RENISHAW®

apply innovation™

Annual report and accounts 2015

Aerial view of the New Mills site, showing the new 153,000 sq ft Renishaw Innovation Centre building (top left) which was officially opened in July 2015 by HRH The Princess Royal.

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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. 95% of our sales are outside the UK.

Our continuing investment in new product development, plant and equipment, and facilities (c.£90m in the last year) is the key to our confidence in the Group's long-term strategy and prospects. With around 4,100 skilled and motivated people, we continue to be at the leading edge of technological innovation.

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

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

For more information visit:

www.renishaw.com

CHAIRMAN'S STATEMENT

"I am delighted to present our 2015 annual results, representing an exceptional year with record revenue and profit."

Sir David R McMurtry
Chairman and Chief Executive

I am delighted to present our 2015 annual results, representing an exceptional year with record revenue and profit.

Revenue for the year ended 30th June 2015 was £494.7m, compared with £355.5m for last year, an increase of 39%. As highlighted in our Interim results, we had further large orders from Far East customers in the consumer electronics markets, which generated exceptionally good growth in our metrology business sector. Adjusting for these large orders we experienced underlying revenue growth of 11% for the year. There was no material difference between revenue at actual exchange rates and revenue restated at previous year's exchange rates.

Geographic analysis shows growth of 91% in the Far East, 13% in the Americas, 3% in Europe and 7% in the UK. More specifically, revenue in the Far East increased from £134.6m to £257.7m, in the Americas from £85.6m to £96.3m, in Europe from £100.2m to £103.1m, and in the UK from £23.8m to £25.5m.

The Group's profit before tax for the year more than doubled to £144.2m, compared with an adjusted £70.1m last year. Statutory profit before tax for last year was £96.4m, which included the exceptional gain of £26.3m on the disposal of our shareholding in Delcam plc.

This year's tax charge amounts to £22.8m (2014: £10.7m) representing a tax rate of 15.8% (2014: 15.3% adjusted). The patent box and research and development tax credit amounted to £5.7m compared to £2.9m last year.

Earnings per share were 167.5p, compared with an adjusted 82.3p last year, an increase of 104%. Statutory earnings per share were 167.5p and last year were 118.4p.

2015 performance

	2015	2014	Change
Revenue (£m)	**494.7**	355.5	+39%
Operating profit (£m)	**143.9**	70.4	+104%
Adjusted profit before tax (£m)*	**144.2**	70.1	+106%
Adjusted earnings per share (pence)*	**167.5**	82.3	+104%
Dividend per share (pence)	**46.5**	41.2	+13%

Statutory

	2015	2014	Change
Profit before tax (£m)	**144.2**	96.4	+50%
Basic earnings per share (pence)	**167.5**	118.4	41%

*Adjusted results are for 2014 and exclude the gain on disposal of the shareholding in Delcam plc (£26.3m).

Metrology

Revenue from our metrology business for the year was £467.0m, compared with £326.6m last year, an increase of 43%. Metrology revenue in the Far East increased by 100%, from £124.8m to £249.9m, and in the Americas, there was growth of 12% from £80.1m last year to £89.4m.

Along with our good growth in our machine tool products line, we also experienced increased demand for our measurement automation, additive manufacturing and encoder products.

Operating profit was £150.7m (2014: £74.4m).

The significant growth has been supported by the sustained investment in our manufacturing facilities, processes and latest plant and machinery in the UK, Ireland and India.

We have continued to invest in research and development with total engineering costs in this business segment of £55.0m, net of capitalised costs (2014: £45.3m) with a number of new product launches during the year.

Healthcare

Revenue from our healthcare business for the year was £27.7m, compared with £28.9m last year. We experienced growth in both our medical dental and neurological product lines, but, as noted in our Interim report, spectroscopy sales were adversely affected in the first half due to delayed academic research funding in some territories and the strength of Sterling. Spectroscopy has however seen very strong second half growth and much improved order intake.

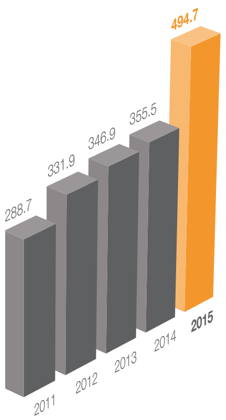
In our neurological products line, we made further sales of our neuromate® surgical robot, including first sales in the USA following FDA authorisation at the end of last year. We also released neuroinspire™ V4.0 surgical planning software, which includes significant new functionality, is CE marked and now available for sale in the EU. This software now integrates with our neuromate robot. We also launched neurolocate™, a CE marked frameless patient registration system for the neuromate stereotactic robot.

In our medical dental products line we entered into an agreement with DENTSPLY Implants, one of the world's leading companies in implant dentistry, which will see them purchase Renishaw additive manufacturing technology for the manufacture of dental products. This product line has also started to supply custom-made craniomaxillofacial implants that support reconstructive surgery, where we act as a subcontractor to hospitals and a university design centre.

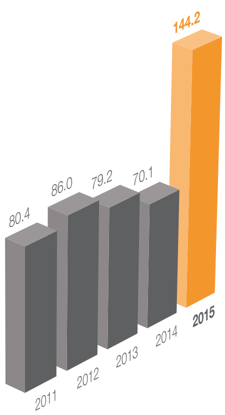
In our diagnostics products line, following completion of performance evaluation studies to verify the Fungiplex assay system, the product is expected to be available with a CE mark later in this calendar year.

There was an operating loss of £6.8m, compared with a loss of £4.0m last year. We remain focused on moving this business into profit.

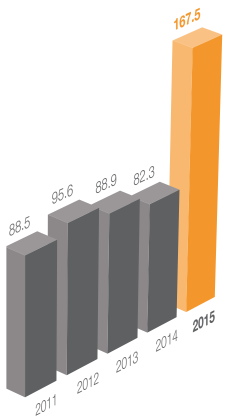
Revenue £m



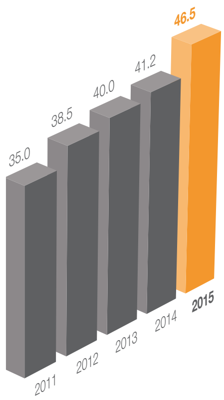
Adjusted profit before tax £m



Adjusted earnings per share pence



Dividend per share pence



CHAIRMAN'S STATEMENT CONTINUED

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.

Our workforce at the end of June 2015 was 4,112, an increase of 620 from the 3,492 at the start of the financial year to support our production requirements as well as growth in research and development and global sales and marketing activities. The staff increase included 30 apprentices and 58 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 £48.4m, of which £20.9m was spent on property and £27.5m on plant and equipment. Work has continued to implement regional data centres to further enhance the resilience and efficiency of the Group's IT infrastructure.

In the UK, the building of an additional 153,000 sq ft facility at New Mills has now been completed and this building, the Renishaw Innovation Centre, was formally opened on 7th July by HRH The Princess Royal. Also in the UK, our additive manufacturing business acquired and relocated into 90,000 sq ft facilities in Stone, Staffordshire, providing capacity for R&D expansion, a customer solution centre and service facility as well as providing capacity for a material development centre.

In Ireland, we have purchased additional properties adjacent to our existing facility and in the USA, Mexico and the Czech Republic, we have purchased land, on which to build offices for our expanding sales and marketing operations in those countries.

In Spain, we acquired additional offices adjacent to our existing premises, providing space for future growth.

Working capital

Group inventory increased to £77.7m from £63.0m at the beginning of the year, to support growth in revenue and our policy of holding finished stock to maintain delivery performance given our short order book of approximately five weeks. Trade debtors increased from £81.8m to £101.2m in line with higher revenue for the year, with debtor days outstanding at the end of the current year at 67 days (2014: 63 days).

Net cash balances at 30th June 2015 were £82.2m, compared with £43.6m at 30th June 2014. Additionally there is an escrow account of £14.7m (2014: £9.5m) relating to the provision of security to the UK defined benefit pension scheme.

Directors and employees

Ben Taylor, Assistant Chief Executive, has informed the Company of his decision to retire at the end of July 2016. He will remain in full-time employment until the end of October this year and continue thereafter on a part-time basis until his retirement. The Board is considering how his duties and responsibilities will be managed and will make appropriate announcements in due course.

With effect from 1st January 2015, Kath Durrant was appointed as an additional non-executive director. Kath was until recently the Group HR Director at Rolls-Royce plc and a member of the executive team. She has significant prior experience with AstraZeneca plc and GlaxoSmithKline plc. Kath currently sits as an advisory board member for the Lancaster University Management School.

During the year we have appointed William Lee to the Executive Board. He is the Director and General Manager of the machine tool and laser and calibration products lines and responsible for the spatial measurement products line. In June, Clive Martell, previously the chief executive of Delcam plc, joined the Group as head of global additive manufacturing and was appointed to the International Sales and Marketing Board.

The directors thank employees for their invaluable support and contribution during this exceptional year.

Investor communications

In line with our commitment to improve investor communications, our second investor day was held on 14th May 2015, for existing and potential new investors. This involved presentations on group strategy, business segments and product lines, given by members of the Board and senior management, as well as tours covering the Group's activities and various Q&A sessions. The event was again well attended and gives shareholders another opportunity, in addition to the AGM and half-year and year-end webcasts, to learn more about Renishaw's business and strategy.

Queen's Award

On 21st April 2015, Renishaw received a Queen's Award for Enterprise 2015 in the Innovations category for its revolutionary absolute position encoder. This award was granted for the development and manufacture of our RESOLUTE™ family of non-contact, optical position feedback devices. RESOLUTE enables a step change in the performance of motion control systems used in manufacturing and other environments.

Outlook

Whilst it is hard to predict to what extent there will be significant large orders in this coming year, with the development of new products and applications and continued growth in our underlying business, your directors remain confident in the long-term prospects for the Group. At this early stage in the current financial year, we anticipate that revenue for this year will be in the range of £460m to £485m and profit before tax will be in the range of £85m to £105m.

Dividends

A final dividend of 34.0 pence net per share will be paid on 19th October 2015, to shareholders on the register on 18th September 2015, giving a total dividend of 46.5 pence for the year, an increase of 13% over last year's 41.2 pence.

Sir David R McMurtry
CBE, RDI, FRS, FREng, CEng, FIMechE
Chairman and Chief Executive
29th July 2015

1

1. RESOLUTE's uniquely innovative design has won us our 18th Queen's Award.
2. Sir David McMurtry and John Deer receiving the inaugural Lifetime Achievement Award at the 2014 Gloucester Citizen and Gloucestershire Echo Business Awards.
3. HRH The Princess Royal discusses the Queen's Award winning RESOLUTE encoder with Jim Henshaw, Director and General Manager of the encoder products line.
4. Product demonstration area inside the new Renishaw Innovation Centre.

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OUR BUSINESS MODEL

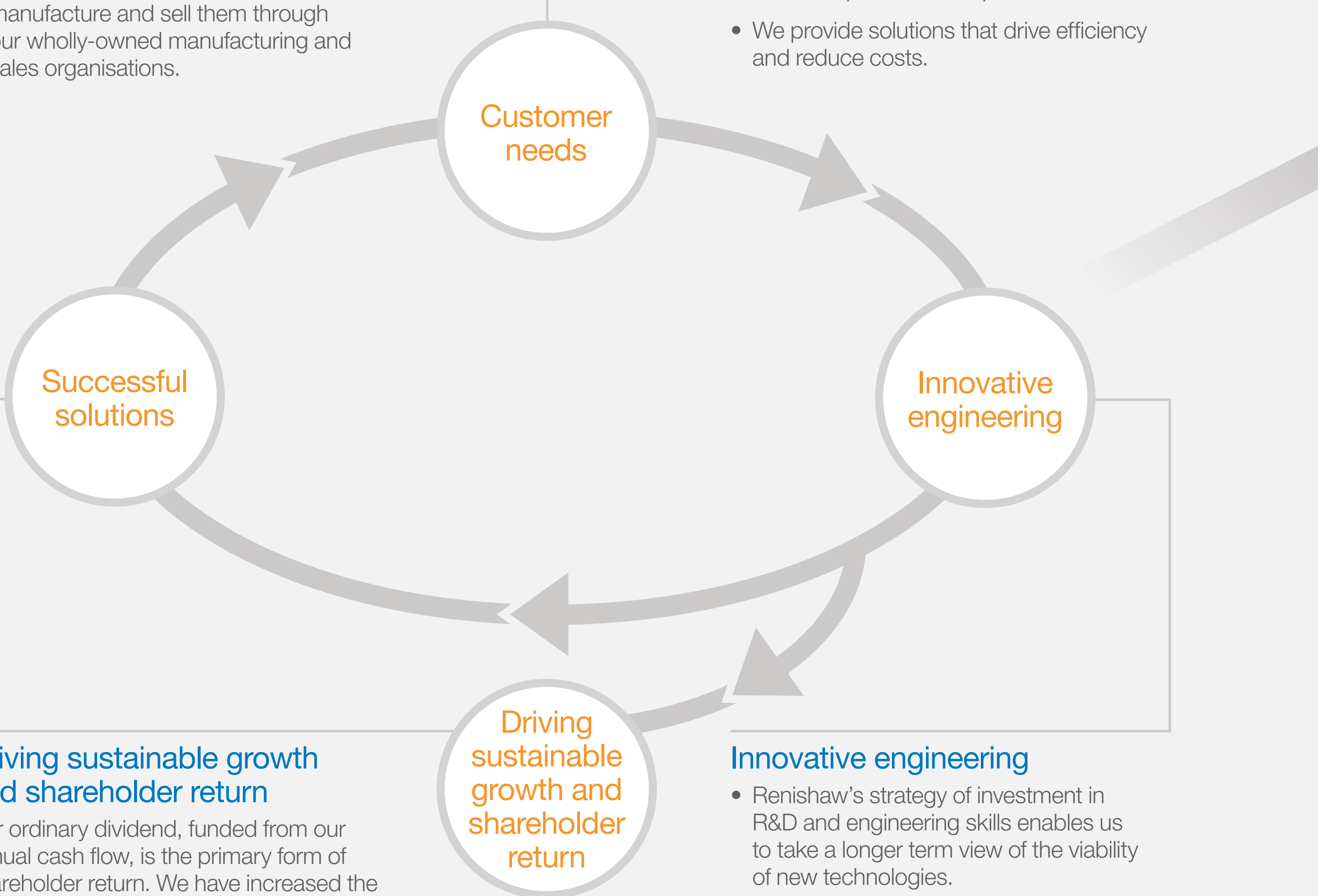
We identify customer needs, and then apply innovative engineering to deliver successful solutions.

Customer needs

- Future trends are anticipated in order to solve problems before they are visible to customers.
- 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 more than 20% over the last three years. We aim to maintain a progressive and sustainable dividend policy.

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.

Key performance indicators

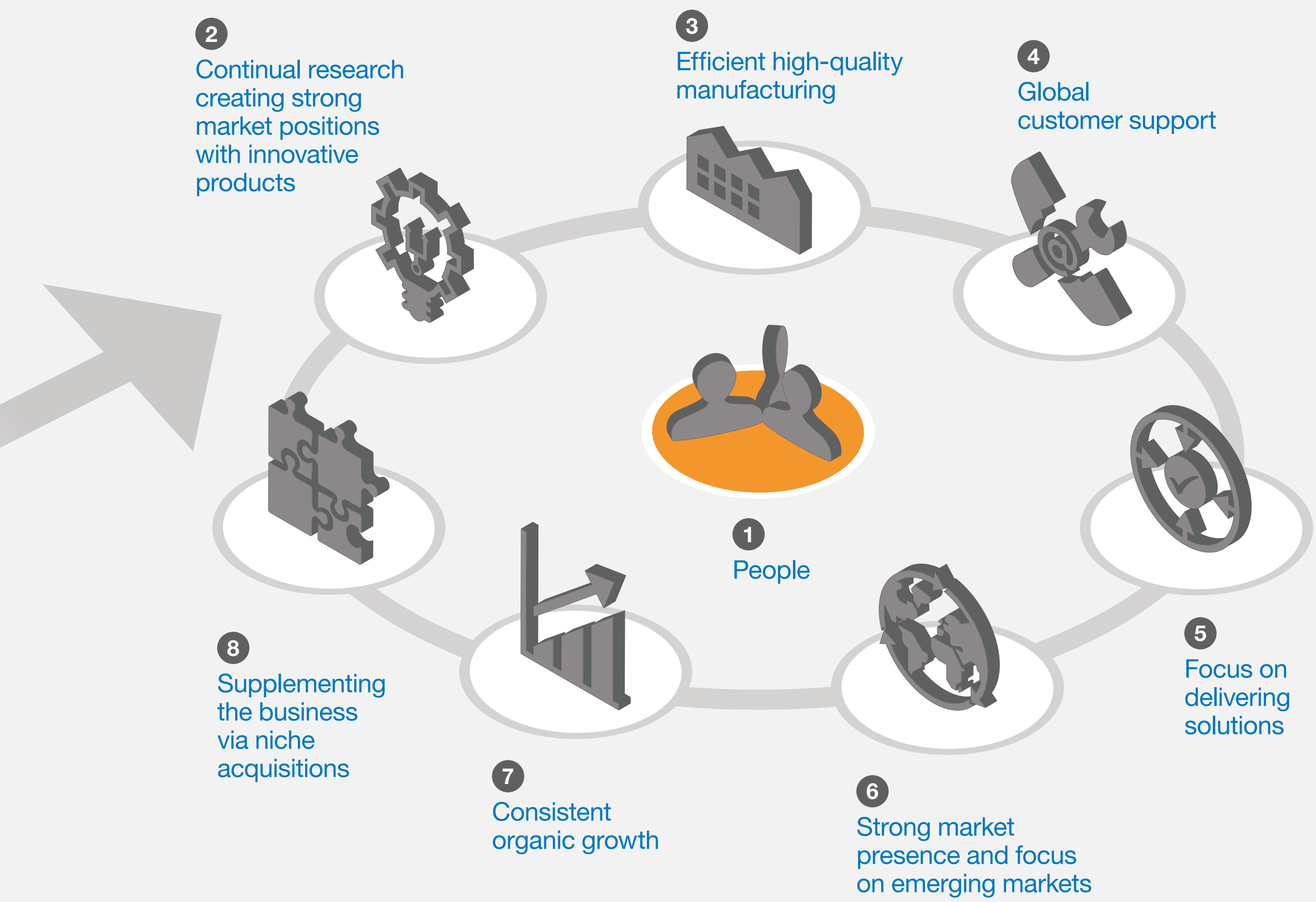
Our key performance indicators are shown on pages 42 and 43.

Principal risks and uncertainties

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

OUR STRATEGY

Eight strategic priorities drive our business model.



"We are actively developing our next generation of products with a view to integrating elements together to form overall market solutions. Renishaw continues to invest strategically in a number of key areas, for example, additive manufacturing and neuro, as part of our medium and long-term business plan."

Geoff McFarland
Group Engineering Director

OUR STRATEGY IN ACTION

The progress we made during 2015 is summarised below:

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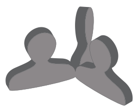
People

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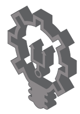
Continual research creating strong market positions with innovative products

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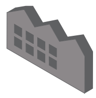
Efficient high-quality manufacturing

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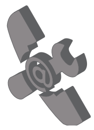
Global customer support

	People	Continual research creating strong market positions with innovative products	Efficient high-quality manufacturing	Global customer support
Description	Renishaw's people are central to the success of its business. Our innovative, hard-working and loyal employees make Renishaw the business success that it is. Many of them 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 highly vertically integrated organisation 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 can be 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. By having "local" global support through our wholly-owned subsidiary network, 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 4,112. This includes 1,387 in our overseas subsidiaries and 2,725 in the UK. Renishaw's in-house Academy, initially established to focus on technical training modules for applications engineers, 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 and technical training with one of Renishaw's software products such as MODUS™ or Productivity+™. Courses are held throughout the year, and as part of a structured development programme.	A significant range of new products have been brought to market during the year, including MODUS 2 and Primo, which introduces a genuinely breakthrough business model. 25 new patents have been filed and 104 granted during this financial year. The RenDx Fungiplex diagnostic system is in the process of obtaining CE certification.	During the last year, Renishaw's various manufacturing operations have supported a significant growth in turnover. This has only been possible as a result of our long-term strategic commitment to manufacturing and our sustained investments in the latest technologies and facilities. Recent strategic manufacturing investment decisions have enabled Renishaw to manufacture sufficient products in-house to satisfy order growth and to react to the large changes in demand on very short lead-times. We have done this by accelerating additional capacity, including the refurbishment of Miskin, where we now have 50% occupancy.	Renishaw continues to invest in training for both its technical support and sales people. As the business continues to grow and diversify, headcount has been increased accordingly (+ 127) to ensure that resources are available where and when needed. The Renishaw Academy now offers over 70 courses at all levels, training Renishaw employees around the world to ensure that they are able to deliver the excellent support levels that our customers demand.

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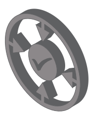

Focus on delivering solutions

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, which has highlighted that our global customers need assistance in solving their problems, is being carried across into our newer product lines (medical dental, gauging, neurological, diagnostics and additive manufacturing). 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, we are able to offer a cost-effective, efficient and easy-to-use solution.

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 endeavour to make this interaction a professional and positive experience.

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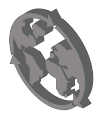

Strong market presence and focus on emerging markets

Description

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.

Progress

Renishaw's expansion into new growth economies continues, and this year we have opened, extended or relocated to larger premises in the UK, Singapore, Vietnam, Hong Kong, Ireland, Spain and Slovenia. This includes the relocation to a new 26,000 sq ft property in Hong Kong, to accommodate growth in the Far East region. The process for developing larger offices in the USA, Czech Republic and Mexico is also underway.

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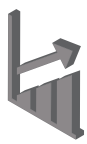

Consistent organic growth

Description

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.

Progress

Renishaw's new 153,000 sq ft building at the New Mills site, which houses R&D, corporate services teams and corporate demonstration and training areas, is now fully occupied. The additive manufacturing products line recently relocated to a larger 90,000 sq ft facility in Stone, Staffordshire to help nurture sustained business growth.

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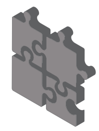


Supplementing the business via niche acquisitions

Description

We actively undertake acquisitions as a means to expand our product portfolio, quicken geographic market penetration and gain access to new patents, technologies and customers.

Progress

We continue to integrate acquired businesses and evaluate acquisition opportunities. For example, we recently acquired a 20% shareholding in HiETA Technologies Limited, a UK company specialising in the design and delivery of additive manufacturing products, such as heat exchangers for a range of applications – a complementary business for our additive manufacturing products line.

To see how we measure performance on these strategic priorities please see pages 42–43.

OUR BUSINESS SECTORS – METROLOGY

Renishaw Primo™ system: first "pay-as-you-go" probing system for entry-level users.

REVENUE (+43%)

£467.0m

OPERATING PROFIT (+103%)

£150.7m

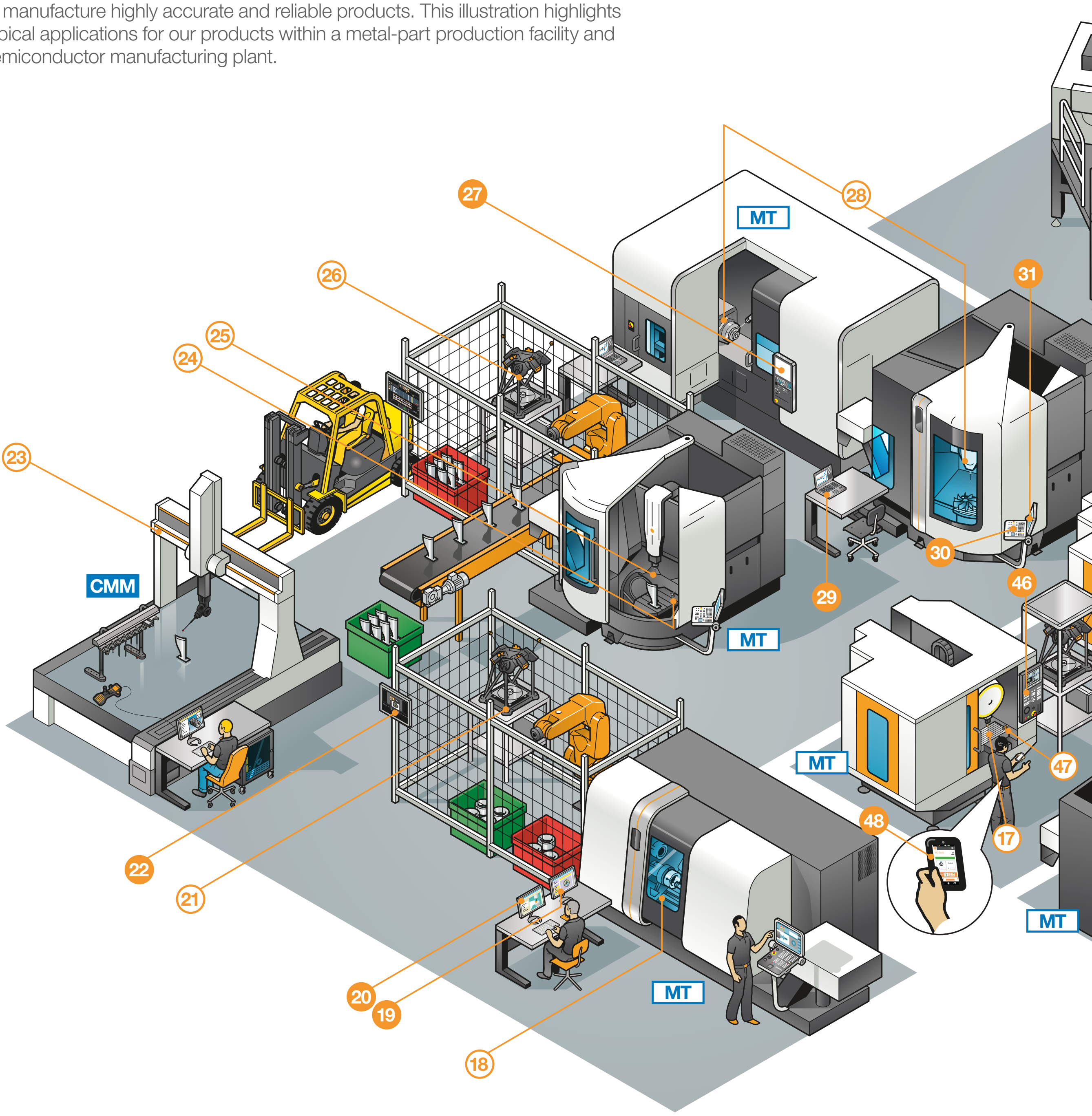
PERCENTAGE OF GROUP REVENUE

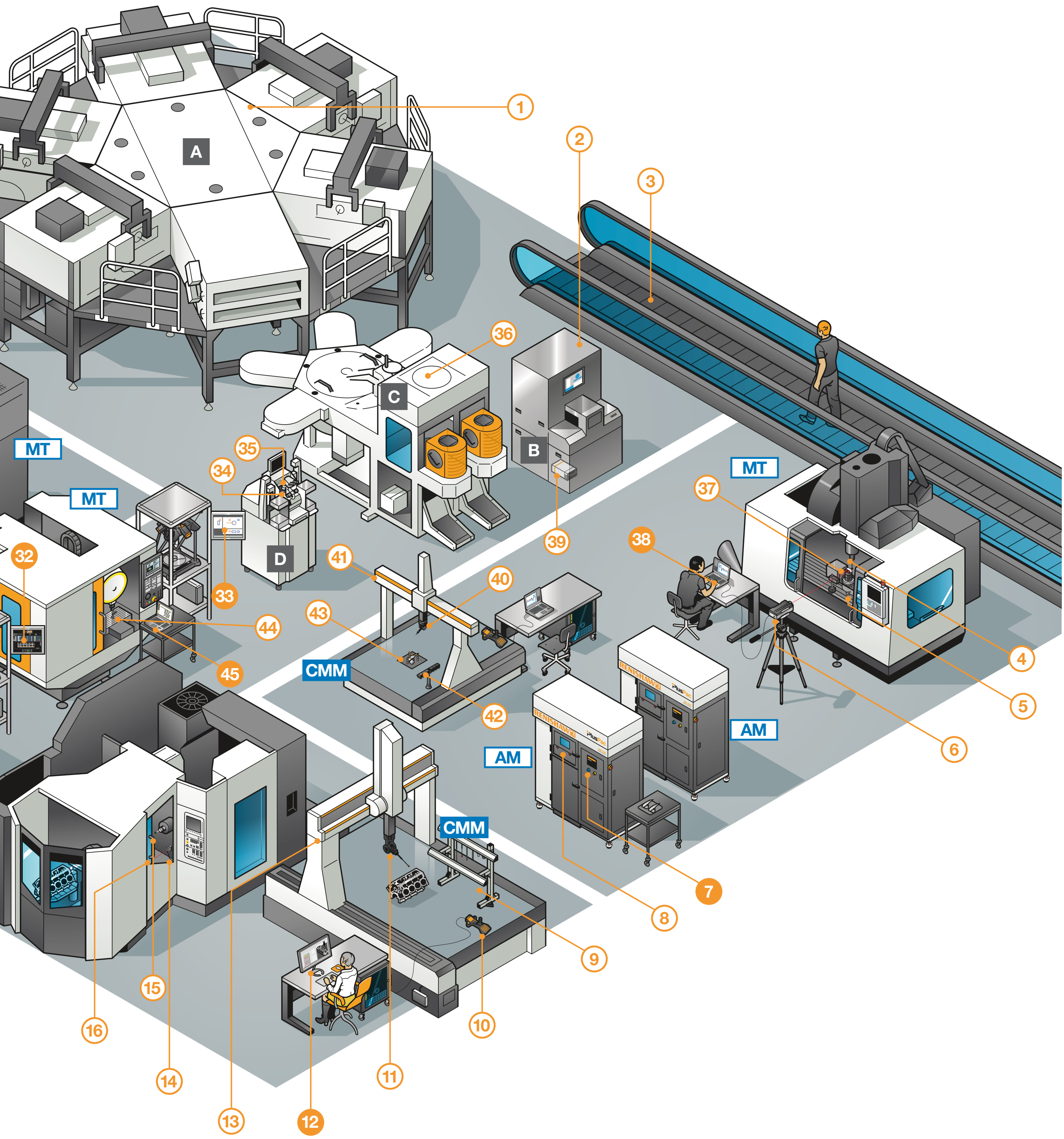
94%

Open here for more detail...

