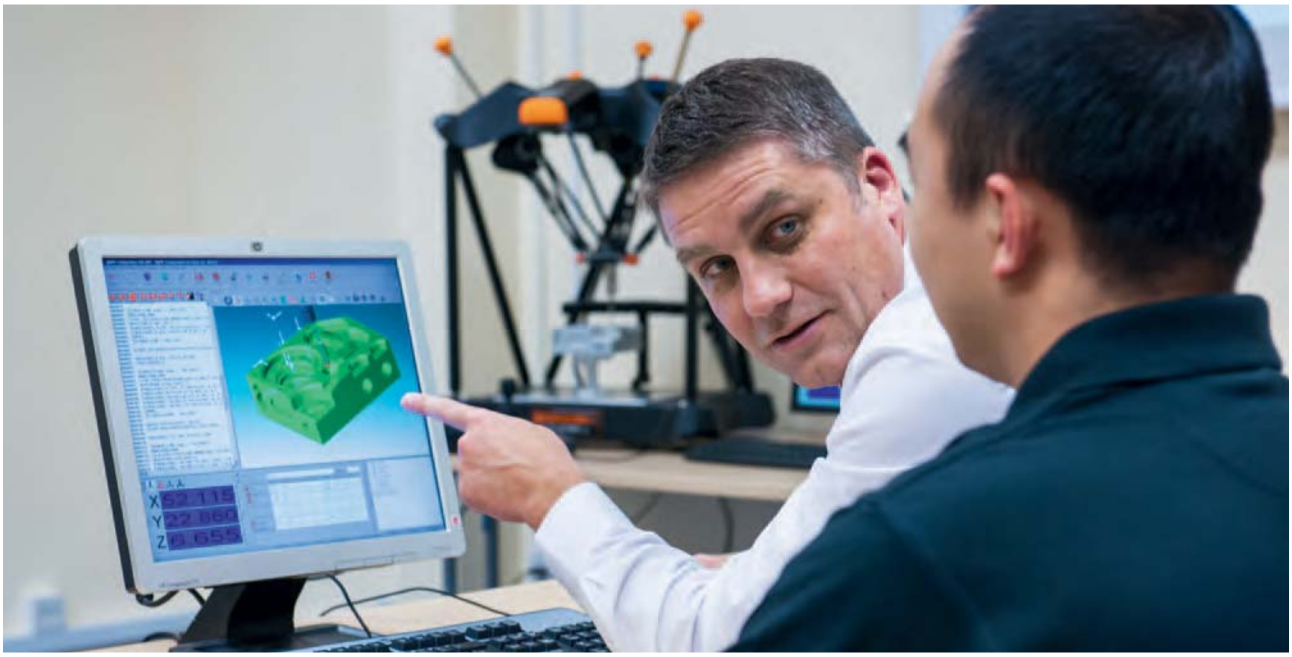
In order to provide an increasing return to shareholders, along with retaining adequate funds for reinvestment in the business, we aim to achieve year-on-year growth in earnings per share.

Dividend per share pence



We aim to achieve significant long-term returns to shareholders by maintaining a progressive dividend policy, whilst maintaining a solid capital base with sufficient working capital to support the forecast growth.

Further strategic priorities are set out on page 7

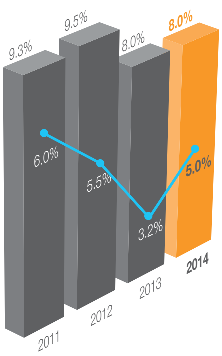


Training is key to our future growth and the Renishaw Academy gives our engineers the skills to deliver expert customer support.

Non-financial KPIs

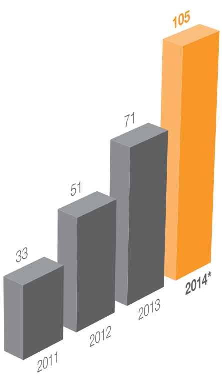
Staff turnover %

— Renishaw staff turnover as compared to the UK average also shown.



We continue to train, develop and reward our staff so that we retain a skilled and effective workforce. Our aim is to maintain a UK staff turnover rate which is below the UK average for the manufacturing and production sector.

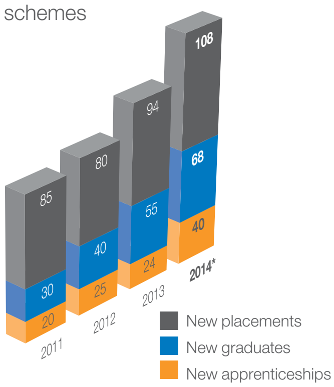
Number of apprentices in training



We believe we need to provide many options for career entry for young people and we are proud of our apprentice programme and the success it has achieved both for the apprentices that have trained with us and for Renishaw in terms of solving skills gaps. In a period of growth, we intend to increase the numbers of apprentices taken into training each year.

Training

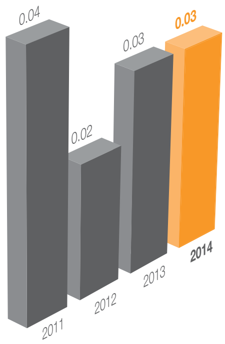
Number of new placements and members of the graduate and apprenticeship schemes



Renishaw's strategy is to grow organically and therefore developing students and taking on apprentices and graduates forms a key element of our strategy. Dependent on economic conditions, we propose to increase year-on-year the number of new apprenticeships, graduates and student placements we take on.

Health and safety

Total lost working time injuries per 100,000 hours worked



In a manufacturing environment, it is crucial that we maintain high standards of health and safety. Our aim is to have zero fatalities and zero lost working time injuries (meaning injuries involving more than seven lost working days).

*Figures relate to the academic year September to August

Principal risks and uncertainties

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.

Potential impact

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.

Mitigation

- 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

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.

Potential impact

Being at the leading edge of new technology in metrology and healthcare, there are uncertainties whether new developments will provide an economic return.

Mitigation

- 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.

Potential impact

Inability to meet customer deliveries could result in loss of revenue and profit.

Mitigation

- 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.

Potential impact

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.

Mitigation

- 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 the control of the Group.

Potential impact

Volatility in investment returns and actuarial assumptions can significantly affect the defined benefit pension fund deficit, impacting on future funding requirements.

Mitigation

- 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.

Potential impact

With over 93% of revenue generated outside 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.

Mitigation

- 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.

Corporate social responsibility

Ben Taylor
Assistant Chief Executive

This past year we have sought to strengthen our CSR foundations and create a solid platform for the future. We have written our first CSR strategy, and continued to expand our endeavours in our areas of control and influence as part of our CSR activities, showing good progress. We have increased our scope of data capture for waste and greenhouse gas emissions ("GHG"). A record number of apprentices are now in training and we have invested more than ever in staff development. We have shown continued growth within the business, both in the building space we occupy and in the number of employees, however we have still achieved an absolute reduction of waste to landfill and a reduction of GHG emissions per hour produced. We are pleased with the advancements we have made over this reporting period and will continue to strive to be recognised individually and collectively as leaders and contributors in our field and community.

Strategy

In order to continue to evolve our approach to CSR in a structured way, we have developed a documented CSR strategy, approved by our CSR committee and Board. We recognise that the status quo is changing and consequently we are proactively addressing issues such as rising energy costs, constraints on emissions, finite resources, increasing water scarcity, the demand for greater transparency and skills shortages. All these areas affect our business and customers and we are responding with appropriate innovative ideas and programmes seeking to combine our business and societal agendas.

The areas in which we are uniquely placed to ensure this merger of business and societal needs are:

Resources and energy because our core products assist our customers to improve their efficiencies and thus reduce their impacts.

Education because we have built strong relationships with schools and universities, raised our profile in the education sector, and contributed to government policy to ensure we continue to have access to skilled individuals.

Community because we are a large employer, we are uniquely placed to lend support to local charities and community groups.

Innovation because this is a core business driver at Renishaw and will enable us to sustain our manufacturing in a world where resources are finite.

Our CSR targets

We recognise that to become a company that creates net value in its value chain we have to continue to build on our current solid foundations. We have therefore developed our first set of public targets within a five-pillar approach to CSR which brings transparency to our future activities. These targets will ensure we are able to manage our impacts within our value chain and communities effectively.

CSR targets

Workplace

- Waste management plan by end of 2014 for all UK sites, and all manufacturing sites by end of 2015
- Investigate business case for investment in renewables
- 3% CO_2 reduction against 2014 levels by 2015, normalised by turnover
- 5% reduction of waste to landfill against 2013 levels by end of 2014, for UK sites, with targets for all manufacturing sites by end of 2015

Community

- Increase our presence at chosen universities, colleges and schools local to key Renishaw locations
- Establish local charity sponsorship presence at key UK sites and key global sites by the end of calendar year 2014

Marketplace

- Produce CSR guidance/case studies for marketing by end of calendar year 2014
- Make CSR section of corporate website more prominent and more relevant to our business
- Establish a baseline for orders shipped to customer date in 2015
- Develop a management target for orders shipped to customer date using the 2015 year as the base year
- Track CO_2 footprint of product logistics to collate base year data by end of 2015
- Develop CO_2 management target for product logistics using the 2015 year as the base year

Supply chain

- 100% of key suppliers to be invited to attend a supplier engagement day in 2015
- Ensure suppliers are audited as required through supplier questionnaires
- Update Group Business Code in 2015 and audit for compliance
- 100% of suppliers to be notified of updated Group Business Code and supplier questionnaire by end of calendar year 2014

People

- Expand health and safety controls and reporting to all locations by end of calendar year 2014
- Communication of CSR activities to be increased
- Zero fatalities and serious accidents
- Expand health and safety controls to all manufacturing sites by end of calendar year 2016

Corporate social responsibility continued

People

Diversity

Renishaw is an equal opportunities employer, operating a strict non-discrimination policy. We offer an environment that actively promotes innovation and progress within which individual talents can flourish.

Renishaw is also a global business with more than 70 locations in over 32 countries, and therefore diversity is an integral part of how we do business. We acknowledge the benefits it can bring and our senior management group comprises 26 nationalities.

A common challenge in the engineering sector is to achieve a more even balance between the genders and as more women choose to study science and technical subjects it is hoped that the number of female candidates for vacancies will increase. In the last two years we have employed 68 young people for our apprenticeship programme and a further 125 for our graduate programme, through co-operation with numerous education establishments. Of these, 171 are male and 22 are female. The total number of apprentices in training, as at 30th June 2014, represents 3% of our total workforce.

Proper consideration is given to applications for employment from disabled people who are employed, where suitable, for appropriate vacancies. Opportunities are given to employees who become disabled to continue in their employment or to be trained for other positions.

On 30th June 2014, we employed 3,492 people across the Group, an increase of 257 since last year. Of these, 2,699 (77%) are male and 793 (23%) are female. There are 8 directors on the Board, consisting of seven males and one female. The senior management group is made up of 48 people, of which 45 (94%) are male and 3 (6%) are female. Renishaw regards its senior management group to be the Executive Board, the heads of each product division, sales territories and manufacturing organisation who report directly into the Executive Board and the directors of the subsidiary undertakings of Renishaw.

Staff retention

We work hard to promote an excellent working environment that encourages our employees to develop their careers at Renishaw. Our UK staff turnover rate at 5% is still significantly lower than the UK manufacturing industry national average of 8%.

To ensure we reward our employees' loyalty and hard work we regularly hold pay reviews and benchmark our salaries. We have a group performance-based bonus programme for all qualifying staff members.

We also offer on-site fitness suites, appropriate flexible working (to encourage a good work-life balance), subsidised restaurants at our key UK locations and a crèche at our facility in Pune, India.

Communication and participation

As a group that operates in a large number of different territories across the globe, we recognise the need for good communication between sites, but also between management and their teams. To facilitate this we hold regular communications meetings where a Board member is present. These provide information about

Directors and senior managers from Renishaw's product lines, global subsidiaries, group corporate services and manufacturing services division.

developments across the Group and give an opportunity for an open discussion with a member of the Board. These are supported by presentations of the annual and half yearly financial results by the Assistant Chief Executive at our larger locations, supplemented by video-conference presentations for smaller remote sites.

We continue to encourage our staff to communicate any suggestions and ideas they may have, either to their direct management teams or the Board directly. We also provide a Suggestion Scheme to which staff can submit ideas. We value these suggestions and all are assessed for suitability for adoption. Awards are given for the best ideas received. There is also an inventors' award scheme for individuals who are named as inventors on patent applications which are granted.

Training and development

We value our highly skilled workforce and recognise that maintaining this is essential to the future of our business; as such we place a large emphasis on ensuring the Company's approved training programme continues. Throughout this financial year we have invested £300,000 in our apprenticeship scheme, £100,000 on further education and £270,000 on our employee training programme.

We have long held the view that by investing in our future workforce we are able to acquire the necessary talent to grow the business and mitigate the impacts of a general skills shortage, as evidenced by the fact that we started our apprenticeship and sponsored student schemes in 1979 and 1984 respectively. This summer, some 105 (2013 equivalent: 94) students entered Renishaw for paid placements – 60 summer placements, 40 one-year industrial placements and 5 pre-university placements. There are 105 craft and technical apprentices currently in training (2013 equivalent: 82) and 32 new starters confirmed for September 2014. A further 68 new graduates also started with Renishaw this summer (2013 equivalent: 55).

The quality of our apprenticeship and graduate programmes is widely recognised. In June 2014, at the Gloucestershire Apprenticeship Awards, Renishaw was given the award for 'Outstanding Contribution to Apprenticeships in Gloucestershire', whilst our first-year apprentice Eva Lily Fielding was named "Outstanding Apprentice of the Year" in the Engineering & Manufacturing category, and was also honoured as the 'Gloucestershire Apprentice of the Year' across all categories. At the Gloucestershire Women in Business Awards held in March, our fourth-year apprentice Roxanne Pollard was named as "Apprentice of the Year".

Human rights

Renishaw is a supporter of the Universal Declaration of Human Rights and the core conventions of the International Labour Organization. Through our Group Business Code we state the minimum standards of operation expected of our organisations, subsidiaries and employees. This code sets out our belief that all employees have the right to non-discriminatory treatment and equal opportunities, to work in a safe and secure working environment with a fair wage. We also reject the use of compulsory, forced and child labour. We seek suppliers and business partners who work to the same high standards as us.

Award-winning apprentice

At the Gloucestershire Apprenticeship Awards, our first-year apprentice Eva Lily Fielding was named Outstanding Apprentice of the Year in the Engineering & Manufacturing category, and overall Gloucestershire Apprentice of the Year.

Image courtesy of Gloucestershire Media

Corporate social responsibility continued

Community

As one of the largest employers in the west of England, and with an increasing number of sites in the UK and around the world, we recognise the positive contribution that we can make to our local communities through our varied interactions with local residents, businesses, schools and not-for-profit organisations. We continue to communicate a positive story about the role played by science, engineering and manufacturing to enhance the lives of the general populace and the attractive nature of a career within these sectors. Renishaw sees this as vital to overcome negative perceptions about career options in these areas and to ensure a strong pipeline of future talent, not just for our own needs, but also for our wider supply chain and customer base.

During the past year we have hosted tour groups and given talks to a range of organisations including primary and secondary schools, universities and colleges, business clubs and societies. With an increasing profile we are also regularly asked to give interviews by national and local media on a range of topics relating to manufacturing, 3D printing and general business issues.

We continue actively to support the business community regionally, nationally and internationally, through membership of trade associations such as Germany's VDW and the UK's Manufacturing Technologies Association, as well as local chambers of trade and business networking groups. During the year we also became a member of the Confederation of British Industry ("CBI"), which is the UK's leading business lobbying organisation. We impart our knowledge and business expertise in areas as diverse as AM, IT systems, exporting and human resource management, through participation in business conferences and roundtable discussions, and also make a significant commitment to the sponsorship of award programmes.

Senior managers, including Group Engineering Director, Geoff McFarland, Assistant Chief Executive, Ben Taylor, and Head of Communications, Chris Pockett, are also regular speakers at conferences and business/community events. In the past year this has included keynote presentations on sustainable manufacturing, innovation, business growth and the Renishaw story.

During the past year we have become a major sponsor of the Manufacturing Excellence ("MX") Awards operated by the UK's Institution of Mechanical Engineers ("IMechE"), and continue to support the sister MX programme in Germany. For both schemes, senior managers are members of the advisory board. In the past year, we have also sponsored and helped judge a range of regional business award programmes, for example, Ben Taylor is a judge for the West of England Business Awards. Recognising the importance of apprenticeships, we supported both the regional Gloucestershire and Bristol Apprentice of the Year awards.

To further our aim of establishing awareness of Renishaw as a significant regional employer, we continue to sponsor a wide range of festivals and organisations in the west of England and South Wales. A key part of our sponsorship is also a desire to achieve benefits for our staff, which will in turn increase their engagement with partner organisations. A good example is a new partnership with the Bristol Music Trust,

German handball team sponsored

Renishaw GmbH sponsors the handball team HBW Balingen-Weilstetten, which this season played in the German Handball-Bundesliga.

Gloucester Rugby young player award

Norma Tang, Company Secretary, presents the Renishaw-sponsored Young Player of the Season award to Elliott Stooke.

Image courtesy of Gloucester Rugby

Trophy for Art Couture Painswick

Renishaw used its AM process to create the main trophy which was presented to the winner by Chris Pockett, Head of Communications.

Image courtesy of Stroud News and Journal

which operates the well-known Colston Hall; a major venue for music and comedy entertainment. In spring 2014 we became a sponsor of The Lantern, a 250-seater space within the Colston Hall which hosts a wide range of music in a quirky environment, and as part of the deal, giving all staff the opportunity to apply for free membership of the Colston Hall.

Another new sponsorship saw Renishaw support Art Couture Painswick, an increasingly popular festival for wearable art, at which we presented the Renishaw Innovation Trophy for the best overall entry at the event. The trophy was a unique collaboration between Renishaw and Lionel T. Dean, a leading designer for the digital manufacturing process, who created a Viennese face mask which we then made in titanium using our AM machine.