OUR BUSINESS SECTORS – METROLOGY CONTINUED

Our metrology products help manufacturers to maximise production output, significantly reduce the time taken to produce and inspect components, and 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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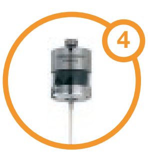
Group products

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 RTS
radio transmission tool setting probe

6 XL-80
laser calibration system

7 Controller software
software for the AM250 system control

8 AM250
additive manufacturing system

9 MRS2
rack for automated probe/stylus changing

10 MCU5
hand controller for CMM axes/motorised head

11 REVO®
5-axis measurement system with rack

12 MODUS 2
metrology software for inspection on CMMs

13 RGH22
incremental encoder for position feedback

14 TRS2
non-contact broken tool detection system

15 OMP600
optical transmission machine tool probe

16 NC4
laser non-contact tool setting system

17 Primo Radio Part Setter
radio transmission machine tool probe

18 RMP600
high-accuracy radio transmission machine tool probe

19 AxiSet™ Check-Up
health check for machine tool rotary axes

20 Renishaw OMV
machine tool software for inspection/verification

21 SP25
for high-speed scanning on Equator™ gauge

22 MODUS™ Organiser
software for shop floor operation of Equator™ gauge

23 RGH41
incremental encoder for position feedback

24 OTS
optical transmission tool setting probe

25 OMP400
high-accuracy optical transmission machine tool probe

26 Equator™
versatile gauging system

27 SPRINT™ MTM Toolkit
repeatable diameter measurement

28 SPRINT™ OSP60
optical transmission scanning probe


29 CNC Reporter
analysis and reports from Productivity+™

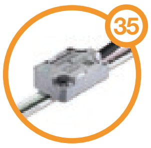

30 SPRINT™ Blade Toolkit
high-speed measurement of blade sections


31 Productivity+™
CNC plug-in software for SPRINT™ system


32 Process Monitor
re-mastering software for Equator™ gauge


33 INTUO™ software
easy-to-use gauging software


34 TONiC™
incremental encoder for position feedback

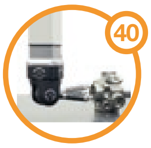

35 ATOM™
miniature incremental position feedback encoder


36 RESOLUTE™
true absolute position feedback encoder


37 XR20-W
rotary axis calibration system


38 RotaryXL
rotary axis calibration software


39 RA100
Raman analyser for process monitoring


40 PH20
5-axis touch-trigger system for CMMs

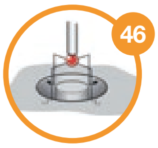

41 RGH41
incremental encoder for position feedback


42 MCR20
automated module changing for PH20 allowing use of multiple styli


43 Renishaw fixtures
modular fixturing for measurement systems


44 QC20-W
wireless ballbar for checking machine tools


45 Ballbar 20
software for operating QC20-W ballbar


46 Inspection Plus
macro software for machine tool probing


47 Primo Radio 3D Tool Setter
radio transmission tool setting probe


48 GoProbe
user-friendly probing software

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 machine (“CMM”) products
Sensors, software and control systems for three-dimensional CMMs, including touch-trigger and scanning probes, automated probe changers, motorised indexing probe heads and 5-axis measurement systems, which enable the highly accurate measurement of manufactured components and finished assemblies.

Styli for probe systems
Precision styli that attach to probe sensors for CMMs, machine tools, scanning probes and Equator™ gauging systems 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, rotary axis calibrator and wireless telescoping ballbar.

Gauging
Equator™ enables process control by delivering highly repeatable, thermally insensitive, versatile and reprogrammable gauging to the shop floor. New INTUO™ software is an ideal alternative to traditional manual gauging, with training in a few hours, allowing engineers to program parts in minutes.

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

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

Position encoders
Position 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”)
Advanced metal AM systems for direct manufacturing of 3D-printed metallic components. A total solution is offered from systems, materials, ancillaries and software through to consultancy, training and support for a range of industries including industrial, healthcare and mould tooling.

Vacuum casting
Vacuum casting machines from entry-level to high capacity for rapid prototyping and production of polymer end-use parts.


Modular fixtures for CMM inspection providing improved throughput, reproducibility and accuracy.


Quarryman® Pro laser scanner for quarry surveying and stockpile monitoring.

Miniature ATOM™ optical incremental readhead mounted on glass discs of various sizes.

Open here for more detail...

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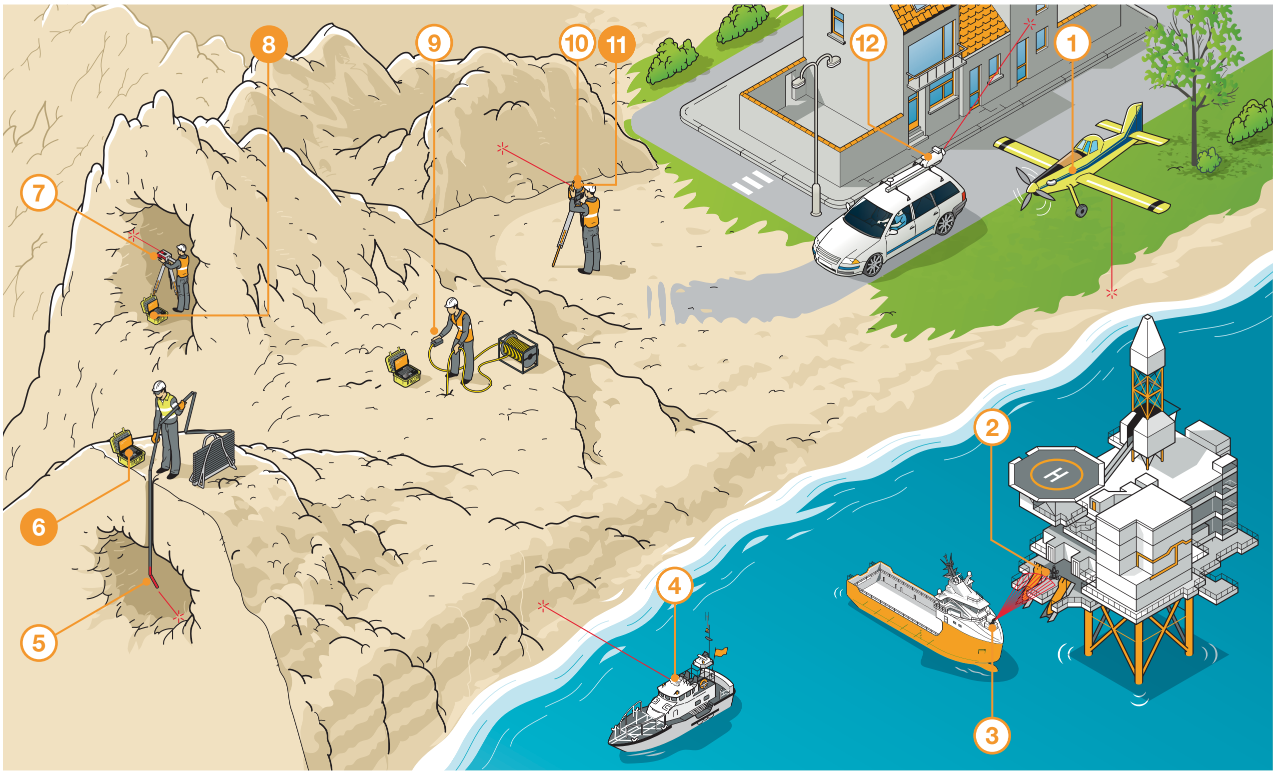


Spatial measurement devices overview

Renishaw's world-class laser systems and modules for high-performance mapping, surveying, positioning and measuring, even in extreme environments.

Our high-speed laser measurement and surveying systems are designed for use in extreme environments where speed, accuracy and safety are essential. From underground voids and cavities, to offshore and marine applications, mining, quarrying or overhead, our laser systems have been developed over many years of close work with those in the field, and have been adopted widely due to their reliability and ease of use.

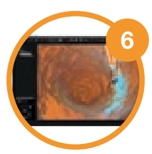
Group products


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


5 **C-ALS®**
slimline underground laser scanner for deployment through boreholes


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


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


6 **Cavity Profiler C-ALS®**
user-friendly software for fast, accurate 3D cavity scans


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


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


7 **Void scanner**
underground mapping of voids and cavities


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


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


8 **Cavity Profiler – VS**
simple, functional mining software for modelling voids


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

Key:

1 **Hardware**

2 **Software**

“Pay-as-you-go” probing

Renishaw’s customer research has shown that concerns, including investment cost, ease of use and durability, have held some companies back from using probes.

Our response is the Renishaw Primo™ system, a truly innovative approach that addresses each of these concerns. With a low initial cost, free training kit and immediate parts replacement, the Primo system enables manufacturers to grasp the opportunities of high-value manufacturing regardless of the size of their operation.

The latest pioneering initiative from Renishaw, and a first for the industry, the Primo system offers users all the advantages of automated tool setting at a very affordable price. The twin probe system comprises the Primo Radio Part Setter, Primo Radio 3D Tool Setter and Primo Interface.

Renishaw Primo Credit Tokens enable the “pay-as-you-go” solution, which makes the Primo system unique and ensures an affordable initial investment, attractive overall purchase price and fast payback. Users buy six-month credit tokens which enable unlimited use of the Primo machine tool probe system during that period. An upgrade credit token is also available to provide unrestricted continuous use. Registration of a valid six-month credit token activates Primo Total Protect, which provides cover against accidental probe damage.

Finally, the GoProbe software and supporting training kit makes these already easy-to-use machine tool probes even simpler. A comprehensive self-study package with a range of training tools and modules guides users through everything they need to get the most out of the Renishaw Primo system.

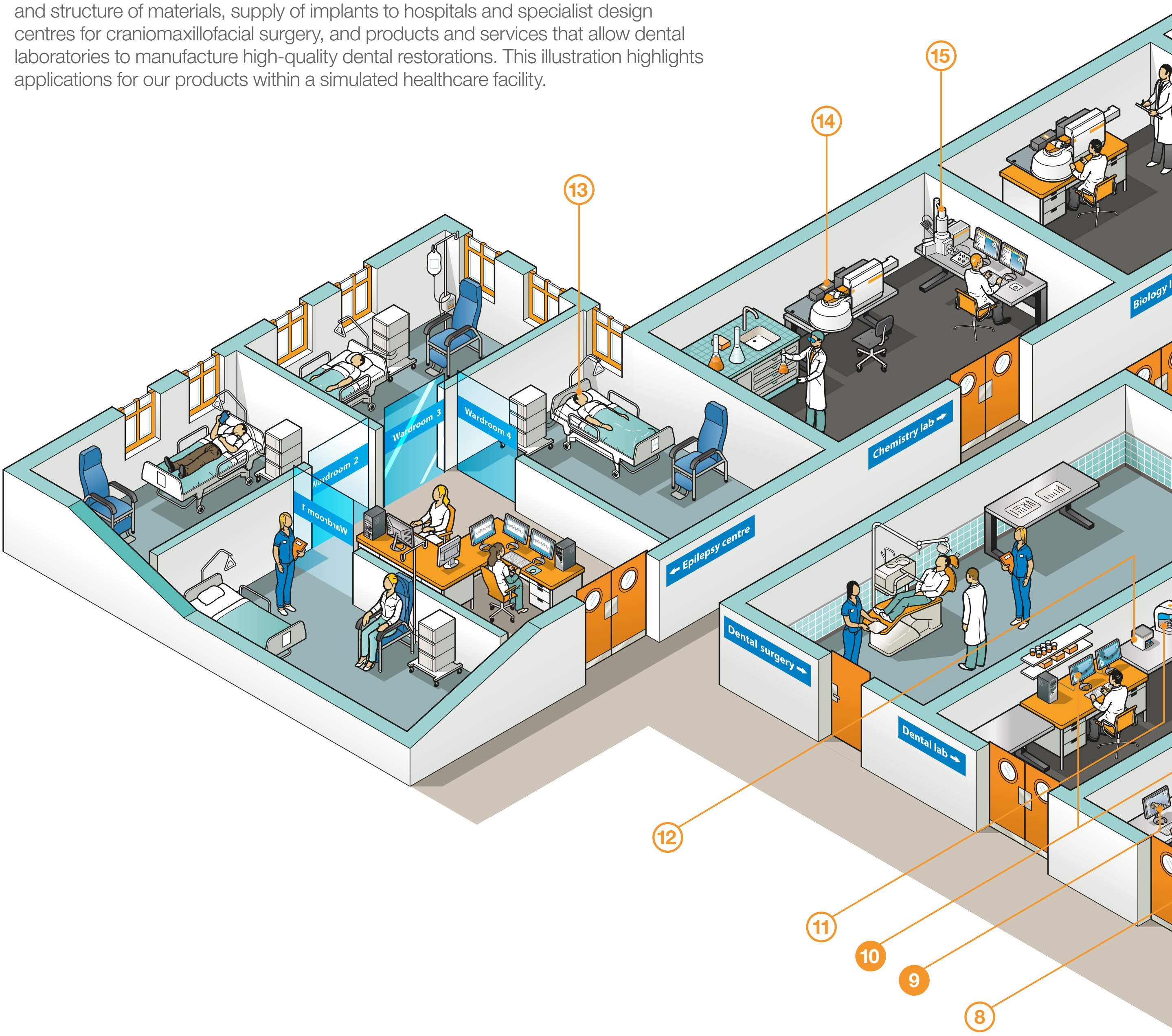
See more at www.renishaw.com/primo

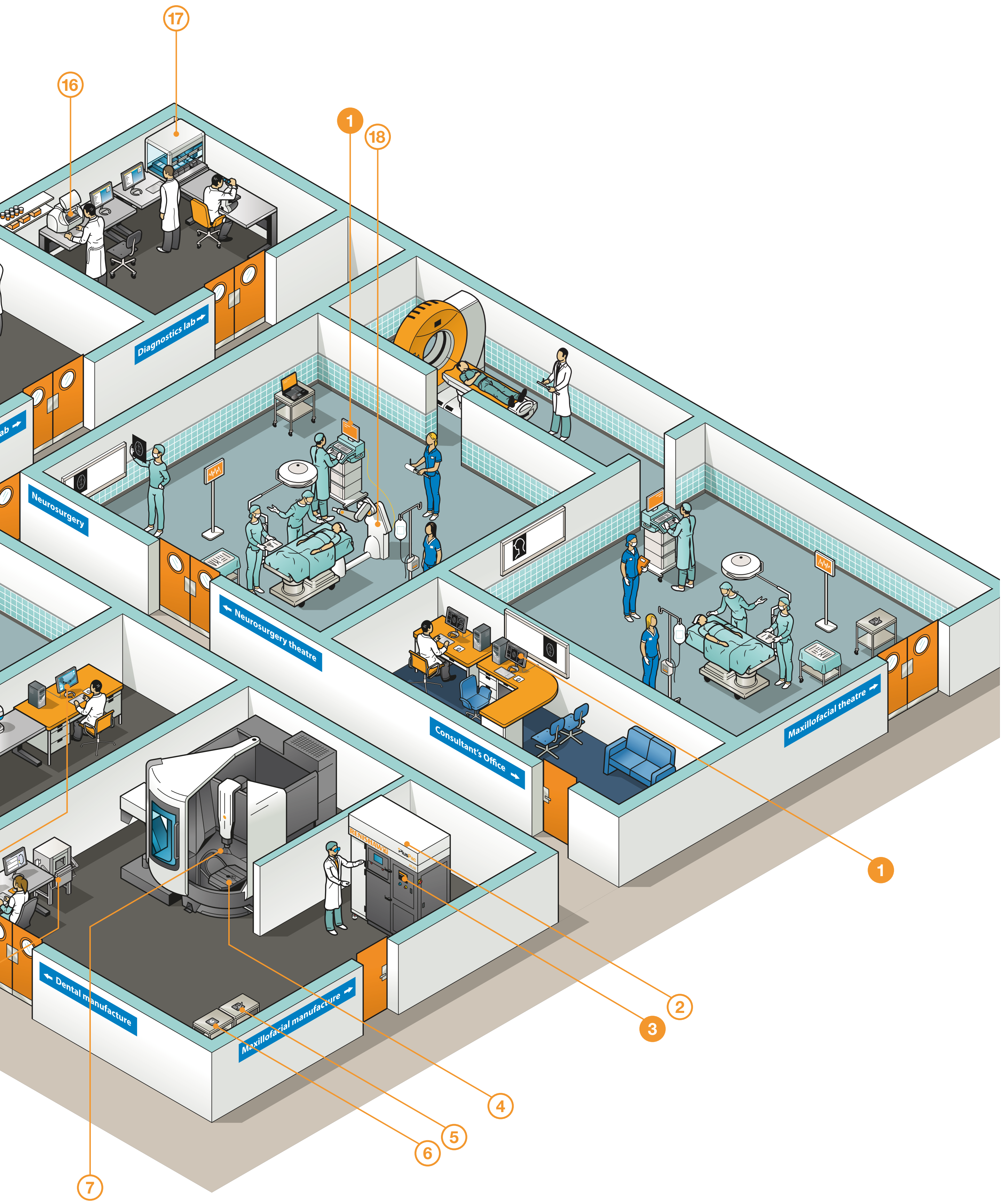
OUR BUSINESS SECTORS – HEALTHCARE

Image shows a LaserImplant™ cranial plate created in titanium alloy using Renishaw's additive manufacturing technology. Such implants can be used in craniomaxillofacial surgery to replace bone removed as a result of trauma or disease treatment.

REVENUE (-4%)	OPERATING LOSS	PERCENTAGE OF GROUP REVENUE
£27.7m	£6.8m	6%

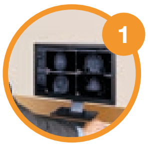
Our technologies are helping within applications such as craniomaxillofacial surgery, dentistry, neurosurgery, chemical analysis and nanotechnology research. These include engineering solutions for stereotactic neurosurgery, diagnosis of infectious diseases, analytical tools that identify and characterise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





17
16
1
18
Diagnostics lab
Neurosurgery
Neurosurgery theatre
Consultant's Office
Maxillofacial theatre
Dental manufacture
Maxillofacial manufacture
RENISHAW
1
2
3
4
5
6
7

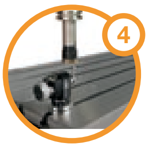
Group products



1 **neuroinspire™**
surgical planning software

2 **AM250**
additive manufacturing system

3 **Controller software**
software for the AM250 system control

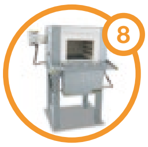


4 **OTS**
optical transmission tool setting probe

5 **Maxillofacial build plate**
additively manufactured 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

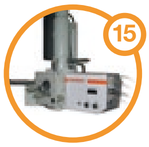
10 **Renishaw Dental Studio**
CAD software for dental scanning

11 **DS10**
contact dental scanner

12 **DS30**
blue light optical 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-2000**
analyser for identification of biological targets

17 **RenDx SP-2000**
sample processor

18 **neuromate®**
robot for stereotactic neurosurgery

Key:

1 **Hardware**

2 **Software**

The neuromate® stereotactic robot can be used in a variety of neurosurgical procedures such as biopsy, neuroendoscopy, deep brain stimulation and stereoelectroencephalography.

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 the measurement of implant locations for tooth-supported frameworks and custom abutments.

Dental computer-aided design ("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 powerful anatomic design functions.

Dental structures manufacturing service
A central manufacturing service that can handle CAD files from a wide variety of dental CAD systems to produce structures for crowns and bridges in zirconia, cobalt chrome, PMMA (used for temporary restorations) and wax, and abutments in cobalt chrome.

Craniomaxillofacial custom-made implants
Additively manufactured from titanium, custom-made craniomaxillofacial implants are structural implants that are used in the reconstruction of a patient's head, face or jaw. These are most commonly required after oncology treatment or as a result of trauma.

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 is being used to trial the delivery of therapeutics deep into the brain.

Neurosurgical planning software
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.

Diagnostic systems
Renishaw Diagnostics Limited has developed the RenDx Multiplex Assay System, an automated, multiplex platform for clinical diagnosis of infectious disease, and is in the process of obtaining CE certification for the platform and its first assay, Fungiplex, for diagnosis of invasive fungal infections.

Preparing the RenDx SP-2000 to process a diagnostic assay.


Checking a processed assay before analysis on the RenDx SA-2000 sample analyser.

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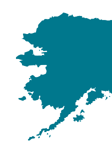
OUR MARKETS – DELIVERING SOLUTIONS GLOBALLY

The Group has over 70 locations in 33 countries from where we distribute and support products for our global customer base, with 95% of sales outside the UK. We manufacture our products in the UK, Ireland, India, Germany, 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

Power generation

Manufacture of components for civil nuclear, wind and solar 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

Resource exploration

Equipment manufactured to stringent safety requirements requires accurate, cost-effective and traceable processes

Non-renewable resources require exploration in demanding terrains and appropriate surveying tools

Global population growth and urbanisation drive long-term demand for fossil fuels

Key facilities developments

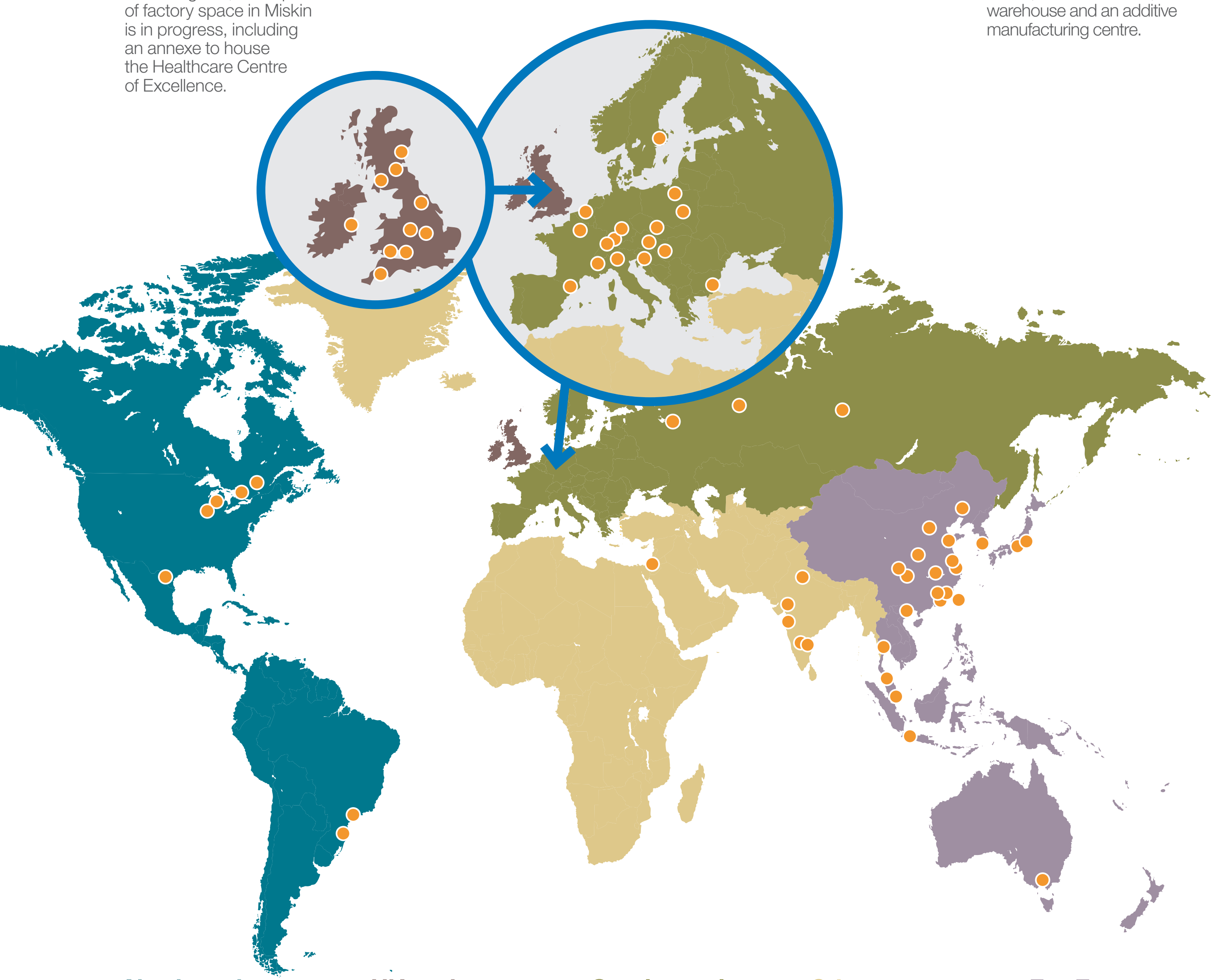
Stone and Miskin, UK
Acquired new 90,000 sq ft facilities in Stone to help cope with sustained business growth. Refurbishment of the remaining 125,000 sq ft of factory space in Miskin is in progress, including an annexe to house the Healthcare Centre of Excellence.

Hong Kong, China
Relocated to a larger facility with over 26,000 sq ft of space. The new premises house a larger office space, warehouse and demonstration area.

Barcelona, Spain
Acquired two buildings adjacent to our current premises in Barcelona, providing an additional 22,000 sq ft.

Dublin, Ireland
Purchased buildings adjacent to our current premises in Swords, Dublin, providing an additional 57,000 sq ft.

Illinois, USA
New purpose-built facility due for completion by 2016. Measuring 133,000 sq ft, it will include offices, training rooms, a demonstration centre, a service centre, a warehouse and an additive manufacturing centre.



North and South America
9 Locations

Metrology revenue
£89.4m

Healthcare revenue
£6.9m

93% 7%

UK and Ireland
15 Locations

Metrology revenue
£20.7m

Healthcare revenue
£4.8m

81% 19%

Continental Europe
19 Locations

Metrology revenue
£96.2m

Healthcare revenue
£6.9m

93% 7%

Other regions
7 Locations

Metrology revenue
£10.8m

Healthcare revenue
£1.3m

89% 11%

Far East
22 Locations

Metrology revenue
£249.9m

Healthcare revenue
£7.8m

97% 3%

Metrology Healthcare

PERFORMANCE – OVERVIEW

Renishaw saw a year of record revenue and profit with a continuing focus on investments required to achieve long-term business growth. This included strong investments in R&D facilities, manufacturing capacity, global marketing and distribution infrastructure, new product development and the recruitment and training of skilled people.

Review of 2015

Exceptionally high revenue from a number of Far East customers, particularly in the consumer electronics markets, ensured the achievement of record revenue and operating profit. After adjusting for these large orders there was still 11% of underlying growth. These results provided confidence to continue our strong investments for the long-term sustainability of the Group, which included global marketing and distribution infrastructure, R&D facilities, new product development, manufacturing capacity and the recruitment and training of skilled employees.

The year saw a particularly high level of capital investment in the acquisition and refurbishment of property. The 153,000 sq ft Renishaw Innovation Centre at our New Mills headquarters site, was officially opened by HRH The Princess Royal on 7th July, which together with the refurbishment of other buildings at the site, allowed employees from our spectroscopy and calibration products lines to relocate to New Mills during the summer of 2015. We have planning permission to add another 77,000 sq ft to the new building, all of which will enable us to meet the space requirements for our projected future growth in R&D resource across all product lines and the necessary growth in corporate support functions.

Investment continued in our Miskin site, where by December 2015 we will have invested or committed almost £40m in the site acquisition and refurbishment, and purchase of plant and machinery. Towards the end of the financial year, refurbishment started on the remaining buildings at the site, including a 122,000 sq ft production hall and an annexe which will house a new “Healthcare Centre of Excellence” (see page 33). The planning application for 1.74 million sq ft of development at the Miskin site, including 400,000 sq ft for long-term use by Renishaw, has recently been approved by the local planning authority.

Both the Miskin and Stonehouse machine shops have seen significant further investment in machinery, with 31 machine tools delivered in the second half of the year, providing component machining capacity that will allow us to respond quickly to future projected demand.

In Staffordshire, two adjacent properties totalling 90,000 sq ft have been acquired to allow Renishaw’s additive manufacturing products line to relocate from its former premises. The new facilities include training and lecture rooms and large R&D facilities, and will house our UK additive manufacturing solutions centre, one of a global network that is being established.

Outside the UK, there were further investments in group facilities, with the acquisition of 57,000 sq ft of space adjacent to our existing facilities near Dublin, providing additional manufacturing capacity. In Hong Kong, our offices have been relocated to a new 26,300 sq ft facility close to the main container port, whilst in Shanghai the remainder of the 18,000 sq ft space acquired last year has been refurbished. In the Czech Republic, 63,600 sq ft of land has been acquired adjacent to our existing premises in Brno, on which it is planned to create a 43,000 sq ft extension.

Occupying 9,700 sq ft in the suburb of Mulgrave, our new offices in Australia are in the heart of Melbourne’s technology hub.

Also in Europe, we acquired additional offices adjacent to our current premises in Spain, providing space for future growth.

In the USA, we acquired an 11 acre site in West Dundee, Illinois, which will allow us to build a 133,000 sq ft facility and consolidate operations from two existing sites. Land was also acquired in Mexico to develop facilities for our expanding sales and marketing operations.

The skills agenda continues to dominate discussions amongst engineering and science-based businesses, so it was a boost to again be recognised by The JobCrowd (a UK graduate job review website) as a Top 3 employer of graduates in the UK's engineering/manufacturing sector. Competition for the best talent is very strong and there was again a major drive to develop younger people that will ensure the future success of the business, with a planned record intake of 70 graduates and 44 apprentices this summer.

Market conditions

This was an exceptional year for our Far East business, primarily due to large orders from China and South Korea for our machine tool products used in the manufacture of consumer electronics, but there was also a favourable environment for position encoders created through investments in LED manufacture and the semiconductor sector.

Away from the Far East, the Americas showed good growth (13%), whilst Europe (3%) and the UK (7%) also experienced modest growth.
This spread of growth on a global basis underlines the strength of our product portfolio and distribution infrastructure.

As already mentioned, there were strong business drivers in the Far East electronics sector, but worldwide, the investment in production systems and processes for key sectors such as aerospace, automotive and energy continued during the year. All these sectors 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 enhancing our manufacturing capabilities and continuing to develop a strong market presence in emerging markets.

As well as the previously mentioned investments at Miskin and in Ireland, which increased manufacturing capacity and reduced supply chain risk, we also established Renishaw Tehnični Inženiring d.o.o., a company located within the Faculty of Electrical Engineering at the University of Ljubljana, Slovenia. The new company will design, develop and supply application-specific integrated circuits and sensor technologies for the Group and RLS, our Slovenian associate company, which will provide an alternative controlled source for custom-designed integrated circuits.

During the year, Renishaw Singapore, which is responsible for commercial activities in the ASEAN region, moved to a larger 4,300 sq ft office, offering improved demonstration and training facilities. With more manufacturing moving into the ASEAN markets, our first office in Hanoi, Vietnam, was opened, with a 2,150 sq ft facility.

New 34,400 sq ft headquarters over two levels at the Shibei Hi-Tech Park in Shanghai's Zhabei district.

PERFORMANCE – METROLOGY

Performance

As already reported, there was exceptional growth for our machine tool products line, but there was also strong growth for our measurement automation, styli and fixturing, and additive manufacturing (metal 3D printing) products lines. The measurement automation products line, which is currently focused on the award-winning Equator™ gauge, continues to see 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 additive manufacturing ("AM") products line, which includes the LBC business in Germany (specialising in AM parts manufacture, including conformally cooled mould tools and tool inserts for injection moulding and die-casting applications), continues to benefit from high levels of investment and integration within the Group's infrastructure, including the new facility in Staffordshire, more machines for demonstration facilities and plans for a series of AM solutions centres which will aid adoption of AM technologies by new customers. Renishaw is now being seen as a key player in the sector and we are receiving strong interest from large manufacturers in a wide range of sectors, including aerospace, motion control, mould and die, medical and motorsport.

A new web shop was introduced during the year for the promotion and sales of styli, fixtures and other metrology accessories, with the site now available in 14 different countries. Our co-ordinate measuring machine ("CMM") products line also showed good growth, with the REVO® measuring system continuing to be adopted by some major global automotive businesses. At one manufacturer, an installation of seven systems led to an average 45% improvement in the cycle time to inspect engine blocks and cylinder heads, leading to an additional eight systems being ordered.

Position encoders also exhibited solid growth, benefitting from investments in the Far East electronics and semiconductor sectors, and a global drive towards industrial automation which will 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.

In a similar way as we have dealt with the unpredictable demand for machine tool products, our manufacturing investments and expert local support organisations have given us an agile capability that allows us to quickly respond to the large encoder orders from customers supplying the fast-paced electronics sector.

Market conditions

Manufacturers around the world are continuing the relentless drive to reduce costs, shorten lead times and improve the quality of finished products. Renishaw technologies provide them with proven solutions to keep machines running reliably, maximise output from those machines and significantly reduce the time taken to inspect finished components. The skills shortages faced on a global basis in engineering and manufacturing are also driving increased investments in automated processes, many of which require products from across our various lines.

The civil aviation sector continues to forecast very positive trends for Renishaw, with the 2015 Airbus Global Market Forecast predicting a doubling of air traffic over the next 15 years and also forecasting that over the next 20 years, some additional 32,600 passenger and freight aircraft will be required. Our products are used heavily in the aerospace sector and the continuing drive towards more fuel-efficient aircraft also requires more tightly toleranced parts, and the "lightweighting" of components, hence strong interest in additive manufacturing.

Renishaw products are deployed in space for the first time

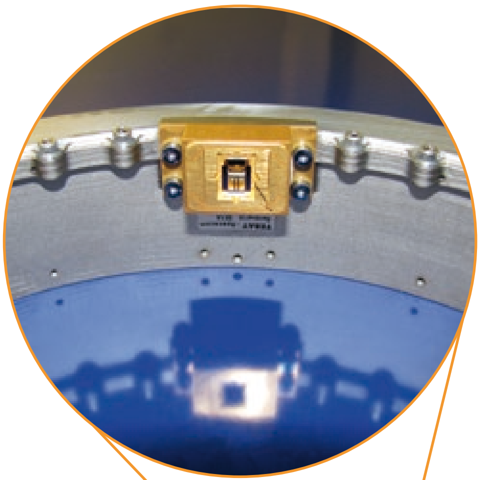
The European Space Agency's Sentinel-1A satellite was launched from the European spaceport in French Guiana with Renishaw's new space-encoder technology installed on the advanced Optical Communications Payload ("OCP") of the satellite, part of a revolutionary inter-satellite laser communication system.

The OCP provides an optical Low Earth Orbit ("LEO") to Geostationary Earth Orbit ("GEO") communications link through a pair of Laser Communication Terminals ("LCT") by space telecommunications company Tesat-Spacecom ("Tesat") of Backnang, Germany. The GEO LCT is currently accommodated on Europe's AlphaSat.

Space is an exceptionally harsh environment that demands encoder performance and reliability far in excess of normal operational limits. Tesat required a new rotary encoder for the coarse pointing assembly ("CPA") of its second generation LCT, which is essentially a telescope with coherent receiver and transmitter hardware.

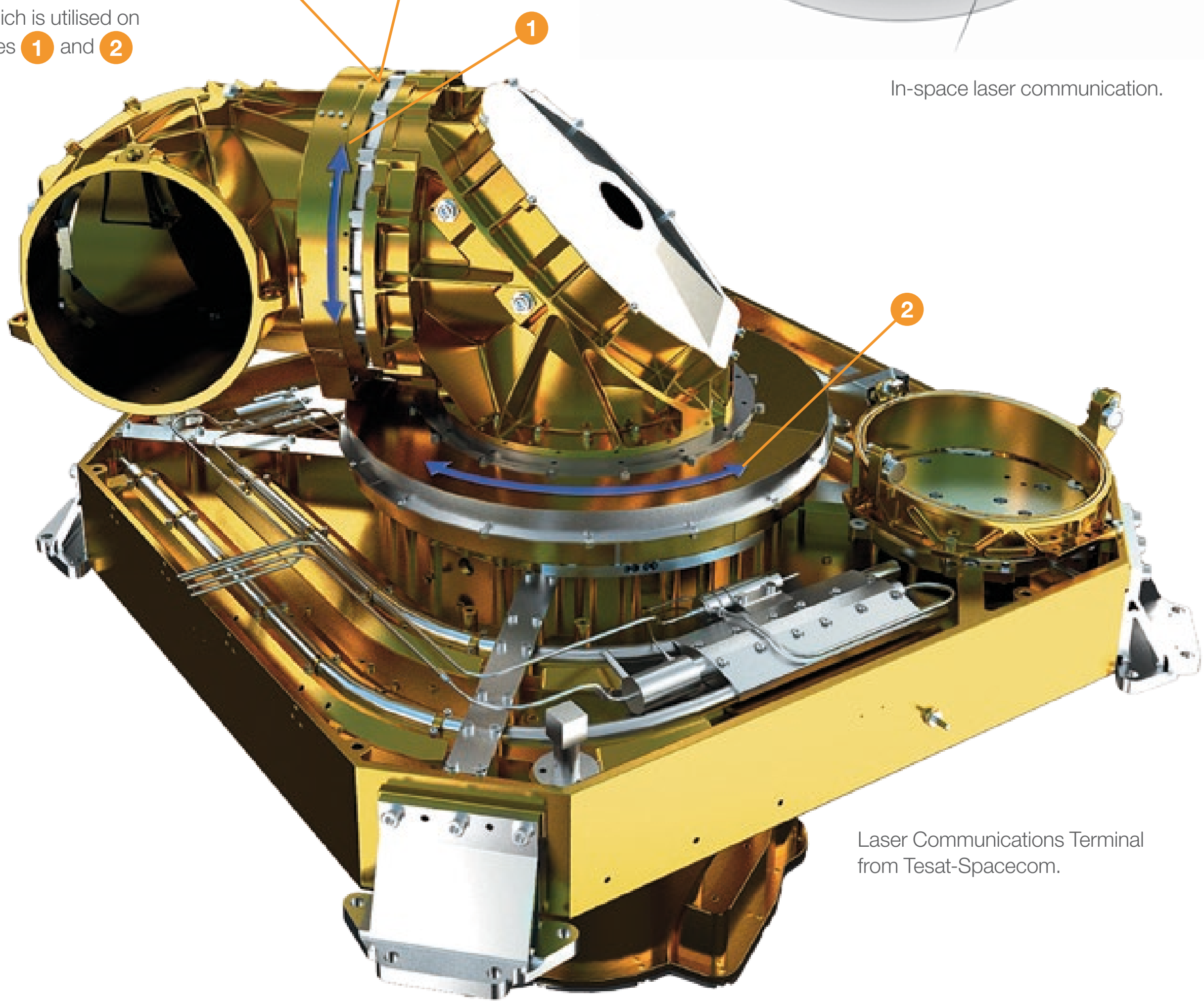
The space-encoder, developed in collaboration with Tesat, is designed to withstand operating temperatures from -40 °C to +80 °C, bombardment by solar/cosmic radiation and high mechanical loads consistent with rocket launch. Radiation hardening, combined with Renishaw's extremely robust optical detection principle, resulted in the encoder achieving qualification for an impressive 15 years' service in a GEO environment.

The space-encoder is installed on both rotary axes of the CPA and achieves a resolution of less than 0.5 microradians, with a short-range error of less than 0.5 microradians and long-range error of less than 5 microradians.



Close-up of rotary space-encoder developed by Renishaw and Tesat-Spacecom, which is utilised on axes 1 and 2

In-space laser communication.



Laser Communications Terminal from Tesat-Spacecom.

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, AM and accessory ranges, such as styli and fixtures, can be 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, our new MODUS 2 software suite is designed to simplify the programming of CMMs and supports the full range of measurement tasks, from basic manual inspection devices to fully automated machines with five-axis systems such as REVO®.

A key focus is on developing technologies that provide patented products and methods which support our product strategies, with £55.0m (net of capitalisation costs) expenditure on R&D and engineering during the year. The current technology focus includes miniaturised high-resolution position feedback systems, user-friendly metrology software products for gauging, co-ordinate measurement and calibration, and the development of AM systems with faster processing capability and improved process control for large-scale manufacturing.

Fanbeam® 5 – the laser-based marine dynamic positioning for offshore support vessels.

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. For example, a 20% stake in HiETA Technologies Limited was recently acquired. The design and delivery of additive manufacturing products such as heat exchangers for a range of applications, which HiETA specialises in, will greatly complement our existing AM technology and products. Many of the opportunities for AM sales are to existing customers who understand Renishaw's holistic approach to manufacturing and also the complementary products that can assist their part production, such as gauging or CMM inspection products.

Key developments

During the year, we launched a new concept in probing, designed to appeal to a more price-sensitive market. The Primo™ twin probe system (see page 17) offers a low initial cost and a "pay-as-you-go" approach, which is already gaining popularity after initial launches in India and China. Also introduced towards the end of the year was Primo LTS, a single-axis tool setter that allows users to set tool length, check for breakage and compensate for thermal growth on CNC machining centres.

There have been several new software products, all designed to simplify the operation of our metrology products, including MODUS 2 mentioned previously. For machine tool probe users, GoProbe is simplified software that requires no prior probing experience and comes with easy-to-use training materials, including a smartphone app. To make using the Equator system similarly straightforward, our new INTUO™ gauging software requires minimal training and allows a programmer to create gauging routines simply by using the part to be measured and its associated engineering drawing.

Other products introduced during the year for our CMM products line include the PH20 MT system (an entry-level "machine touch" only version of the market leading PH20 five-axis touch-trigger system), RSP3-6 (a new scanning probe for the REVO system that enables the use of ultra-long styli up to 800mm in length to measure deep bores) and UCCsuite software V4.9.2 (CMM control software which supports new products and improvements to CMM calibration).

Additional products for the Equator gauging system include a touch-trigger probe kit which gives much shorter cycle times for certain applications and EZ-IO 4.0, an updated version of software that allows Equator to be more easily configured for use in automated cells.

An upgrade was also introduced for the AM250 additive manufacturing machine, which includes new optical control software, a gas knife lens window protection system and a high-capacity filtration system, all designed to give faster and cleaner processing of AM parts.

Outlook

We continue to be 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 products line.

Growth in the world's middle-classes, with increasing disposable income, is also forecast to drive demand in areas such as civil aviation, consumer products, agriculture, construction and power generation (including oil, gas and renewables). 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.

55% reduction in cooling time increases Kärcher's productivity

Based in Germany, Alfred Kärcher GmbH & Co. KG ("Kärcher") and its high-pressure washers with their distinctive yellow cases, are a popular item in households around the world.

More than 2 million units of the basic Kärcher K2 pressure washer model leave the company's Obersontheim factory every year.

As part of a project to reduce the total cycle time for the manufacture of the K2's moulded yellow case by at least 20%, Kärcher turned to Renishaw GmbH based in Pliezhausen, Germany. "Our aim was to reduce the cycle time from the original 52 seconds to between 40 and 42 seconds", explained Leopold Hoffer, Kärcher's injection moulding process co-ordinator.

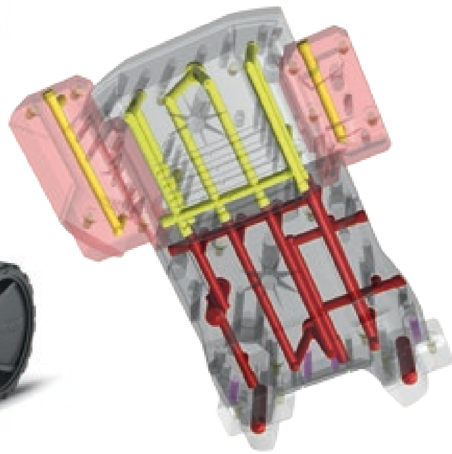
Renishaw carried out a full analysis of the original injection moulding process, where cooling accounted for 22 seconds of the 52 second total cycle time and recommended various design improvements to the mould tools, which were adopted by Kärcher.

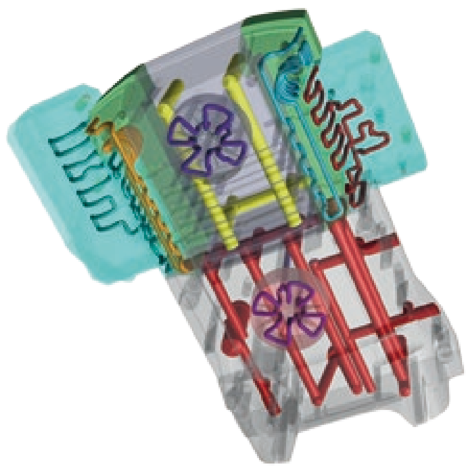
The solution combined a mix of conventional temperature control cooling technology, vacuum-brazed cores and additively manufactured conformal cooling channels that follow the shape of the injection mould tool cavity to achieve rapid uniform cooling.

Combined with the re-organisation of external processes, including material feed and handling systems, overall cycle time reduced by almost 30% from 52 seconds to 37 seconds, within which cooling time reduced from 22 seconds to just 10 – a 55% improvement. Overall daily output of the K2 case has risen from 1,496 to 2,101 units.

Kärcher K2 pressure washer.

Original design of mould tool for K2 rear yellow case.





New design of mould tool by Renishaw showing additively manufactured conformal cooling channels.

MANUFACTURING OVERVIEW

During the last year, manufacturing operations have had to support Renishaw's substantial business growth. This has been aided by our sustained long-term strategic commitment to the latest manufacturing technologies and facilities. The Group has manufacturing facilities in the UK (Woodchester 165,000 sq ft, Stonehouse 100,000 sq ft, Miskin 460,000 sq ft and smaller operations at New Mills, Old Town, Stone and York), Ireland (Swords 70,000 sq ft), India (Pune 50,000 sq ft), Germany (Völklingen 19,000 sq ft), France (Lyon 5,500 sq ft) and the USA (Grand Haven 14,000 sq ft).

Strategy

At a strategic level, Renishaw's manufacturing operations are highly vertically integrated. This results from our commitment to delivering exceptional service levels in terms of delivery, service and product quality to our customers. This approach also ensures that we are in control of our costs, quality and many of the supply chains that are critical to the success of our business.

Over many years, we have strived to ensure that our products are designed to optimise manufacturing capability, whether in relation to our machining and assembly processes, or that of third party suppliers. This is best illustrated by our approach to metal cutting, where a high degree of standardisation has been applied to the hardware used to perform machining operations, since we have an excellent understanding of process capability for each platform. A secondary benefit to this strategy is that it provides the ability to upscale production through duplication, as required, without the need to invent alternative techniques, and this has been key to delivering the growth in our turnover in recent years.

The same standardisation philosophies are applied during product and process development to design for assembly and test. Standardisation enables us to transfer our manufacturing across to other sites, and during the last year, a number of new products have transferred from pre-production to the assembly sites in the UK, Ireland and India.

Long-term investment

Renishaw continues to be committed to significant investment in its manufacturing capability for both the medium and long term. The Renishaw Automated Mill Turn Inspection Centre ("RAMTIC") system developed in the early 1990s uses a standard machine tool platform that has been modified to provide a highly efficient manufacturing solution, involving a high degree of automation and closed-loop control that is facilitated by Renishaw probing technology for tool setting, in-process monitoring and component validation. Whilst the base machine platform has evolved with improvements in machine tool technology, the fundamental process remains the same and is the mainstay of Renishaw's standard machining platforms for prismatic parts, with 50 RAMTIC systems now in operation. There has been continual and substantial investment in the latest manufacturing technologies in order to optimise the cost and capability of our manufacturing systems, resulting in investment in new equipment in the UK of £29m in the period between 2010 and 2015.

The same approach has also been taken with respect to our investments in assembly-based technologies. Renishaw has a very broad product range that is largely produced in low to medium volumes, but through our strategies of standardisation and design for manufacture we have created the circumstances to develop and invest in highly efficient and capable assembly systems that deliver exceptional process control and efficiencies. The electronics production facilities utilise the very latest technology capable of placing 40,000 components per hour, process control by using in-line component validation, automated optical inspection and innovative technology to validate the performance of assembled printed circuit boards ("PCBs"). Another example is the

in-house development of automation systems for assembly of certain products in the UK and Ireland facilities, where automation and closed-loop controls have delivered significant reductions in process variation, hence providing enhanced product quality, as well as reducing our costs.

We have continued to be proactive in providing exceptional facilities within which to conduct our manufacturing operations.

Miskin

Our investment in the 460,000 sq ft site at Miskin in 2012 may have been seen by some as overly ambitious at the time. However, the Board's confidence in the future growth of the business has been proven to be justified given the business performance since that time and the fact that we are now at 50% occupancy at the site.

Refurbishment of the remaining space at Miskin is currently in progress to provide the necessary space for expansion. Planning permission for the development of the 193 acre site has recently been obtained and includes an additional 400,000 sq ft to provide capacity for our own future expansion requirements.

Supply chain management

As a manufacturer operating in a high mix/low volume situation, with a strategy of delivering exceptional customer service, our approach has been to maintain as much control as possible of our supply chains. This has been achieved through a combination of in-house manufacturing (including the creation of in-house capability for critical processes as they become financially viable), duplication of critical processes, dual sourcing and strategic long-term partnerships with our third party suppliers. We also have supply chain management teams based in China, India and at our manufacturing facilities in Ireland.

Following the acquisition of the Miskin facility, we have taken the opportunity to duplicate key processes in order to reduce the risk associated with certain critical in-house supply chains, such as anodising of aluminium components and the assembly and test of electronic PCBs. For third party supply chains, regular monitoring and review takes place with a view to determining supply risk, dual sourcing strategies and our contractual terms with suppliers, in order to ensure continuity of supply.

People

Consistent with Renishaw's overall philosophies, the manufacturing operations take a long-term view with regard to development of our people. The movement of the business towards providing end-user solutions has introduced a much higher level of volatility to demand. As a result, we employ a proportion of our assembly team on a fixed-term contract basis in order to cater for the variations in demand. Employee turnover within manufacturing is below 10%, and this stability, coupled with a growing business, provides a platform to develop our people within the organisation. In many cases, employees transfer from manufacturing into other parts of the business to assist other functions, such as new product development or applications engineering, making best use of the experience gained within the manufacturing arena.

The investment in apprentices and graduates is very much in evidence at the manufacturing operations at each site. All manufacturing graduates and apprentices follow a well-defined programme that provides exposure to a wide range of functions and technologies such that we develop well-rounded individuals with a broad grounding in a variety of manufacturing-related disciplines. Many of our apprentices and graduates succeed in developing career paths into more senior engineering and operational roles within the organisation.

PERFORMANCE – HEALTHCARE

Performance

Growth came from our medical dental and neurosurgical products lines, while spectroscopy grew markedly in the second half.

During the year, the dental products line was re-named "medical dental", reflecting the wider portfolio of products now being developed, including craniomaxillofacial implants. This line saw another record for the annual production levels of metal dental structures created from cobalt chrome powder using Renishaw AM machines, including LaserPFM™ frameworks (crowns and bridges) and LaserAbutments™, which are implant-supported custom abutments that are 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 which use non-Renishaw CAD systems.

An important agreement was reached with DENTSPLY Implants which will see this world-leading dental company purchase Renishaw AM machines for the manufacture of dental products.

At the end of the previous financial year, the FDA issued clearance for the marketing of the neuromate® stereotactic robotic system in the USA. The first installation of the system was made during the year at Thomas Jefferson Hospital in Philadelphia, and is now being used regularly in stereoelectroencephalography ("SEEG") cases to identify areas of the brain where epileptic seizures originate in epilepsy patients, with use of the robot reducing procedure times from eight hours to just two hours. A second neuromate system for the USA was delivered to Ohio State University Hospital in Columbus at the end of the year.