We are continuing to strengthen our relationships with local and professional sports clubs in areas where we have significant UK operations, including Gloucester Rugby which plays in the rugby English Premiership and Swansea City football club based in South Wales, which plays in the football English Premier League. At the former, we sponsor Ben Morgan, an England international player, and the Young Player of the Year award, voted for by our Gloucestershire-based staff. Viewers of BBC's Match of the Day programme will also regularly see our advertising hoardings at Swansea City home matches.

During the year we also sponsored the German Handball-Bundesliga team HBW Balingen-Weilstetten, which is based in an area where many of our major customers are also located.

Charity

The Renishaw Charities Committee ("RCC") was formed in the 1980s to distribute funds to support charitable and voluntary organisations and to support the individual charitable efforts of all UK staff through a match-funding scheme. The RCC is made up of staff representatives from the Company's main Gloucestershire sites and has a particular focus to assist organisations that help enrich the lives of children and adults, from toddler groups and sports clubs, through to organisations that support the disabled and the bereaved. A separate fund is also administered by the RCC, which donates monies to aid the victims of global disasters.

During the year, the RCC (www.renishaw.com/charity) made donations to over 180 individual organisations totalling over £97,000. Beneficiaries were diverse in nature including music societies, disability support groups, primary and secondary schools, animal shelters, church restoration funds, counselling and

Corporate social responsibility continued

carers support groups, scout and brownie groups, medical research organisations, community centres, air ambulance groups, sports clubs, skate parks, senior citizen groups and hospice care organisations.

The Company and the RCC recognise that large numbers of Renishaw employees assist charitable organisations and therefore encourages such activities through match-funding programmes, both for individual and collective fundraising efforts. Employee communications from the Company and the RCC's intranet pages also include details of charities seeking support for fundraising activities or in need of volunteers/ trustees, and promotional posters for fundraising events are distributed to company noticeboards.

The RCC fully matches funds raised by staff for UK national initiatives such as Movember, Comic Relief and Wear it Pink. During the year, many employees undertook fundraising for Children in Need, raising just over £3,000 which was matched by the RCC.

During the year, significant donations of £2,000 or greater were made by the RCC to seven organisations. This included a £10,000 donation to the Disaster's Emergency Committee ("DEC") which co-ordinated UK fundraising for victims of the typhoon in the Philippines which occurred on 8th November 2013, affecting over 14 million people. A £2,000 donation was also made towards the creation of a new Youth Centre for Dursley, near to the UK headquarters, within the town's Tabernacle Church.

Education

In order to attract the future engineering talent pool, we need to reach young people, their parents and teachers with messages about 21st century engineering and the career opportunities at all levels. We are starting to see more people applying for graduate and apprenticeship positions (applications for both have quadrupled in the last three years) but we cannot be complacent. The sector employs 5.4 million people across 542,440 engineering companies in the UK, and between 2010 and 2020 these companies are projected to have 2.74 million job openings (Engineering UK report 2013). We work hard to ensure that we have engagement in schools in our major employment areas, as well as building and strengthening relationships with universities, raising our profile locally and nationally, and also lobbying government so that our voice is heard at the highest levels.

Renishaw apprentice meets HRH The Duke of York

Our first-year apprentice, Matthew Hunter, discusses his award-winning phone charging system for bicycles with HRH The Duke of York.

Award-winning primary schools visit Renishaw

Winning teams from local primary schools visited Renishaw to programme the robot 'Nao'.

Graduate induction programme

Graduates and apprentices enjoying team-building exercises in the Forest of Dean during their induction programme.

During the year we were delighted to be named Gloucestershire STEM Company of the Year by STEMNET, a UK educational charity that seeks to encourage participation at school and colleges in the areas of Science, Technology, Engineering and Mathematics ("STEM"). The award recognised our STEM work and initiatives with all the schools in the county. Our ongoing involvement with the Primary School Challenge organised by GFirst, the Gloucestershire Local Enterprise Partnership, was recognised by Julie Collins, our Education Liaison Executive, being named Gloucestershire Skills Ambassador of the Year.
This programme continues to be very successful in introducing 9 to 11 year old children to computer programming and Renishaw engaged with teams in 6 primary schools, supported by graduates or apprentices who mentored the children and positively promoted engineering as a career. The best team from each school won the opportunity to visit Renishaw and programme a humanoid robot called Nao.

We continue to extend initiatives such as our partnership with Greenpower, a national organisation that promotes green energy racing competitions, where again we sponsored the Western regional heat and had a small stand at the national finals at the Goodwood motor circuit in the south of England. Our "Technology Teardowns", where pupils take apart mobile phones, printers and other consumer devices to learn about electronics, have also become very popular. Pupil feedback is excellent, with most commenting it helped them understand what engineering is about and what an engineer does. During the year, we were again a key sponsor and contributor to the Stroud Festival of Manufacturing and Engineering, a week-long festival initiated by Neil Carmichael, the Member of Parliament for Stroud, Gloucestershire, to raise the profile of engineering and career opportunities.

Our focus on schools engagement means that during the year we trained all our new graduate entrants and second-year apprentices to be STEM ambassadors. This enables Renishaw to involve more schools in our outreach programmes, with our young engineers giving talks, helping out at STEM clubs and attending career fairs. We are then able to give the message directly to students about what it is like being an engineer, which research has shown is the most important hurdle to overcome when influencing a young person's career choice.

A major initiative this year was a pilot programme that we have worked on with the UK organisation DATA (Design and Technology Association). Now that Design and Technology ("D&T") has been retained as a compulsory subject in UK schools up to the age of 14, and the UK national curriculum has been updated to be a better fit for the needs of industry in the 21st century, skills gaps have been identified, as teachers have not been trained in areas such as robotics and programming. As part of the pilot, we have worked with D&T teachers at Marling School, Stroud, on a project to teach them programming in C++, working with a microprocessor and designing a buggy. They were then supported to teach this to their students over a 10-week period. Materials developed, including a teachers' pack, lesson plans and videos will be available on DATA's website from September 2014 allowing all schools in the UK to have access to, and benefit from, this project.

We continue to raise awareness of Renishaw as a major UK employer of young people both locally and nationally. We again attended the national Big Bang Fair held at the NEC in Birmingham, where over 2,500 young people, plus teachers and parents, visited our stand to play a game that incorporated our measurement and computer technology, and also to be educated about AM. During the event, one of our first-year apprentices, Matthew Hunter, won the Young Engineers' Duke of York award for the "The Most Creative Use of Technology", and met the Duke to explain his innovative phone charging system for bicycles.

Our work to build relationships with schools in South Wales continued, with another two successful education days at our Miskin site, where over 500 students from local schools and universities had guided tours of our machine shop, electronics assembly line and the assembly area for our AM machines. We also supported two schools with their project to compete for a prize at an Engineering Education South Wales event, and were delighted when one of our supported schools, Monmouth School, won an award for the second year running. We also sponsored several schools taking part in the F1 in Schools competition, and one school also had help from a Renishaw engineer to redesign their car's nose cone, which was subsequently manufactured in our rapid manufacturing facility.

Big Bang Fair 2014

A record number of students visited Renishaw's stand at the NEC in April 2014.

Corporate social responsibility continued

We are continuing to work with universities to build relationships. During the year we sponsored Formula Student teams at several universities, including the GreenTeam based at the University of Stuttgart, Germany, plus engineering societies, and we also attended a record number of career fairs. A new initiative this year was a collaboration with the University of Loughborough to design four projects that 16 second-year students worked on over a 3-month period. This very successful initiative raised our profile enormously at the university and will be repeated in the next academic year.

We continue to work with industry organisations and engineering peers to advise government on national policy. During the year we were invited to join the Royal Academy of Engineering's Leadership and Diversity Board, which has been set up to help remove barriers and encourage more women and other under-represented groups into engineering. We also had discussions with government ministers responsible for education, to lobby for the inclusion of D&T to be a compulsory subject in the new UK EBacc qualification. We know that studying D&T has a great influence on encouraging young people to choose engineering as a career.

Environment

Improving the operational efficiencies of the Renishaw locations across the world contributes to the sustainable growth of the business. We recognise the need to lower the impacts from our operations to support this sustainable growth, and at this stage we focus on carbon and waste as two areas of significant impact.

We continue to have growth in the business and thereby have increased activities; this is reflected in our overall ("GHG") increase. To assist in the mitigation of this rise we have continued to invest in new technologies that help to reduce our energy consumption. In the past year, we have invested around £250,000 in equipment which will allow us to reduce our GHG emissions by an estimated 1,900 (4.3% of our annual total tonnes carbon dioxide equivalent ("tCO_2e") per annum) over the next 12 months. In addition to using half hourly meters which assist us in tracking energy consumed, we have invested in some portable energy monitoring equipment which allows us to create energy profiles of distinct areas of our sites and ascertain where we can further increase our energy reduction programmes. We are also actively investigating more sustainable energy sources where it is practical and cost-effective to do so.

As we continue to invest in new sites and the expansion and renovation of existing properties, we have included several initiatives to contribute significant energy savings in our new building and renovation works across the Group; for example, we have been able to design out over 500,000 kWhs of annual energy usage in our new building at New Mills.

Renishaw continues to participate in the Carbon Reduction Commitment ("CRC") Energy Efficiency Scheme and the Carbon Disclosure Project ("CDP"). We use the CDP as a benchmarking tool and are working extensively to ensure our efforts in GHG emission management are fully disclosed and are as transparent as is expected of us by our employees, customers and investors.

We continue to maintain our Carbon Trust Standard for our UK operations and have also been awarded the Carbon Trust Standard for waste (UK operations only) within this reporting period. Our Carbon Trust Standard currently covers over 62% of our GHG emissions. This year we have further bolstered this standard and expanded the certification to cover business travel and logistics, as well as operational energy.

We recognise that we are legally obliged to report on our Scope 1 and 2 emissions (as defined by the Greenhouse Gas Protocol), however, through analysis it is evident that our Scope 3 emissions amount to a significant proportion of our carbon footprint. As such we will continue to disclose our Scope 1, 2 and significant Scope 3 emissions and will continue to put efforts into improving data quality, scope of data and working on expanding our Scope 3 data capture to enable a more complete picture of our GHG emissions.

In this reporting period our total GHG emissions for our Scope 1 and 2 emissions (statutory disclosure) were 18,209.37 tCO_2e. Our significant Scope 3 emissions (voluntary disclosure) were 25,761.35 tCO_2e.

To calculate our GHG emissions we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised addition), data gathered for our CRC submission and the UK government's GHG reporting guidance as the basis of our methodology and the source of GHG emissions factors.

Total GHG emissions (tCO_2e)	2010	2011	2012	2013[1]	2014[3]
Scope 1					
Gas consumption	685.00	652.00	1,456.00	1,479.53	1,281.42
Owned transport	1,842.40	1,617.00	1,334.40	1,521.53	2,229.84
Generator diesel	65.60	40.00	85.00	31.91	22.76
Heating oil	38.20	77.00	75.00	56.74	13.18
Fugitive emissions	0.00	0.00	0.00	88.72	382.96
Out of scope (bio fuel blend)	0.00	0.00	33.96	39.74	60.34
Total Scope 1 (tCO_2e)	**2,631.20**	**2,386.00**	**2,950.40**	**3,178.44**	**3,930.16**
Scope 2					
Purchased electricity	10,525.40	14,347.00	12,008.17	13,629.09	14,279.20
Total Scope 2 (tCO_2e)	**10,525.40**	**14,347.00**	**12,008.17**	**13,629.09**	**14,279.20**
Total statutory GHG emissions[2] (tCO_2e)	**13,156.60**	**16,733.00**	**14,958.56**	**16,807.53**	**18,209.37**
Normalised statutory GHG emissions[2] by revenue (tCO_2e/£m)	**72.4482**	**57.9498**	**45.0695**	**48.4646**	**51.1643**
Scope 3					
Business travel	1,264.70	2,144.00	2,539.80	7,392.76	8,298.57
Product distribution	1,919.80	3,908.00	4,058.00	3,545.49	5,382.00
Raw material purchase	3,533.90	7,465.00	4,622.00	4,020.35	3,771.30
Post and communications	276.30	353.00	398.00	500.13	504.77
Transmissions and distribution	–	–	1,299.82	1,745.09	2,160.45
WTT total	–	–	4,049.64	4,912.26	5,644.26
Out of scope (biofuel blend)	–	–	8.30	8.81	49.97
Total significant Scope 3 (tCO_2e)	**6,994.70**	**13,870.00**	**16,967.25**	**22,116.08**	**25,761.35**
Normalised total GHG emissions[4] by revenue (tCO_2e/£m)	**110.97**	**105.98**	**96.19**	**112.24**	**118.07**

[1] 2013 figures have been restated due to improvements in our methodology, updated GHG conversion factors and changing the reporting period to be in line with the financial year.

[2] Statutory emissions are Scopes 1 and 2 as required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

[3] To facilitate the timely capture of information, this disclosure uses internally reported data from July to May and the June data is given as an average of the previous three months. This will be restated next year if a significant difference is seen.

[4] Total GHG emissions include Scopes 1 and 2 (statutory) and Scope 3 (voluntary) emissions.

We recognise the impact from employees commuting to our sites and whilst we have not yet quantified this, we actively promote a car share scheme through an intranet site which can be used to find car share partners. We provide excellent facilities for employees who chose to commute by bike, through lockers, showers and covered bike storage areas.

Corporate social responsibility continued

Waste management

Renishaw continues to expand its waste controls and now collates waste data for analysis from all the sites covered by the Carbon Trust Standard for waste and a number of other sites across the world. We continue to encourage employees to prevent waste going to landfill. To support this, within this reporting period we have streamlined our waste services across the UK and are working with our waste partner to increase recycling further. Over the past three years we have seen a 50% drop in the amounts sent to landfill. This means we are now reusing or recovering around 88% (2013: 85%) of all the waste from our UK, Ireland and other key sites.

We continue to act responsibly on behalf of our customers and distribute our technical and sales documentation electronically whenever possible. We also have user guides for some of our product groups only available online. Our commercial documentation, payslips in the UK and invoices are all managed through paperless systems. Whilst these efforts are only a small part of what we do, they represent our attitude to ensure that we do all that we can to be a responsible organisation. Internal communications, wherever possible, are only made via emails or through the company intranet.

We continue to make progress on our product range to prepare it to be compliant for the Restriction of the use of Hazardous Substances Regulations ("RoHS") extended scope deadline in 2017, whilst achieving several earlier deadlines for healthcare products. We continue to monitor substances against those identified as "substances of very high concern" ("SVHC") under the Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") Directive, and to date have not identified that anything we use is on the SVHC lists. However, we continue to monitor this. We recognise that whilst we do not fall within the remit of the Dodd-Frank Wall Street Reform and Consumer Protection Act, compliance with the conflict minerals assessment and disclosure aspects of such legislation is important to a number of our customers. We also recognise that it is our responsibility to ensure that our supply chain does not support illegal or unfair practices. Therefore, we are actively investigating our supply chain to enable us to eliminate conflict minerals from it and are working with a number of key suppliers on this project. We also monitor for any issues we would consider to be against the spirit of our Group Business Code and work with suppliers where issues are identified.

Waste management

Briquetting system installed at Renishaw's Miskin site to reclaim compacted aluminium swarf.

CARBON TRUST STANDARD
REDUCING WASTE YEAR ON YEAR

Carbon Trust Standard – Waste

Renishaw was one of the first five businesses in the world to achieve this new standard launched in November 2013. It is the world's first international standard for organisational waste reduction. It is an independent standard that certifies organisations which are measuring, managing and reducing their waste output, year-on-year.

	2011	2012	2013	**2014**
Waste recovered or recycled (tonnes)	947.68	885.57	1,210.97	**1,329.12**
Waste sent to landfill (tonnes)	365.03	252.41	213.41	**182.39**
Percentage of waste sent to landfill	28%	22%	15%	**12%**

Health and safety

Renishaw has a well established corporate health and safety management system that is in line with the ISO18001 requirements. We recognise that any injury may develop into something more serious if not cared for correctly. As our employees are essential to our business, we record all injuries from the smallest of paper cuts to the most serious of incidents, to enable us to manage treatment and investigate all incidents effectively.

The total number of accidents for the period was 151 (2013: 161) against a year end headcount of 3,492 (2013: 3,235). This equates to an accident ratio of 0.043 accidents per person and is 8.1% down on the same period the year before, despite an 8% increase in staffing levels. Training continues to take place in order to continue to reduce the accident rate further.

Reportable accidents

There were two reportable accidents under the UK RIDDOR reporting requirements: one slip and one crush resulting in a total lost time of 271 hours or 36.1 days.

Occupational health

Renishaw has had no work-related ill health or diseases reported.

Health monitoring in the form of lung function testing, hearing testing and eye testing, where appropriate for a job role, has been established for several years and is ongoing.

Health support for staff is offered in the form of subsidised health monitoring (blood pressure, diabetes, cholesterol and BMI).

Incidents/near misses

A total of 68 (2013: 57) near misses were recorded for the period. This is a 19.2% increase on the numbers reported in the last period, driven as a result of stronger emphasis on the importance of reporting of what might seem even trivial incidents. No significant repeating common causes have been established.

Risk assessment

Over the period an automated risk assessment system was introduced using SharePoint®. This allows the recording and tracking of risk assessment actions, including the issue of automatic reminders to those responsible for risk assessments.

The Strategic report was approved by the Board on 23rd July 2014 and signed on its behalf by

Sir David R McMurtry
Chairman and Chief Executive

Introduction

David Grant
Senior independent director

The Board is ultimately responsible to shareholders for all of the Group's activities, its strategy and financial performance, for the efficient use of the Group's resources and for social, environmental and ethical matters.

With the assistance of the Audit committee, the Board approves the Group's governance framework and reviews its risk management and internal control processes with a view to maintaining high standards of corporate governance throughout the Group.

The Board takes seriously its responsibilities for making sure that all employees are aware of their obligations to act with openness, honesty and transparency. These values are embedded in our Group Business Code and Anti-Bribery Policy which can be found at http://www.renishaw.com/businesscode. In 2014, we carried on rolling out our anti-bribery training and since 2011, when we approved our policy, 713 relevant worldwide employees have received training.