Research into graphene and other 2D materials, life sciences, medical research, pharmaceuticals and advanced materials for the green energy market, require high-performance Raman instrumentation for which our spectroscopy products are ideally suited. Hybrid systems, combining Raman chemical analysis with the high spatial resolution of either scanning electron microscopy or atomic force microscopy, continue to be in strong demand. Likewise, the growing life science market is showing renewed interest in Raman combined with laser scanning confocal microscopy.

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 medical dental and neurological products are well placed to deliver on these requirements.

Global economic conditions have seen academic research funding delayed or reduced in certain markets while remaining strong in others, but this improved markedly in the second half and the outlook is much more positive. Global funding for biomedical research, advanced 2D materials and green energy remains strong and our spectroscopy products are well placed to service this sector.

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 £8.3m (net of capitalisation costs) of expenditure on R&D and engineering during the year.

Bristol Royal Children's Hospital

Bristol Royal Children's Hospital ("BRCH") acquired a Renishaw neuromate® robot as a result of the "Grand Appeal" charity fundraising in 2012. Since then, it has been used for several stereotactic procedures, including deep brain stimulation treatment for dystonia and the delivery of micro-catheters for the treatment of brain cancer in children.

Neil Barua, Clinical Lecturer in Neurosurgery, explains more about the oncology work: "The main type of brain tumour we treat in children is called brain stem glioma. This is probably the worst kind of cancer you can have, and at the moment, children who are diagnosed would be expected to survive between about 7 and 12 months from diagnosis."

He added, "The brain stem is really 'tiger' country for any kind of surgery, it's where the clockwork of the brain is, and it's the area where the nerves controlling the face, heart rate, blood pressure and breathing are. If we are going to operate in that area, we have to make sure we are as safe and accurate as possible."

The team at BRCH use the neuromate robot and a special version of the neuroinspire™ planning software and catheter system (both manufactured by Renishaw, according to BRCH's specifications) in a technique called convection enhanced drug delivery, where very fine micro-catheters deliver chemotherapies direct to the tumour site.

Neil comments, "Our accuracy is typically within 1mm of the planned catheter target, which helps to make surgery less risky."

Neil Barua, Clinical Lecturer in Neurosurgery, planning surgery with the Renishaw neuroinspire™ software.

PERFORMANCE – HEALTHCARE CONTINUED

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.

We also apply AM to an increasing number of healthcare applications including the metal delivery port of an investigational drug delivery system, which is manufactured using a combination of AM and conventional machining, and also as part of developments for craniomaxillofacial surgery.

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

Key developments

During the year, version 4.1 of our neuroinspire™ surgical planning software was CE marked, making it available for sale in the EU. This new version includes significant new functionality, including the ability to interface with hospital data networks, support for SEEG procedures, and importantly, it also integrates with the neuromate robot, allowing direct control of the robot from surgical plans prepared within the software.

At the end of the year, we announced the launch of the neurolocate™ patient registration system in countries that recognise the CE mark. neurolocate is a frameless patient registration system for the neuromate stereotactic robot with technology based on a robot arm used in connection with an intraoperative X-Ray/CT.

The spectroscopy line released WiRE™ 4.1 during the year, an updated software package that offers improvements in 2D and 3D Raman imaging. There were also four new applications launched for use with the inVia Raman microscope – two for biological analysis and two for the material science industry. A new Raman demonstration laboratory was opened within the new Renishaw facility in Shanghai, featuring an environmentally-controlled clean room.

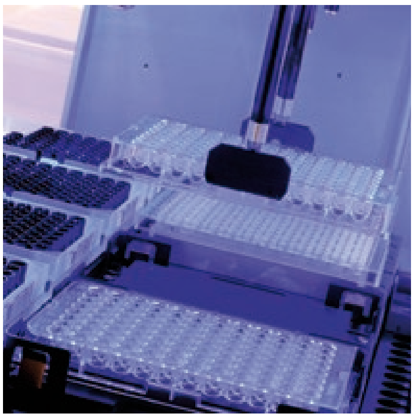
At the end of the year, the medical dental line launched LaserImplants™, custom-made craniomaxillofacial implants that support reconstructive surgery, typically resulting from head or neck trauma, birth defects or cancer treatment. This will be one of the products that will eventually be produced at the new "Healthcare Centre of Excellence" being created at the Miskin site. This centre will have an ISO13485 quality management system for the design and manufacture of medical devices and will operate additive manufacturing processes to produce medical products. As well as design and production facilities, the centre will include training and conferencing suites to showcase Renishaw's solutions in neurosurgery, dentistry, craniomaxillofacial surgery and molecular diagnostics.

Outlook

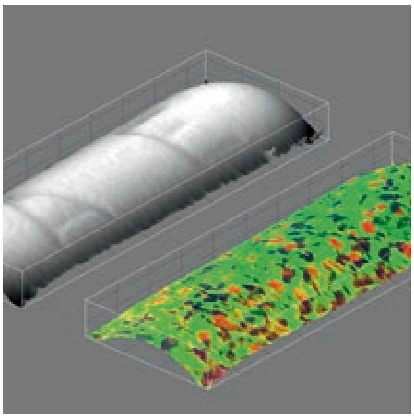
Increased life expectancy on a global basis means greater incidences of degenerative neurological diseases, which will require surgical therapies. With new regulatory approvals we are increasingly well-placed to supply neurosurgeons with the products and techniques to support such procedures.

In developing markets, levels of wealth are increasing at a national and individual level, which is 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.



Automation of a diagnostic assay on the SP-2000.



Raman image revealing the chemical compounds of a tablet.

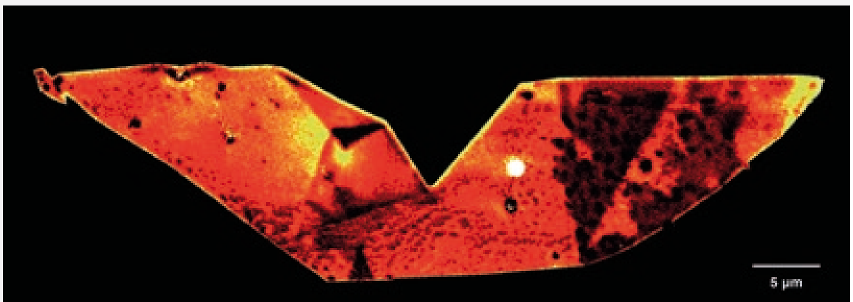
Raman systems used to study 2D materials

Boston University's Department of Electrical and Computer Engineering ("DECE") houses the Optical Characterization and Nanophotonics laboratory. Here, research focuses on developing, and applying, advanced optical characterisation techniques to the study of solid-state and biological phenomena, at the nanoscale. The group uses Renishaw Raman spectrometers to measure strain in 2D materials and the friction between 2D materials and their underlying substrates.

Anna Swan is an associate professor in the DECE and involved with a research group that is currently focusing on 2D materials, such as graphene, boron nitride, molybdenum disulphide and phosphorene. They are interested in how strain, and designed strain fields, can be used to manipulate the electronic and optical properties in these materials. For this work, they are looking at how they can control the boundary conditions and manipulate the extent of friction between the 2D material and substrate. They are using Raman spectroscopy to measure strain, the coupling between strain and Raman shifts, and the friction.

Dr Swan and her colleagues have been using Renishaw Raman systems for a number of years, recently acquiring a new inVia confocal Raman microscope. Their older Renishaw RM1000 system is now connected to different custom-designed chambers, for specific research under environmentally-controlled conditions. The new inVia provides a number of advantages such as easy switching between lasers, fast spectral mapping, automatic alignment and integrated calibration, making it the "go to system" for the lab.

Dr Anna Swan of Boston University with her Renishaw inVia confocal Raman microscope.



High-resolution Raman image of graphene sheet.

PERFORMANCE – FINANCIAL REVIEW

"The Group has achieved exceptional results with revenue of £494.7m (2014: £355.5m) and a profit before tax more than doubled to £144.2m."

Allen Roberts
Group Finance Director

Financial performance

It was another record year for group revenue, which increased by 39% from last year's £355.5m to £494.7m. Exchange rate changes relative to the previous year had an overall minimal effect on group revenue.

As with last year, there was substantial revenue arising from trade with Far East customers in the consumer electronics industry. Adjusting for these sales, we experienced underlying revenue growth of 11% for the year.

The Group has invested heavily in its production facilities enabling the Group to meet the high customer demand experienced in the year and also providing capacity for future growth. Investment in sales and marketing resource and research and development activities has continued in line with group strategy. Profit before tax for the year more than doubled to £144.2m (2014: adjusted £70.1m), giving an improved return on sales of 29%, compared with 20% last year.

Revenue

Group revenue for the year was £494.7m, an increase of £139.2m, or 39%, over the previous year of £355.5m. There was growth of 91% in the Far East (88% at constant exchange rates), or an underlying growth of 19% after adjusting for the sales to customers in the consumer electronics industry referred to above. We experienced growth of 13% in the Americas (11% at constant exchange rates), 7% in the UK and 3% in Europe (11% at constant exchange rates).

The Group hedges a proportion of its revenue by the use of forward contracts. This mitigated the impact of a stronger Sterling and contributed to the result of a minimal effect of exchange rate fluctuations relative to the previous year. The net effect of forward contracts increased reported revenue by £11.5m.

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

In our metrology business segment, revenue grew by 43%, from £326.6m last year to £467.0m this year. Revenue in our healthcare business segment was £27.7m, compared with £28.9m last year.

A geographical analysis of our metrology and healthcare businesses is shown on page 25.

Revenue by region

	2015 revenue at actual exchange rates £'000	Change from 2014 %	**2015 revenue at 2014 exchange rates £'000**	Change from 2014 %	2014 revenue at actual exchange rates £'000
Far East, including Australasia	**257,665**	+91%	**252,993**	+88%	134,569
Continental Europe	**103,106**	+3%	**110,891**	+11%	100,199
North, South and Central America	**96,284**	+13%	**94,628**	+11%	85,562
UK and Ireland	**25,499**	+7%	**25,499**	+7%	23,816
Other regions	**12,166**	+7%	**12,166**	+7%	11,352
Total group revenue	**494,720**	+39.2%	**496,177**	+39.6%	355,498

Profit and tax

The group profit before tax amounted to £144.2m (2014: an adjusted £70.1m, the adjustment being for the exclusion of the non-taxable profit of £26.3m on the disposal of our shareholding in Delcam plc).

Statutory profit before tax for the previous year was £96.4m.

In our metrology business, operating profit was £150.7m, compared with £74.4m last year. In our healthcare business we recorded an operating loss of £6.8m, compared with a loss of £4.0m last year.

The overall effective rate of tax was 15.8% (2014 adjusted: 15.3%). The Group operates in many countries around the world and the overall effective tax rate is a result of the combination of the varying tax rates applicable throughout these countries. In the UK, the tax charge for the current year benefitted from a lower UK current corporation tax rate of 20.75% (2014: 22.5%) and an increase in the credit arising from the research and development credit and patent box from £2.9m to £5.7m. The previous year's tax rate benefitted by 2.2% as a result of a reduction in the corporation tax rate used for deferred tax calculations from 23% to 20%.

Earnings per share ("eps") and dividend

Adjusted eps, excluding the exceptional item in the previous year, increased from 82.3p last year to 167.5p this year. Statutory eps for the previous year was 118.4p.

In line with the Group's progressive dividend policy, a final dividend of 34.0p net per share (2014: 29.87p) results in a total dividend for the year of 46.5p, an increase of 13% over the 41.2p in 2014. Dividend cover is 3.6 times (2014: 2.0 times when based on adjusted eps).

Research and development

Gross expenditure on engineering costs, including research and development on new products, was £66.1m (2014: £56.8m). The capitalisation of development costs (net of amortisation charges) amounted to £2.8m (2014: £3.5m), giving a net charge in the Consolidated income statement of £63.3m (2014: £53.3m). The gross charge amounts to 13% of group revenue (2014: 16%).

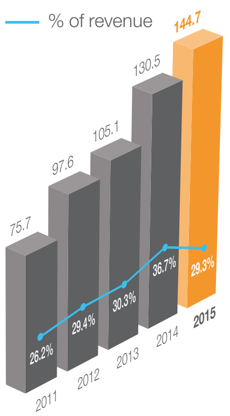
Between the business segments, net of the capitalisation costs, £55.0m (2014: £45.3m) was spent in the metrology segment and £8.3m (2014: £8.0m) was spent in our healthcare segment.

New product research and development expenditure amounted to £42.3m, which compares with £36.3m spent last year. There have been a number of new product releases in both our metrology and healthcare business segments, and a number of new product introductions are anticipated during the 2016 financial year.

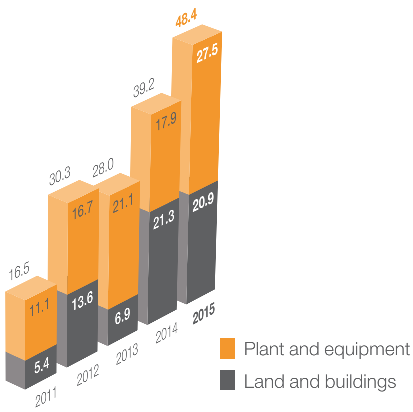
Group headcount

Group headcount has increased from 3,492 at 30th June 2014 to 4,112 at 30th June 2015, with the average for the year of 3,811, compared with 3,345 last year. The increase during the year of 620 comprised additional employees of 411 in the UK and 209 overseas. Over half (316) were in production. The increase in the UK included 30 apprentices and 58 graduates, and, in addition, we sponsor 77 students at universities across the UK, demonstrating our commitment to the training and development of skilled people within our engineering and commercial functions.

Working capital £m



Capital expenditure £m



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").

PERFORMANCE – FINANCIAL REVIEW CONTINUED

Labour costs increased by 18% to £173.7m (2014: £146.9m) reflecting an annual pay increase, additional bonus provision and the cost of the employees taken on in both 2014 and 2015.

Consolidated balance sheet

The Group's shareholders' funds at the end of the year were £431.2m, an increase of £78.4m over the £352.8m at 30th June 2014, arising from an increase in retained reserves.

Additions to tangible fixed assets totalled £48.4m, of which £20.9m was spent on property and £27.5m on plant and machinery and IT equipment.

The main property additions were:

- at New Mills, the 153,000 sq ft Renishaw Innovation Centre was completed and occupied during the year;
- also in the UK, our additive manufacturing products line acquired larger premises at Stone, in Staffordshire, which facilitates research and development expansion, a customer solution centre and service facility as well as providing capacity for materials development;
- in Ireland, the Group acquired additional premises adjacent to our existing facility, for future production expansion;
- in Spain, the Group acquired additional premises, also adjacent to our existing facility, for future expansion of the sales and marketing activity; and
- in the USA, Czech Republic and Mexico, land was purchased for the build of larger premises for our expanding sales and marketing operations.

Four regional data centres have been established around the Group, further enhancing the resilience and efficiency of the IT infrastructure.

Within working capital, inventories increased to £77.7m from £63.0m at the beginning of the year to support growth in revenue and our policy of holding finished stock to maintain delivery performance given our short order book of approximately five weeks.

Trade debtors increased from £81.8m to £101.2m as a result of higher fourth quarter revenue and a small increase in debtor days from 63 in 2014 to 67 in 2015.

Cash balances at 30th June 2015 were £82.2m (2014: £43.6m), in addition to which is the pension scheme escrow account of £14.7m (2014: £9.5m).

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, which mature over the next three and a half years, showed a gain of £17.2m, net of tax, when re-valued at the year-end, compared with a gain of £25.6m at the start of the year, with movements reported through the currency reserve.

At the end of the year, the Group's defined benefit pension funds, which closed in 2007 for future accrual, showed a deficit of £48.1m, compared with a deficit of £43.1m at 30th June 2014. Defined benefit pension scheme assets at 30th June 2015 increased to £140.5m from £129.8m at 30th June 2014, representing investment performance during the year. Pension fund liabilities increased from £172.8m to £188.6m, reflecting the market rates at 30th June 2015 and the effect of applying IFRIC14 to the guarantee provided by the Company in respect of the UK pension scheme deficit.

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 the escrow account. The application of IFRIC14 increased pension scheme liabilities by £10.2m (2014: £8.0m).

For the UK and Irish defined benefit pension schemes, a guide to the sensitivity of the value of the respective liabilities is as follows:

Valuation sensitivity	Variation	Approximate effect on liabilities
UK – discount rate	Increase/decrease by 0.5%	-£18.2m/+£21.2m
UK – future inflation	Increase/decrease by 0.5%	+£16.0m/-£14.4m
Ireland – discount rate	Increase/decrease by 0.5%	-£1.2m/+£1.5m
Ireland – future inflation	Increase/decrease by 0.5%	+£1.5m/-1.3m

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 group-wide 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.

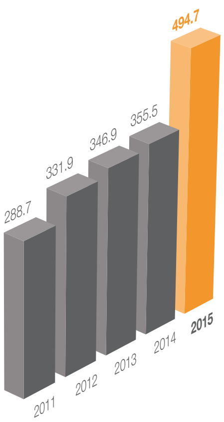
Allen Roberts
Group Finance Director
29th July 2015

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 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



Related strategic priorities:

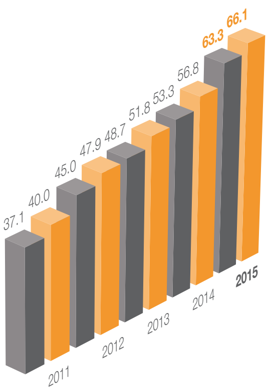
1 to 8

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

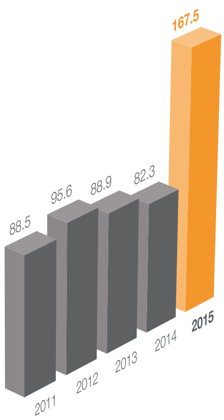
Gross expenditure



1 2 3 7

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 13% of group revenue, and has also been accelerating new product development in certain areas.

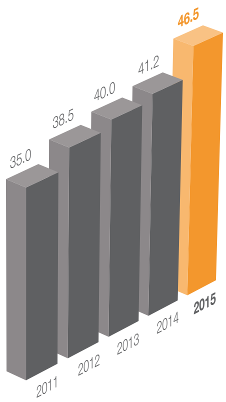
Adjusted earnings per share pence



1 to 8

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



1 to 8

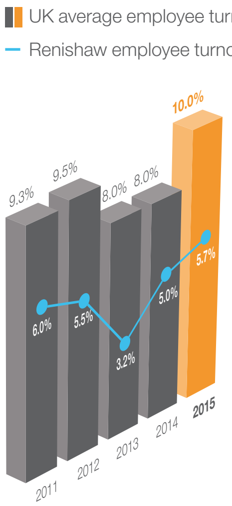
We aim to achieve significant long-term returns to shareholders by maintaining a progressive dividend policy, whilst maintaining a solid capital base with sufficient working capital to support the forecast growth.

KPIs are linked to strategic priorities; please see pages 6–9 for more information.

A number of our graduates on a team-building exercise as part of their induction programme.

Non-financial KPIs

Employee turnover %

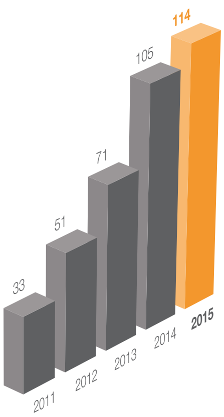


Related strategic priorities:

1 to 4

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

Number of apprentices in training

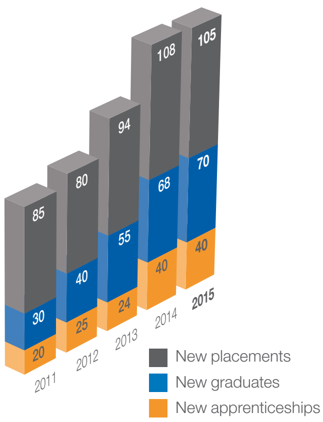


1 to 4

We believe in the 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 by solving skills gaps. In a period of growth, we intend to increase the number of apprentices taken into training each year.

Training

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

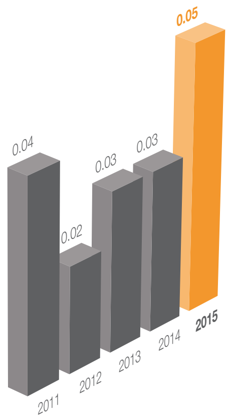


1 to 4

Our strategy is to grow organically and therefore developing students and taking on apprentices and graduates forms a key element of this 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



1 3

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.

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.

Related strategic priorities:

2 4 5 6 8

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. Investment in sales and marketing resources continues in order to support the diversified product range.
- 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.

Related strategic priority:

2

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.
- Medium to long-term R&D strategies are reviewed at least annually by both the Board and Executive Board.
- 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.

Related strategic priority:

3

Note: the unprecedented demand for our products this year has tested a number of these mitigating controls and demonstrated the Group's ability to react to such demand.

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.
- Ability to flex manufacturing resource levels and shift patterns.
- Regular vendor reviews are performed for critical part suppliers.
- Stock policies are reviewed by the Board on a regular basis.
- Product quality is closely monitored.

Regulatory legislation for healthcare products

The expansion of the Group's business within the healthcare markets involves a significantly increased requirement to obtain regulatory approval prior to the sale of these products.

Related strategic priorities:

2 5 6

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, which could result in loss of revenue and profit.

Mitigation

- Specialist legal, regulatory and quality assurance teams are employed to support the healthcare business.
- Experience of healthcare regulatory matters exists at board level.
- Healthcare operations in the 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.

Related strategic priority:

1

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.
- Recovery plans are in place for the 2006, 2009 and 2012 actuarial valuations.

Treasury

Fluctuating foreign exchange rates may affect the results of the Group.

Related strategic priorities:

1 6

Potential impact

With over 94% of revenue generated outside of the UK, there is an exposure to major currency fluctuations, mainly in respect of the US Dollar, Euro and Japanese Yen. Such fluctuations could adversely impact 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

"With the introduction of our CSR strategy last year, we have spent this year consolidating and improving a number of our processes. We have seen increased engagement from our people across a range of CSR-related activities, particularly on waste, charity and community activities, throughout the Group. We are pleased to have achieved a number of our CSR targets.

We are capturing data from more sites than ever to reduce our reliance on industry average data and increase the accuracy of our waste and Greenhouse Gas ("GHG") footprints. We have shown continued growth within the business, in the building space we occupy, the number of employees and our production levels. However, we have still achieved an absolute reduction of waste to landfill and a reduction of GHG emissions per £m turnover. We are pleased with the advancements made throughout this year, and will continue to strive for further progress.

In this period of growth, a record number of apprentices are now in training and we have invested more than ever in developing our people."

Ben Taylor
Assistant Chief Executive

Strategy update

By focusing attention on our strategic goals over this last year, we have been able to target areas with the greatest impact. A key focus has been on improving our efficiencies in manufacturing through waste and energy management. In addition, we have reduced the GHG footprint of our business travel this year; this is due to increasing control on the flight bookings process and significant investment in videoconferencing facilities.

Our strategy continues to be appropriate for the Group. In this report, we concentrate on progress on our manufacturing and training targets on page 47, and we will be posting updates on our progress against all our CSR targets on the website.

Progress on selected CSR targets:

Targets	Progress	
Waste management 5% reduction of waste to landfill from UK operations	• We implemented a new waste strategy in February 2014, focused on segregation at source. • Our Carbon Trust waste certificate covers roughly 90% of our generated waste. • Less than 4% of our waste is sent to landfill. • Just over 2,487 tonnes of waste were diverted away from landfill this year.	**59%** reduction of waste to landfill from UK operations. **96%** of all waste diverted from landfill.
Energy Investigate business case for the investment in renewables	• First solar array commissioned this year. • Second solar array planned with a further generating capacity in excess of 220,000 kWh. • The replacement of lighting systems with lower energy options have a potential annual saving of 656,000 kWh.	**123,056** kWh renewable energy generated to date. Solar array with an annual generating capacity in excess of **280,000** kWh has been installed.
GHG emissions 3% reduction in GHG tCO_2e per million pounds turnover compared to 2014	• 38% reduction in GHG emissions from gas consumption. • 28% reduction in GHG emissions from business travel. • Over £2m invested in energy reduction activities.	**13%** reduction in GHG tCO_2e per million pounds turnover compared to 2014.
People 5% of our UK employees as apprentices, graduates or sponsored students on structured programmes	• 4,112 people employed globally, an increase of 620 since last year. • First graduates from our apprenticeship programme in Germany. • Over 200 people across the Group on formal apprenticeships and graduate programmes.	**8%** of our UK workforce **(5% globally)** are on structured apprenticeship or graduate programmes.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

People

Diversity

Renishaw enjoys the advantages of being a global company. With 26 nationalities represented in our senior management group, we benefit from their understandings of different cultures and acknowledge the advantages that these varied experiences bring to the business. We work hard to promote a workplace that encourages open communication and innovative thinking; as we encourage this, we are able to ensure our people feel valued and can achieve their career goals.

Like many engineering companies, Renishaw has a majority of male employees, but we are working hard to encourage females into an engineering career through our educational outreach programmes (see the Education section on pages 52–54 for more information). Over the last two years, we have employed 80 apprentices and 138 graduates, and of these, 193 (89%) are male and 25 (11%) are female. We have 114 people on apprentice programmes, which, combined with graduates, represents 5% of all employees.

On 30th June 2015, we employed 4,112 people across the Group, an increase of 620 since last year. Of these, 3,142 (76%) are male and 970 (24%) are female. There are nine directors on the Board, consisting of seven males and two females. The senior management group is made up of 52 people, of which 49 (94%) are male and 3 (6%) are female. Renishaw regards its senior management group to be the Executive Board, the heads of each product line, sales territory and manufacturing organisation who report directly into the Executive Board and the directors of Renishaw's subsidiary undertakings.

Employee retention

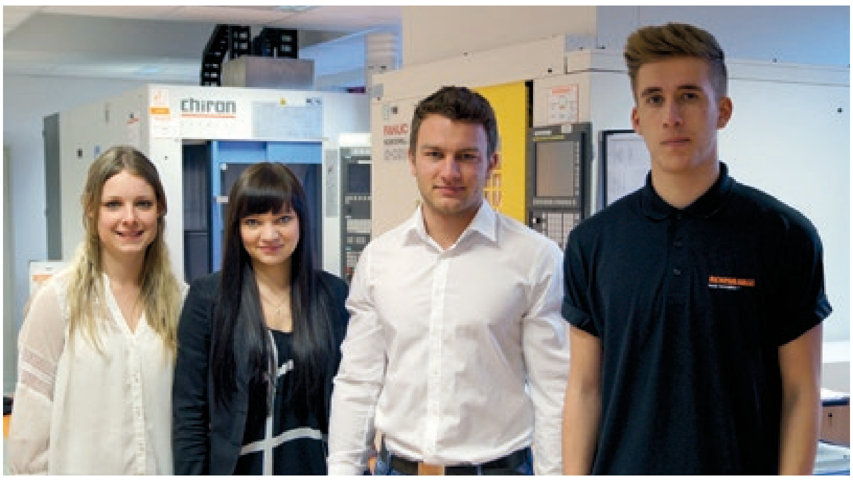
We have continued to promote career development within Renishaw and to provide an excellent working environment. Our UK employee turnover rate is 5.7% (2014: 5.0%), which continues to be significantly lower than the UK manufacturing industry national average of 10%.

To ensure we reward our employees' loyalty and hard work, we regularly hold pay reviews and benchmark our salaries against those within the engineering sector. We have a group performance-based bonus programme based on group profitability for all qualifying employees.

We offer on-site fitness suites, appropriate flexible working (to encourage a good work-life balance), discount schemes with a number of local businesses, a sports and social club, 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 territories across the globe, we recognise the need for clear and open communication across the business between sites, functions and levels of management. Our flat structure encourages employees to voice their ideas or concerns to management and we have had many excellent ideas as a result of this open dialogue. To facilitate the dissemination of top-down information and to keep the employees abreast of developments within the business, regular communication meetings are held where a board member is present. These also give an opportunity for an open discussion between employees and a member of the Board. Communications are supported by presentations of the annual and half-year financial results given by the Assistant Chief Executive at our larger locations, supplemented by videoconference presentations for smaller remote sites.



Our first graduate and apprentices from our apprenticeship programme in Germany.

We continue to encourage our people to communicate any suggestions and ideas they may have, to either their management teams or the Board directly. A suggestion scheme enables employees to submit ideas. We value these suggestions and their suitability for adoption are assessed, with awards given for the best ideas received. In addition, there is an inventors' award scheme for individuals who are named as inventors on granted patents.

Training and development

We value our highly skilled people and recognise that retaining them is essential to the future of our business; as such, we place a large emphasis on ensuring our training programmes continue.

We have long held the view that investing in people enables us to acquire the necessary talent to grow the business and mitigate the impacts of a general skills shortage. This is evidenced by our apprenticeship and sponsored student schemes that we started in 1979 and 1984 respectively. This summer, some 105 (2014: 105) students entered Renishaw for paid placements – 60 summer placements, 40 one-year industrial placements and 5 pre-university placements. There are 114 craft and technical apprentices currently in training (2014: 105) with 3 in our German subsidiary for the first time, and 44 new starters confirmed for September 2015. A further 70 new graduates also start with Renishaw this summer (2014: 68).

The quality of our apprenticeship and graduate programmes is widely recognised through external award schemes. We also award our own Apprentice of the Year prizes.

We are a founding member of the 5% Club, a UK industry-led campaign to increase the recruitment of apprentices and graduates, the members of which commit to ensuring that 5% of their UK workforce are apprentices, graduates or sponsored students on structured programmes within the next five years. We are happy to report that against a backdrop of a significant increase in our people of 620 over the past twelve months, we have maintained 8% of our UK employees (5% of our global employees) on structured apprenticeship or graduate programmes, helping to ensure the future of our highly skilled people across the Group.

Human rights

A strict non-discrimination policy is embedded into our Group Business Code, which states the minimum standards of operation expected within the Group and our representatives. This Code sets out our position that all employees have the right to non-discriminatory treatment and equal opportunities, and to work in a safe and secure working environment with a fair wage. Proper consideration is given to applications for employment from all ethnic backgrounds and from those with disabilities. Opportunities are given to employees who become disabled to continue in their employment or be trained for other positions. We reject the use of compulsory, forced and child labour. We communicate this Code to all potential suppliers and require appointed suppliers to work to the spirit of this Code. The full Code can be found at www.renishaw.com/en/renishaw-group-business-code--14444.

Having joined Renishaw as an apprentice aged 16 and later gaining a first-class engineering honours degree, Lucy Ackland (left) won the national Women's Engineering Society Prize award for her work engaging young children with STEM activities.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Community

With an increasing global footprint, we recognise the positive contribution that can be made to our local communities through varied interactions with local residents, businesses, schools and not-for-profit organisations. This is especially true in the west of England, where we are one of the region's largest employers.

In many of our markets, we 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. We see this as vital to overcome 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. This includes our subsidiaries in Italy and Spain, which are increasingly active with higher education establishments. With an increasing profile, we are also regularly asked to give interviews to international, national and local media, and contribute our knowledge through debates on a range of topics including manufacturing, exports, education, human resource management, innovation and 3D printing.

Senior directors, including Sir David McMurtry, Ben Taylor and Geoff McFarland, are regular speakers at conferences and business/community events. In the past year, this has included keynote presentations on the future of manufacturing, innovation and automation.

We continue to actively support the business community regionally, nationally and internationally, through membership of trade and lobbying associations such as the Confederation of British Industry, the Dental Laboratories Association, the Association of British Healthcare Industries, the European Society for Precision Engineering & Nanotechnology, Verein Deutscher Werkzeugmaschinenfabriken e.V. (Germany) and UCIMU-SISTEMI PER PRODURRE (Italy). We also support local chambers of trade and business networking groups.

We are also a member of various industry research centres across the globe, some of these include The Manufacturing Technology Centre (UK), the Advanced Manufacturing Research Centre (UK), Canada Makes (Canada), PräziGen (Germany), Light Alliance (Germany) and BazMod (Germany).

We continue to sponsor and help judge a range of regional and national business award programmes that help encourage and recognise business and individual excellence. Ben Taylor is a judge for the West of England Business Awards, whilst Head of Communications, Chris Pockett, helped judge the Manufacturing Excellence Awards organised by the Institution of Mechanical Engineers and the main business awards programmes in Bristol and Gloucestershire.

To further our aim of establishing awareness of Renishaw as a significant regional employer, we continue to sponsor a wide range of festivals, sports clubs and organisations in the west of England and South Wales. During the year we became the first corporate partner of a project which aims to raise funds for "Being Brunel", a new public museum that will celebrate the life and achievements of the great engineer Isambard Kingdom Brunel, which is scheduled to open in 2017.

In South Wales, we have advertising boards at the Liberty Stadium, home to the Ospreys rugby club and Premier League football club, Swansea City. We also sponsor Swansea City footballer Ki Sung-Yeung, who plays internationally for South Korea, an important market for our products.

We continue to sponsor Ben Morgan, the Gloucester and England rugby international, who this year presented our Apprentice of the Year Awards.

In Germany, we continue to sponsor Handball-Bundesliga team HBW Balingen-Weilstetten, which is based in an area where many of our major customers are located.

With significant public interest in 3D printing, we have collaborated with individuals and organisations on a range of projects, including the creation of a titanium public arts installation in Folkestone, Kent, and the manufacture of a prosthetic plastic hand for a young man whose mother approached us, having read about our expertise. As reported in last year's report, we produced an innovative 3D-printed bike frame for Empire Cycles, which has been exhibited across the globe and is now recognised by the Guinness Book of World Records as the first of its kind.

Renishaw-sponsored 'Arabian Lights' was one of 70 giant Shaun the Sheep sculptures that formed part of the Shaun in the City Bristol trail, raising funds for the Bristol Royal Children's Hospital.

Image courtesy of charity no. 1043603. Shaun in the City © & ™ Aardman Animations Ltd 2015.

Donations
Just under

£100,000

donated to local organisations
(www.renishaw.com/charity)

Charity

In the UK, the Renishaw Charities Committee ("RCC") was formed in the 1980s to distribute funds to charitable and voluntary organisations and support the individual fundraising efforts of all UK employees. The RCC is made up of representatives from Renishaw's main Gloucestershire sites and has a particular focus on assisting 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, from which, during the year, a £10,000 donation was made to the Disasters Emergency Committee which co-ordinated UK fundraising for victims of the devastating earthquakes in Nepal.

During the year, the RCC made donations totalling just under £100,000 to a diverse range of over 200 organisations. Beneficiaries included disability support groups, primary and secondary schools, counselling and carers support groups, hospice care organisations, animal sanctuaries, medical research groups, church restoration funds and senior citizen groups.

The RCC fully matches funds raised by employees for UK national initiatives such as Movember, Comic Relief and Wear it Pink, including £2,500 raised for Children in Need.

During the year, significant donations of £2,000 or more were made by the RCC to eight organisations, including support for capital projects at Minchinhampton Rugby Club and Kingswood Football Club.

The GreenTeam, based at the University of Stuttgart, and Renishaw GmbH collaborated to develop and additively manufacture optimised wheel carriers for a Formula Student racing car, reducing the overall weight of the car by 1.5 kg and making it their lightest vehicle to date.

Renishaw's Indian subsidiary gave funds to provide a swimming pool hoist for disabled children.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Renishaw India is also highly supportive of its local community and during the year has given significant grants to three non-governmental organisations based in Pune, supporting exploited women and disabled and disadvantaged children.

One of these organisations is Balkalyan Sanstha, which was established in 1979 to provide entertainment and recreational facilities for disabled children in Maharashtra State. It was given funds by Renishaw to replace 35-year-old playground equipment and provide a hoist that enables children to enjoy the local swimming pool. Funding was also given to Chaitanya Mahila Mandal, which cares for women (and their children) who are victims of sexual exploitation and trafficking – funds helped purchase an ambulance, a toilet block and furniture for a computer training centre.

Education

There is growing consensus regarding the importance of science, technology, engineering and mathematics ("STEM") education, skills and careers advice. The perceptions of engineering are improving and the numbers studying engineering in the UK are increasing.

Despite these encouraging signs, the rate of change in the growth of supply is far too slow to meet the forecasted demand for engineering skills in the UK.

There are also some significant UK population challenges in the coming years that will affect the pool of students available for progressing into apprenticeships and higher education. The number of 14-year-olds is set to fluctuate significantly, falling by 7.3% between 2012 and 2017 before jumping by 15.9% five years later. The number of 18-year-olds will decrease by 8.9% between 2012 and 2022.

There remains a disappointing negativity towards the engineering sector amongst the influencers of young people, with 17% of STEM teachers believing that a career in engineering is undesirable for their students. Furthermore, only 36% of STEM teachers felt confident giving engineering careers advice (Engineering UK report 2015).

Targeting the influencers of young people with up-to-date, accurate and non-stereotypical information about the range of engineering and STEM-related careers is essential in persuading students to persist with STEM subjects throughout school, university, apprenticeships and employment.

Renishaw has continued to target these influencers over the last year. As part of the week-long Stroud Festival of Manufacturing and Engineering, we hosted and co-organised with other local engineering and manufacturing companies an event entitled "Girl Power". This was held on a Saturday with girls between the ages of 14 and 18 invited to attend a series of workshops, activities and talks, and importantly, they had to be accompanied by a parent who shadowed their daughters all day. Feedback suggested that parents' minds can be changed about encouraging their daughters to pursue an interest in engineering. Feedback from the girls was equally encouraging:

> "It has really opened up my eyes to what I could be doing when I am older and has really inspired me."

A group of children from Old Sodbury Primary school looking at Renishaw products in the Renishaw Innovation Centre.

Renishaw apprentices proudly showing off their Greenpower cars. The Greenpower Education Trust promotes sustainable engineering to young people.

"It has helped me learn what sort of person I am and what job would best suit me. There are no limits in engineering."

Another way of influencing teachers is to increase their skills and awareness with respect to the latest technology. The National Foundation for Educational Research found that the quality of STEM courses for 16-year-olds and over is being undermined by a lack of time that tutors have to develop their skills and knowledge in line with the pace of change in their subject areas.

During the year, we carried out a pilot project in conjunction with the Design and Technology Association ("DATA") to tackle the skills gap of design and technology teachers at Marling School in Stroud. Steve Berry, head of design and technology, Marling School, said, "It was brilliant and inspiring for staff, particularly those with no previous programming experience who did not believe how much they could achieve. Being guided by experts, with up-to-date industry experience, was invaluable."

The project is now available nationwide for teachers to download from the DATA website, and we have supported two other schools in 2015, enabling their teachers to learn the skills to pass on to their students.

We have continued to offer all our new graduates and second-year apprentices the opportunity to be STEM ambassadors. We now have over 100 ambassadors at Renishaw and each must carry out at least one STEM activity each year, which helps to sustain and grow our multiple initiatives with schools and universities, including talks and lectures, career fairs, after-school clubs and STEM projects.

We continue to develop relationships with key universities that have been identified as having relevant courses for our business needs. This includes the sponsorship of engineering societies and engineering teams that design, build, test and race a small-scale formula style racing car in the global Formula Student competition.

Renishaw has long-standing links with a number of key regional universities that have some of the highest levels of student retention in the UK, and therefore more likely to take up jobs in our catchment areas after graduation. We have a number of employees who act as visiting professors at these and other universities, with projects taking place at a large number. Examples include Bath and Bristol universities where we have a number of research projects, PhD and undergraduate projects, whilst at Cardiff University we sponsor the Trevithick Library, the Renishaw Metrology Laboratory and several PhD and undergraduate students. We have also made significant efforts to re-establish teaching of a manufacturing course, with close collaboration on the development of academic content. There are a number of research projects and a metrology laboratory at Heriot-Watt University, and we have established a relationship with the University of Loughborough, whereby a number of their students apply to Renishaw for summer and industrial placements.

The six winners of the national Renishaw Engineering Experience competition on the BBC Breakfast sofa.

Pupils from the SS Great Britain Future Brunel's programme being shown electrode implantation procedures for deep brain stimulation.

Over 100
STEM ambassadors

each carrying out at least one STEM activity per year

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

After an invitation from the Ministry of Education, Culture and Sport in Spain, Renishaw Ibérica returned as a key sponsor of the 35th annual SpainSkills competition in Madrid (part of the WorldSkills global career skills competition). As well as supplying an Equator™ gauging system, Renishaw sent highly experienced employees to provide guidance for the teams.

We continue to work with industry leading organisations and engineering peers to advise the UK government on national policy that will benefit the sector in general. For example, we are members of the Royal Academy of Engineering's Leadership and Diversity Board ("DLG") which has been set-up to help remove barriers and encourage more women and other under-represented groups into engineering.

This year, through the DLG, we made a major contribution, along with a number of other large engineering companies, to develop a guidance document for work experience students. Many small and medium-sized enterprises ("SMEs") are deterred from taking on a student for work experience, yet this is a major contributor to a young person's career choice. There is also emerging evidence that work experience plays a part in supporting admissions to higher education.

The DLG aims to encourage SMEs to offer experience to students from their local schools, and the guidance document was published in summer 2015.

Environment

We recognise that improving the operational efficiencies of our locations across the world contributes to the sustainable growth of our business. We continue to work hard on ensuring the impact of our business activities is as low as practical. Through our assessments, we have seen that the areas of our operations with a significant impact are energy consumption and waste generation. We also recognise that our business travel and product shipments make a significant contribution to our carbon footprint.

First solar array was commissioned on the new RIC building this year, with an annual generating capacity in excess of 280,000 kWh.

We have normalised our carbon emissions by turnover (tCO_2e/£m). Whilst, as a result of the growth in our business, we have had an overall increase of GHG emissions, we have achieved a 13% tCO_2e/£m reduction compared to the previous financial year.

To ensure the impact of our business activities is minimised as far as practical, we continue to maintain our environmental management system ("EMS"), which covers our UK manufacturing and head office sites. Through regular EMS meetings, we co-ordinate activities to minimise our environmental impact.

Reduction of carbon emissions

13%

tCO_2e/£m

This year, we have undertaken a number of projects that have been completed or are ongoing. We have commissioned our first solar array that has an annual generating capacity in excess of 280,000 kWh. This array is on the new Renishaw Innovation Centre ("RIC") building located at our New Mills headquarters. During the construction of the RIC, we were able to work with our contractors and set the floor level to optimise the cut and fill so that no subsoil was required to be removed from site. The subsoil was re-used and stabilised using a lime-mix to form a solid base on which to construct, negating the need for 5,000 tonnes of freshly quarried stone. Removing the need to dispose of 4,500 tonnes of subsoil and delivery of stone avoided in excess of 520 lorry journeys. The RIC contains over two acres of carpeting with a recycled content of over 62%, the equivalent of around 24 tonnes of waste diverted from landfill.

Through refurbishment and maintenance programmes, we are gradually using more energy efficient forms of lighting, with installations during the year reducing energy demand by around 815,700 kWh, or 450 tCO_2e per annum.

We have decommissioned an old gas boiler system at our Miskin site and replaced it with a much more efficient air conditioning and localised gas-fired boiler system. This work will reduce the energy demand on the site by around 780,000 kWh or 160 tCO_2e per annum.

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. Our efforts were recognised in the last CDP reporting period as we were ranked 9th in our sector.

We recognise that we are legally obliged to report on 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. We will continue to disclose our Scope 1, 2 and significant Scope 3 emissions and to put efforts into improving data quality, the scope of data and expanding our Scope 3 data capture, to enable a more complete picture of our GHG emissions.

In the year, our total GHG emissions for our Scope 1 and 2 emissions (statutory disclosure) were 22,914.26 tCO_2e. Our significant Scope 3 emissions (voluntary disclosure) were 24,434.17 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. Our GHG emissions are based on data that is taken from bills, invoices, meter readings and expense claims when possible. For our Scope 1 and 2 emissions, less than 1% of the data uses estimates based on average datasets.

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 choose to commute by bike, such as lockers, showers and covered bike storage areas.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Total GHG emissions (tCO_2e)	2013	2014[1]	2015[3]
Scope 1			
Gas consumption	1,479.53	1,438.39	889.19
Owned transport	1,521.53	2,684.40	2,219.33
Generator diesel	31.91	24.74	302.78
Heating oil	56.74	43.57	40.59
Fugitive emissions	88.72	252.67	286.68
On-site generation of electricity (solar array commissioned 2015)	na	na	0
Out of scope (biofuel blend)	39.74	55.35	59.42
Total Scope 1 (tCO_2e)	**3,178.43**	**4,443.77**	**3,738.57**
Scope 2			
Purchased electricity	13,629.09	16,576.71	19,175.69
Total Scope 2 (tCO_2e)	**13,629.09**	**16,576.71**	**19,175.69**
Total statutory GHG emissions[2] (tCO_2e)	**16,807.52**	**21,020.48**	**22,914.26**
Normalised statutory GHG emissions[2] by revenue (tCO_2e/£m)	**48.45**	**59.13**	**46.32**
Scope 3			
Business travel	7,392.76	6,916.31	4,737.95
Product distribution	3,545.49	5,292.98	11,570.67
Raw material purchase	4,020.35	799.72	1,199.31
Post and communications	500.13	557.85	655.04
Transmissions and distribution	1,745.09	1,991.70	2,288.45
WTT total	4,912.26	2,775.10	3,982.75
Out of scope (biofuel blend)	8.81	49.97	42.41
Total significant Scope 3 (tCO_2e)	**22,116.08**	**18,333.66**	**24,434.17**
Total GHG emissions (tCO_2e)	**38,923.60**	**39,354.14**	**47,348.43**
Normalised total GHG emissions[4] by revenue (tCO_2e/£m)	**112.21**	**110.70**	**95.71**

[1] 2014 figures have been restated due to improvements in our methodology, updated GHG conversion factors and replacing the calculation used for the June 2014 data last year – see footnote 3.

[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 significant Scope 3 (voluntary) emissions.

Product compliance

We continue to prepare for the extension of the Restriction of the use of Hazardous Substances Regulations ("RoHS"), which will cover the majority of our products in 2017. Our entire existing encoder product range is RoHS compliant, with robust design procedures in place to ensure all future products are compliant. 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, nothing we use are on the SVHC lists. Whilst we do not fall within the remit of the USA's Dodd-Frank Wall Street Reform and Consumer Protection Act, we recognise that 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. Continual investigations in our supply chain are carried out to help ensure conflict minerals are not present; we are working with a number of key suppliers on this project. Any issues we consider to be against the spirit of our Group Business Code are monitored and we work with suppliers where issues are identified.

Health and safety

We have a well-established corporate health and safety management system that is in line with the ISO18001 requirements. It is recognised that an injury may develop into something more serious if not cared for correctly. As our people are essential to our business, all injuries from the smallest of paper cuts to the most serious of incidents are recorded, enabling us to manage treatment and investigate all incidents effectively.

The total number of accidents for the period was 230 (2014: 151) against a year-end headcount of 4,112 (2014: 3,492). This equates to an accident ratio of 0.056 accidents per person and is 30% up on the same period the year before. The introduction of an online accident reporting system, which has made the reporting process much easier and raised awareness of the importance of reporting any accident however minor, is the primary reason for the increase.

Reportable accidents

There were four reportable accidents under the UK RIDDOR reporting requirements: one bumped head, one pulled back muscle, one cut to a hand and one torn back muscle resulting in a total lost time of 222 hours, or 28 days.

Occupational health

We have 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 employees is offered in the form of subsidised health monitoring (blood pressure, diabetes, cholesterol and BMI).

Incidents/near-misses

A total of 67 (2014: 68) near-misses were recorded for the period. No significant repeating common causes have been established.

Accident reporting

A new online accident reporting system has been introduced with the ability to raise actions, generate automatic reminders and update statistics in real-time.

UK site compliance auditing

A full audit of all UK sites regarding health and safety compliance has recently taken place and an action list is being generated.

Improvement Notices

The Company was issued with an Improvement Notice relating to our site in Stone on 20th March 2015 by the Health & Safety Executive ("HSE"). This related to a failure to have assessments in place with regard to hand-arm vibration operations following a RIDDOR submission by the Company, for an employee with carpal tunnel syndrome. Actions were taken pursuant to the Improvement Notice and the results were approved and signed off by the HSE on 28th May 2015.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

A tube of un-compacted metal swarf next to a compacted briquette containing the same quantity of material. The significant reduction in size reduces the number of lorry loads required to move the material to a recycling plant. Producing swarf briquettes also enables us to remove the majority of the oil residue, improving the quality of the material and increasing its value as a recyclate.

Waste management

In February 2014, we implemented a new waste strategy, designed to ensure as much waste as feasibly possible is diverted from landfill. This strategy continued to drive our efforts throughout the year, resulting in a further 2,487 (2014: 1,515) tonnes of waste being diverted from landfill. Around 90% of all waste generated this year originated from our UK sites which are covered by the Carbon Trust Waste Standard. These sites have been recognised by the Carbon Trust for their efforts in moving waste away from landfill as a disposal option, towards recovery, recycling and re-use.

Renishaw has introduced a segregation-at-source programme as part of this strategy, which has been trialled at a number of sites and is being rolled out to others. This enables a direct engagement with employees by placing a responsibility upon them to maximise recycling. Regular feedback through email, notice boards and communication meetings helps reinforce this behaviour.

Last year, we set a target of 5% for the reduction of waste to landfill in our UK operations. We are pleased to report that, through our employees' efforts over the past year, we have achieved this target, with a reduction of waste to landfill of 59% in the UK and 23% globally (2014: 40%). We are now re-using, recycling or recovering around 96% (2014: 92%) of our waste around the world.

We continue to ensure that our waste can be seen as a commodity. As such, there are projects focused around our waste metals and oils, to maximise the recycling and value of the metals and to provide a closed-loop on-site re-use of the oils.

Renishaw recognises that large gains are often made by many small changes in practice, so our technical and sales documentation is distributed electronically whenever possible. In addition, user guides for some of our product groups are only available online. Our commercial documentation, payslips in the UK and invoices are all managed through paperless systems. Internal communications, wherever possible, are only made via emails or through the Renishaw intranet.

The Strategic report was approved by the Board on 29th July 2015 and signed on its behalf by

Sir David R McMurtry
Chairman and Chief Executive

Reduction of waste to landfill

59%

in the UK

23%

globally

	2013	Restated 2014[1]	**2015[2]**
Waste re-used (tonnes)	0	9.33	**12.96**
Waste diverted from landfill (tonnes)	1,210.97	1,515.10	**2,487.07**
Waste sent to landfill (tonnes)	220.40	131.54	**101.13**
Percentage of waste sent to landfill	15.28%	7.99%	**3.91%**

[1] Restated to remove the calculations used for the June figures (see note 2) and replace them with actual figures. It also now contains more data from non-UK sites to enable a year-on-year comparison.

[2] 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.

INTRODUCTION

"The Board is ultimately responsible to shareholders for all 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."

David Grant
Senior Independent Director

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.

A key area of focus for 2015 was a review of our external audit arrangements. Following revisions to the UK Corporate Governance Code (the "Code") published by the Financial Reporting Council ("FRC") in September 2012 (the "2012 Code") recommending that the external audit is put out to tender at least every 10 years, the Board has determined that it will commence a tender process in the spring of 2016 with the chosen audit firm to be appointed later in 2016.

Our Nomination committee led the process to recruit a new non-executive director, and Kath Durrant joined the Board in January 2015.

In relation to our remuneration report on pages 76 to 83, the policy table from our three-year remuneration policy which was approved by 86% of shareholder votes at our annual general meeting ("AGM") in October 2014 is set out for information purposes only.

The annual report on remuneration 2015 sets out the details of directors' compensation throughout this financial year, which will be subject to the normal advisory vote at the 2015 AGM.

The Board takes seriously its responsibilities for making sure that all employees are aware of their obligations to act with openness, honesty and transparency. This strong anti-corruption culture is embedded in our Group Business Code and Anti-Bribery Policy which can be found at www.renishaw.com/en/renishaw-group-business-code--14444. In 2015, we undertook a specific anti-bribery monitoring project in order to update our last risk assessment undertaken in 2011/2012 when we originally implemented our policy in response to the Bribery Act 2010. Progress updates were provided to the Audit committee.

Other appropriate steps were also taken in order to maintain adequate procedures. We have now trained 1,085 people worldwide via our anti-bribery E Learning module, as well as other training initiatives.

In the coming year, the Board is reviewing its risk management and internal control framework, and is looking to enhance its operation so that it remains fit for purpose and in line with the changes to the Code published by the FRC in September 2014.

Compliance disclosures

This corporate governance report has been prepared in accordance with the 2012 Code. The Board has also considered, in advance of the commencement date for the Company, the principles and provisions of the updated Code published by the FRC in September 2014 ("2014 Code") to ensure that processes and procedures are in place to apply the principles and provisions of the 2014 Code. 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 2012 Code.

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

A review of the Group's 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 UK Listing Authority's Disclosure Rules and Transparency Rules ("DTR"), require the Annual report to include a management report which can be found in the Strategic report.

The Directors' corporate governance report and Other statutory and regulatory disclosures set out on pages 66 to 71 and 84 to 86 form the Directors' report.

For the purposes of the DTR, 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 ("LR"), 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 DTR, the information required by section 7 of such rules is referred to in the Directors' corporate governance report.

Disclosure of information under Listing Rule 9.8.4R

The information that fulfils the reporting requirements under this rule can be found in the Directors' report, the Directors' remuneration report and on the pages identified below, as applicable.

Section	Topic	Location
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Not applicable
(5)	Waiver of emoluments by a director	Not applicable
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	As item (7), in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Not applicable
(11)	Provision of services by a controlling shareholder	Directors' remuneration report p76–83
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Other statutory and regulatory disclosures p86

BOARD OF DIRECTORS AND COMPANY SECRETARY

Sir David McMurtry N
CBE, RDI, FRS, FREng, CEng, FIMechE

Chairman and Chief Executive

- Formerly employed by Rolls-Royce plc, Bristol, for 17 years, holding the positions of Deputy Chief Designer and Assistant Chief of Engine Design for 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.
- Responsible for Group technology.

John Deer

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, serving as Managing Director 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
CEng, FIMechE

Assistant Chief Executive

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

Allen Roberts
FCA

Group Finance Director

- Qualified as a chartered accountant in 1972 and is a Fellow of the Institute of Chartered Accountants in England and Wales.
- Joined Renishaw in 1979 and appointed to the Board of Renishaw plc in 1980.
- Heads Group finance, business systems and Wotton Travel Ltd.
- Responsible for the healthcare regulatory and quality assurance functions.

Geoff McFarland

Group Engineering Director

- Graduated with a BEng in computer-aided mechanical engineering at Heriot-Watt University, and subsequently worked for several years as a research associate.
- After working briefly in the high-volume manufacturing electronic sector, joined Renishaw in 1994.
- Appointed to the Board of Renishaw plc in 2002.
- Responsible for Group engineering and Group IP and patents.