During the last financial year our governance framework has been enhanced to take into account the changes introduced by the September 2012 edition of the UK Corporate Governance Code (the "Code") and the commencement of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations").

The most significant changes have been to our Directors' remuneration report together with a binding vote at the AGM on our remuneration policy as well as a new requirement for a relationship agreement with our controlling shareholders.

Our 2013 externally facilitated Board evaluation by David Mensley of Equity Communications provided much positive and constructive feedback and in the period we were able to identify focus areas to ensure that the Board continues to operate in an open and transparent way and constructively challenges and supports the executive team. More details are provided on page 67.

Another key area was our first investor day on 15th May 2014, attended by 60 market participants where there was a wide range of presentations including corporate overview and strategy, financial overview, business sector strategies, product and market overviews, healthcare and metrology product demonstrations as well as various Q&A sessions. Our investor relations website was also significantly expanded during the year.

Compliance disclosures

The Directors' corporate governance report and Other statutory and regulatory disclosures set out on pages 64 to 84 form the directors' report.

The Directors' corporate governance report has been prepared in accordance with the Code issued by the Financial Reporting Council ("FRC") which can be viewed on the www.frc.org.uk website. This report, which incorporates the reports of the Audit committee and Nomination committee, together with the Directors' remuneration report, describes how we have applied the main principles of the Code. The edition of the Code published in September 2012 applied throughout the period, but the Financial Conduct Authority has yet to change the Listing Rules and therefore requires that certain compliance statements are made in relation to the predecessor edition of the code, issued in June 2010. The Directors' corporate governance report addresses the requirements of both editions of the Code.

We report on the operation of our business in the following ways:

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

The UK Listing Authority's Disclosure Rules and Transparency Rules, require the Annual report to include a management report which can be found in the Strategic report.

For the purposes of the Disclosure Rules and Transparency Rules which require a corporate governance statement to be included in the directors' report, the Company's corporate governance practices are set out in the Directors' corporate governance report, which forms part of the directors' report.

For the purposes of the UK Listing Authority's Listing Rules, certain information required to be provided to the shareholders is also contained in the Directors' corporate governance report, the Directors' remuneration report and the Other statutory and regulatory disclosures including certain information relating to arrangements with controlling shareholders.

For the purposes of the Disclosure Rules and Transparency Rules, the information required by Section 7 of such rules is referred to in the Directors' corporate governance report.

Board of directors and company secretary

Sir David McMurtry (74)
CBE, RDI, FRS, FREng, CEng, FIMechE

Chairman and Chief Executive

- Formerly employed by Rolls-Royce plc, Bristol, for 17 years, latterly holding the positions of Deputy Chief Designer and Assistant Chief of Engine Design of all Rolls-Royce engines manufactured at Filton, Bristol.
- Invented the original measuring probe in the early 1970s and co-founded Renishaw with John Deer in 1973.
- In addition to his role as Chairman and Chief Executive, Sir David also has responsibility for Group technology and is Chair of the Nomination committee.

John Deer (76)

Deputy Chairman

- Trained as a mechanical engineer and worked for Rolls-Royce plc, Bristol, for 14 years.
- Co-founded Renishaw with Sir David McMurtry in 1973. Managing Director of Renishaw from 1974 to 1989, primarily involved in the commercial direction of the Group, with particular emphasis on marketing and the establishment of the Group's wholly-owned subsidiaries.
- Responsible for group manufacturing and Chair of the overseas marketing subsidiaries.

Ben Taylor (65)
CEng, FIMechE

Assistant Chief Executive

- Before joining Renishaw Inc as President in 1985, Ben was the Director of Engineering at Sheffield Measurement, USA.
- Appointed to the Board of Renishaw plc in 1987.
- Responsible for group marketing, international operations, human resources and metrology regulatory quality assurance.
- Ben also reports to the Board on corporate social responsibility matters.

Allen Roberts (65)
FCA

Group Finance Director

- Qualified as a chartered accountant in 1972 with Peat, Marwick, Mitchell & Co. before joining Renishaw in 1979.
- Appointed to the Board of Renishaw plc in 1980.
- Heads group finance, business systems and Wotton Travel Ltd.
- Allen also has the healthcare regulatory and quality assurance functions reporting into him.

Geoff McFarland (46)

Group Engineering Director

- Graduated with a BEng in computer aided mechanical engineering at Heriot-Watt University, where he subsequently worked for several years as a research associate.
- After working briefly in the high-volume manufacturing electronic sector, joined Renishaw in 1994 and appointed to the Board of Renishaw plc in 2002.
- Heads the group engineering function and is also responsible for group IP and patents.

Carol Chesney (51)
FCA

Non-executive director

- Chair of the Audit committee and member of the Remuneration and Nomination committees.
- Appointed to the Board of Renishaw plc in October 2012.
- A chartered accountant who worked at Arthur Andersen for seven years in audit services.
- Worked for some time in the group accounts function at English China Clays plc before joining Halma plc, where she is now Company Secretary, having also been Group Financial Controller.

Dr David Grant (66)
CBE, FREng, FLSW, CEng, FIET
Senior independent director

- Member of the Nomination and Audit committees, Chair of the Remuneration committee.
- Appointed to the Board of Renishaw plc in April 2012.
- Currently senior independent director of IQE plc, non-executive director of the Defence Science and Technology Laboratory, chair of STEMNET and member of the governing board of the Technology Strategy Board.
- Was Vice-Chancellor of Cardiff University from 2001 to 2012 and previously held leadership positions at Dowty Group and GEC.

John Jeans (64)
CBE, CEng
Non-executive director

- Member of the Audit, Remuneration and Nomination committees.
- Appointed to the Board of Renishaw plc in April 2013.
- Currently chair of the Council of Cardiff University, Imanova (an imaging research partnership between three London universities and the Medical Research Council) and the board of MRC Technology.
- Board member of the University and College Employers Association.
- Chairs of the Technology Strategy Board's stratified medicine advisory board and is a Steering Board member of the HealthTech and Medicines Knowledge Transfer Network.
- John was appointed advisor to the Prime Minister at the Office of Life Sciences in June 2014.

Norma Tang (50)

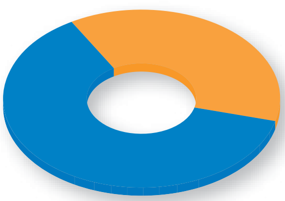
Head of Legal and Company Secretary

- Joined Renishaw in 2001.
- Qualified as a solicitor in 1988 and since then has specialised in company and commercial legal matters, advising business clients and as an in-house counsel.
- Heads the legal and company secretariat function, advising the Board on legal compliance and governance matters.

Board balance

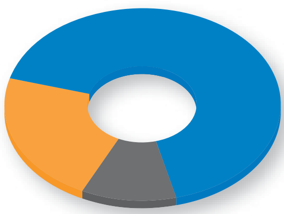
Chairman	1
Executive	4
Non-executive	3

Board tenure



0–3 years	3
10+ years	5

Board nationality



UK	5
USA	2
Ireland	1

Executive Board

Sir David McMurtry (74) CBE, RDI, FRS, FREng, CEng, FIMechE

Chairman and Chief Executive, Chair of Executive Board

See pages 60 – 61 for biography

John Deer (76)

Deputy Chairman

See pages 60 – 61 for biography

Ben Taylor (65) CEng, FIMechE

Assistant Chief Executive

See pages 60 – 61 for biography

Allen Roberts (65) FCA

Group Finance Director

See pages 60 – 61 for biography

Geoff McFarland (46)

Group Engineering Director

See pages 60 – 61 for biography

Norma Tang (50)

Head of Legal and Company Secretary

See pages 60 – 61 for biography

Leo Somerville (56)

President, Renishaw Inc

- Joined Renishaw in 1984.
- Initially served as Business Manager for machine tool probing and calibration products at Renishaw Inc.
- Became President of Renishaw Inc in 1993 and appointed to Executive Board in 2004.
- Appointed as a member of the International Sales and Marketing Board in 2008.

Dave Wallace (43) M.Eng

Director and General Manager, CMM, styli and fixturing products

- Joined Renishaw in 1989 through Renishaw's sponsored student scheme.
- Worked in various functions of the business including a one year secondment at Renishaw's German subsidiary before being appointed Director and General Manager for the CMM product line in 2002.
- Appointed to the Executive Board in 2008.

International Sales and Marketing Board

Kevin Gani (42)

Director of Sales Development

- Joined Renishaw in 2011 and was appointed Director of Sales Development in 2012.
- Over 20 years' experience in business development and sales management.
- Appointed as a member of the International Sales and Marketing Board in 2012.

Sean Hymas (48)

President and Representative Director, Renishaw KK

- Joined Renishaw in 1989 following a year's sandwich placement in 1987 – 1988.
- Over 20 years' experience of international sales and product marketing experience.
- Moved to Japan in 2008 to further drive sales and marketing at Renishaw KK.
- Appointed President of Renishaw KK and to the International Sales and Marketing Board in December 2012.

Rainer Lotz (49)

Managing Director, Renishaw GmbH

- Joined Renishaw in 2006.
- Over 15 years' experience in related positions.
- Appointed as a member of the International Sales and Marketing Board in 2008.

Rhydian Pountney (53)

General Manager, ROW sales

- Joined Renishaw in 1979.
- Appointed as a member of the International Sales and Marketing Board in 2008.
- Over 30 years' experience in sales and marketing. Responsible for 10 overseas operations including India and Russia.
- UK Chair of the advanced manufacturing group of the UK – India joint economic and trade committee.

Stewart Lane (42)

General Manager – UK Sales and Group Business Development

- Graduated with a degree in Manufacturing Systems Engineering before working internationally for a number of years in the automotive industry.
- Joined Renishaw 13 years ago working as both a design and business manager within the machine tool product line.
- Appointed as the Group's Business Development Manager in 2012 and General Manager for the UK sales organisation in 2013.

Jean-Marc Meffre (60)

Managing Director, Far East

- Joined Renishaw in 1988 as Managing Director of Renishaw France.
- Moved to Renishaw Hong Kong in 1997. Responsible for all the operations in the Far East and Australasia, except Japan.
- Appointed as a member of the International Sales and Marketing Board in 2008.

Masumu Oishi (56)

Deputy Chairman, Renishaw KK

- Joined Renishaw in 1982 and was appointed as President of Renishaw KK in 2002 then Deputy Chairman in 2012.
- Over 30 years' experience in Japan's machine tool industry.
- Appointed as a member of the International Sales and Marketing Board in 2008.

John Deer (76)

Deputy Chairman, Chair of International Sales and Marketing Board

See pages 60 – 61 for biography

Allen Roberts (65) FCA

Group Finance Director

See pages 60 – 61 for biography

Ben Taylor (65) CEng, FIMechE

Assistant Chief Executive

See pages 60 – 61 for biography

Leo Somerville (56)

President, Renishaw Inc

See page 62 for biography

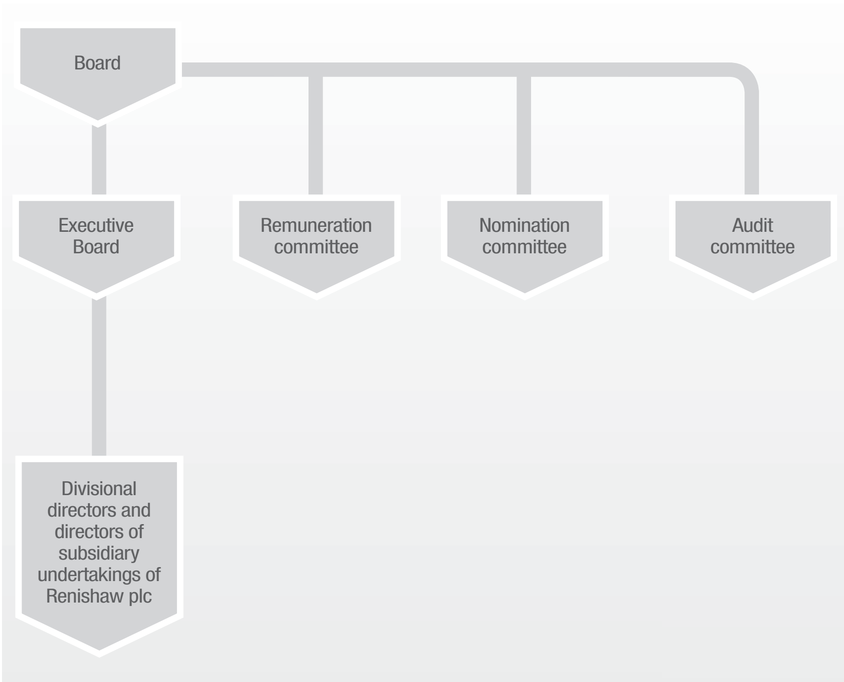
Norma Tang (50)

Head of Legal and Company Secretary

See pages 60 – 61 for biography

Directors' corporate governance report

Board structure



A. Leadership

The role of the Board

The Board comprises four executive and three non-executive directors in addition to the executive Chairman. The directors holding office at the date of this report and short biographical details are given on pages 60 and 61. Full biographical details are available on www.renishaw.com. The Company maintains liability insurance for its directors and officers as disclosed in the Other statutory and regulatory disclosures.

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

The Board meets as often as is necessary to discharge its duties effectively. In the financial year ended 30th June 2014, the Board met ten times and the directors' attendance record at Board and committee meetings is set out at the end of this report. In addition, the non-executive directors met a number of times without executive directors present.

A high level summary of subject areas discussed during the year are set out on page 65.

High level summary of subjects discussed during the year:

Strategy

- Business strategy
- Reviewing potential acquisitions/disposals
- Products and technology
- Engineering skills gap in schools initiatives
- CSR targets

Risk

- Group's risk analysis
- Patent litigation

Governance

- Legal updates and new disclosure requirements
- Board evaluation and actions arising
- Succession planning

Finance

- Forecasts
- Oversight of the preparation and management of the financial statements
- Dividend policy
- Announcements

Stakeholder engagement

- AGM and other shareholder feedback
- Investor day
- New investor relations website

Safety

- Health and safety system and reports

HR

- Pensions
- Remuneration policy
- Salary reviews
- Bonus

The Board has three formally constituted committees, the Audit committee, the Remuneration committee and the Nomination committee.

There is an executive management committee known as the Executive Board that is responsible for the executive management of the Group's businesses. It is chaired by the Chairman and includes the executive directors of Renishaw plc and two senior management representatives responsible for the CMM product line and the North and Central American market, respectively. The Executive Board usually meets for two days on a monthly basis and considers the performance and strategic direction of the metrology and healthcare businesses and other matters of general importance to the Group. In addition, there is an executive sales and marketing committee known as the International Sales and Marketing Board which meets quarterly to determine the Group's sales and marketing policies and strategies and review its sales and marketing activities. This committee is chaired by the Deputy Chairman and includes the Assistant Chief Executive and Group Finance Director plus the directors of the five largest sales subsidiaries and the Director of Sales Development.

A framework of delegated authorities is in place that maps out the structure of delegation below board level and includes the matters reserved to the Executive Board and the level of authorities given to management below the Executive Board.

The Board has adopted a conflict of interests policy, putting in place procedures for the disclosure and review of any conflicts and potential conflicts and authorisation by the Board (if felt appropriate). Authorisations granted and the terms of such are reviewed on an annual basis. New disclosures are made where applicable.

Directors' corporate governance report continued

Division of responsibilities/ the Chairman

The role of Chairman and Chief Executive is a combined role and thus contrary to the recommendations of the Code. Sir David McMurtry has held this position since the Company became a quoted company in 1983 and he and John Deer hold the majority of the voting interests in the Company.

There has been a voting agreement in place between Sir David and John Deer since 1983, further details of which are set out in the Other statutory and regulatory disclosures on page 82. The Board considers that there is still a clear division of responsibilities at Board level to ensure an appropriate balance of power and authority so that there is no one person with unfettered powers of decision. The Board and Executive Board meet on a sufficiently regular basis to make decisions of significance to the metrology and healthcare business segments and review management actions. It is intended that this combined role will continue for so long as Sir David McMurtry remains on the Board and he and John Deer hold a majority of the voting interests in the Company.

The Chairman has no other significant commitments as regards employment or directorships of other companies.

Non-executive directors

David Grant is the senior independent director and is available to discuss material concerns with shareholders should the normal channels of the Chairman and Chief Executive or the Group Finance Director fail to resolve such concerns. The non-executive directors meet without the executive directors present to discuss performance and other matters.

B. Effectiveness

Composition of the Board

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

David Grant is on the boards of the Defence Science and Technology Laboratory, STEMNET and the Technology Strategy Board, with which the Company has dealings. The Company confirms that David Grant has taken no part in decisions relating to any of the transactions between the Company and these organisations.

John Jeans is on the Council of Cardiff University and the board of MRC Technology, with which the Company has dealings. The Company confirms that John Jeans has taken no part in decisions relating to any of the transactions between the Company and these organisations.

The transactions referred to above are not material.

The Code recommends that at least half the Board, excluding the Chairman, should comprise independent non-executive directors. The Board complied with this requirement during part of the year but due to retirements the Board is not at the date of this report compliant. A recruitment process has been commenced for an additional non-executive director as described below.

Appointments to the Board

A description of the structure and activities of the Nomination committee are set out in the Nomination committee report on page 70.

Commitment

The terms of appointment of the non-executive directors, which includes the expected time commitment from non-executive directors and requiring any changes to other significant commitments to be discussed with the Chairman and Chief Executive in advance, are available for inspection at the AGM and at the registered office upon written request.

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

Development

Directors are offered the opportunity to attend formal training courses to update their knowledge of their duties as directors. Guidance notes on changes to law and regulations are provided as appropriate. Non-executive directors are invited to attend internal conferences, which provide information to the Group on new product development and marketing initiatives as well as our investor days, the first of which was held in May 2014. Business presentations are given at Board meetings to provide updates on and opportunities to discuss products and business strategies.