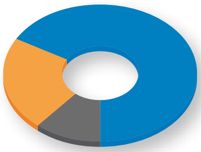
Dr David Grant A R N
CBE, FREng, FLSW, CEng, FIET

Senior Independent Director

- Appointed to the Board of Renishaw plc in April 2012.
- Vice-Chancellor of Cardiff University from 2001 to 2012 and previously held leadership positions at Dowty Group and GEC.
- Currently senior independent director of IQE plc, non-executive director of the Defence Science and Technology Laboratory (Dstl), chair of STEMNET, and chair of the National Physical Laboratory.

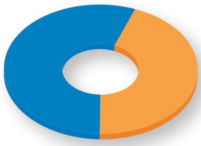
Board nationality

UK	6
USA	2
Ireland	1



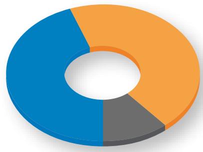
Board tenure

0–3 years	4
10+ years	5



Board balance

Chairman	1
Executive	4
Non-executive	4



Carol Chesney A R N
FCA

Non-executive director
- Appointed to the Board of Renishaw plc in October 2012.
- 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.
- Currently Company Secretary of Halma plc, having also been Group Financial Controller.

Kath Durrant R N

Non-executive director
- Appointed to the Board of Renishaw plc in January 2015.
- Held a variety of senior positions at AstraZeneca plc, including Vice President, HR and Communications for its research and development division.
- Until recently was the Group HR Director at Rolls-Royce plc and a member of the executive team.
- Currently an Advisory Board member for the Lancaster University Management School.

John Jeans A R N
CBE, CEng

Non-executive director
- Appointed to the Board of Renishaw plc in April 2013.
- Currently chair of the Council of Cardiff University, Imanova and UK Biocentre Ltd.
- Board member of the University and College Employers Association.
- Leads Innovate UK's Stratified Medicine Advisory Board.
- Appointed advisor to the Prime Minister at the Office of Life Sciences in June 2014.

Norma Tang

General Counsel and Company Secretary
- Joined Renishaw plc 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.

Audit committee A	Remuneration committee R	Nomination committee N
Carol Chesney (Chair)	David Grant (Chair)	Sir David McMurtry (Chair)
David Grant	Carol Chesney	Carol Chesney
John Jeans	Kath Durrant	Kath Durrant
	John Jeans	David Grant
		John Jeans

EXECUTIVE BOARD

Sir David McMurtry
CBE, RDI, FRS, FREng, CEng, FIMechE
Chairman and Chief Executive
See pages 62 and 63 for biography

John Deer
Deputy Chairman
See pages 62 and 63 for biography

Ben Taylor
CEng, FIMechE
Assistant Chief Executive
See pages 62 and 63 for biography

Allen Roberts
FCA
Group Finance Director
See pages 62 and 63 for biography

Geoff McFarland
Group Engineering Director
See pages 62 and 63 for biography

Norma Tang
General Counsel and Company Secretary
See pages 62 and 63 for biography

Leo Somerville
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
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 products line in 2002.
- Appointed to the Executive Board in 2008.

William Lee
Director and General Manager, Machine Tool and Laser and Calibration Products

- Joined Renishaw in 1997.
- Holds a degree in physics from Oxford University and an MBA from Bath University.
- Became Director and General Manager for the laser and calibration products line in 2007 and subsequently Director and General Manager of the machine tool products line in 2014.
- Appointed to the Executive Board in 2015.

INTERNATIONAL SALES AND MARKETING BOARD

Kevin Gani

Director of Sales Development

- Joined Renishaw in 2011 and was appointed Director of Sales Development in 2012.
- Responsible for the development of commercial teams, systems and processes.
- Manages and leads the development of the Renishaw Academy.
- Appointed as a member of the International Sales and Marketing Board in 2012.

Sean Hymas

President and Representative Director, Renishaw KK

- Joined Renishaw in 1989 following a year's sandwich placement between 1987 and 1988.
- Over 20 years' experience of marketing, international sales, and product management.
- 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

Managing Director, Renishaw GmbH

- Joined Renishaw in 2006.
- Over 20 years' experience in related positions.
- Appointed as a member of the International Sales and Marketing Board in 2008.

Rhydian Pountney

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 Technology Collaboration in Advanced Engineering working group of the UK – India joint economic and trade committee.

Stewart Lane

General Manager, UK Sales and Group Business Development

- Joined Renishaw in 2000 working as both a design and business manager within the machine tool products line.
- Graduated with a degree in Manufacturing Systems Engineering before working internationally for a number of years in the automotive industry.
- Appointed as the Group's Business Development Manager in 2012 and General Manager for the UK sales organisation in 2013.
- Joined the Board of the West of England Aerospace Forum in 2015.

Jean-Marc Meffre

Managing Director, Far East

- Joined Renishaw in 1988 as Managing Director of Renishaw France.
- Holds a master's degree in Economics and Marketing.
- 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.

Clive Martell

Head of Global Additive Manufacturing

- Joined Renishaw in 2015.
- Responsible for the strategy and direction of additive manufacturing.
- Over 30 years' experience in advanced engineering and international sales.
- Progressed from graduate engineer to CEO of Delcam plc, managed transition from AIM listed company to a division of Autodesk.
- Appointed as a member of the International Sales and Marketing Board in 2015.

John Deer

Deputy Chairman, Chair of International Sales and Marketing Board

See pages 62 and 63 for biography

Allen Roberts

FCA

Group Finance Director

See pages 62 and 63 for biography

Ben Taylor

CEng, FIMechE

Assistant Chief Executive

See pages 62 and 63 for biography

Leo Somerville

President, Renishaw, Inc.

See page 64 for biography

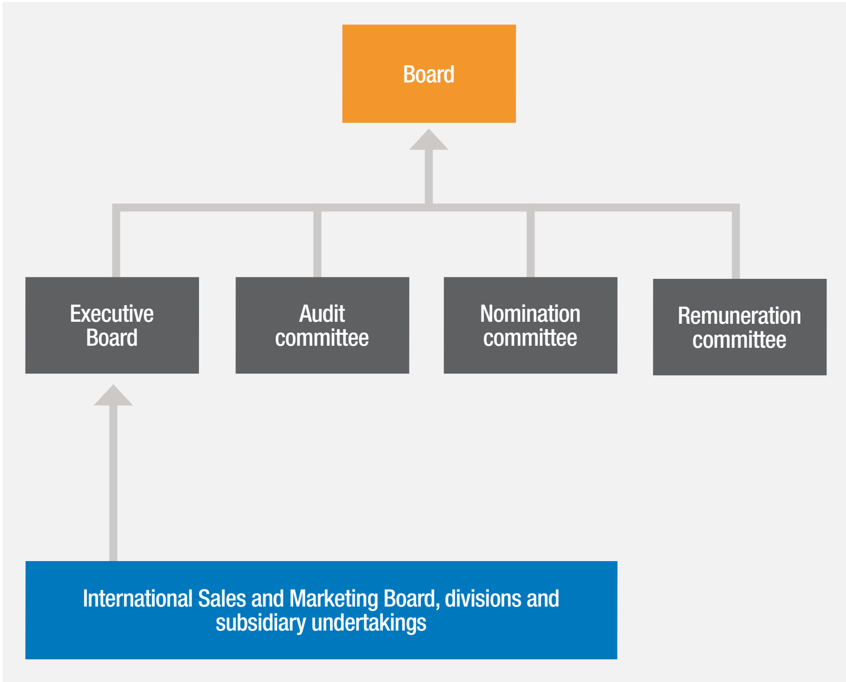
Norma Tang

General Counsel and Company Secretary

See pages 62 and 63 for biography

DIRECTORS' CORPORATE GOVERNANCE REPORT

Board structure



A. Leadership

The role of the Board

The Board comprises four executive and four independent 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 62 and 63. Full biographical details are available at 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 for its decision. These include the approval of annual and half-year results and trading statements, company and business acquisitions and disposals, major capital expenditure, borrowings, material agreements, director and company secretary appointments and removals, patent-related disputes 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 2015, the Board met 11 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 67.

High level summary of subjects discussed during the year:

Strategy
- Business strategy
- Reviewing potential acquisitions/disposals
- Products and technology

Risk
- Group's risk analysis
- Patent litigation

Governance
- Legal updates and new disclosure requirements
- Board evaluation
- Succession planning/executive management structure
- Controlling shareholder agreement

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

Stakeholder engagement
- AGM and other shareholder feedback
- Investor day

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 and three senior management representatives responsible for the CMM products line and machine tool products 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 regions, the Director of Sales Development and the Head of Global Additive Manufacturing.

A framework of delegated authorities is in place that maps out the structure of delegation below the Board 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 listed 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 84. 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 was interim CEO of Innovate UK between January 2015 and May 2015, is currently the senior independent director of IQE plc (having been appointed in September 2012), chair of STEMNET (appointed in December 2011), chair of the National Physical Laboratory (appointed in May 2015) and on the board of the Defence Science and Technology Laboratory (Dstl) (appointed in June 2012). He was previously Vice-Chancellor of Cardiff University from October 2001 to August 2012. The Company has dealings with these organisations from time to time such as grant funded research projects, or research, collaboration or supply agreements. The Company confirms that David Grant has taken no part in decisions relating to any of the dealings between the Company and these organisations.

John Jeans was appointed chair of the Council of Cardiff University in December 2011, is chair of Innovate UK's Stratified Medicine Steering Group (having been appointed in February 2014) and was chair of MRC Technology from December 2008 until November 2014. The Company has dealings with these organisations from time to time such as grant funded research projects, or research, collaboration or supply agreements. The Company confirms that John Jeans has taken no part in decisions relating to any of the dealings between the Company and these organisations.

The dealings referred to above are not material (i.e., in aggregate they are less than 0.5% of the Company's revenue for the financial year ended 30th June 2015).

The Code recommends that at least half the Board, excluding the Chairman, should comprise independent non-executive directors. The Board has complied with this requirement since January 2015 when Kath Durrant joined, but due to retirements the Board was not compliant prior to the appointment of Kath Durrant.

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 72. Kath Durrant was successfully recruited and joined the Board in January 2015 (further details are on page 63).

Commitment

The terms of appointment of the non-executive directors, which includes the expected time commitment and requirement to discuss any changes to other significant commitments with the Chairman and Chief Executive in advance, are available for inspection at the AGM and 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, papers and presentations 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 second of which was held in May 2015. 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, attendance at internal senior management conferences and external trade shows, as well as foreign subsidiary visits, as applicable. For example, non-executive directors visited Renishaw's China and Japan operations in the period and attended strategy days, the investor day, the group managers' conference (where global senior management were present) and various trade shows. This has facilitated a better understanding of the Group, leadership team and Renishaw's products and markets.

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 its committees undertake an annual evaluation of their performance. The format of the evaluation varies each year. Given the full external evaluation in 2013, an internal evaluation was conducted in 2014 with actions focusing on improvements to information flows, organisational structure and succession planning. The evaluation process for 2015 has taken place and the results will be discussed early in the new financial year. 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 auditor in connection with the financial statements are explained in Directors' responsibilities on page 87 and the Independent auditor's report on pages 88 to 90.

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 business model, together with the factors likely to affect its future development, performance and position are set out in the Strategic report, where details of the financial and liquidity positions are also given. In addition, note 22 to 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 both the Company and the Group have adequate resources to continue in operation 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. Established and centrally documented control procedures also exist, including, for example, capital and other expenditure, information and technology security and legal and regulatory compliance. These are applied throughout the Group.

The group internal audit function provides independent and objective assurance that the control 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.

DIRECTORS' CORPORATE GOVERNANCE REPORT CONTINUED

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 review of subsidiaries' accounting processes and performance to provide assurance to the Board on the integrity of the information supplied by each company forming part of the Group's consolidated results.

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. The review covers all material controls, including financial, operational and compliance controls and risk management systems.

The Board is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks facing the Group, that it has been in place during the year, is regularly reviewed and accords with the FRC guidance on risk management and control. 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 73 to 75.

D. Remuneration

The Directors' remuneration report explains how the Company applies the 2012 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 website promptly after announcement of the results to the UK Listing Authority via an RIS.

Open webcasts of presentations on annual and half-year 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, 80 visitors attended the Company's investor day, which included various Q&A sessions with the Board during the day as well as an opportunity to ask questions during tours, lunch and refreshment breaks.

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.

Separate resolutions are proposed for each substantially separate issue, and all resolutions will be taken on a poll. The Company reports on the number of votes lodged on each resolution, the balance for and against each resolution and the number of votes withheld. This information is 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 2012 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.1.2).

David Grant
Senior Independent Director
29th July 2015

Board attendance record

Director	Board	Audit committee	Remuneration committee	Nomination committee
Sir David McMurtry	11 (11)	–	–	1 (1)
D J Deer	10 (11)[2]	–	–	–
B R Taylor	11 (11)	–	–	–
A C G Roberts	11 (11)	–	–	–
G McFarland	11 (11)	–	–	–
C T Chesney	11 (11)	3 (3)	7 (7)	1 (1)
K L Durrant[1]	6 (6)	–	3 (3)	0 (0)
D Grant	10 (11)[3]	3 (3)	6 (7)[3]	1 (1)
D J Jeans	11 (11)	3 (3)	6 (7)[4]	1 (1)

[1] Kath Durrant was appointed to the Board on 1st January 2015.

[2] John Deer did not attend one board meeting because of illness.

[3] David Grant did not attend one board meeting and a Remuneration committee meeting held on the same day because of illness.

[4] John Jeans did not attend one Remuneration committee meeting for family medical reasons.

NOMINATION COMMITTEE REPORT

"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."

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

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, Kath Durrant, 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 once during the year. Further details are on page 71.

A recruitment consultant, CT Partners Augmentum, was engaged in 2014 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. A range of experienced candidates were considered. I am pleased to report that Kath Durrant joined the Board in January 2015, bringing with her extensive experience as a senior HR executive in the healthcare and engineering industries. CT Partners Augmentum has no other connection with the Company. In addition to this appointment, 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
29th July 2015

AUDIT COMMITTEE REPORT

"The Audit committee has a vital role to play in ensuring the integrity of our financial statements, the effectiveness of our risk management processes and internal controls, and in evaluating the performance of the external audit process. We fulfil our role by close engagement with management, internal audit and the external auditor. During 2015 we also monitored the various changes to the Code. This report explains how we fulfilled our duties."

Carol Chesney
Non-executive director
Chair of the Audit committee

Audit committee role and composition

The Audit committee is appointed by the Board from the non-executive directors of the Company. The Audit committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the Code. The terms of reference are considered annually by the Audit committee and any changes are recommended to the Board for approval.

The Audit committee reviews the Group's accounting policies and procedures, 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.

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 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, the Company Secretary and the external auditor 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 71.

AUDIT COMMITTEE REPORT CONTINUED

Key issues and activities

In addition to reviewing the financial reporting of the Company, the committee also spends a significant amount of time reviewing the effectiveness of the Group's internal control processes. Combined with the committee's review of the internal and external audit functions, it is able to obtain sufficient information to discharge its responsibilities.

The principal activities in the year were:

Financial statements and reports

- reviewed the effectiveness of the Group's risk management and internal controls and disclosures made in the 2015 Annual report;
- reviewed the 2015 Annual report, the 2015 Interim report and all other trading updates issued during the year. The committee received a report from the external auditor on the audit of the 2015 Annual report;
- reviewed areas of the accounts requiring judgement including the carrying value of goodwill, the carrying value of inventory, capitalisation of internally generated development costs, amortisation of intangible assets, debtor provisions, warranty provisions and taxation provisions;
- reviewed the accounting and disclosures in the 2014 Annual report in relation to the acquisition of Advanced Consulting and Engineering, Inc; and
- reviewed the accounting and disclosures in relation to the Group's defined benefit pension schemes.

Risk management

- reviewed the output from the Group's risk review process to identify, evaluate and mitigate risks and considered whether changes in risk profile were adequately addressed;
- considered proposals to further enhance the robustness of the risk management process;
- received updates on compliance with the Group's anti-bribery and corruption policy; and
- reviewed the Group's whistleblowing policy and process.

Internal audit

- evaluated the scope of work to be undertaken by the internal audit function;
- reviewed progress on recommendations brought forward and considered recommendations arising during the year; and
- considered the resource levels available to the internal audit function.

External auditor and non-audit work

- considered the timing and process for the external audit tender;
- reviewed, considered and agreed the scope and methodology of the audit work to be undertaken by the external auditor;
- evaluated the independence and objectivity of the external auditor;
- agreed the terms of engagement and the fees to be paid to the external auditor for the audit of the 2015 financial statements;
- reviewed the level and nature of non-audit services provided by the external auditor; and
- undertook an effectiveness review of the external audit process.

An additional committee meeting is planned for October 2015, primarily to focus on the external audit tender, enhancements to the Group's risk management process and to consider other changes to the Code and their implementation in the 2016 financial year.

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 timeframe.

An extensive verification exercise was undertaken to ensure the factual accuracy of the Annual report by the Board and senior management. An advanced draft of the Annual report was considered by the committee at its meeting on 8th July 2015 with a final draft being reviewed on 24th July 2015, 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 87.

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. 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 will be undertaken in 2016.

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

- skills and knowledge of the team proposed to do the work;
- quality of the 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 executive management, including the review of a report presented by the Group Finance Director, Group Financial Controller and the Group Audit Manager on the effectiveness of the external audit process;
- 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
29th July 2015

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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, 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 Group's performance during the year.

The committee also reviews the remuneration structure and packages for the next level of senior leaders across the business to ensure appropriate competitiveness, equity and progression for those identified as potential successors to the Board and senior executive team.

All the members of the committee are non-executive directors, comprising David Grant (Chair), Carol Chesney, John Jeans and Kath Durrant. The terms of reference of the committee are published on the Company's website. No executive director attends meetings of the committee, except by invitation. Independent advisers are used as required.

On behalf of the Board, I am pleased to present the Directors' remuneration report for 2015.

The report continues to comply with the 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. the remuneration policy table (pages 78 and 80) which was approved at the AGM on 16th October 2014 for a three-year period; and
3. an annual report on remuneration, setting out information on directors' remuneration paid during the year.

Remuneration committee activities during the year

The Group continues to show strong progress, delivering its strategy in key markets, and performance against all financial metrics was excellent. Significant leadership attention was focused on ensuring fulfilment of large orders in the Far East and on strategies for medium-term growth in both established and emerging businesses. The leadership team and employees of the Company are congratulated on their achievements during the year.

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 2015 and the executive director bonus for 2014 in line with the programme set for that year and considered and set the executive director annual bonus programme for 2015. In relation to the 2015 annual bonus, we reviewed the bonus targets and maintained a transparent profit before tax target that was introduced in 2014.

In relation to setting remuneration for the next financial year, the committee has taken into account the performance of the Company, 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's 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 we therefore question annually whether Renishaw's performance would be enhanced through the introduction of such a scheme.

The committee commissioned phase one of an independent review of current remuneration practices during the year. The review concluded that the current remuneration practices do not impede the performance of the Company at present, and that motivation and commitment levels to the Company are high – borne out in practice by the retention of key leaders globally. It did, however, indicate opportunities for improvement in the communications surrounding bonus structure and payouts, and in the performance and development review processes used by the Company.

The committee considers it essential that the Group can assure its ability to attract and retain talent, in different markets and in both established and emerging businesses. This is particularly important as employment markets remain competitive, as the Group grows and as a future generation of leadership is developed within the Group. As a result, the committee will continue the review process in the 2016 financial year and commission further work to ensure appropriate remuneration benchmarking at the executive director level and in the next levels of leadership, and continue to monitor current remuneration practices including the advantages and disadvantages of introducing longer-term incentive plans. Any change to policy would be tabled for approval by shareholders.

David Grant
Chair of the Remuneration committee
29th July 2015

DIRECTORS' REMUNERATION REPORT CONTINUED

Remuneration policy

REMUNERATION POLICY

The Company's remuneration policy for executive and non-executive directors was approved by shareholders at the AGM on 16th October 2014 for a three-year period. No change will be proposed at the AGM on 15th October 2015.

Key extracts of the policy are provided below for information purposes only. The full policy can be found on our investor relations website (downloads and video section) within the 2014 Directors' remuneration report, contained in the 2014 Annual report.

Executive directors' policy table

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

* The page reference change below under the maximum column was updated in the table for information only in order to be factually correct, since the table has been reproduced from last year's Annual report (as explained above).

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 77). * 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.

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.

DIRECTORS' REMUNERATION REPORT CONTINUED

Remuneration policy continued

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.

ANNUAL REMUNERATION REPORT

This section of the report sets out the remuneration of the directors in the year ended 30th June 2015.

Single total figure table (audited)

	Salary/fees		Benefits		Bonus		Pension		Total	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Sir David McMurtry	**648**	630	**2**	2	**648**	0	**n/a**	n/a	**1,298**	632
D J Deer	**392**	381	**19**	19	**392**	0	**n/a**	n/a	**803**	400
B R Taylor	**451**	438	**20**	19	**451**	0	**68**	66	**990**	523
A C G Roberts	**367**	357	**20**	19	**367**	0	**55**	53	**809**	429
G McFarland[1]	**367**	347	**18**	18	**367**	0	**55**	63	**807**	428
C T Chesney	**43**	42	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**43**	42
K L Durrant[2]	**22**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**22**	n/a
D Grant	**43**	42	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**43**	42
D J Jeans	**43**	42	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**43**	42

[1] Figures for G McFarland reflect an element of salary sacrifice for 2014.

[2] K Durrant was appointed a director with effect from 1st January 2015.

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	18	1
B R Taylor	18	2
A C G Roberts	18	2
G McFarland	18	0

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 2015, the value of the defined benefit pension entitlement was £28,645 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.

The value of G McFarland's defined contribution scheme at 30th June 2015 was £403,329.

Payments to past directors

No payments were made to past directors during the year.

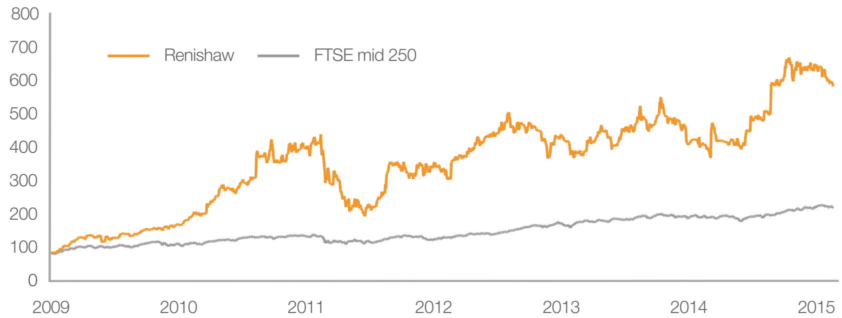
Loss of office payments

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

Performance graph

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.



Strategic report
Governance
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DIRECTORS' REMUNERATION REPORT CONTINUED

Annual remuneration report continued

Executive directors serving as non-executive directors of other companies

None of the executive directors served as non-executive directors of any other company during the year.

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
K L Durrant	–
D Grant	–
D J Jeans	–

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 %
2015	1,298	100%	n/a
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 2014 to 2015.

	Percentage change in salary	Percentage change in benefits	Percentage change in annual bonus
Chief Executive	+3%	0%	n/a
UK employees (average)	+4%	+4%	+65%

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:

	2015 £'000	2014 £'000	change %
Employee remuneration	**173,744**	146,850	+18%
Shareholder dividends paid	**30,841**	29,115	+6%

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 2.7% for the 2016 financial year, 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 this purpose were:

D Grant (Chair)

C T Chesney

D J Jeans

K Durrant (from 1st January 2015)

PricewaterhouseCoopers LLP ("PWC") and a consultant, Gerard Hutchinson, assisted the committee in their consideration of the executive director and senior leadership team bonus arrangements. Total fees paid to PWC were £5,000 and no fees have yet been paid to Gerard Hutchinson. Both PWC and Gerard Hutchinson were appointed by the committee as they were known to members of the committee and neither have advised the Company on any other matters. The committee is of the opinion that the advice received was objective and independent.

The Company Secretary acts as secretary to the committee.

Statement of voting at general meeting

At the annual general meeting held on 16th October 2014, 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	60,067,785	97.15%	1,760,527	2.85%	61,828,312	116,826
Approval of remuneration policy	52,998,077	86.42%	8,323,776	13.57%	61,321,853	623,285

*including Chairman's discretion.

As the Company deems that a significant percentage of votes against as being more than 20%, as a result of which the Company would be required to provide in this report any reasons known to it for such a vote and any actions taken, no commentary is necessary in respect of the voting at the 2014 annual general meeting.

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

David Grant
Chair of the Remuneration committee
29th July 2015

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

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

Also part of the Group is a subsidiary established in 2014 in Slovenia which designs and arranges the procurement of application-specific integrated circuits for the Group and RLS.

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

Dividends

The directors propose a final dividend of £24,748,105 or 34.0p per share (2014: £21,741,938 or 29.87p per share) which, together with the interim dividend of £9,098,568 or 12.5p per share (2014: £8,246,942 or 11.33p) makes a total amount of dividends for the year of £33,846,673 or 46.5p per share, compared to £29,988,880 or 41.2p 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.

All the above interests were beneficially held with the exception of 2,434,411 shares (2014: 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 holdings below in the period 1st July 2015 to 29th July 2015. 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 15th October 2015. Details of the directors are shown on pages 62 and 63 and full biographical details are available at 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 five 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 its directors and officers in respect of their acts and omissions during the performance of their duties.

	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
K Durrant	nil

Share capital and change of control

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 2015 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 separate circular. 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.

Substantial shareholdings

Apart from the shareholdings (and corresponding voting rights) of Sir David McMurtry and John Deer (36.2% and 16.8% respectively), the table below discloses the voting rights that 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 2015.

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 highly-skilled employees 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 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 employees 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 46 to 59.

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

Substantial shareholdings	% 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 2015 to 29th July 2015.

OTHER STATUTORY AND REGULATORY DISCLOSURES CONTINUED

Donations

No political donations were made during the year.

Controlling shareholders' arrangements

In May 2014 the Listing Rules were amended to include new requirements relating to controlling shareholders. The revised Listing 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 specific independence provisions, and for existing listed companies this agreement was required to be entered into by 16th November 2014.

The independence provisions required by the Listing Rules are that:

(i) transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;

(ii) neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and

(iii) neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

By virtue of his shareholding in the Company, Sir David McMurtry (Chairman, 36% shareholder) is a controlling shareholder. John Deer (Deputy Chairman, together with his wife, 17%) is also a controlling shareholder by virtue of a long-standing voting agreement between John Deer (and his wife) with Sir David McMurtry. The Board confirms that the Company has not been able to enter into a relationship agreement with its controlling shareholders, containing the independence provisions required by the Listing Rules. The Financial Conduct Authority ("FCA") has been notified of this, as required by the Listing Rules. The controlling shareholders have informed the Board that they are not willing to enter into a relationship agreement because they are of the view that the requirement to enter into the relationship agreement infringes upon their rights as shareholders and their track record demonstrates that they act in the best interests of the Company.

The Company continues to discuss the requirement for a relationship agreement with the controlling shareholders and with the FCA. As a result of there being no relationship agreement in place, the Listing Rules provide that certain enhanced oversight measures will apply to the Company.

This means that, unless and to the extent that the FCA agrees otherwise, all transactions with the controlling shareholders must be approved by the Company's shareholders (excluding the controlling shareholders) in accordance with the related party transaction requirements of the Listing Rules, and none of the normal exemptions apply.