An induction pack is provided to new appointees to the Board and the induction programme (together with the continuing development programme) includes site visits and briefings by senior managers and attendance at internal senior management conferences and external trade shows, as well as foreign subsidiary visits, as applicable. For example, the newer Board members visited a number of foreign subsidiaries in the period including the USA, Hong Kong, Germany and Poland and attended strategy days and various trade shows.

Information and support

The Board receives appropriate documentation, management accounts, forecasts and commentaries thereon in advance of each Board meeting to enable its members to review the financial performance of the Group, current trading and key business initiatives. Regular financial updates are also provided between meetings. The company secretary advises the Board on all governance matters. All directors have access to the company secretary and to independent professional advice at the Company's expense where necessary to discharge their responsibilities as directors. The appointment and removal of the company secretary is a matter reserved for the Board.

Evaluation

The Board and committees undertake an annual evaluation of their performance. The format for the evaluation varies each year. Last year David Mensley of Equity Communications Limited was appointed to undertake an externally facilitated evaluation through use of a thorough questionnaire focusing on topics such as board effectiveness, corporate strategy, risk oversight, training and board administration. The process also included the Board committees. Equity Communications Limited has no other connection with the Company. Following the evaluation the Board worked on the improvement of meeting administration (including agendas), dissemination of updated financial information and provision of summaries of Executive Board meetings to non-executive directors shortly after each Executive Board meeting. A strategy day was also held. This year an internal evaluation has been carried out and comments supplied by the directors were discussed and action points agreed.

The Chairman and Chief Executive discusses performance with individual directors.

Re-election

In accordance with the Code all the directors will retire from the Board at the next AGM and will offer themselves up for re-election at the AGM.

C. Accountability

Financial and business reporting

The respective responsibilities of the directors and auditors in connection with the financial statements are explained in Directors' responsibilities on page 85 and the Independent auditor's report on page 86.

Fair, balanced and understandable

The directors consider that the Annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Going concern

The Group's strategy for delivering its objectives and its business model, together with the factors likely to affect its future development, performance and position are set out in the Strategic report, where are also given details of the financial and liquidity positions. In addition, note 22 in the financial statements includes the Group's objectives and policies for managing its capital, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

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

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.

Risk management and internal control

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

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

Directors' corporate governance report continued

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

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

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

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

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

Audit committee and auditor

A description of the structure and activities of the Audit committee are set out in the Audit committee report on pages 71 to 73.

D. Remuneration

The Directors' remuneration report explains how the Company applies the Code principles relating to remuneration.

E. Relations with shareholders

Dialogue with shareholders

The Board announced a new policy in the 2013 Annual report. No private meetings will be held other than shareholder meetings with the Chairman, Senior independent director and/or any other non-executive director where a shareholder has material issues, concerns or questions. The director attending such a meeting will communicate the shareholder's issues, concerns or questions to the Board. The Board's response will be published on the Renishaw website for the benefit of all shareholders where appropriate. The interim and annual results and presentations are posted on the Company's website promptly after announcement of the results to the UK Listing Authority via an RIS.

Open webcasts of presentations on annual and half-yearly results are held and recordings of the presentations and the subsequent question and answer sessions made available after the webcast on the Company's website. Analysts' and brokers' reports will be circulated to the Board. The Board intends to hold open discussions with any shareholder who wishes to share views with the directors at the AGM or the annual investor day at which presentations on Group strategy, business segments and product lines will be given by members of the Board and senior management, as well as tours covering the Group's activities. This year 60 market participants attended the Company's inaugural investor day which included a Q&A with the Board. Open days with appropriate notice may be organised from time to time at the Company's site. The investor relations website has been significantly expanded in the period including a range of corporate videos which are being developed. This is an ongoing process.

Constructive use of the AGM

The AGM takes place at the Company's headquarters or one of the Company's other sites and formal notification is sent to the shareholders at least 20 working days before the meeting. A business presentation is given and all directors are available for questions during and after the meeting, including the chairs of the Audit, Remuneration and Nomination committees. Tours of the Company's facilities are offered.

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

Disclosure rule DTR 7.2.6 R

The information regarding share capital required to be disclosed by this rule is contained in the Other statutory and regulatory disclosures.

Board and committee meeting attendance record

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

Compliance statement

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

- the combined role of chairman and chief executive (code provision A.2.1); and
- for part of the year at least half the board did not comprise independent non-executive directors (code provision B.2.1).

David Grant
Senior independent director
23rd July 2014

Board attendance record

Director	Board	Audit committee	Remuneration committee	Nomination committee
Sir David McMurtry	10 (10)	–	–	6 (6)
D J Deer	10 (10)	–	–	–
B R Taylor	10 (10)	–	–	–
A C G Roberts	10 (10)	–	–	–
G McFarland	10 (10)	–	–	–
C T Chesney	10 (10)	3 (3)	3 (3)	6 (6)
D Grant	10 (10)	3 (3)	3 (3)	6 (6)
D J Jeans*	8 (9)	3 (3)	2 (3)	4 (6)
W H Whiteley**	2 (3)	2 (2)	2 (2)	0 (0)

* John Jeans partly attended one board meeting because of a commitment to attend a Ministerial Medical Technology Strategy Group and did not attend committee meetings held on that day. He did not attend board and committee meetings held on another day for family medical reasons.

** Bill Whiteley did not attend the board meeting held on the day of the AGM 2013 as he was not being put forward for re-election.

Nomination committee report

Sir David R McMurtry
Chairman and Chief Executive
Chair of the Nomination committee

"The Nomination committee has an important role in leading the process for Board appointments and ensuring that the Board has the correct balance of experience, diversity and skills to support our business model and strategy."

Nomination committee role and composition

The Nomination committee, which meets on an ad hoc basis as required, is responsible for reviewing the size, structure and composition of the Board including its balance of skills, knowledge and experience and for nominating candidates for appointment to the Board.

The members of the Nomination committee are Sir David McMurtry (Chair), Carol Chesney, David Grant and John Jeans. The majority of the members of this committee are independent non-executive directors. The terms of reference of this committee are published on the Company's website.

Activities during the year

The committee met six times during the year. Further details are on page 69.

A recruitment consultant, CT Partners Augmentum, was engaged to seek appropriate candidates for appointment as an additional non-executive director following a review of the composition of the Board and the experience represented. The shortlist for interviews was to include candidates that have the required skills and experience and, where possible, at least one-third to be female candidates. This recruitment process is currently ongoing. CT Partners Augmentum has no other connection with the Company. Appropriate succession plans for the Board and senior executives were also discussed.

Boardroom diversity

The Board has considered the recommendations of the "Women on Boards" report issued by Lord Davies of Abersoch as regards setting out aspirations for the appointment of women to the board by 2013 and 2015 and has decided that it is inappropriate to set out any levels that may require positive discrimination in this respect, as the overriding requirement is to appoint directors with the necessary skills and experience for the role.

However, as an international company, the Board acknowledges that diversity of all types is a benefit and should be borne in mind when recruiting to all roles within the Company and has a policy to provide equal opportunities to all. The Board's policy is to request where recruitment consultants are appointed, that a proportion of female candidates are included in their shortlist.

Sir David R McMurtry
Chair of the Nomination committee
23rd July 2014

Audit committee report

Carol Chesney
Non-executive director
Chair of the Audit committee

"The Audit committee has a vital role to play in ensuring the integrity of our financial statements and the effectiveness of our risk management processes and internal controls. During 2014 we also monitored the various changes to the Code and this report explains how we fulfilled our duties."

Audit committee role and composition

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

The Audit committee comprises the three non-executive directors, Carol Chesney (Chair), David Grant and John Jeans. The Board is satisfied that at least one member of the committee has recent and relevant financial experience, being Carol Chesney. The terms of reference of this committee were reviewed during the year and are available on the Company's website.

Meetings

The committee meets at least three times a year with the Group Finance Director, the Group Financial Controller, the Group Audit Manager and the external auditors in attendance. At least one meeting, or part thereof, is held with the external auditor without executive directors present. This year the committee met three times, further details are on page 69.

Fair, balanced and understandable report and accounts

One of the key governance requirements is for the Annual report to be fair, balanced and understandable. Ensuring that this standard is met requires continuous assessment of the financial reporting issues affecting the Group on a year-round basis in addition to a number of focused exercises that take place during the accounts production process within a strict time frame.

An extensive verification exercise was undertaken to ensure the factual accuracy of the Annual report by

Audit committee report continued

the Board and senior management. An advanced draft of the Annual report was considered by the committee at its meeting on 9th July 2014 with a final draft being reviewed on 18th July 2014 prior to it being presented to the Board. Following those discussions, the committee advised the Board that the Annual report, taken as a whole is fair, balanced and understandable.

The directors' statement on a fair, balanced and understandable annual report is set out on page 67.

Significant issues in relation to the financial statements

As part of the reporting and review process, the committee has regular discussions with management and the external auditor relating to significant issues. During the year the committee considered the significant issues set out below in relation to the financial statements. Also contained below is a commentary on how these issues were addressed:

i) The carrying value of goodwill

The committee focused on the impairment testing by the Company of the carrying value of goodwill. By applying knowledge and making enquiries of the relevant cash generating units, reviewing the forecasts and the sensitivity analysis, the committee agreed with the conclusion reached that no impairments were required.

ii) The carrying value of inventory

Provisions are made to write down slow-moving and obsolete inventory items to net realisable value, based on an assessment of technological and market developments and on an analysis of historic and projected demand. The assessment used to calculate the provisions needed requires the application of judgement by management.

The committee received confirmation from management that the approach used to determine the provision was consistent with the previous year and made enquiries of management to gain an understanding of how business developments, both technological and market driven, had impacted the provision during the year. The external auditor explained to the committee the work they had performed on inventory provisions during the year. The committee was satisfied that the management judgements applied were appropriate and that the provision was appropriately stated at the year end.

Approach to auditor appointment and audit quality

The committee has primary responsibility for making the recommendation on the appointment, reappointment and removal of the external auditor, which the Board puts to shareholders for approval at the AGM. During the previous financial year, the committee adopted policies on non-audit services and audit services provision. KPMG LLP and its predecessor firms have been auditor since 1974 and the lead audit partner has changed in line with their internal rotation requirements. There has been no tender for audit services since 1974. It is intended that a tender for the audit will take place in 2017.

When tendering for audit services, tenders will not be assessed solely on the basis of lowest fees, but on a number of issues such as:

- skills and knowledge of the team proposed to do the work;
- quality of work;
- independence of the audit firm from the Company;
- audit partner rotation and succession planning;
- global coverage for the Company's subsidiaries;
- value for money;
- audit approach and methodology;
- internal governance processes;
- technical capabilities of the firm as a whole; and
- ethical behaviour and fair dealing.

The committee assesses the effectiveness of the external audit process and the quality of the audit work throughout the year by considering:

- any issues arising from the prior year audit;
- the proposed audit plan including the identification of risks specific to the Group, audit scope and materiality thresholds;
- feedback from the executive management;
- the delivery of the audit in line with the plan;
- the communication of matters arising during the audit to the committee;
- private meetings with the auditor without management being present; and
- the independence and objectivity of the auditor.

Independence of external auditor

In order to safeguard the independence and objectivity of the external auditor, the committee reviews the nature and extent of the non-audit services supplied, receiving reports on the balance of audit to non-audit fees. The committee regards it most cost efficient to use the external auditor for tax advice and compliance since this requires an in-depth knowledge and understanding of the Company's business, products, customer base and markets. The non-audit services policy provides that the auditor shall not be allowed to provide services where there is involvement in management functions or management decision making; and/or any service on which management may place primary reliance in determining the adequacy of internal controls, financial systems or financial reporting. There are also specified services which require the prior approval of the Group Finance Director and Audit committee chair before the auditor may be appointed to provide such services. In addition there are specified levels of authorisation to be obtained before the auditor may be permitted to tender for non-audit services.

An analysis of fees paid to KPMG LLP, including the split between audit and non-audit services, is included in note 6 to the accounts.

Other matters

The committee reviews the policy by which employees of the Company may, in confidence, raise matters of concern, including possible improprieties in financial reporting or other matters. It also monitors the effectiveness of the Company's procedures to avoid any bribery related to the activities of the Group.

Carol Chesney
Chair of the Audit committee
23rd July 2014

Directors' remuneration report

Statement from the chair of the Remuneration committee

David Grant
Senior independent director
Chair of the Remuneration committee

Remuneration committee role and composition

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

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

The committee reviews annually the executive directors' remuneration in the context of the Company's performance during the year.

All the members of the committee are non-executive directors, comprising David Grant (Chair), Carol Chesney and John Jeans. The terms of reference of the committee are published on the Company's website. No executive director attends meetings of the committee.

On behalf of the Board, I am pleased to present the Directors' remuneration report for 2014.

The report complies with the new requirements for reporting on directors' pay introduced in October 2013 and is split into the following three sections:

1. a statement from the Chair of the Remuneration committee;
2. a policy report, setting out the directors' remuneration policy of the Company; and
3. an annual report on remuneration, setting out information on directors' remuneration paid during the year.

The remuneration policy set out in this Directors' remuneration report will be presented for consideration by a binding vote at the AGM to be held on 16th October 2014 and, if approved, unless there is a material change in circumstances requiring an amended policy to be presented to the shareholders (see further comments below), we expect this policy to apply for three years with effect from the AGM.

The rest of the Directors' remuneration report, excluding the remuneration policy will be presented to the AGM for an advisory vote.

The Remuneration committee's approach continues to be to align executive director remuneration with the Group's performance, using clear and simple remuneration structures.

During the year, the committee approved executive directors' base salaries for 2014 and the executive director bonus for 2013 in line with the programme set for that year and considered and set the executive director annual bonus programme for 2014. In relation to the 2014 annual bonus, we reviewed the bonus targets and moved from a target based on earnings per share used in previous years, to a more transparent profit before tax target, but continuing with the same structure.

In relation to setting remuneration for the next financial year, the committee has taken into account the economic environment and employee remuneration conditions within the UK and the overseas markets in which we operate, together with employee retention and recruitment reviews.

Renishaw executive directors do not participate in a long-term incentive plan ("LTIP"). The Remuneration committee recognises that this is unusual compared to many other companies, and annually we therefore question whether Renishaw's performance would be enhanced through the introduction of such a scheme. There is no evidence, however, that the excellent performance in the past has been diminished in any way by the lack of a scheme. However, the Remuneration committee will continue to question and explore the potential value of LTIPs and next year we will investigate whether a longer term plan could be introduced and if so, the form of such plan, which would be subject to shareholder approval.

David Grant
Chair, Remuneration committee

Remuneration policy

This section of the Directors' remuneration report sets out the directors' remuneration policy of the Company. It is the first policy to be presented to the shareholders for approval.

Executive directors' policy table

Set out below is a table describing each component of the remuneration package applicable to the executive directors.

Element of remuneration	Purpose and relevance to strategy	Operation	Maximum	Performance measures
Base salary	To provide a competitive fixed salary to motivate and retain executive directors of the required quality to meet the Group's objectives.	Renishaw aims to pay the base rate salary at least at the current median market rate or above, as compared to the equivalent job position/ level in the relevant industrial sector(s) applicable to Renishaw, as defined in the appropriate benchmarking pay surveys, statistics and peer comparisons (such peer selection to include factors such as size and location). Base salary is reviewed annually taking into account the award for the UK workforce.	110% of median salaries in a comparator group as decided by the committee. Renishaw has historically paid base salaries that are higher than median, reflecting the lack of an LTIP (see Statement on page 74). The committee retains the discretion to make adjustments at the annual review to take into account matters affecting an individual director such as changes in responsibility and anomalies discovered during benchmarking.	To reflect the director's role, performance and experience.
Benefits	To provide market-competitive benefits to motivate and retain executive directors of the required quality to meet the Group's objectives and to support them to give maximum attention to their role.	Benefits provided on an ongoing basis include the following principal benefits: • a car or car allowance; • private medical insurance; • life assurance; • long-term disability cover; • home telephone costs. If, on the recruitment of a new executive director, relocation is required to the director's place of work, relocation support which is regarded by the committee to be necessary to provide appropriate support to the director will be provided to cover items such as transaction and legal fees, removals and temporary accommodation and subsistence costs.	Excluding accommodation and relocation costs, not to exceed £50k p/a.	Not applicable.

Directors' remuneration report continued

Remuneration policy continued

Executive directors' policy table continued

Element of remuneration	Purpose and relevance to strategy	Operation	Maximum	Performance measures
Bonus	To incentivise and reward execution of the Group's objectives.	The committee sets group performance targets, including a baseline below which no bonus is earned, with a bonus payable from that point, increasing on a straight-line basis to a target at which 75% of salary would be earned and a cap at which a maximum 100% of salary would be earned. Part or all of any bonus paid may be subject to repayment in the case of any financial misstatement, errors in calculation or gross misconduct.	100% of salary.	Based on group performance, primarily financial, but the committee may introduce non-financial metrics or make adjustments to reflect appropriate performance or competitive factors, provided that the bonus will always be subject to achievement of the baseline financial targets and such non-financial metrics shall not form more than 25% of the bonus opportunity.
Pension	To provide a competitive pension as appropriate to motivate and retain executive directors of the required quality to meet the Group's objectives.	Each of Allen Roberts, Ben Taylor and Geoff McFarland receive an additional payment of 15% of base salary, being the amount that would otherwise be contributed to a pension scheme on their behalf. For any new executive director, annual contributions based on a percentage of base salary will be made to the Company's defined contribution scheme or additional salary may be paid in lieu, as agreed by the committee. Geoff McFarland is a deferred member of the Company's defined benefit scheme which closed for future accruals on 5th April 2007.	The maximum contribution to the defined contribution scheme, or, where applicable, additional salary payment in lieu of contributions will be 15% of base salary.	Not applicable.

Non-executive directors' policy table

The remuneration of the non-executive directors is determined by the executive directors and consists of a fee only. There is no entitlement to any benefits, bonus, incentive plans or pension. Set out below is a table showing the fees for the non-executive directors of the Company:

Element of remuneration	Purpose and relevance to strategy	Operation	Maximum	Performance measures
Fee	To provide a competitive fee to motivate and retain non-executive directors of the required quality to meet the Group's objectives.	The non-executive directors are paid the same fee, irrespective of membership of or acting as a Chair of a committee. The fees are reviewed annually with reference to fees payable to non-executive directors of companies of a similar size and complexity. Reasonable expenses incurred in undertaking duties as a director are reimbursed.	The maximum fees payable will be set by the Company's Articles of Association, currently an aggregate of £300,000 per annum.	Not applicable.

Approach to recruitment remuneration

When agreeing the components of remuneration package for the appointment of new executive directors, the committee will consider the remuneration package of the existing executive directors to ensure a consistent approach.

For an external hire, base salary will be set in line with the factors set out in the policy table, taking into account the individual's experience and the amount required to attract the individual to join the Company. Also to be considered are global factors, such as the location where the individual will be based, or where he or she was previously located. The committee may also consider paying compensation for the forfeit of any award under variable remuneration arrangements with a previous employer. Relocation will be subject to the principles set out in the policy table. When an internal appointment is made, any pre-existing obligations may be honoured and payment will be permitted under the policy.

Service contracts and policy on payment for loss of office

The executive directors' service contracts require 12 months' notice of termination by either party. There are no obligations in any executive director's service contract or non-executive director's letter of appointment which would require the Company to pay a specific amount of compensation for loss of office.

The executive directors' service contracts reflect the Company's policy regarding notice periods. No payment will be made for a termination by the Company for a breach by the executive director of his or her service contract. In other cases, payment in lieu of notice will be considered up to the 12 months' notice period to cover base salary, benefits and pension contributions. If additional compensation is required to be considered, such as on a settlement or compromise agreement, the committee will consider all relevant commercial factors affecting the specific case.

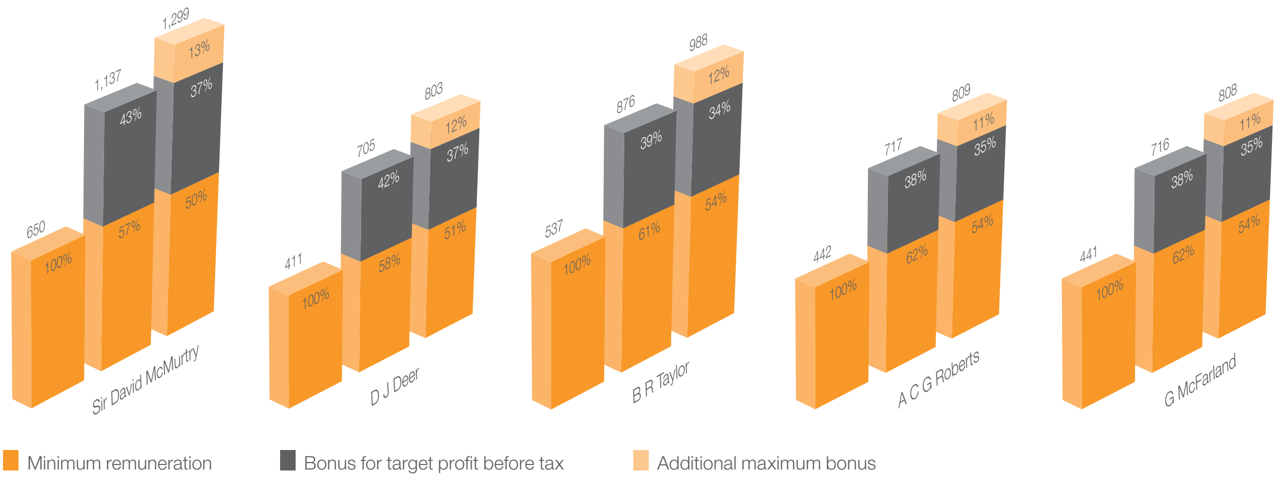
The non-executive directors are appointed for an initial three-year period subject to annual performance review and re-election at AGMs, unless terminated earlier by either party on one month's written notice. Each of the current non-executive directors have been appointed within the last three years. Appointments will not normally continue beyond nine years in office.

Directors' remuneration report continued

Remuneration policy continued

Illustrations of application of remuneration policy

The following bar charts for each executive director set out: firstly, the minimum remuneration payable in respect of salary, benefits and pension; secondly, the remuneration payable if performance is in line with the Company's expectations; and thirdly, the remuneration payable if the maximum bonus is payable for the financial year ending 30th June 2015. Benefits are not subject to specified minima or maxima.



Statement of consideration of employment conditions elsewhere in the Group

The committee takes into account the pay and employment conditions of the Group in the country in which the executive director resides and is satisfied that the approach taken is fair and reasonable based on market conditions and practice and the best interests of the shareholders. When considering the annual salary review, the average base salary increase awarded to the employees in the relevant country provides a guide when determining the salaries of the executive directors located in that country.

The Company did not consult with employees when the remuneration policy was drawn up.

In setting the policy, the committee did not undertake extensive remuneration comparison measurements but did review the remuneration policies of other companies whose remuneration reports had already been published under the revised regulations.

Statement of consideration of shareholder views

The committee has noted comments provided by external shareholders when drawing up the remuneration policy. At the AGM in 2013, the advisory vote on the Directors' remuneration report received proxy votes of 99.61% in favour.

Annual remuneration report

This section of the report sets out the remuneration of the directors in the year ended 30th June 2014.

Single total figure table (audited)

	Salary/fees		Benefits		Bonus		Pension		Total	
	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**
Sir David McMurtry	600	**630**	2	**2**	61	**0**	n/a	**n/a**	663	**632**
D J Deer	362	**381**	18	**19**	37	**0**	n/a	**n/a**	417	**400**
B R Taylor	418	**438**	19	**19**	42	**0**	63	**66**	542	**523**
A C G Roberts	340	**357**	19	**19**	34	**0**	51	**53**	444	**429**
G McFarland[1]	340	**347**	17	**18**	34	**0**	55	**63**	446	**428**
C T Chesney[2]	28	**42**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	28	**42**
D Grant	40	**42**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	40	**42**
D J Jeans[2]	9	**42**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	9	**42**
W H Whiteley[2]	40	**12**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	40	**12**

[1] Figures for G McFarland reflect an element of salary sacrifice.

[2] C T Chesney was appointed a director on 19th October 2012, D J Jeans was appointed a director on 11th April 2013 and W H Whiteley retired as a director on 17th October 2013.

Benefits

	Car allowance £'000	Private medical cover applies to all executive directors and home telephone costs, insurance on personal cars, M4 bridge toll fees, US tax return advice is provided to certain directors £'000
Sir David McMurtry	n/a	2
D J Deer	17	2
B R Taylor	17	2
A C G Roberts	17	2
G McFarland	17	1

Bonus

For the year in question, the bonus was determined by group performance targets for the year, based on an adjusted profit before tax set at levels above the previous year's profit before tax and with a threshold below which no bonus is earned. A target profit before tax set for the year in question enabled 75% of salary to be earned as a bonus. A further bonus could be earned based on performance subject to a maximum 100% of salary. No other performance measures were set.

Total pension entitlements

G McFarland is a member of the Company's closed defined benefit scheme. At 30th June 2014, the value of the defined benefit pension entitlement was £28,308 per annum. The normal retirement age for G McFarland is 65. On death, pension benefits would pass to dependants.

Current year pension scheme contributions payable by the Company have been taken as cash, except for part of G McFarland's entitlement, which was paid into the Company's defined contribution scheme.

The value of G McFarland's defined contribution scheme at 30th June 2014 was £383,772.

Payments to past directors

No payments were made to past directors during the year.

Loss of office payments

There was no termination of employment of directors during the year.

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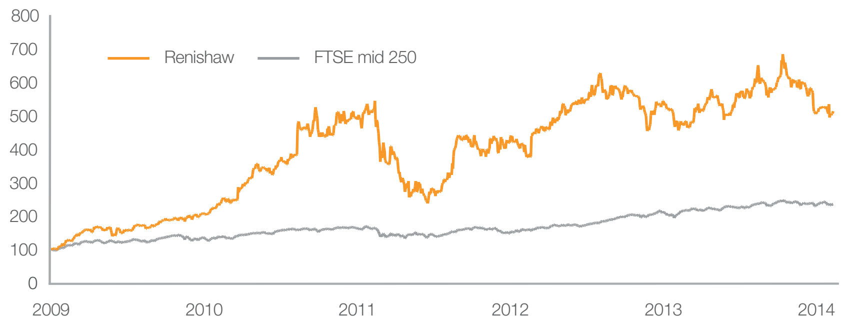
Directors' remuneration report continued

Annual remuneration report continued

Performance graph and table

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

The share price and the FTSE mid 250 index have been rebased to 100 at 1st July 2009.



Executive directors serving as non-executive directors of other companies

G McFarland served as a non-executive director of Delcam plc until 7th February 2014. Neither the Company nor G McFarland received any remuneration or fees in respect of such directorship.

Statement of directors' shareholding and share interests

None of the directors is required to own shares in the Company. The interests of the directors who have served during the year in shares (including connected persons) are:

	Number of ordinary shares of 20p each
Sir David McMurtry	26,377,291
D J Deer	12,233,040
B R Taylor	10,147
A G Roberts	5,165
G McFarland	2,000
C T Chesney	500
D Grant	-
D J Jeans	-
W H Whiteley	6,765

There were no share-based payments made or share schemes in place during the year.

Chief Executive total remuneration

The table below sets out information relating to Sir David McMurtry who was the Chief Executive for each of the years in question:

Year	Single figure of total remuneration (£'000)	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2014	632	0%	n/a
2013	663	10%	n/a
2012	969	69%	n/a
2011	1,066	100%	n/a
2010	472	0%	n/a

Percentage change in remuneration of the Chief Executive

The following table sets out a comparison of the percentage change in the Chief Executive's remuneration to the average percentage change in remuneration for all UK employees from 2013 to 2014.

	Percentage change in salary	Percentage change in benefits	Percentage change in annual bonus
Chief Executive	+5%	0%	-100%
UK employees (average)	+4%	+4%	-21%

UK employees have been chosen as a comparator group in order to avoid the impact of exchange rate movements over the year. UK employees make up 66% of the total number of group employees.

Relative importance of spend on pay

The following table sets out the total amount spent in the current financial year and the previous year on remuneration to all group employees and on dividends to shareholders:

	2013 £'000	**2014 £'000**	change %
Employee remuneration	137,253	**146,850**	+7%
Shareholder dividends paid	28,773	**29,115**	+1%

Except as shown above, no other distributions have been made to shareholders or other payments or uses of profit or cash flow which impact on the understanding of the relative importance of spend on pay.

Statement of implementation of remuneration policy in the next year

The executive directors' salaries will be increased by 2.93% in 2015 which is in line with the UK workforce salary review. The bonus scheme targets have been set based on the policy as set out in the policy table.

Consideration by directors of matters relating to directors' remuneration

During the year, the Remuneration committee considered the amount of the executive directors' salary and the framework for the annual bonus. The members of the Remuneration committee for such purpose were:

D Grant (Chair)

C T Chesney

D J Jeans

No other person materially assisted the committee in their consideration of these matters.

In relation to the consideration of the drafting of the directors' remuneration policy and the annual remuneration report, the committee, comprising the members set out above, were materially assisted by the Company Secretary.

Statement of voting at general meeting

At the annual general meeting held on 17th October 2013, votes cast by proxy in respect of the directors' remuneration were as follows:

Resolution	Votes for*	% for*	Votes against	% against	Total votes cast	Votes withheld
Approval of remuneration report	62,032,614	99.6%	246,091	0.4%	62,278,705	14,586

*including Chairman's discretion

There was no vote on the remuneration policy as this year is the first year in which such a vote is required.

The Company deems that a significant percentage of votes against as being more than 20%, as a result of which the Company would provide in this report any reasons known to it for such a vote and any actions taken.

The report was approved by the Board of directors and has been signed on its behalf by:

David Grant

Chair of the Remuneration committee

23rd July 2014

Other statutory and regulatory disclosures

Review of the business

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

The Group has established and acquired overseas manufacturing, marketing and distribution subsidiaries to manufacture some of the Group's products and to provide support to customers in our major markets in the following regions outside the UK:

- Europe: Germany, France, Italy, Spain, Switzerland, The Netherlands, Czech Republic, Poland, Russia, Sweden and Austria;
- Americas: USA, Mexico, Brazil and Canada;
- Far East: Japan, Hong Kong, Australia, South Korea, The People's Republic of China, Singapore and Taiwan; and
- Other regions: India and Israel.

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

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

Dividends

The directors propose a final dividend of £21,741,938 or 29.87p per share (2013: £20,868,475 or 28.67p per share) which, together with the interim dividend of £8,246,942 or 11.33p per share (2013: £8,246,942 or 11.33p) makes a total amount of dividends for the year of £29,988,880 or 41.2p per share, compared to £29,115,417 or 40p per share for the previous year.

Directors and their interests

The directors at the end of the year are listed below together with their interests in the share capital of the Company (with the equivalent number of voting rights), as notified to the Company:-

	Ordinary shares of 20p each
Sir David McMurtry	26,377,291
D J Deer	12,233,040
B R Taylor	10,147
A C G Roberts	5,165
G McFarland	2,000
C T Chesney	500
D Grant	nil
D J Jeans	nil

All the above interests were beneficially held with the exception of 2,434,411 shares (2013: 2,434,411 shares) which were non-beneficially held by D J Deer but in respect of which he has voting rights.

There has been no change in the above holdings in the period 1st July 2014 to 23rd July 2014. In accordance with the provisions of the Code all directors will retire and, being eligible, offer themselves for re-election at the annual general meeting ("AGM") to be held on 16th October 2014. Details of the directors are shown on pages 60 and 61 and full biographical details are available on www.renishaw.com.

Sir David McMurtry, as one party, and D J Deer and Mrs M E Deer, as the other party, have entered into an agreement relating to the way each party would vote in respect of his or her shares if requested by the other party to do so. Under this agreement Sir David McMurtry, John Deer and Mrs Deer agree that (i) Mr and Mrs Deer will vote their shares in favour of any ordinary resolution if requested to do so by Sir David McMurtry and (ii) Sir David McMurtry will vote his shares against any special or extraordinary resolution if requested to do so by John Deer. The voting arrangement was renewed in 2013 for a further period of 5 years and will terminate on the earlier of 25th May 2018 and the deaths of both of Sir David McMurtry and John Deer.

The rules on appointment, reappointment and retirement by rotation of the directors and their powers are set out in the Company's Articles of Association. There are no powers given to the directors that are regarded as unusual.

Directors' and officers' indemnity insurance

Subject to the provisions of the Companies Act 2006, the Company's Articles of Association provide for the directors and officers of the Company to be appropriately indemnified. The Company maintains insurance for the directors and officers of the Company in respect of their acts and omissions during the performance of their duties.

Share capital

Details of the Company's share capital, including rights and obligations, is given in note 21 to the financial statements. The Company is not a party to any significant agreements that might terminate upon a change of control of the Company.

A shareholder's authority for the purchase by the Company of a maximum of 10% of its own shares was in existence during the 2014 financial year. However, the Company did not purchase any of its own shares during that time.

Auditor

A resolution to reappoint KPMG LLP as auditor of the Company, will be proposed at the forthcoming AGM.

Disclosure of information to auditor

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

Annual general meeting

The notice convening the AGM and an explanation of the resolutions sought are set out in a circular which has been sent to the shareholders separately. At the meeting, the Company will be seeking shareholder approval for, amongst other things, the ability to make market purchases of its own ordinary shares, up to a total of 10% of the issued share capital.

The directors consider that all the resolutions proposed are in the best interests of the Company and its shareholders as a whole and unanimously recommend that shareholders vote in favour of the resolutions, as they intend to do in respect of their own holdings.

Other statutory and regulatory disclosures continued

Substantial shareholdings

Apart from the shareholdings (and corresponding voting rights) of Sir David McMurtry and John Deer (36.2% and 16.8% respectively), the following voting rights have been notified to the directors under the requirements of the UK Listing Authority's Disclosure Rules and Transparency Rules DTR 5, which represent 3% or more of the voting rights attached to issued shares in the Company, as at 30th June 2014:

	% of issued share capital	Number of shares
Baillie Gifford & Co	5.25%	3,846,993
BlackRock Inc	4.92%	3,578,133
Capital Research and Management Company	4.76%	3,465,730
Standard Life Investments Limited	4.99%	3,631,612

No notifications have been received under the provisions of DTR 5 in the period 1st July 2014 to 23rd July 2014.

Research and development

The Group has a continuing commitment to a high level of research and development. The expenditure involved is directed towards the research and development of new products relating to metrology, including computer aided design and manufacturing systems, and relating to healthcare products, including Raman spectroscopy systems, dental systems and certain areas in the medical devices field. Further information on the expenditure on research and development is contained in the financial review section of the Strategic report.

Employees

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

Employment policies are designed to provide equal opportunities irrespective of race, colour, religion, sex, age, disability or sexual orientation. Proper consideration is given to applications for employment from disabled people who are employed where suitable for appropriate vacancies. Employees who become disabled whilst with the Company will be given every opportunity to continue their employment through reasonable adjustment to their working conditions, equipment, or where this is not possible, re-training for other positions. They will also be afforded opportunities to continue training and gain promotion on the same basis as any other employee.

Details on information provided to staff on the performance of the business, consultation with employees and performance incentives are contained in the description of corporate social responsibility activities set out on pages 48 and 49.

There are no agreements with employees providing for compensation for any loss of employment that occurs because of a takeover bid.

Donations

No political donations were made during the year (2013 £nil).

Controlling shareholders' arrangements

In May 2014 the Listing Rules (Listing Regime Enhancements) Instrument 2014 came into effect. The revised rules require that premium listed companies with "controlling shareholders" (defined as a shareholder who individually or with any of their concert parties exercises or controls 30% or more of the votes able to be cast on all or substantially all the matters at the Company's general meeting) must enter into a relationship agreement containing independence provisions. Transitional arrangements provide that the Company has until 16th November 2014 in order to implement the relationship agreement and therefore the Company is in the process of putting in place an appropriate agreement.

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by law are set out in the Corporate social responsibility report on pages 54 and 55.