The Company has been in discussions with the FCA about the application of the enhanced oversight measures to the remuneration and benefits received by the controlling shareholders in their capacity as executive directors (in accordance with the Company's approved remuneration policy) as well other ordinary course corporate matters, such as the payment of dividends by the Company to all shareholders. Guidance has been received from the FCA that either these are not transactions or arrangements that fall within the enhanced oversight measures or that the FCA will permit a modification of the enhanced oversight measures so that they will not apply provided that the arrangements remain in the ordinary course of business and, in the case of salary reviews and bonuses, provided that they fall within the small transaction exemption in the Annex to LR 11.

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by law are set out in the Corporate social responsibility report on page 56.

Norma Tang
Company Secretary
29th July 2015

Renishaw plc

Registered number 1106260
England and Wales

DIRECTORS' RESPONSIBILITIES

Allen Roberts
Group Finance Director

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.

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

Signed on behalf of the Board

Allen Roberts
Group Finance Director
29th July 2015

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 2015 set out on pages 91 to 129. 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 2015 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.

Carrying value of Goodwill (£19.7m)

Refer to pages 74 and 75 (Audit committee report), page 98 (accounting policy) and pages 106 and 107 (financial disclosures).

- The risk – 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 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.

Carrying value of Work in progress (£20.1m) and Finished goods (£29.2m)

Refer to pages 74 and 75 (Audit committee report), page 98 (accounting policy) and page 112 (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 challenging the Group's assumptions in respect of the provision calculation by assessing historical accuracy of the inventory provision. We also critically assessed the adequacy of the Group's provisions against inventory by identifying slow-moving line items, considering whether these items should be provided for in accordance with the Group's policy by comparison to the most recent sales invoices for those items. We compared the current carrying amount of a sample of inventory items to recent sales invoices to assess whether these items should be written down to net realisable value.

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 £7m. 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 4.9% of group profit before tax.

We report to the Audit committee any corrected or uncorrected identified misstatements exceeding £0.2m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 41 reporting components, we subjected seven to audits for group reporting purposes and one to specified risk-focused audit procedures. The latter was not individually financial significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed over revenue and trade receivables.

The components within the scope of our work accounted for the percentages of the Group's results specified in the table set out below.

The remaining 3% of total group revenue, 1% of group profit before tax and 13% of total group assets is represented by 21 reporting components, none of which individually represented more than 4% of any of total group revenue, group profit before tax or total group assets.

For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group audit team approved the component materialities, which ranged from £2.5m to £3.5m, having regard to the mix of size and risk profile of the Group across the components. The work on the specified risk-focused audit procedures and five of the audits for group reporting purposes was performed by component auditors and the rest by the group audit team.

Telephone conference meetings were held with the component auditors to assess the audit risk, strategy and audit findings. During these meetings, the findings reported to the group audit team were discussed in more detail, and any further work required by the group audit team was then performed by the component auditor.

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; and
- 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.

	Number of components	Revenue (%)	Profit before tax (%)	Total assets (%)
Audits for group reporting purposes	7	78%	94%	75%
Specified risk-focused audit procedures	1	10%	2%	5%
Reviews of component financial information	12	9%	3%	7%
Coverage	**20**	**97%**	**99%**	**87%**

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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 69, in relation to going concern; and
- the part of the corporate governance statement on page 71 relating to the Company's compliance with the 10 provisions of the 2012 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 the Directors' responsibilities statement set out on page 87, 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/auditscopeukco2014a, 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

29th July 2015

CONSOLIDATED INCOME STATEMENT
at 30th June 2015

from continuing operations	notes	2015 £'000	2014 £'000
Revenue	2	**494,720**	355,498
Cost of sales		**(221,089)**	(178,553)
Gross profit		**273,631**	176,945
Distribution costs		**(87,879)**	(75,367)
Administrative expenses		**(41,828)**	(31,190)
Operating profit		**143,924**	70,388
Exceptional item	4	**–**	26,280
Financial income	5	**884**	679
Financial expenses	5	**(1,492)**	(1,736)
Share of profits of associates less related amortisation	11	**880**	775
Profit before tax	6	**144,196**	96,386
Income tax expense	7	**(22,850)**	(10,720)
Profit for the year from continuing operations		**121,346**	85,666
Profit attributable to:			
Equity shareholders of the parent company		**121,908**	86,215
Non-controlling interest	21	**(562)**	(549)
Profit for the year from continuing operations		**121,346**	85,666
		pence	pence
Dividend per share arising in respect of the year	21	**46.5**	41.2
Dividend per share paid in the year		**42.4**	40.0
Earnings per share (basic and diluted)	8	**167.5**	118.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

for the year ended 30th June 2015

	notes	2015 £'000	2014 £'000
Profit for the year		**121,346**	85,666
Other items recognised directly in equity:			
Items that will not be reclassified to the Consolidated income statement:			
Remeasurement of defined benefit liabilities	15	**(6,032)**	(2,233)
Deferred tax on remeasurement of defined benefit liabilities		**1,580**	(530)
Total for items that will not be reclassified		**(4,452)**	(2,763)
Item that may be reclassified to the Consolidated income statement:			
Foreign exchange translation differences		**111**	(5,754)
Effective portion of changes in fair value of cash flow hedges, net of recycling	21	**(10,511)**	32,876
Deferred tax on effective portion of changes in fair value of cash flow hedges	21	**2,102**	(6,602)
Total for items that may be reclassified		**(8,298)**	20,520
Total other comprehensive income and expense, net of tax		**(12,750)**	17,757
Total comprehensive income and expense for the year		**108,596**	103,423
Attributable to:			
Equity shareholders of the parent company		**109,158**	103,972
Non-controlling interest	21	**(562)**	(549)
Total comprehensive income and expense for the year		**108,596**	103,423

CONSOLIDATED BALANCE SHEET

at 30th June 2015

	notes	2015 £'000	2014 £'000
Assets			
Property, plant and equipment	9	**169,592**	140,922
Intangible assets	10	**57,664**	56,571
Investments in associates	11	**3,480**	2,230
Deferred tax assets	13	**19,536**	16,173
Derivatives	14	**10,504**	18,644
Total non-current assets		**260,776**	234,540
Current assets			
Inventories	16	**77,673**	62,979
Trade receivables	22	**101,213**	81,798
Current tax		**1,064**	1,690
Other receivables		**12,809**	10,847
Derivatives	14	**14,889**	13,348
Pension scheme cash escrow account	15	**14,731**	9,541
Cash and cash equivalents	17, 22	**82,171**	43,634
Total current assets		**304,550**	223,837
Current liabilities			
Trade payables		**21,154**	18,857
Current tax		**10,775**	3,941
Provisions	18	**1,715**	1,294
Derivatives	14	**764**	–
Other payables	19	**28,561**	16,110
Total current liabilities		**62,969**	40,202
Net current assets		**241,581**	183,635
Non-current liabilities			
Employee benefits	15	**48,094**	43,068
Deferred tax liabilities	13	**21,991**	23,444
Derivatives	14	**3,165**	17
Other payables	20	**589**	883
Total non-current liabilities		**73,839**	67,412
Total assets less total liabilities		**428,518**	350,763
Equity			
Share capital	21	**14,558**	14,558
Share premium		**42**	42
Currency translation reserve	21	**(2,714)**	(2,825)
Cash flow hedging reserve	21	**17,171**	25,580
Retained earnings		**402,559**	315,944
Other reserve		**(460)**	(460)
Equity attributable to the shareholders of the parent company		**431,156**	352,839
Non-controlling interest	21	**(2,638)**	(2,076)
Total equity		**428,518**	350,763

These financial statements were approved by the Board of directors on 29th July 2015 and were signed on its behalf by:

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

Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2015

Year ended 30th June 2014	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 2013	14,558	42	2,929	(694)	261,607	(389)	(1,334)	276,719
Profit/(loss) for the year	–	–	–	–	86,215	–	(549)	85,666
Other comprehensive income and expense (net of tax)								
Remeasurement of defined benefit pension liabilities	–	–	–	–	(2,763)	–	–	(2,763)
Foreign exchange translation differences	–	–	(5,754)	–	–	–	–	(5,754)
Changes in fair value of cash flow hedges	–	–	–	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
Year ended 30th June 2015								
Profit/(loss) for the year	–	–	–	–	121,908	–	(562)	121,346
Other comprehensive income and expense (net of tax)								
Remeasurement of defined benefit pension liabilities	–	–	–	–	(4,452)	–	–	(4,452)
Foreign exchange translation differences	–	–	111	–	–	–	–	111
Changes in fair value of cash flow hedges	–	–	–	(8,409)	–	–	–	(8,409)
Total other comprehensive income	–	–	111	(8,409)	(4,452)	–	–	(12,750)
Total comprehensive income	–	–	111	(8,409)	117,456	–	(562)	108,596
Dividends paid	–	–	–	–	(30,841)	–	–	(30,841)
Balance at 30th June 2015	**14,558**	**42**	**(2,714)**	**17,171**	**402,559**	**(460)**	**(2,638)**	**428,518**

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

CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 30th June 2015

	notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit for the year		**121,346**	85,666
Adjustments for:			
Amortisation of development costs	10	**10,141**	8,345
Amortisation of other intangibles	10, 11	**2,990**	3,304
Depreciation	9	**14,925**	11,304
Profit on sale of property, plant and equipment		**(99)**	(24)
Share of profits from associates	11	**(880)**	(950)
Exceptional gain		**–**	(26,280)
Financial income	5	**(884)**	(679)
Financial expenses	5	**1,492**	1,736
Tax expense	7	**22,850**	10,720
		50,535	7,476
(Increase)/decrease in inventories		**(14,694)**	2,289
Increase in trade and other receivables		**(21,712)**	(19,089)
Increase/(decrease) in trade and other payables		**15,204**	(2,573)
Increase/(decrease) in provisions	18	**421**	(336)
		(20,781)	(19,709)
Defined benefit pension contributions		**(2,427)**	(2,275)
Income taxes paid		**(16,410)**	(11,407)
Cash flows from operating activities		**132,263**	59,751
Investing activities			
Purchase of property, plant and equipment		**(48,387)**	(39,050)
Development costs capitalised	10	**(12,975)**	(11,830)
Purchase of other intangibles		**(1,207)**	(483)
Investment in subsidiaries and associates		**(480)**	(808)
Sale of property, plant and equipment		**2,408**	704
Interest received	5	**884**	679
Dividends received from associates	11	**110**	210
Exceptional item – sale of shareholding in Delcam plc		**–**	32,018
Payments (to)/from pension scheme escrow account (net)		**(5,190)**	1,441
Cash flows from investing activities		**(64,837)**	(17,119)
Financing activities			
Interest paid	5	**(43)**	(176)
Dividends paid	21	**(30,841)**	(29,115)
Cash flows from financing activities		**(30,884)**	(29,291)
Net increase in cash and cash equivalents		**36,542**	13,341
Cash and cash equivalents at the beginning of the year		**43,634**	26,605
Effect of exchange rate fluctuations on cash held		**1,995**	3,688
Cash and cash equivalents at the end of the year	17	**82,171**	43,634

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 parent company financial statements present information about the Company as a separate entity and not about the Group. The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements. Judgements made by the directors, in the application of these accounting policies, that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are noted below.

Basis of accounting

The financial statements have been prepared under the historical cost convention, subject to items referred to in the derivative financial instruments note below. The accounting policies set out below have been consistently applied in preparing both the 2014 and 2015 financial statements.

Critical accounting judgements

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are listed below:

(i) Inventory

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

(ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of cash-generating units ("CGUs") to which goodwill has been allocated. The value in use calculation involves an estimation of the future cash flows of CGUs and also the selection of appropriate discount rates, which involves judgement, to calculate present values (see note 10).

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

(i) Defined benefit pension scheme liabilities

Determining the value of the future defined benefit obligation requires judgement in respect of the assumptions used to calculate present values. These include future mortality, discount rate, inflation and salary increases. Management makes these judgements in consultation with an independent actuary. Details of the estimates and judgements in respect of the current year are given in note 15.

(ii) Amortisation of intangibles and impairment

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

(iii) Capitalisation of development costs

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

1. Accounting policies continued

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.

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

New, revised or changes to existing accounting standards

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

(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 holds 50% stakes in RLS merilna tehnika d.o.o. and Metrology Software Products Limited which are currently accounted for as investments in associates. The Group has assessed whether it has joint control over these companies under IFRS 11 and has determined that it does not have joint control over these entities as decisions over the relevant activities do not require group consent. These will continue to be accounted for as associates rather than joint ventures.

(b) Amendments to IAS 32 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'. This amendment sets out the criteria required for offsetting.

(c) Annual improvements 2010-2012, 2011-2013 cycles.

The adoption of these standards has not had a significant effect on the consolidated results or financial position of the Group.

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 2015:

(a) IFRS 9 'Financial Instruments'.

(b) IFRS 15 'Revenue from Contracts with Customers'.

(c) Annual improvements 2012-2014 cycle.

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, but may impact disclosure requirements.

Basis of consolidation

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

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

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

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

NOTES CONTINUED

1. Accounting policies continued

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 (see below).

Hedge of net investment in foreign operation

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

Inventory and work in progress

Inventory and work in progress is valued at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses which are required to bring inventories to their present location and condition. Overheads are absorbed into inventories on the basis of normal capacity or on actual hours if higher.

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.

Goodwill and other intangible assets

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

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

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

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

Intangible assets such as customer lists, patents, trade marks, know-how and intellectual property that are acquired by the Group are stated at cost less amortisation and impairment losses. Amortisation is charged to the Consolidated income statement on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful lives of the intangible assets included in the Consolidated balance sheet reflect the benefit derived by the Group and vary from five to ten years.

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

1. Accounting policies continued

Intangible assets – research and development costs

Expenditure on research activities is recognised in the Consolidated income statement as an expense as incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and the Group can measure reliably the expenditure attributable to the intangible asset during its development.

Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Consolidated income statement as an expense as incurred. Capitalised development expenditure is amortised over five years and is stated at cost less accumulated amortisation and less accumulated impairment losses. Capitalised development expenditure is removed from the balance sheet ten years after being fully amortised.

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 two to ten 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.

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.

Employee benefits

The Group operates contributory pension schemes, largely for UK, Ireland and USA employees, which were of the defined benefit type up to 5th April 2007, 31st December 2007 and 30th June 2012 respectively, at which time they ceased any future accrual for existing members and were closed to new members.

The schemes are administered by trustees who are independent of the group finances. Pension scheme assets of the defined benefit schemes are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans are included in the Consolidated income statement.

The pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the Consolidated balance sheet under employee benefits. Where a guarantee is in place in relation to a pension scheme deficit, liabilities are reported in accordance with IFRIC 14. Foreign-based employees are covered by state, defined benefit and private pension schemes in their countries of residence. Actuarial valuations of foreign pension schemes were not obtained, apart from Ireland and USA, because of the limited number of foreign employees. For defined contribution schemes, the amount charged to the Consolidated income statement represents the contributions payable to the schemes in respect of the accounting period.

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

NOTES CONTINUED

1. Accounting policies continued

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.

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.

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.

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

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)	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

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:

	2015 £'000	2014 £'000
Far East, including Australasia	**257,665**	134,569
Continental Europe	**103,106**	100,199
North, South and Central America	**96,284**	85,562
UK and Ireland	**25,499**	23,816
Other regions	**12,166**	11,352
Total group revenue	**494,720**	355,498

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

	2015 £'000	2014 £'000
China	**119,551**	66,575
USA	**82,350**	71,007
South Korea	**73,113**	10,523
Germany	**44,658**	43,043
Japan	**43,946**	39,190

NOTES CONTINUED

2. Segmental analysis continued

There was revenue from transactions with one external customer which amounted to more than 10% of the Group's total revenue. This was in the Metrology segment and amounted to £62,607,000.

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

	2015 £'000	2014 £'000
United Kingdom	**166,468**	142,079
Overseas	**64,268**	57,644
Total non-current assets	**230,736**	199,723

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:

	2015 £'000	2014 £'000
Wages and salaries	**141,392**	119,890
Compulsory social security contributions	**16,005**	13,714
Contributions to defined contribution plans	**16,347**	13,246
Total payroll costs	**173,744**	146,850

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

	2015 Number	2014 Number
UK	**2,529**	2,221
Overseas	**1,282**	1,124
Average number of employees	**3,811**	3,345

The total remuneration of the directors was:

	2015 £'000	2014 £'000
Salary and fees	**2,376**	2,291
Bonus	**2,225**	–
Benefits	**79**	77
Pension contributions	**178**	182
Total remuneration of the directors	**4,858**	2,550

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

4. Exceptional item (previous year)

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.

5. Financial income and expenses

Financial income	2015 £'000	2014 £'000
Interest receivable	**884**	679

Financial expenses	2015 £'000	2014 £'000
Net interest on pension schemes' liabilities (note 15)	**1,421**	1,392
Bank interest payable	**43**	176
Unwinding of discount on deferred consideration	**28**	168
Total financial expenses	**1,492**	1,736

6. Profit before tax

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

	notes	2015 £'000	2014 £'000
Depreciation of property, plant and equipment	(a)	**14,925**	11,304
Amortisation of intangibles	(a)	**13,131**	11,649
Research and development expenditure	(b)	**42,260**	36,306
Profit on sale of property, plant and equipment	(c)	**(99)**	(24)
Foreign currency (gains)/losses	(c)	**339**	(86)
Auditor:			
Audit of these financial statements	(c)	**121**	121
Audit of subsidiary undertakings pursuant to legislation	(c)	**181**	164
Audit assurance	(c)	**22**	10
Tax compliance	(c)	**88**	113
Tax advisory	(c)	**167**	108
Audit of pension schemes	(c)	**20**	22
Other services in relation to pension schemes	(c)	**125**	52
All other non-audit fees	(c)	**48**	41

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

	2015 £'000	2014 £'000
Current tax:		
UK corporation tax on profits for the year	**11,526**	3,983
UK corporation tax – prior year adjustments	**327**	–
Overseas tax on profits for the year	**12,131**	8,354
Total current tax	**23,984**	12,337
Deferred tax:		
Origination and reversal of other temporary differences	**(1,134)**	(99)
Effect on deferred tax for change in UK tax rate to 20%	**–**	(1,518)
	(1,134)	(1,617)
Tax charge on profit	**22,850**	10,720
Effective tax rate (based on profit before tax)	**15.8%**	11.1%

The tax for the year is lower (2014: lower) than the weighted average of the UK standard rate of corporation tax of 20.75% (2014: 22.5%).

The differences are explained as follows:

	2015 £'000	2014 £'000
Profit before tax	**144,196**	96,386
Tax at 20.75% (2014: 22.5%)	**29,921**	21,687
Effects of:		
Different tax rates applicable in overseas subsidiaries	**(2,723)**	(911)
Research and development tax credit and patent box	**(5,745)**	(2,923)
Expenses not deductible for tax purposes	**324**	345
Companies with unrelieved tax losses	**749**	477
Items with no tax effect	**(183)**	(6,400)
Prior year adjustments	**327**	–
Effect on deferred tax for change in UK tax rate to 20%	**–**	(1,518)
Other differences	**180**	(37)
Tax charge on profit	**22,850**	10,720

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1st April 2014) and 20% (effective from 1st April 2015) were substantively enacted on 2nd July 2013. In the Budget on 8th July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the Company's future current tax charge accordingly. As at 30th June 2015, 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 £121,908,000 (2014: £86,215,000) 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 excludes the exceptional item.

9. Property, plant and equipment

Year ended 30th June 2015	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 2014	**98,056**	**131,134**	**8,049**	**13,930**	**251,169**
Additions	**7,329**	**12,222**	**1,550**	**27,286**	**48,387**
Transfers	**25,495**	**7,846**	**–**	**(33,341)**	**–**
Disposals	**(1,381)**	**(4,120)**	**(695)**	**–**	**(6,196)**
Currency adjustment	**(2,402)**	**(1,440)**	**(329)**	**–**	**(4,171)**
At 30th June 2015	**127,097**	**145,642**	**8,575**	**7,875**	**289,189**
Depreciation					
At 1st July 2014	**21,114**	**83,952**	**5,181**	**–**	**110,247**
Charge for the year	**2,292**	**11,444**	**1,189**	**–**	**14,925**
Released on disposals	**(303)**	**(2,985)**	**(599)**	**–**	**(3,887)**
Currency adjustment	**(495)**	**(1,018)**	**(175)**	**–**	**(1,688)**
At 30th June 2015	**22,608**	**91,393**	**5,596**	**–**	**119,597**
Net book value					
At 30th June 2015	**104,489**	**54,249**	**2,979**	**7,875**	**169,592**
At 30th June 2014	76,942	47,182	2,868	13,930	140,922

At 30th June 2015, properties with a net book value of £45,033,000 (2014: £37,597,000) were subject to a registered charge to secure the UK defined benefit pension scheme liabilities.

Additions to assets in the course of construction of £27,286,000 (2014: £24,240,000) comprise £13,556,000 (2014: £13,185,000) for freehold land and buildings and £13,730,000 (2014: £11,055,000) for 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

NOTES CONTINUED

10. Intangible assets

Year ended 30th June 2015	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 2014	**19,873**	**10,644**	**78,188**	**20,509**	**36**	**129,250**
Additions	**–**	**36**	**12,975**	**994**	**177**	**14,182**
Transfers	**–**	**–**	**–**	**188**	**(188)**	**–**
Disposals	**(198)**	**–**	**(1,688)**	**(189)**	**–**	**(2,075)**
Currency adjustment	**61**	**(25)**	**–**	**(12)**	**–**	**24**
At 30th June 2015	**19,736**	**10,655**	**89,475**	**21,490**	**25**	**141,381**
Amortisation						
At 1st July 2014	**198**	**8,631**	**50,371**	**13,479**	**–**	**72,679**
Charge for the year	**–**	**1,293**	**10,141**	**1,697**	**–**	**13,131**
Released on disposal	**(198)**	**–**	**(1,688)**	**(189)**	**–**	**(2,075)**
Currency adjustment	**–**	**(10)**	**–**	**(8)**	**–**	**(18)**
At 30th June 2015	**–**	**9,914**	**58,824**	**14,979**	**–**	**83,717**
Net book value						
At 30th June 2015	**19,736**	**741**	**30,651**	**6,511**	**25**	**57,664**
At 30th June 2014	19,675	2,013	27,817	7,030	36	56,571

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

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:

	2015 £'000	2014 £'000
itp GmbH	**2,456**	2,770
Renishaw Diagnostics Limited (92.4%)	**1,784**	1,784
Renishaw Mayfield S.A. (75%)	**1,537**	1,487
Measurement Devices Limited	**6,661**	6,661
Renishaw Software Limited	**1,559**	1,559
R&R Fixtures, LLC	**4,411**	4,050
Other smaller acquisitions	**1,328**	1,364
Total acquired goodwill	**19,736**	19,675

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 (2014: 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 (2014: 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 (2014: 12%). A pre-tax discount rate of 15% has been used for Renishaw Diagnostics Limited and Renishaw Mayfield S.A. (2014: 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 except Measurement Devices Limited 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, except for Measurement Devices Limited, where, with a headroom of £1.7m, the discount rate would have to increase to 14.5%.

11. Investments in associates

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

	Country of incorporation	Ownership 2015 %	Ownership 2014 %
RLS merilna tehnika d.o.o.	Slovenia	**50**	50
Metrology Software Products Limited	England & Wales	**50**	50
HiETA Technologies Limited (31st December)	England & Wales	**20**	–

NOTES CONTINUED

11. Investments in associates continued

Movements during the year were:

	2015 £'000	2014 £'000
Balance at the beginning of the year	**2,230**	7,403
Dividends received	**(110)**	(210)
Share of profits of associates	**880**	950
Amortisation of intangibles	**–**	(175)
Disposal of shareholding in Delcam plc	**–**	(5,738)
Additions	**480**	–
Balance at the end of the year	**3,480**	2,230

Summarised aggregated financial information for associates:

	2015 £'000	2014 £'000
Revenue	**5,713**	9,278
Share of profits for the year	**880**	950
Assets	**4,978**	4,172
Liabilities	**2,393**	2,258

12. Acquisitions (previous year)

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.

13. Deferred tax assets and liabilities

Balances at the end of the year were:

	2015			2014		
	Assets £'000	Liabilities £'000	Net £'000	Assets £'000	Liabilities £'000	Net £'000
Property, plant and equipment	**–**	**(5,589)**	**(5,589)**	–	(4,439)	(4,439)
Intangible assets	**–**	**(8,017)**	**(8,017)**	–	(7,724)	(7,724)
Intragroup trading (inventory)	**9,237**	**–**	**9,237**	7,224	–	7,224
Pension schemes	**9,398**	**–**	**9,398**	8,141	–	8,141
Other	**901**	**(8,385)**	**(7,484)**	808	(11,281)	(10,473)
Balance at the end of the year	**19,536**	**(21,991)**	**(2,455)**	16,173	(23,444)	(7,271)

13. Deferred tax assets and liabilities continued

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

	2015 £'000	2014 £'000
Balance at the beginning of the year	**(7,271)**	(1,756)
Movements in the Consolidated income statement	**1,134**	1,617
Movement in relation to the cash flow hedging reserve	**2,102**	(6,602)
Movement in relation to the pension schemes	**1,580**	(530)
Total movement in the Consolidated statement of comprehensive income and expense	**3,682**	(7,132)
Balance at the end of the year	**(2,455)**	(7,271)

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

	2015 £'000	2014 £'000
Property, plant and equipment	**(1,150)**	239
Intangible assets	**(293)**	721
Intragroup trading (inventory)	**2,013**	(1,191)
Pension schemes	**(323)**	(301)
Other	**887**	2,149
Total movement for the year	**1,134**	1,617

No deferred tax asset has been recognised in respect of tax losses carried forward of £13,045,000 (2014: £10,675,000) due to the uncertainty over their recoverability, as a significant proportion held in overseas subsidiaries may only be carried forward for a limited period of time.

14. Derivatives

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

	2015 £'000	2014 £'000
Non-current assets	**10,504**	18,644
Current assets	**14,889**	13,348
Total of derivatives with positive fair values	**25,393**	31,992

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

	2015 £'000	2014 £'000
Non-current liabilities	**3,165**	17
Current liabilities	**764**	–
Total of derivatives with negative fair values	**3,929**	17

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 £16,347,000 (2014: £13,246,000), of which £178,000 (2014: £182,000) related to directors and £5,035,000 (2014: £3,537,000) related to overseas schemes.

The latest full actuarial valuation of the UK defined benefit scheme was carried out as at September 2012 and updated to 30th June 2015 by a qualified independent actuary. The mortality assumption used for 2015 is S2PMA and S2PFA tables, CMI (core) 2014 model with long-term improvements of 0.2% per annum.

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

	30th June 2015		30th June 2014		30th June 2013	
	UK scheme	**Ireland scheme**	UK scheme	Ireland scheme	UK scheme	Ireland scheme
Rate of increase in pension payments	**3.4%**	**1.6%**	3.5%	1.9%	3.5%	2.5%
Discount rate	**4.0%**	**3.0%**	4.4%	2.7%	4.8%	3.6%
Inflation rate (RPI)	**3.6%**	**1.6%**	3.7%	1.9%	3.7%	2.5%
Inflation rate (CPI)	**2.6%**	**–**	2.7%	–	2.7%	–
Retirement age	**64**	**65**	64	65	64	65

The assets and liabilities in the defined benefit schemes were:

	30th June 2015 £'000	**% of total assets**	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
Market value of assets:										
Equities	**138,174**	**98**	127,805	98	117,114	99	93,827	99	99,365	98
Bonds and cash	**2,325**	**2**	1,950	2	1,653	1	1,409	1	1,684	2
	140,499	**100**	129,755	100	118,767	100	95,236	100	101,049	100
Actuarial value of liabilities	**(188,593)**	**–**	(172,823)	–	(160,485)	–	(137,224)	–	(138,713)	–
Deficit in the schemes	**(48,094)**	**–**	(43,068)	–	(41,718)	–	(41,988)	–	(37,664)	–
Deferred tax thereon	**9,398**	**–**	8,141	–	8,973	–	9,519	–	9,393	–

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

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 £14,410,000 (2014: £12,752,000) and the actuarial value of liabilities was £16,644,000 (2014: £18,544,000).