Signed on behalf of the Board

Norma Tang
Company Secretary
23rd July 2014
Renishaw plc
Registered number 1106260, England and Wales

Directors' responsibilities

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

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

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

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

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

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

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board

Allen Roberts
Group Finance Director
23rd July 2014

Independent auditor's report to the members of Renishaw plc

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Renishaw plc for the year ended 30th June 2014 set out on pages 89 to 126. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30th June 2014 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit were as follows.

i) Carrying value of goodwill (£19.7m)

Refer to page 72 (Audit committee report), page 97 (accounting policy) and pages 104 and 105 (financial disclosures).

The risk – Goodwill acquired in a business combination is allocated to the Group's Cash Generating Units ("CGUs"), which are aligned with the statutory entities acquired. The recoverable amounts of the CGUs are determined from value in use calculations and where the carrying value of a CGU exceeds its recoverable amount an impairment charge is required. The Group has engaged in a number of business combinations in recent years; a number of acquisitions are still in the research and development phase and have not yet started trading; this makes forecasting inherently more judgemental.

Adverse changes in assumptions, particularly relating to forecast cash flows and discount rates, could reduce the recoverable amount below the carrying amount, and give rise to an impairment charge. The forecasting of cash flows and the selection of an appropriate discount rate are therefore key judgemental areas that our audit is concentrated on.

Our response – In this area our audit procedures included, among others, evaluating the Group's budgeting procedures upon which the forecast cash flows are based by performing an assessment of the historical accuracy of budgets for trading entities by comparing previously budgeted figures to actual results. We also critically assessed the ongoing forecasts for companies in the research and development phase, by considering the assumptions adopted by the directors when preparing the forecasts for these entities and taking into account the experience of the Group at maturing past research and development companies into profitable trading entities.

We challenged the Group's selection of the discount rates used by considering the assumptions underlying the calculation of each discount rate; using external data (including competitor analysis) to determine an appropriate range for each type of business and comparing the actual rate used to that range. For the period beyond the financial budgets and forecasts, we assessed whether the growth rate used was consistent with both historical performance and future business strategies.

We evaluated the Group's sensitivity analysis, by performing our own analysis to assess the sensitivity of the impairment reviews to changes in the key assumptions of the discount rate, the forecast cash flows and growth rate beyond the financial budgets.

We assessed the adequacy of the Group's disclosures in respect of the impairment testing of goodwill and whether disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflected the risks inherent in it.

Strategic report
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ii) Carrying value of work in progress (£15.3m) and finished goods (£24.8m)

Refer to page 72 (Audit committee report), page 99 (accounting policy) and page 110 (financial disclosures).

The risk – There are significant inventory holdings throughout the Group; in the key manufacturing centres in the UK, Ireland and India and sales offices around the world. Due to the fast paced nature of the industry there is a risk of product obsolescence.

The Group maintains an inventory provision for potential product obsolescence to the extent that the cost of inventory is not deemed to be recoverable through future sales. This provision is calculated at a disaggregated level based on the historic and future forecast sales patterns of individual stock items. These assumptions are judgemental and changes could have a material impact on the calculation of the provision.

Our response – In this area our audit procedures included, among others, critically assessing the adequacy of the Group's provisions against inventory by identifying slow moving line items, considering whether these items should be provided for by comparison to the most recent sales invoices for those items. We also challenged the Group's assumptions in respect of the provision calculation by assessing historical accuracy of the inventory provision.

We also assessed the adequacy of the Group's disclosures in respect of the inventory provision.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £5.0m. This has been determined with reference to a benchmark of total revenue, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. Materiality represents 1.4% of group revenue and 5.2% of group profit before tax.

We agreed with the Audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.2m, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for group reporting purposes were performed by component auditors at the key reporting components in the following countries: Ireland, Hong Kong, Germany and Japan and by the group audit team in the following countries: the UK and the USA. In addition, specified audit procedures were performed by component auditors in China. These group procedures covered 97% of total group revenue; 96% of group profit before taxation; and 96% of total group assets. The segment disclosures in note 2 to the financial statements set out the individual significance of specific regions.

The audits undertaken for group reporting purposes at the key reporting components of the Group were all performed to materiality levels set by, or agreed with, the group audit team. These materiality levels were set individually for each component and ranged from £0.1m to £3.0m.

Detailed audit instructions were sent to all the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team. Telephone meetings were also held with the auditors at all locations.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Directors' corporate governance report set out on pages 67 and 68 with respect to internal control and risk management systems in relation to financial reporting processes and on page 83 about share capital structure is consistent with the financial statements.

Independent auditor's report to the members of Renishaw plc continued

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit committee report does not appropriately address matters communicated by us to the Audit committee.

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 67, in relation to going concern; and
- the part of the corporate governance statement on page 69 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in Directors' responsibilities set out on page 85, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Virginia Stevens
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

23rd July 2014

Consolidated income statement

at 30th June 2014

from continuing operations	Notes	2014 £'000	Restated 2013 £'000
Revenue	2	**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	4	**26,280**	2,903
Financial income	5	**679**	1,009
Financial expenses	5	**(1,736)**	(1,909)
Share of profits of associates less related amortisation	11	**775**	1,022
Profit before tax	6	**96,386**	82,096
Income tax expense	7	**(10,720)**	(15,046)
Profit for the year from continuing operations		**85,666**	67,050
Profit attributable to:			
Equity shareholders of the parent company		**86,215**	67,643
Non-controlling interest	21	**(549)**	(593)
Profit for the year from continuing operations		**85,666**	67,050
		pence	pence
Dividend per share arising in respect of the year	21	**41.2**	40.0
Dividend per share paid in the year		**40.0**	39.5
Earnings per share (basic and diluted)	8	**118.4**	92.9

Consolidated balance sheet

at 30th June 2014

	Notes	2014 £'000	2013 £'000
Assets			
Property, plant and equipment	9	**140,922**	117,926
Intangible assets	10	**56,571**	56,143
Investments in associates	11	**2,230**	7,403
Deferred tax assets	13	**16,173**	18,276
Derivatives	14	**18,644**	7,976
Total non-current assets		**234,540**	207,724
Current assets			
Inventories	16	**62,979**	65,268
Trade receivables	22	**81,798**	68,082
Current tax		**1,690**	1,160
Other receivables		**10,847**	10,871
Derivatives	14	**13,348**	3,583
Pension scheme cash escrow account	15	**9,541**	10,982
Cash and cash equivalents	17, 22	**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	18	**1,294**	1,630
Derivatives	14	**–**	2,018
Other payables	19	**16,110**	19,017
Total current liabilities		**40,202**	43,775
Net current assets		**183,635**	142,776
Non-current liabilities			
Employee benefits	15	**43,068**	41,718
Deferred tax liabilities	13	**23,444**	20,032
Derivatives	14	**17**	10,442
Other payables	20	**883**	1,589
Total non-current liabilities		**67,412**	73,781
Total assets less total liabilities		**350,763**	276,719
Equity			
Share capital	21	**14,558**	14,558
Share premium		**42**	42
Currency translation reserve	21	**(2,825)**	2,929
Cash flow hedging reserve	21	**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	21	**(2,076)**	(1,334)
Total equity		**350,763**	276,719

These financial statements were approved by the Board of directors on 23rd July 2014 and were signed on its behalf by:

Sir David R McMurtry **A C G Roberts**

Directors

Consolidated statement of comprehensive income and expense

for the year ended 30th June 2014

	Notes	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 liabilities	15	**(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	21	**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	21	**(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**

More details of share capital and reserves are given in note 21.

Consolidated statement of cash flow

for the year ended 30th June 2014

	Notes	2014 £'000	Restated 2013 £'000
Cash flows from operating activities			
Profit for the year		**85,666**	67,050
Adjustments for:			
Amortisation of development costs	10	**8,345**	7,558
Amortisation of other intangibles	10, 11	**3,304**	3,280
Depreciation	9	**11,304**	10,293
Profit on sale of property, plant and equipment		**(24)**	(36)
Share of profits from associates	11	**(950)**	(1,345)
Exceptional gain		**(26,280)**	(2,903)
Financial income	5	**(679)**	(1,009)
Financial expenses	5	**1,736**	1,909
Tax expense	7	**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	18	**(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	10	**(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	5	**679**	1,009
Dividends received from associates	11	**210**	307
Exceptional item – sale of shareholding in Delcam plc		**32,018**	–
Payments from pension scheme escrow account (net)		**1,441**	541
Cash flows from investing activities		**(17,119)**	(45,161)
Financing activities			
Interest paid	5	**(176)**	(259)
Dividends paid	21	**(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 the beginning of the year		**26,605**	21,127
Effect of exchange rate fluctuations on cash held		**3,688**	95
Cash and cash equivalents at the end of the year	17	**43,634**	26,605

Notes (forming part of the financial statements)

1. Accounting policies

Basis of preparation

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

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

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS") and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company has elected to prepare its parent company financial statements in accordance with UK GAAP.

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 (see note 10).

(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. Details of the estimates and judgements in respect of the current year are given in note 15.

(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.

1. Accounting policies continued

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; and

(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 for 2013 is:

Consolidated income statement

Financial income

Expected return on assets in the pension schemes	2013 £'000
Originally reported	6,583
Restated	–
Change to Financial income	(6,583)

Financial expenses

Interest on pension schemes	2013 £'000
Originally reported	5,638
Restated	1,378
Change to Financial expenses	4,260

	2013 £'000
Change to Profit before taxation	(2,323)
Tax thereon	548
Change to Profit for the year	(1,775)

Consolidated statement of comprehensive income and expense

Remeasurement of defined benefit liabilities	2013 £'000
Originally reported	(3,183)
Restated	(860)
Change to Remeasurement of defined benefit liabilities	2,323

Deferred tax on items that will not be reclassified	2013 £'000
Originally reported	427
Restated	(121)
Change to Deferred tax on items that will not be reclassified	(548)

	2013 £'000
Change to Total other comprehensive income and expense	1,775

Notes continued

1. Accounting policies continued

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.

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 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.

Foreign currencies

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

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

Derivative financial instruments

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.

1. Accounting policies continued

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".

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 stated at cost less accumulated amortisation and less accumulated impairment losses.

Intangible assets – software licences

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

Property, plant and equipment

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

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

Warranty provisions

The Group provides a warranty from the date of purchase on all its products. This is typically for a 12-month period, although up to three years is given for a small number of products. A warranty provision is included in the financial statements, which is calculated on the basis of historical returns and internal quality reports.

Employee benefits

The Group operates contributory pension schemes, 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.

Notes continued

1. Accounting policies continued

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.

Cash and cash equivalents

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

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately declared and authorised and no longer at the discretion of the Company.

Taxation

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

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

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

Exceptional items

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report, where also given are details of the financial and liquidity positions. In addition, note 22 in the financial statements includes the Group's objectives and policies for managing its capital, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

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

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.

Cash flow hedges

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

If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss held in equity is recognised in the Consolidated income statement immediately. The effectiveness of cash flow hedges is tested on a monthly basis by comparing the cash inflows with the hedging amounts.

1. Accounting policies continued

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.

Pension scheme cash escrow account

The Company holds a pension scheme 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 scheme liabilities at any time.

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

Notes continued

2. Segmental analysis continued

Revenue in the previous 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 external customer amounting to 10% or more of the Group's total revenue.

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

	2014 £'000	2013 £'000
United Kingdom	**142,079**	128,875
Overseas	**57,644**	52,597
Total non-current assets	**199,723**	181,472

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

3. Personnel expenses

The aggregate payroll costs for the year were:

	2014 £'000	2013 £'000
Wages and salaries	**119,890**	112,675
Compulsory social security contributions	**13,714**	13,305
Contributions to defined contribution plans	**13,246**	11,273
Total payroll costs	**146,850**	137,253

The average number of persons employed by the Group during the year was:

	2014 Number	2013 Number
UK	**2,221**	2,043
Overseas	**1,124**	1,049
Average number of employees	**3,345**	3,092

The total remuneration of the directors was:

	2014 £'000	2013 £'000
Salary and fees	**2,291**	2,201
Bonus	**–**	208
Benefits	**77**	75
Pension contributions	**182**	169
Total remuneration of the directors	**2,550**	2,653

Full details of directors' remuneration are given in the Directors' remuneration report.

4. Exceptional items

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 ("MDL") 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.

5. Financial income and expenses

Financial income	2014 £'000	Restated 2013 £'000
Interest receivable	**679**	1,009

Financial expenses	2014 £'000	2013 £'000
Interest on pension schemes' liabilities (note 15)	**1,392**	1,378
Bank interest payable	**176**	259
Unwinding of deferred acquisition cost interest	**168**	272
Total financial expenses	**1,736**	1,909

6. Profit before tax

Included in the profit before tax are the following costs/(income):

	Notes	2014 £'000	2013 £'000
Depreciation of property, plant and equipment	(a)	**11,304**	10,293
Amortisation of intangibles	(a)	**11,649**	10,838
Research and development expenditure	(b)	**36,306**	33,898
Profit on sale of property, plant and equipment	(c)	**(24)**	(36)
Foreign currency (gains)/losses	(c)	**(86)**	(76)
Auditor:			
Audit of these financial statements	(c)	**121**	99
Audit of subsidiary undertakings pursuant to legislation	(c)	**164**	178
Audit assurance	(c)	**10**	10
Tax compliance	(c)	**113**	107
Tax advisory	(c)	**108**	78
Other assurance services	(c)	**74**	73
Corporate finance services	(c)	**–**	98
Other services	(c)	**41**	85

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

Notes continued

7. 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 of the 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.

8. 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 2013 exclude the exceptional items.

9. 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.

Year ended 30th June 2013	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 2012	85,854	96,615	7,056	3,996	193,521
Additions	5,690	12,696	1,280	8,310	27,976
Transfers	1,742	5,260	–	(7,002)	–
Disposals	–	(805)	(706)	–	(1,511)
Currency adjustment	(604)	685	79	–	160
At 30th June 2013	92,682	114,451	7,709	5,304	220,146
Depreciation					
At 1st July 2012	18,738	69,580	4,231	–	92,549
Charge for the year	1,762	7,544	987	–	10,293
Released on disposals	–	(741)	(507)	–	(1,248)
Currency adjustment	142	442	42	–	626
At 30th June 2013	20,642	76,825	4,753	–	102,220
Net book value					
At 30th June 2013	72,040	37,626	2,956	5,304	117,926
At 30th June 2012	67,116	27,035	2,825	3,996	100,972

Notes continued

10. Intangible assets

Year ended 30th June 2014	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 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

Year ended 30th June 2013	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 2012	19,414	10,347	55,743	19,652	31	105,187
Additions	403	373	10,615	449	1	11,841
Transfers	–	–	–	32	(32)	–
Currency adjustment	365	48	–	19	–	432
At 30th June 2013	20,182	10,768	66,358	20,152	–	117,460
Amortisation						
At 1st July 2012	198	5,907	34,468	10,207	–	50,780
Charge for the year	–	1,347	7,558	1,610	–	10,515
Currency adjustment	–	5	–	17	–	22
At 30th June 2013	198	7,259	42,026	11,834	–	61,317
Net book value						
At 30th June 2013	19,984	3,509	24,332	8,318	–	56,143
At 30th June 2012	19,216	4,440	21,275	9,445	31	54,407

10. Intangible assets continued

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 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 five 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) – five-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, Renishaw Software Limited, 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%.

11. Investments in associates

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

	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.

Notes continued

11. Investments in associates continued

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

12. Acquisitions

Year ended 30th June 2014

There were no significant acquisitions in the year. In March 2014, the Group purchased Advanced Consulting and Engineering, Inc, which resulted in goodwill of £469,000.

Year ended 30th June 2013

There were no significant acquisitions in the year. In May 2013, the Group purchased certain business assets of LBC LaserBearbeitungsCenter GmbH, resulting in goodwill of £403,000.

13. 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)

13. Deferred tax assets and liabilities continued

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)

The deferred tax movement in the Consolidated income statement is analysed as:

	2014 £'000	2013 £'000
Property, plant and equipment	**239**	(117)
Intangible assets	**721**	(815)
Intragroup trading (inventory)	**(1,191)**	1,154
Pension schemes	**(301)**	(974)
Other	**2,149**	(721)
Total movement for the year	**1,617**	(1,473)

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.

14. Derivatives

Derivatives comprising the fair value of outstanding forward contracts with positive fair values are shown within:

	2014 £'000	2013 £'000
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

Notes continued

15. 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:

	30th June 2014		30th June 2013		30th June 2012	
	UK scheme	**Ireland scheme**	UK scheme	Ireland scheme	UK scheme	Ireland scheme
Rate of increase in pension payments	**3.5%**	**1.9%**	3.5%	2.5%	2.7%	1.7%
Discount rate	**4.4%**	**2.7%**	4.8%	3.6%	4.3%	3.4%
Inflation rate (RPI)	**3.7%**	**1.9%**	3.7%	2.5%	2.7%	1.7%
Inflation rate (CPI)	**2.7%**	**–**	2.7%	–	1.7%	–
Retirement age	**64**	**65**	64	65	64	65

The assets and liabilities in the defined benefit schemes were:

	30th June 2014 £'000	% of total assets	30th June 2013 £'000	% of total assets	30th June 2012 £'000	% of total assets	30th June 2011 £'000	% of total assets	30th June 2010 £'000	% of total assets
Market value of assets:										
Equities	**127,805**	98	117,114	99	93,827	99	99,365	98	81,737	98
Bonds and cash	**1,950**	2	1,653	1	1,409	1	1,684	2	1,447	2
	129,755	100	118,767	100	95,236	100	101,049	100	83,184	100
Actuarial value of liabilities	**(172,823)**		(160,485)	–	(137,224)	–	(138,713)	–	(120,435)	–
Deficit in the schemes	**(43,068)**		(41,718)	–	(41,988)	–	(37,664)	–	(37,251)	–
Deferred tax thereon	**8,141**		8,973	–	9,519	–	9,393	–	9,694	–

Note C.36 gives the analysis of the UK defined benefit pension scheme. For the other schemes, the market value of assets at the end of the year was £12,752,000 (2013: £12,349,000) and the actuarial value of liabilities was £18,544,000 (2013: £17,500,000).