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

For a sensitivity analysis of certain elements of the UK defined benefit pension scheme, see 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 2015	**Assets £'000**	**Liabilities £'000**	**Total £'000**
Balance at the beginning of the year	**129,755**	**(172,823)**	**(43,068)**
Contributions paid	**2,427**	**–**	**2,427**
Interest on pension schemes	**5,547**	**(6,968)**	**(1,421)**
Remeasurement gain/(loss)	**5,028**	**(11,060)**	**(6,032)**
Benefits paid	**(2,258)**	**2,258**	**–**
Balance at the end of the year	**140,499**	**(188,593)**	**(48,094)**

15. Employee benefits continued

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 paid	(2,387)	2,387	–
Balance at the end of the year	129,755	(172,823)	(43,068)

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

	2015 £'000	2014 £'000
Actuarial (loss)/gain arising from:		
– Changes in demographic assumptions	**358**	(2,632)
– Changes in financial assumptions	**(10,095)**	(12,242)
– Experience adjustment	**672**	3,533
Return on plan assets excluding interest income	**5,233**	6,808
Adjustment to liabilities for IFRIC 14	**(2,200)**	2,300
Total amount recognised in the Consolidated statement of comprehensive income and expense	**(6,032)**	(2,233)

The history of experience gains and losses is:

	Year ended 30th June 2015	Year ended 30th June 2014	Year ended 30th June 2013	Year ended 30th June 2012	Year ended 30th June 2011
Difference between the expected and actual return on scheme assets					
amount (£'000)	**5,905**	6,535	13,474	(13,266)	11,773
percentage of scheme assets	**4%**	5%	11%	(14%)	12%
Experience gains and losses on scheme liabilities					
amount (£'000)	**–**	2,828	1,089	–	(1,521)
percentage of present value of scheme liabilities	**–**	2%	1%	–	(1%)
Total amount recognised in the Consolidated statement of comprehensive income and expense					
amount (£'000)	**(6,032)**	(2,233)	(860)	(7,781)	(1,577)
percentage of present value of scheme liabilities	**(3%)**	(1%)	(1%)	(6%)	(1%)

The cumulative amount of actuarial gains and losses recognised in the Consolidated statement of comprehensive income and expense was a loss of £84,788,000 (2014: loss of £78,756,000).

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:

	2015 years	2014 years
Male currently aged 65	**22.3**	22.1
Female currently aged 65	**24.4**	24.8
Male currently aged 45	**23.6**	23.4
Female currently aged 45	**25.7**	26.1

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 £14,731,000 at the end of the year (2014: £9,541,000).

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 £48,200,000 if an insolvency event occurs in relation to the Company before 30th September 2016 or if the Company has not made good any deficit up to £48,200,000 by midnight on 30th September 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 £10,200,000, to represent the maximum discounted liability as at 30th June 2015 (2014: £8,000,000).

16. Inventories

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

	2015 £'000	2014 £'000
Raw materials	**28,344**	22,795
Work in progress	**20,087**	15,338
Finished goods	**29,242**	24,846
Balance at the end of the year	**77,673**	62,979

During the year, the amount of inventories recognised as an expense in the Consolidated income statement was £144,547,000 (2014: £114,597,000) and the amount of write-down of inventories recognised as an expense in the Consolidated income statement was £1,254,000 (2014: £1,017,000).

17. Cash and cash equivalents

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

	2015 £'000	2014 £'000
Bank balances and cash in hand	**77,282**	38,930
Short-term deposits	**4,889**	4,704
Balance at the end of the year	**82,171**	43,634

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

18. Provisions

Warranty provision

Movements during the year were:

	2015 £'000	2014 £'000
Balance at the beginning of the year	**1,294**	1,630
Created during the year	**1,518**	458
Utilised in the year	**(1,097)**	(794)
	421	(336)
Balance at the end of the year	**1,715**	1,294

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:

	2015 £'000	2014 £'000
Payroll taxes and social security	**5,097**	4,153
Other creditors and accruals	**23,464**	11,957
Total other payables	**28,561**	16,110

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

20. Other payables (non-current)

The deferred consideration of £589,000 is in respect of investments in subsidiaries, which is payable over the next two years (2014: £883,000).

21. Capital and reserves

Share capital

	2015 £'000	2014 £'000
Allotted, called-up and fully paid 72,788,543 ordinary shares of 20p each	**14,558**	14,558

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

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the foreign operations, offset by foreign exchange differences on bank liabilities which have been accounted for directly in equity on account of them being classified as hedging instruments. The movement in the year of a gain of £111,000 (2014: loss £5,754,000) comprises a loss on the net assets of foreign currency operations of £2,390,000 (2014: loss £11,307,000) and a gain on foreign currency overdrafts held for the purpose of net investment hedging of £2,501,000 (2014: gain £5,553,000).

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:

	2015 £'000	2014 £'000
Balance at the beginning of the year	**25,580**	(694)
Amounts transferred to the Consolidated income statement (within revenue)	**(13,348)**	(1,565)
Revaluations during the year	**2,837**	34,441
Deferred tax movement	**2,102**	(6,602)
Balance at the end of the year	**17,171**	25,580

Dividends paid

Dividends paid comprised:

	2015 £'000	2014 £'000
2014 final dividend paid of 29.87p per share (2013: 28.67p)	**21,742**	20,868
Interim dividend paid of 12.50p per share (2014: 11.33p)	**9,099**	8,247
Total dividends paid	**30,841**	29,115

A final dividend in respect of the current financial year of £24,748,105 (2014: £21,741,938), at the rate of 34.0p net per share (2014: 29.87p) is proposed, to be paid on 19th October 2015 to shareholders on the register on 18th September 2015, with an ex-dividend date of 17th September 2015.

Non-controlling interest

Movements during the year were:

	2015 £'000	2014 £'000
Balance at the beginning of the year	**(2,076)**	(1,334)
Acquisition of further share in subsidiary	**–**	(193)
Share of loss for the year	**(562)**	(549)
Balance at the end of the year	**(2,638)**	(2,076)

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

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	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Pound Sterling	**8,029**	9,097	**8,541**	7,863	**146,603**	102,113
US Dollar	**32,400**	30,418	**3,882**	15,696	**(31,752)**	(22,404)
Japanese Yen	**10,660**	7,093	**9,388**	13,397	**(11,431)**	(9,050)
Euro	**18,701**	18,858	**14,720**	4,055	**(31,959)**	(30,521)
Other	**31,423**	16,332	**1,671**	1,828	**10,710**	3,496
	101,213	81,798	**38,202**	42,839	**82,171**	43,634

The above trade receivables, other receivables and cash are predominately held in the functional currency of the relevant entity, with the exception of £3,511,000 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:

	2015 £'000	2014 £'000
Past due 0–1 month	**16,636**	13,854
Past due 1–2 months	**5,163**	3,122
Past due more than 2 months	**2,372**	1,903
Balance at the end of the year	**24,171**	18,879

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

	2015 £'000	2014 £'000
Balance at the beginning of the year	**2,979**	3,525
Changes in amounts provided	**509**	(89)
Amounts utilised	**(524)**	(457)
Balance at the end of the year	**2,964**	2,979

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 £700,000.

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 2015	**Carrying amount £'000**	**Up to 1 year £'000**	**1–2 years £'000**	**2–5 years £'000**
Trade payables	**21,154**	**21,154**	**–**	**–**
Other payables	**28,561**	**27,972**	**589**	**–**
Provisions	**1,715**	**1,715**	**–**	**–**
Forward exchange contracts	**3,929**	**764**	**863**	**2,302**
	55,359	**51,605**	**1,452**	**2,302**

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

For non-current other receivables of £10,504,000 (2014: £18,644,000), £6,295,000 (2014: £11,884,000) is receivable between 1 and 2 years and £4,209,000 (2014: £6,760,000) is receivable between 2 and 5 years.

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.

Fair value

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

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.

Exchange rates and sensitivity analysis

The Group has hedged a significant proportion of its forecasted US Dollar, Japanese Yen and Euro revenues 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.

	2015			2014	
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	**1.57**	**1.57**	**420**	1.71	1.64
Japanese Yen	**192**	**182**	**70**	173	166
Euro	**1.41**	**1.32**	**60**	1.25	1.20
Average US Dollar forward contract rates		**1.54**			1.57
Average Japanese Yen forward contract rates		**121**			126
Average Euro forward contract rates		**1.17**			1.17

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 £17,171,000 (2014: profit £25,580,000) (see note 21). The nominal amounts of foreign currencies relating to these forward contracts are, in Sterling terms, £353,044,000 in US Dollars (2014: £245,824,000), £26,042,000 in Japanese Yen (2014: £47,087,000) and £107,904,000 in Euro (2014: £121,326,000).

The Group classifies these forward contracts as cash flow hedges and states them at fair value. The forward contracts cover monthly revenues 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	44,549	36,875	0.28
Japanese Yen	15,912	14,139	0.09
Euro	39,933	35,407	-0.02

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 £700,000.

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:

	2015 £'000	2014 £'000
Due in less than one year	**2,309**	1,745
Due between one and five years	**4,913**	3,964
Total future minimum lease payments	**7,222**	5,709

Lease payments recognised as an expense during the year were:

	2015 £'000	2014 £'000
Total lease payments for the financial year	**2,363**	2,176

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:

	2015 £'000	2014 £'000
Authorised and committed	**7,381**	10,676

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 £1,288,000 (2014: £249,000) and sold goods and services to the Group to the value of £8,648,000 (2014: £6,515,000). At 30th June 2015, associates owed £525,000 to the Group (2014: £56,000). Associates were owed £499,000 by the Group (2014: £318,000). Dividends of £110,000 were received from associates during the year (2014: £210,000). Loans to related parties from the Group at 30th June 2015 were £3,048,000 (2014: £2,520,000).

There were no bad debts written off during the year (2014: £nil).

COMPANY BALANCE SHEET

at 30th June 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	C.28	**120,492**	98,567
Investments in subsidiaries	C.29	**319,257**	316,772
Investments in associates	C.30	**1,184**	704
		440,933	416,043
Current assets			
Stock	C.31	**49,740**	37,567
Debtors	C.32	**147,560**	144,361
Pension scheme escrow bank account	15	**14,731**	9,541
Cash at bank		**57,395**	27,706
		269,426	219,175
Creditors			
Amounts falling due within one year	C.33	**(79,280)**	(126,352)
Net current assets			
Due within one year		**179,642**	74,179
Due after more than one year		**10,504**	18,644
		190,146	92,823
Total assets less current liabilities		**631,079**	508,866
Creditors			
Amounts falling due after more than one year	C.34	**(3,754)**	(900)
Provisions for liabilities	C.35	**(8,541)**	(9,117)
Net assets excluding pension liability		**618,784**	498,849
Pension liability	C.36	**(28,528)**	(23,421)
Net assets including pension liability		**590,256**	475,428
Capital and reserves			
Called up share capital	C.37	**14,558**	14,558
Share premium account		**42**	42
Currency reserve	C.38	**17,171**	25,580
Profit and loss account	C.39	**558,485**	435,248
Shareholders' funds – equity		**590,256**	475,428

These financial statements were approved by the Board of directors on 29th July 2015 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 2015

	2015 £'000	2014 £'000
Profit for the financial year	162,185	83,285
Dividends paid	(30,841)	(29,115)
Effective portion of changes in fair value of cash flow hedges, net of recycling and deferred tax	(8,409)	26,274
Actuarial loss in the pension scheme, net of deferred tax	(8,107)	(5,476)
Increase in shareholders' funds	114,828	74,968
Shareholders' funds at 1st July 2014	475,428	400,460
Shareholders' funds at 30th June 2015	590,256	475,428

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.

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.

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.

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 2015	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 2014	**53,546**	**122,316**	**3,220**	**13,966**	**193,048**
Additions	**1,315**	**6,062**	**724**	**27,463**	**35,564**
Transfers	**25,495**	**8,034**	**–**	**(33,529)**	**–**
Disposals	**(1,381)**	**(2,818)**	**(246)**	**–**	**(4,445)**
At 30th June 2015	**78,975**	**133,594**	**3,698**	**7,900**	**224,167**
Depreciation					
At 1st July 2014	**11,315**	**80,930**	**2,236**	**–**	**94,481**
Charge for the year	**1,276**	**10,195**	**515**	**–**	**11,986**
Released on disposals	**(300)**	**(2,241)**	**(251)**	**–**	**(2,792)**
At 30th June 2015	**12,291**	**88,884**	**2,500**	**–**	**103,675**
Net book value					
At 30th June 2015	**66,684**	**44,710**	**1,198**	**7,900**	**120,492**
At 30th June 2014	42,231	41,386	984	13,966	98,567

C.28. Tangible fixed assets continued

At 30th June 2015, properties with a net book value of £45,033,000 (2014: £37,597,000) 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 £48,200,000 if an insolvency event occurs in relation to the Company before 30th September 2016 or if the Company has not made good any deficit up to £48,200,000 by midnight on 30th September 2016.

Additions to assets in the course of construction of £27,463,000 (2014: £24,329,000) comprise £13,556,000 (2014: £13,185,000) for freehold land and buildings and £13,907,000 (2014: £11,144,000) for plant and equipment.

C.29. Investments in subsidiaries

Movements during the year were:

	2015 £'000	2014 £'000
Balance at the beginning of the year	**316,772**	316,476
Investments made during the year	**2,485**	296
Balance at the end of the year	**319,257**	316,772

The following are the subsidiary undertakings of Renishaw plc as at 30th June 2015, 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 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, manufacture 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)	Design, manufacture and sale of advanced precision metrology and inspection equipment.
MTT Technologies Limited	Design, 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.
Renishaw Tehnični Inženiring d.o.o. (Slovenia)	Design and procurement of application-specific integrated circuits (ASICs).

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C.29. Investments in subsidiaries continued

Company – principal activity is the service and distribution of group products

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

Company – non-trading (holding or dormant companies)

MTT Investments Limited
MTT Technologies srl (Italy)*
Measurement Devices US LLC (USA)*
Renishaw Metrology Limited
Renishaw PT Limited
Measurement Devices (Australia) Pty Limited (Australia)*
MTT Technologies Inc. (USA)*
Measurement Devices Limited (Scotland)
Renishaw R&R Inc. (USA)*
Renishaw Transducer Systems Limited
Renishaw Advanced Materials Limited
Thomas Engineering and Construction Limited (Canada)* (31st December)

*Equity held by a subsidiary undertaking.

C.30. Investments in associates

Movements during the year were:

	2015 £'000	2014 £'000
Balance at the beginning of the year	**704**	6,888
Disposal of shareholding in Delcam plc	**–**	(6,184)
Additions	**480**	–
Balance at the end of the year	**1,184**	704

The following are the associated undertakings of Renishaw plc at 30th June 2015. 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 associate undertaking is 30th June unless otherwise stated. The shareholdings in all the associated undertakings are in the ordinary share capital of those undertakings unless otherwise stated.

Company	Principal activities
RLS merilna tehnika d.o.o. (50%) (Slovenia)*	Manufacture and sale of angular magnetic encoder ICs, rotary and linear encoders, interpolator ICs, and photodiode arrays.
Metrology Software Products Limited (50%)	Design and sale of fixturing solutions and machine diagnostics.
HiETA Technologies Limited (20%, Ordinary-A shares) (31st December)	Design and provision of additive manufacturing solutions and heat exchangers.

*Equity held by a subsidiary undertaking.

C.31. Stock

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

	2015 £'000	2014 £'000
Raw materials	**19,124**	14,731
Work in progress	**19,122**	14,551
Finished goods	**11,494**	8,285
Balance at the end of the year	**49,740**	37,567

C.32. Debtors

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

	2015 £'000	2014 £'000
Debtors due within one year		
Trade debtors	**11,908**	13,551
Amounts owed by group undertakings	**101,221**	90,992
Amounts owed by associated undertakings	**3,573**	2,576
Prepayments and other receivables	**5,465**	5,250
Fair value of forward exchange contracts	**14,889**	13,348
	137,056	125,717
Debtors due after more than one year		
Fair value of forward exchange contracts	**10,504**	18,644
Balance at the end of the year	**147,560**	144,361

C.33. Creditors

Amounts falling due within one year

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

	2015 £'000	2014 £'000
Trade creditors	**14,623**	13,938
Corporation tax	**5,337**	2,100
Amounts owed to group undertakings	**43,138**	105,126
Amounts owed to associated undertakings	**297**	214
Other taxes and social security	**2,639**	2,346
Other creditors	**12,482**	2,628
Fair value of forward exchange contracts	**764**	–
Balance at the end of the year	**79,280**	126,352

C.34. Creditors

Amounts falling due after more than one year

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

	2015 £'000	2014 £'000
Deferred consideration	**589**	883
Fair value of forward exchange contracts	**3,165**	17
Total creditors due after more than one year	**3,754**	900

The deferred consideration of £589,000 is in respect of investments in subsidiaries, which is payable over the next two years (2014: £883,000).

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C.35. Provisions for liabilities and charges

An analysis of provisions for liabilities and charges was:

	2015 £'000	2014 £'000
Warranty provision	**1,294**	948
Deferred tax	**7,247**	8,169
Total provisions for liabilities and charges	**8,541**	9,117

Warranty provision

Movements during the year were:

	2015 £'000	2014 £'000
Balance at the beginning of the year	**948**	1,260
Created in the year	**1,202**	392
Utilised in the year	**(856)**	(704)
	346	(312)
Balance at the end of the year	**1,294**	948

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.

Deferred tax

Movements during the year were:

	2015 £'000	2014 £'000
Balance at the beginning of the year	**8,169**	1,366
Movements during the year	**(922)**	6,803
Balance at the end of the year	**7,247**	8,169

The deferred tax asset is represented by:

	2015 £'000	2014 £'000
Difference between accumulated depreciation and capital allowances	**2,973**	1,824
Other timing differences	**4,274**	6,345
	7,247	8,169
Deferred tax on pension scheme liability (note C.36)	**(7,132)**	(5,855)
Balance at the end of the year	**115**	2,314

The movements in the deferred tax balance were:

	2015 £'000	2014 £'000
Balance at the beginning of the year	**2,314**	(4,675)
Amount charged to the profit and loss account	**1,262**	863
Amount reflected through the statement of total recognised gains and losses	**(3,461)**	6,126
Balance at the end of the year	**115**	2,314

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 £11,146,000 (2014: £9,330,000), of which £178,000 (2014: £182,000) related to directors.

The latest full actuarial valuation of the scheme was carried out at September 2012 and updated to 30th June 2015 on an FRS 17 basis by a qualified independent actuary.

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

	30th June 2015	30th June 2014	30th June 2013
Rate of increase in pension payments	**3.4%**	3.5%	3.5%
Discount rate	**4.0%**	4.4%	4.8%
Inflation rate (RPI)	**3.6%**	3.7%	3.7%
Inflation rate (CPI)	**2.6%**	2.7%	2.7%
Expected return on assets	**6.7%**	7.3%	7.3%
Retirement age	**64**	64	64

The mortality assumption adopted for 2015 is S2PMA and S2PFA tables, CMI (core) 2014 model with long-term improvements of 0.2% per annum.

The assets and liabilities in the scheme were:

	30th June 2015 £'000	**% of total assets**	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
Market value of assets:										
Equities	**125,769**	**100**	116,805	100	106,117	100	89,653	100	94,941	100
Bonds and cash	**320**	**–**	198	–	301	–	154	–	362	–
	126,089	**100**	117,003	100	106,418	100	89,807	100	95,303	100
Actuarial value of liabilities	**(161,749)**	**–**	(146,279)	–	(132,685)	–	(126,946)	–	(130,008)	–
Deficit in the scheme	**(35,660)**	**–**	(29,276)	–	(26,267)	–	(37,139)	–	(34,705)	–
Deferred tax thereon	**7,132**	**–**	5,855	–	6,041	–	8,913	–	9,023	–
Pension liability	**(28,528)**	**–**	(23,421)	–	(20,226)	–	(28,226)	–	(25,682)	–

The history of experience gains and losses is:

	Year ended 30th June 2015	Restated Year ended 30th June 2014	Year ended 30th June 2013	Year ended 30th June 2012	Year ended 30th June 2011
Difference between the expected and actual return on scheme assets					
amount (£'000)	**939**	3,245	10,707	(13,168)	11,650
percentage of scheme assets	**1%**	3%	10%	(15%)	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)	**(10,169)**	(5,952)	(1,230)	(5,836)	(2,588)
percentage of present value of scheme liabilities	**(6%)**	(4%)	(1%)	(5%)	(2%)

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C.36. Pension scheme continued

The movements in the scheme were:

Year ended 30th June 2015	**Assets £'000**	**Liabilities £'000**	**Total £'000**
Deficit in scheme at the beginning of the year	**117,003**	**(146,279)**	**(29,276)**
Contributions	**1,649**	**–**	**1,649**
Expected return on pension scheme assets	**8,528**	**–**	**8,528**
Interest on pension scheme liabilities	**–**	**(6,392)**	**(6,392)**
Actuarial gain/(loss)	**939**	**(11,108)**	**(10,169)**
Benefits paid	**(2,030)**	**2,030**	**–**
Deficit in scheme at the end of the year	**126,089**	**(161,749)**	**(35,660)**

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 paid	(1,926)	1,926	–
Deficit in scheme at the end of the year	117,003	(146,279)	(29,276)

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

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

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

	2015 £'000	2014 £'000
Actual return less expected return on scheme assets	**939**	3,245
Experience gain arising on scheme liabilities	**–**	2,828
Changes in financial assumptions	**(11,108)**	(12,025)
Total recognised in the statement of total recognised gains and losses	**(10,169)**	(5,952)

C.37. Share capital

	2015 £'000	2014 £'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.

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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:

	2015 £'000	2014 £'000
Balance at the beginning of the year	**25,580**	(694)
Amounts recycled into the profit and loss account in the year	**(13,348)**	(1,565)
Revaluations during the year	**2,837**	34,441
Deferred tax movement	**2,102**	(6,602)
Balance at the end of the year	**17,171**	25,580

C.39. Profit and loss account

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

	2015 £'000	2014 £'000
Balance at the beginning of the year	**435,248**	386,554
Profit for the year	**162,185**	83,285
Dividends paid in the year	**(30,841)**	(29,115)
Actuarial loss in the pension scheme	**(10,169)**	(5,952)
Deferred tax thereon	**2,062**	476
	(8,107)	(5,476)
Balance at the end of the year	**558,485**	435,248

Profit for the year includes dividends received of £83,610,000 (2014: £27,210,000) 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 £1,513,000 (2014: £331,000) and sold goods and services to the Company to the value of £3,145,000 (2014: £2,579,000).

At 30th June 2015, related parties owed £525,000 (2014: £56,000) to the Company. Related parties were owed £297,000 (2014: £214,000) by the Company. Dividends of £110,000 were received from related parties during the year (2014: £210,000). Loans to related parties from the Company at 30th June 2015 were £12,653,000 (2014: £10,373,000).

All transactions were on an arm's length basis. There were no bad debts written off during the year (2014: £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:

	2015 £'000	2014 £'000
Authorised and committed	**6,328**	7,612

10 YEAR FINANCIAL RECORD

Results	2015 £'000	note 2014 £'000	note 2013 £'000	2012 £'000	note 2011 £'000	note 2010 £'000	note 2009 £'000	note 2008 £'000	note 2007 £'000	2006 £'000
Overseas revenue	**469,221**	331,682	326,213	313,007	273,989	170,957	159,988	189,137	169,094	164,322
UK and Ireland revenue	**25,499**	23,816	20,668	18,885	14,761	10,650	11,259	12,020	11,789	11,513
Total revenue	**494,720**	355,498	346,881	331,892	288,750	181,607	171,247	201,157	180,883	175,835
Operating profit	**143,924**	70,388	79,071	83,188	79,286	28,095	5,991	37,335	29,729	35,468
Profit before tax	**144,196**	70,106	79,193	86,046	80,410	28,725	8,843	41,715	32,672	38,102
Taxation	**22,850**	10,720	15,046	17,008	16,345	5,745	2,105	8,309	6,532	7,621
Profit for the year	**121,346**	59,386	64,147	69,038	64,065	22,980	6,738	33,406	26,140	30,481

Capital employed	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'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	**413,918**	336,163	262,119	227,799	187,118	144,021	129,162	151,725	153,400	128,136
Total equity	**428,518**	350,763	276,719	242,399	201,718	158,621	143,762	166,325	168,000	142,736

Statistics	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Overseas revenue as a percentage of total revenue	**94.8%**	93.3%	94.0%	94.3%	94.9%	94.1%	93.4%	94.0%	93.5%	93.5%
Adjusted earnings per share	**167.5p**	82.3p	88.9p	95.6p	88.5p	32.3p	9.6p	45.9p	35.9p	41.9p
Proposed dividend	**46.5p**	41.2p	40.0p	38.5p	35.0p	17.6p	7.76p	25.39p	22.87p	21.78p

Note

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).

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)

Website: www.shareview.co.uk

UK calls cost 8p per minute plus network extras. Lines open 8.30am to 5.30pm, Monday to Friday.

AGM

The AGM is held at the Company's offices and is open for attendance by all shareholders. The 2015 AGM will be held on Thursday 15th 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

15th October 2015

Half year

31st December 2015

Half year results

January 2016

Trading update

May 2016

Final dividend

Ex-div date 17th September 2015

Record date 18th September 2015

Payment date 19th October 2015

Interim dividend (provisional)

Ex-div date 3rd March 2016

Record date 4th March 2016

Payment date 7th April 2016

SHAREHOLDER NOTES

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: companysecretary@renishaw.com

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

Auditor and corporate advisors

Auditor
KPMG LLP

Solicitors
Norton Rose Fulbright LLP
Burges Salmon LLP

Stockbrokers
UBS

Principal bankers
Lloyds Bank plc

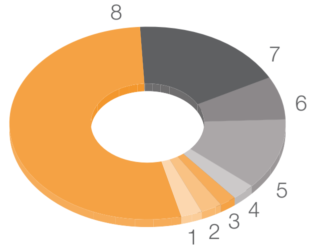
Share fraud

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:

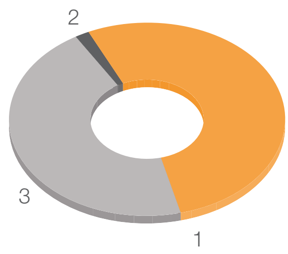
- make sure you get the correct name of the person and organisation and make a record of any other information they give;
- check that they are properly authorised by the FCA before getting involved by visiting www.fca.org.uk/register and contacting the firm using the details on the register;
- the FCA 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	2.4
2	5,001 – 25,000	3.0
3	25,001 – 50,000	1.9
4	50,001 – 100,000	3.2
5	100,001 – 500,000	15.9
6	500,001 – 1,000,000	6.9
7	1,000,001 – 3,000,000	13.7
8	more than 3,000,000	53.0



	Shareholdings	%
1	Directors	53.1
2	Individuals	1.9
3	Institutions	45.0



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