For a sensitivity analysis of certain elements of the UK defined benefit pension scheme, see the note in the financial review section of the Strategic report. It is expected that contributions to defined benefit schemes for the next financial year will be at a similar level to the current year.

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)**

15. Employee benefits continued

Year ended 30th June 2013 (restated)	Assets £'000	Liabilities £'000	Total £'000
Balance at the beginning of the year	95,236	(137,224)	(41,988)
Contributions paid	2,508	–	2,508
Interest on pension schemes	7,799	(9,177)	(1,378)
Opening amounts for USA scheme	4,763	(5,831)	(1,068)
Remeasurement gain/(loss)	10,243	(10,035)	208
Benefits received/(paid)	(1,782)	1,782	–
Balance at the end of the year	118,767	(160,485)	(41,718)

The analysis of the amount recognised in the Consolidated statement of comprehensive income and expense was:

	2014 £'000	Restated 2013 £'000
Actuarial (loss)/gain arising from:		
– Changes in demographic assumptions	**(2,632)**	–
– Changes in financial assumptions	**(12,242)**	(12,757)
– Experience adjustment	**3,533**	(182)
Return on plan assets excluding interest income	**6,808**	13,747
Adjustment to liabilities for IFRIC 14	**2,300**	(600)
Total amount in respect of the current year	**(2,233)**	208
Inclusion of the USA scheme opening balance	**–**	(1,068)
Total amount recognised in the Consolidated statement of comprehensive income and expense	**(2,233)**	(860)

The history of experience gains and losses is:

	Year ended 30th June 2014	Year ended 30th June 2013	Year ended 30th June 2012	Year ended 30th June 2011	Year ended 30th June 2010
Difference between the expected and actual return on scheme assets					
amount (£'000)	**6,535**	13,474	(13,266)	11,773	9,920
percentage of scheme assets	**5%**	11%	(14%)	12%	12%
Experience gains and losses on scheme liabilities					
amount (£'000)	**2,828**	1,089	–	(1,521)	915
percentage of present value of scheme liabilities	**2%**	1%	–	(1%)	1%
Total amount recognised in the Consolidated statement of comprehensive income and expense					
amount (£'000)	**(2,233)**	(860)	(7,781)	(1,577)	(14,867)
percentage of present value of scheme liabilities	**1%**	(1%)	(6%)	(1%)	(12%)

The cumulative amount of actuarial gains and losses recognised in the Consolidated statement of comprehensive income and expense was a loss of £78,756,000 (2013: loss of £76,523,000).

Notes continued

15. Employee benefits continued

The assumptions used for mortality rates for members, medium cohort at the expected retirement age of 65 years are:

	2014 years	2013 years
Male currently aged 65	**22.1**	22.0
Female currently aged 65	**24.8**	24.2
Male currently aged 45	**23.4**	23.1
Female currently aged 45	**26.1**	25.1

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).

16. 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).

17. 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.

18. 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.

19. 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

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22. Included in other creditors and accruals is £283,000 (2013: £988,000) in respect of deferred consideration.

20. 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).

21. 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).

Notes continued

21. Capital and reserves continued

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 (within revenue)	**(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.

22. Financial instruments

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

Credit risk

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

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

	Trade receivables		Other receivables		Cash	
Currency	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Pound Sterling	**9,097**	7,639	**7,863**	7,566	**102,113**	11,187
US Dollar	**30,418**	22,408	**15,696**	305	**(22,404)**	4,174
Japanese Yen	**7,093**	6,403	**13,397**	11,510	**(9,050)**	1,319
Euro	**18,858**	18,277	**4,055**	1,428	**(30,521)**	3,141
Other	**16,332**	13,355	**1,828**	1,621	**3,496**	6,784
	81,798	68,082	**42,839**	22,430	**43,634**	26,605

The above trade receivables, other receivables and cash are predominately held in the functional currency of the relevant entity, with the exception of £3,622,000 of Euro-denominated trade receivables being held in the Company, along with some foreign currency cash balances which are of a short-term nature. Also, see note below on net assets and associated borrowings, regarding the holding of foreign currency borrowings by the Company in respect of its hedging activity.

The ageing of trade receivables past due, but not impaired, at the end of the year was:

	2014 £'000	2013 £'000
Past due 0–1 month	**13,854**	9,412
Past due 1–2 months	**3,122**	3,860
Past due more than 2 months	**1,903**	2,931
Balance at the end of the year	**18,879**	16,203

Movements in the provision for impairment of trade receivables during the year were:

	2014 £'000	2013 £'000
Balance at the beginning of the year	**3,525**	3,829
Changes in amounts provided	**(89)**	85
Amounts utilised	**(457)**	(389)
Balance at the end of the year	**2,979**	3,525

Liquidity risk

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

In respect of net cash, the carrying value approximates to fair value because of the short maturity of the deposits and borrowings. Interest rates are floating and based on LIBOR/LIBID, which can change over time, affecting the Group's interest income. An increase of 1% in interest rates would result in an increase in interest income of approximately £400,000. The market value of forward exchange contracts is determined by reference to market data.

Notes continued

22. Financial instruments continued

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

		Contractual cash flows		
Year ended 30th June 2014	**Carrying amount £'000**	**Up to 1 year £'000**	**1–2 years £'000**	**2–5 years £'000**
Trade payables	**18,857**	**18,857**	**–**	**–**
Other payables	**16,993**	**16,111**	**377**	**533**
Provisions	**1,294**	**1,294**	**–**	–
Forward exchange contracts	**17**	**–**	**–**	**17**
	37,161	**36,262**	**377**	**550**

Year ended 30th June 2013	Carrying amount £'000	Up to 1 year £'000	1–2 years £'000	2–5 years £'000
Trade payables	18,481	18,481	–	–
Other payables	20,606	19,039	580	1,181
Provisions	1,630	1,630	–	–
Forward exchange contracts	12,460	2,018	2,869	7,573
	53,177	41,168	3,449	8,754

For non-current other receivables of £18,644,000 (2013: £7,976,000), £11,884,000 (2013: £4,080,000) is receivable between 1 and 2 years and £6,760,000 (2013: £3,896,000) is receivable between 2 and 5 years.

There is no significant difference between the fair value of financial assets and financial liabilities and their carrying value in the Consolidated balance sheet.

The fair values of the forward exchange contracts have been calculated by a third party expert, discounting estimated future cash flows on the basis of market expectations of future exchange rates, representing level 2 in the IFRS 13 fair value hierarchy. The IFRS 13 level categorisation relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to arrive at fair value do not have comparable market data. There are no other material financial assets or liabilities that meet the criteria for disclosure under IFRS 13.

All financial assets and liabilities are held at amortised cost, apart from the forward exchange contracts, which are held at fair value, with changes going through the Consolidated income statement unless subject to hedge accounting.

Market risk

As noted in the Strategic report under Principal risks and uncertainties, the Group operates in a number of foreign currencies with the majority of sales being made in these currencies but with most manufacturing being undertaken in the UK, Ireland and India.

Exchange rates and sensitivity analysis

The Group has hedged a significant proportion of its forecasted US Dollar, Japanese Yen and Euro cash flows and hence the impact on the Group's results resulting from fluctuations in these exchange rates against Sterling is lessened.

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

	2014			2013	
Currency	**Year end exchange rate**	**Average exchange rate**	**Increase in group profit for one cent or one Yen movement £'000**	Year end exchange rate	Average exchange rate
US Dollar	**1.71**	**1.64**	**300**	1.52	1.57
Japanese Yen	**173**	**166**	**90**	151	138
Euro	**1.25**	**1.20**	**110**	1.17	1.21
Average US Dollar forward contract rates			**1.57**	–	1.59
Average Japanese Yen forward contract rates			**126**	–	128
Average Euro forward contract rates			**1.17**	–	1.11

22. Financial instruments continued

The Company has US Dollar, Japanese Yen and Euro forward contracts which mature after the balance sheet date. The fair value of these contracts at the year end resulted in a profit carried forward of £25,580,000 (2013: loss £694,000) (see note 21). The nominal amounts of foreign currencies relating to these forward contracts are, in Sterling terms, £245,824,000 in US Dollars (2013: £269,116,000), £47,087,000 in Japanese Yen (2013: £67,041,000) and £121,326,000 in Euro (2013: £112,826,000).

The Group classifies its forward contracts hedging forecasted transactions as cash flow hedges and states them at fair value. The forward contracts cover monthly cash flows over the next three and a half years. Further details are noted in the treasury policies in the financial review section of the Strategic report.

Net assets and associated borrowings

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

Currency	Net assets of subsidiary £'000	Currency borrowing £'000	Base borrowing interest rate %
US Dollar	38,799	25,495	0.25
Japanese Yen	12,893	11,536	0.10
Euro	40,395	34,287	0.15

The currency borrowings are short term, with floating interest rates.

For the net assets of the overseas subsidiaries not hedged, a 1% change in exchange rates will affect reserves by approximately £400,000.

Capital management

The Group defines capital as being the equity attributable to the owners of the Company, which is captioned on the Consolidated balance sheet.

The Board's policy is to maintain a strong capital base and to maintain a balance between significant returns to shareholders, with a progressive dividend policy, whilst ensuring the security of the Group supported by a sound capital position. The Group may adjust dividend payments due to changes in economic and market conditions which affect, or are anticipated to affect, group results.

23. Operating leases

The total of future minimum lease payments under non-cancellable operating leases (all of which relate to land and buildings in subsidiaries) were:

	2014 £'000	2013 £'000
Due in less than one year	**1,745**	1,763
Due between one and five years	**3,964**	2,357
Total future minimum lease payments	**5,709**	4,120

Lease payments recognised as an expense during the year were:

	2014 £'000	2013 £'000
Total lease payments for the financial year	**2,176**	2,024

Notes continued

24. Capital commitments

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

	2014 £'000	2013 £'000
Authorised and committed	**10,676**	6,052

25. Contingencies

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

26. 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).

Company balance sheet

at 30th June 2014

	Notes	2014 £'000	Restated 2013 £'000
Fixed assets			
Tangible assets	C.28	**98,567**	80,847
Investments in subsidiaries	C.29	**316,772**	316,476
Investments in associates	C.30	**704**	6,888
		416,043	404,211
Current assets			
Stock	C.31	**37,567**	36,370
Debtors	C.32	**144,361**	101,980
Pension scheme escrow bank account	15	**9,541**	10,982
Cash at bank		**27,706**	10,839
		219,175	160,171
Creditors			
Amounts falling due within one year	C.33	**(126,352)**	(129,039)
Net current assets			
Due within one year		**74,179**	23,156
Due after more than one year		**18,644**	7,976
		92,823	31,132
Total assets less current liabilities		**508,866**	435,343
Creditors			
Amounts falling due after more than one year	C.34	**(900)**	(12,031)
Provisions for liabilities	C.35	**(9,117)**	(2,626)
Net assets excluding pension liability		**498,849**	420,686
Pension liability	C.36	**(23,421)**	(20,226)
Net assets including pension liability		**475,428**	400,460
Capital and reserves			
Called up share capital	C.37	**14,558**	14,558
Share premium account		**42**	42
Currency reserve	C.38	**25,580**	(694)
Profit and loss account	C.39	**435,248**	386,554
Shareholders' funds – equity		**475,428**	400,460

These financial statements were approved by the Board of directors on 23rd July 2014 and were signed on its behalf by:

Sir David R McMurtry **A C G Roberts**
Directors

Reconciliation of movements in shareholders' funds

for the year ended 30th June 2014

	2014 £'000	Restated 2013 £'000
Profit for the financial year	**83,285**	29,236
Dividends paid	**(29,115)**	(28,773)
Effective portion of changes in fair value of cash flow hedges, net of recycling and deferred tax	**26,274**	(3,220)
Removal of pension scheme guarantee adjustment, net of tax (note C.36)	**–**	7,396
Actuarial loss in the pension scheme, net of deferred tax	**(5,476)**	(1,228)
Increase in shareholders' funds	**74,968**	3,411
Shareholders' funds at 1st July 2013	**400,460**	397,049
Shareholders' funds at 30th June 2014	**475,428**	400,460

Notes to the Company financial statements

C.27. Accounting policies

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

Basis of preparation

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

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

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

Advantage has been taken of FRS 8 "Related party disclosures" not to disclose transactions with subsidiaries on the basis that all transactions were with members of the Group, 100% of whose voting rights were controlled.

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

Investments

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

Tangible assets and depreciation

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

Freehold buildings – 50 years
Plant and equipment – 3 to 10 years
Motor vehicles – 3 to 4 years
No depreciation is provided on freehold land.

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately declared and authorised and no longer at the discretion of the Company.

Research and development

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

Taxation

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

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

Employee benefits

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

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

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

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

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

Notes to the Company financial statements continued

C.27. Accounting policies continued

Warranty on the sale of products

The Company provides a warranty from the date of purchase on all its products. This is typically for a 12-month period, although up to three years is given for a small number of products. A warranty provision is included in the accounts, which is calculated on the basis of historical returns and internal quality reports.

Derivative financial instruments

In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

The Company uses forward exchange contracts to hedge its exposure to foreign exchange risk arising from operational and financing activities. Forward exchange contracts are recognised initially at cost and then subsequently remeasured at fair value. Where a forward contract is designated as a hedge of the variability in future cash inflows, the effective part of any gain or loss on the forward contract is recognised directly in equity. Any effective cumulative gain or loss is removed from equity and recognised in the profit and loss account at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the profit and loss account immediately.

However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Stocks

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

Foreign currencies

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report, where also given are details of the financial and liquidity positions. In addition, note 22 in the financial statements includes the Company's objectives and policies for managing its capital, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources at its disposal and the directors have considered the current financial projections. As a consequence, the directors believe that the Company 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.

C.28. Tangible fixed assets

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	51,741	106,622	3,303	5,304	166,970
Additions	301	2,144	181	24,329	26,955
Transfers	1,504	14,163	–	(15,667)	–
Disposals	–	(613)	(264)	–	(877)
At 30th June 2014	**53,546**	**122,316**	**3,220**	**13,966**	**193,048**
Depreciation					
At 1st July 2013	10,772	73,080	2,271	–	86,123
Charge for the year	543	8,296	174	–	9,013
Released on disposals	–	(446)	(209)	–	(655)
At 30th June 2014	**11,315**	**80,930**	**2,236**	**–**	**94,481**
Net book value					
At 30th June 2014	**42,231**	**41,386**	**984**	**13,966**	**98,567**
At 30th June 2013	40,969	33,542	1,032	5,304	80,847

C.28. Tangible fixed assets continued

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. The trustees have the right to enforce the charge 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.

Additions to assets in the course of construction of £24,329,000 (2013: £8,311,000) comprise £13,185,000 (2013: £1,208,000) for freehold land and buildings and £11,144,000 (2013: £7,103,000) for plant and equipment.

C.29. Investments in subsidiaries

Movements during the year were:

	2014 £'000	2013 £'000
Balance at the beginning of the year	316,476	316,476
Investments made during the year	296	–
Balance at the end of the year	316,772	316,476

C.30. Investments in associates

Movements during the year were:

	2014 £'000	2013 £'000
Balance at the beginning of the year	6,888	6,888
Disposal of shareholding in Delcam plc	(6,184)	–
Balance at the end of the year	704	6,888

C.31. Stock

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

	2014 £'000	2013 £'000
Raw materials	14,731	11,841
Work in progress	14,551	15,316
Finished goods	8,285	9,213
Balance at the end of the year	37,567	36,370

C.32. Debtors

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

	2014 £'000	2013 £'000
Debtors due within one year		
Trade debtors	13,551	11,610
Amounts owed by group undertakings	90,992	71,736
Amounts owed by associated undertakings	56	3,045
Prepayments and other receivables	7,770	4,030
Fair value of forward exchange contracts	13,348	3,583
	125,717	94,004
Debtors due after more than one year		
Fair value of forward exchange contracts	18,644	7,976
Balance at the end of the year	144,361	101,980

Notes to the Company financial statements continued

C.33. Creditors

Amounts falling due within one year

An analysis of creditors due within one year at the end of the year was:

	2014 £'000	2013 £'000
Trade creditors	**13,938**	13,611
Corporation tax	**2,100**	1,694
Amounts owed to group undertakings	**105,126**	106,196
Amounts owed to associated undertakings	**214**	67
Other taxes and social security	**2,346**	2,109
Other creditors	**2,628**	3,344
Fair value of forward exchange contracts	**–**	2,018
Balance at the end of the year	**126,352**	129,039

C.34. Creditors

Amounts falling due after more than one year

An analysis of creditors due after more than one year was:

	2014 £'000	2013 £'000
Deferred consideration	**883**	1,589
Fair value of forward exchange contracts	**17**	10,442
Total creditors due after more than one year	**900**	12,031

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).

C.35. Provisions for liabilities and charges

An analysis of provisions for liabilities and charges was:

	2014 £'000	2013 £'000
Warranty provision	**948**	1,260
Deferred tax	**8,169**	1,366
Total provisions for liabilities and charges	**9,117**	2,626

Warranty provision

Movements during the year were:

	2014 £'000	2013 £'000
Balance at the beginning of the year	**1,260**	917
Created in the year	**392**	617
Utilised in the year	**(704)**	(274)
	(312)	343
Balance at the end of the year	**948**	1,260

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

C.35. Provisions for liabilities and charges continued

Deferred tax

Movements during the year were:

	2014 £'000	2013 £'000
Balance at the beginning of the year	**1,366**	1,994
Movements during the year	**6,803**	(628)
Balance at the end of the year	**8,169**	1,366

The deferred tax asset is represented by:

	2014 £'000	Restated 2013 £'000
Difference between accumulated depreciation and capital allowances	**1,824**	1,623
Other timing differences	**6,345**	(257)
	8,169	1,366
Deferred tax on pension scheme liability (note C.36)	**(5,855)**	(6,041)
Balance at the end of the year	**2,314**	(4,675)

The movements in the deferred tax balance were:

	2014 £'000	Restated 2013 £'000
Balance at the beginning of the year	**(4,675)**	(6,919)
Removal of pension scheme guarantee adjustment	**–**	2,304
Amount charged to the profit and loss account	**863**	377
Amount reflected through the statement of total recognised gains and losses	**6,126**	(437)
Balance at the end of the year	**2,314**	(4,675)

C.36. Pension scheme

The Company operated a defined benefit pension scheme, which, in April 2007, ceased any future accrual for current members and was closed to new members. Employees of the Company are now covered by a defined contribution scheme. See note 15 regarding details of registered charges relating to the UK defined benefit pension scheme liabilities.

The total pension cost of the Company for the year was £9,330,000 (2013: £7,511,000), of which £182,000 (2013: £169,000) related to directors.

The latest full actuarial valuation of the scheme was carried out at September 2012 and updated to 30th June 2014 on an FRS 17 basis by a qualified independent actuary.

The major assumptions used by the actuary for the scheme were:

	30th June 2014	30th June 2013	30th June 2012
Rate of increase in pension payments	**3.5%**	3.5%	2.7%
Discount rate	**4.4%**	4.8%	4.3%
Inflation rate (RPI)	**3.7%**	3.7%	2.7%
Inflation rate (CPI)	**2.7%**	2.7%	1.7%
Expected return on assets	**7.3%**	7.3%	6.7%
Retirement age	**64**	64	64

The mortality assumption adopted for 2014 is S1PMA and S1PFA tables, CMI (core) 2011 model with long term improvements of 1% per annum.

Notes to the Company financial statements continued

C.36. Pension scheme continued

The assets and liabilities in the scheme were:

	30th June 2014 £'000	% of total assets	Restated 30th June 2013 £'000	% of total assets	30th June 2012 £'000	% of total assets	30th June 2011 £'000	% of total assets	30th June 2010 £'000	% of total assets
Market value of assets:										
Equities	**116,805**	100	106,117	100	89,653	100	94,941	100	78,248	100
Bonds and cash	**198**	–	301	–	154	–	362	–	156	–
	117,003	100	106,418	100	89,807	100	95,303	100	78,404	100
Actuarial value of liabilities	**(146,279)**	–	(132,685)	–	(126,946)	–	(130,008)	–	(111,569)	–
Deficit in the scheme	**(29,276)**	–	(26,267)	–	(37,139)	–	(34,705)	–	(33,165)	–
Deferred tax thereon	**5,855**	–	6,041	–	8,913	–	9,023	–	9,286	–
Pension liability	**(23,421)**	–	(20,226)	–	(28,226)	–	(25,682)	–	(23,879)	–

The history of experience gains and losses is:

	Year ended 30th June 2014	Restated Year ended 30th June 2013	Year ended 30th June 2012	Year ended 30th June 2011	Year ended 30th June 2010
Difference between the expected and actual return on scheme assets					
amount (£'000)	**3,245**	10,707	(13,168)	11,650	9,357
percentage of scheme assets	**3%**	10%	(15%)	12%	12%
Experience gains and losses on scheme liabilities					
amount (£'000)	**2,828**	–	–	(1,521)	–
percentage of present value of scheme liabilities	**2%**	–	–	(1%)	–
Total amount recognised in the statement of total recognised gains and losses					
amount (£'000)	**(5,952)**	(1,230)	(5,836)	(2,588)	(14,135)
percentage of present value of scheme liabilities	**(4%)**	(1%)	(5%)	(2%)	(13%)

The movements in the scheme were:

Year ended 30th June 2014	**Assets £'000**	**Liabilities £'000**	**Total £'000**
Deficit in scheme at the beginning of the year	**106,418**	**(132,685)**	**(26,267)**
Contributions	**1,513**	**–**	**1,513**
Expected return on pension scheme assets	**7,753**	**–**	**7,753**
Interest on pension scheme liabilities	**–**	**(6,323)**	**(6,323)**
Actuarial gain/(loss)	**3,245**	**(9,197)**	**(5,952)**
Benefits received/(paid)	**(1,926)**	**1,926**	**–**
Deficit in scheme at the end of the year	**117,003**	**(146,279)**	**(29,276)**

Year ended 30th June 2013 (restated)	Assets £'000	Liabilities £'000	Total £'000
Deficit in scheme at the beginning of the year	89,807	(126,946)	(37,139)
Contributions	1,398	–	1,398
Expected return on pension scheme assets	6,013	–	6,013
Interest on pension scheme liabilities	–	(5,009)	(5,009)
Actuarial gain/(loss)	10,707	(11,937)	(1,230)
Removal of pension scheme guarantee adjustment	–	9,700	9,700
Benefits received/(paid)	(1,507)	1,507	–
Deficit in scheme at the end of the year	106,418	(132,685)	(26,267)

C.36. Pension scheme continued

The 2013 figures have been restated in order to remove the impact of the guarantee offered by the Company. This had been incorrectly included under UK GAAP.

The analysis of the amount recognised in the statement of total recognised gains and losses was:

	2014 £'000	2013 £'000
Actual return less expected return on scheme assets	**3,245**	10,707
Experience gain arising on scheme liabilities	**2,828**	–
Changes in financial assumptions	**(12,025)**	(11,937)
Total recognised in the statement of total recognised gains and losses	**(5,952)**	(1,230)

C.37. 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.

C.38. Currency reserve

The currency 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 profit and loss account when the hedged item affects the profit and loss account.

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

Movements during the year were:

	2014 £'000	2013 £'000
Balance at the beginning of the year	**(694)**	2,526
Amounts recycled into the profit and loss account in the year	**(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)

Notes to the Company financial statements continued

C.39. Profit and loss account

Movements in the profit and loss account during the year were:

	2014 £'000	Restated 2013 £'000
Balance at the beginning of the year	**386,554**	379,923
Profit for the year	**83,285**	29,236
Dividends paid in the year	**(29,115)**	(28,773)
Removal of pension scheme guarantee adjustment, net of tax	**–**	7,396
Actuarial loss in the pension scheme	**(5,952)**	(1,230)
Deferred tax thereon	**476**	2
	(5,476)	(1,228)
Balance at the end of the year	**435,248**	386,554

Profit for the year includes dividends received of £27,210,000 (2013: £307,000) from associates and a subsidiary undertaking.

C.40. Related parties

During the year, related parties, these being Renishaw Diagnostics Limited, Renishaw Mayfield S.A. and the Group's associates (see note 11), purchased goods and services from the Company to the value of £331,000 (2013: £256,000) and sold goods and services to the Company to the value of £2,579,000 (2013: £2,209,000).

At 30th June 2014, related parties owed £56,000 (2013: £54,000) to the Company. Related parties were owed £214,000 (2013: £67,000) by the Company. Dividends of £210,000 were received from related parties during the year (2013: £307,000). Loans to related parties from the Company at 30th June 2014 were £10,373,000 (2013: £9,871,000).

All transactions were on an arm's length basis. There were no bad debts written off during the year (2013: £nil).

C.41. Capital commitments

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

	2014 £'000	2013 £'000
Authorised and committed	**7,612**	5,769

10 year financial record

Results	note 2 2014 £'000	note 2 2013 £'000	2012 £'000	note 2 2011 £'000	note 2 2010 £'000	note 2 2009 £'000	note 2 2008 £'000	note 2 2007 £'000	2006 £'000	note 1 2005 £'000
Overseas revenue	**331,682**	326,213	313,007	273,989	170,957	159,988	189,137	169,094	164,322	144,438
UK revenue	**23,816**	20,668	18,885	14,761	10,650	11,259	12,020	11,789	11,513	10,361
Total revenue	**355,498**	346,881	331,892	288,750	181,607	171,247	201,157	180,883	175,835	154,799
Operating profit	**70,388**	79,071	83,188	79,286	28,095	5,991	37,335	29,729	35,468	29,307
Profit before tax	**70,106**	79,193	86,046	80,410	28,725	8,843	41,715	32,672	38,102	31,733
Taxation	**10,720**	15,046	17,008	16,345	5,745	2,105	8,309	6,532	7,621	6,297
Profit for the year	**59,386**	64,147	69,038	64,065	22,980	6,738	33,406	26,140	30,481	25,436

Capital employed	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Share capital	**14,558**	14,558	14,558	14,558	14,558	14,558	14,558	14,558	14,558	14,558
Share premium	**42**	42	42	42	42	42	42	42	42	42
Reserves	**336,163**	262,119	227,799	187,118	144,021	129,162	151,725	153,400	128,136	110,857
Total equity	**350,763**	276,719	242,399	201,718	158,621	143,762	166,325	168,000	142,736	125,457

Statistics	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Overseas revenue as a percentage of total revenue	**93.3%**	94.0%	94.3%	94.9%	94.1%	93.4%	94.0%	93.5%	93.5%	93.3%
Adjusted earnings per share	**82.3p**	88.9p	95.6p	88.5p	32.3p	9.6p	45.9p	35.9p	41.9p	34.9p
Proposed dividend	**41.2p**	40.0p	38.5p	35.0p	17.6p	7.76p	25.39p	22.87p	21.78p	19.80p

Notes

1. For the year 2005 and onwards, the financial statements have been prepared under adopted IFRS.
2. The results and adjusted earnings per share for the years 2007 to 2011, 2013 and 2014 exclude the exceptional items. These were: 2007 and 2008 – pension curtailment credits (2007: £19.5m; 2008: £1.3m); 2009 – redundancy costs (£4.1m); 2010 – impairment write-down (£1.7m); 2011 – reversal of impairment write-down (£1.7m); 2013 – gain on deferred consideration settlement (£2.9m); and 2014 - profit on disposal of shareholding in Delcam plc (£26.3m).

Subsidiary undertakings

as at 30th June 2014

The following are the subsidiary undertakings of Renishaw plc, all of which are wholly-owned, unless otherwise stated. The country of incorporation and registration is England and Wales unless otherwise stated. The country of incorporation is also the country of operation. The accounting year end for each subsidiary undertaking is 30th June unless otherwise stated. The shareholdings in all the subsidiary undertakings are in the ordinary share capital of those undertakings.

Company	Principal activities
Renishaw International Limited	Overseas holding and investment company.
Renishaw (Ireland) Limited (Republic of Ireland)*	Manufacture and sale of advanced precision metrology and inspection equipment.
Renishaw S.A.S. (France)*	Service, distribution, research and development and manufacture of group products.
itp GmbH (Germany)*	Manufacture and sale of advanced precision metrology and inspection equipment.
Wotton Travel Limited	Travel agency.
Renishaw Diagnostics Limited (92.4%) (Scotland)	Design and sale of molecular diagnostics and surface-enhanced Raman spectroscopy products.
Renishaw Mayfield S.A. (75%) (Switzerland)*	Marketing of surgical robots for neurosurgical applications.
Renishaw Mayfield sarl (75%) (France)*	Manufacture and sale of surgical robots for neurosurgical applications.
Renishaw Metrology Systems Limited (India)* (31st March)	Manufacture and sale of advanced precision metrology and inspection equipment.
Thomas Engineering and Construction Limited (Canada)* (31st December)	Distribution and service of laser scanning equipment.
MTT Technologies Limited	Manufacture and sale of additive manufacturing and rapid prototyping systems.
Renishaw Software Limited	Development and sale of software solutions.
R&R Fixtures, LLC (USA)* (31st December)	Manufacture and sale of fixturing products.
Advanced Consulting & Engineering, Inc (USA) (31st December)	Supply of dimensional measurement products and services.

Company – principal activity is the service and distribution of group products	
Renishaw Inc (USA)*	Renishaw Sp. z o.o. (Poland)*
Renishaw KK (Japan)*	OOO Renishaw (Russia)* (31st December)
Renishaw GmbH (Germany)*	Renishaw AB (Sweden)*
Renishaw S.p.A. (Italy)*	Renishaw (Austria) GmbH (Austria)*
Renishaw Ibérica S.A.U. (Spain)*	Renishaw (Korea) Limited (South Korea)*
Renishaw AG (Switzerland)*	Renishaw (Canada) Limited (Canada)*
Renishaw (Hong Kong) Limited (Hong Kong)*	Renishaw (Israel) Limited (Israel)*
Renishaw Latino Americana Ltda. (Brazil)* (31st December)	Renishaw (Shanghai) Trading Company Limited (The People's Republic of China)* (31st December)
Renishaw Benelux BV (The Netherlands)*	Renishaw (Shanghai) Management Company Limited (The People's Republic of China)* (31st December)
Renishaw Oceania Pty Limited (Australia)*	Renishaw (Singapore) Pte Limited (Singapore)*
Renishaw s.r.o. (Czech Republic)*	Renishaw (Taiwan) Inc (Taiwan)*
Measurement Devices (Australia) Pty Limited (Australia)*	Renishaw México, S. de R.L. de C.V. (Mexico)*

Subsidiary undertakings continued

as at 30th June 2014

Company - non-trading (holding or dormant companies)
MTT Investments Limited
MTT Technologies Inc (USA)*
MTT Technologies srl (Italy)*
Measurement Devices Limited
Measurement Devices US LLC (USA)*
Renishaw R&R Inc (USA)*
Renishaw Metrology Limited
Renishaw Transducer Systems Limited
Renishaw PT Limited
Renishaw Advanced Materials Limited

*Equity held by a subsidiary undertaking.

Shareholder information

Ordinary shares

The Company has one class of ordinary 20p shares listed on the London Stock Exchange under code RSW, ISIN number GB0007323586.

Registrars

For all enquiries about shareholders' holdings, transfer and registration of shares and changes of name and address, contact the Company's registrars, Equiniti Limited, or use www.shareview.co.uk:

Registrars and transfer office

Equiniti Limited,
Aspect House,
Spencer Road,
Lancing,
West Sussex, UK.
BN99 6DA

Telephone: 0871 384 2169 (UK callers)
+44 121 415 7047 (international callers)

Facsimile: +44 (0)871 384 2100

Website: www.shareview.co.uk

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

AGM

The AGM is held at the Company's offices and is open for attendance by all shareholders. The 2014 AGM will be held on Thursday 16th October at the Company's headquarters at New Mills, Wotton-under-Edge, Gloucestershire GL12 8JR at 12 noon. The Notice of meeting is set out in a separate circular to shareholders. Shareholders holding shares in the Company through a nominee service should arrange to be appointed as a corporate representative or a proxy in respect of their shareholding in order to attend and vote at the meeting.

Financial reports

The Annual report, together with copies of previous financial reports, is available at www.renishaw.com. The interim results and the preliminary announcement of the full year's results are published on our website promptly after they have been released through a Regulatory Information Service.

Financial calendar

Annual general meeting

16th October 2014

Half year

31st December 2014

Half year results

January 2015

Interim management statement

May 2015

Final dividend

Ex-div date 17th September 2014

Record date 19th September 2014

Payment date 20th October 2014

Interim dividend (provisional)

Ex-div date 4th March 2015

Record date 6th March 2015

Payment date 6th April 2015

Registration details and company secretary

Company Secretary and registered office

Norma Tang,
New Mills,
Wotton-under-Edge,
Gloucestershire UK
GL12 8JR

Registered number: 1106260,
England and Wales

Telephone: +44 (0)1453 524524
Facsimile: +44 (0)1453 524401
email: uk@renishaw.com

For the latest investor information and news, visit www.renishaw.com

Auditor and corporate advisors

Auditor

KPMG LLP

Solicitors

Norton Rose Fulbright LLP
Burges Salmon LLP

Stockbrokers

UBS

Principal bankers

Lloyds Bank Plc

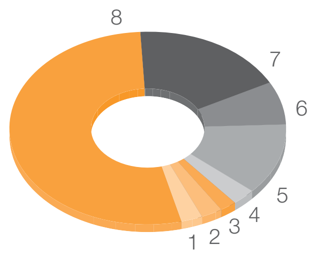
Warning to shareholders

Renishaw has received reports that our shareholders have received unsolicited calls from overseas firms offering to purchase their shares for a price in excess of the current market price in order to mount a hostile takeover bid. Please be aware that this is likely to be a scam, with the intention of obtaining payment from shareholders of a bond or legal fee in order to secure the share transaction, which never materialises or obtaining an option to purchase shares with no fixed transfer date. There are other types of share fraud or "boiler room scams" and therefore if you receive any unsolicited investment advice the Financial Conduct Authority (FCA) advises the following:

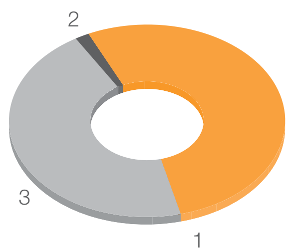
- make sure you get the correct name of the person and organisation and make a record of any other information they give;
- check that they are properly authorised by the FCA before getting involved by visiting www.fca.org.uk/register and contacting the firm using the details on the register;
- the FCA also maintains a list of unauthorised overseas firms who are targeting or have targeted UK investors and any approach from such firms should be reported to the FCA so that the information can be kept updated;
- report the matter to the FCA on their consumer helpline 0800 111 6768 or using the share fraud reporting form on the FCA website (search for "share fraud" to find the relevant pages); and
- you could also contact the police via the national fraud reporting centre Action Fraud on 0300 123 2040 or email@actionfraud.org.uk. Action Fraud will be particularly interested if you sent money to a bank account or other type of money transfer.

Shareholder profile

Shareholdings		%
1	1 – 5,000	2.5
2	5,001 – 25,000	2.7
3	25,001 – 50,000	2.0
4	50,001 – 100,000	2.6
5	100,001 – 500,000	12.1
6	500,001 – 1,000,000	7.0
7	1,000,001 – 3,000,000	18.1
8	more than 3,000,000	53.0



Shareholdings	%
1 Directors	53.1
2 Individuals	1.8
3 Institutions	45.1



Shareholder notes

Design and production by Radley Yeldar | ry.com

Printed on FSC certified, 100% post-consumer content paper using fully sustainable, vegetable oil-based inks.

Print production system registered to ISO 14001-2004, ISO 9001-2008 and EMAS standards.

EMAS
Verified environmental management
REG.NO. UK-000152

RECYCLED
Paper made from recycled material
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apply innovation™

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