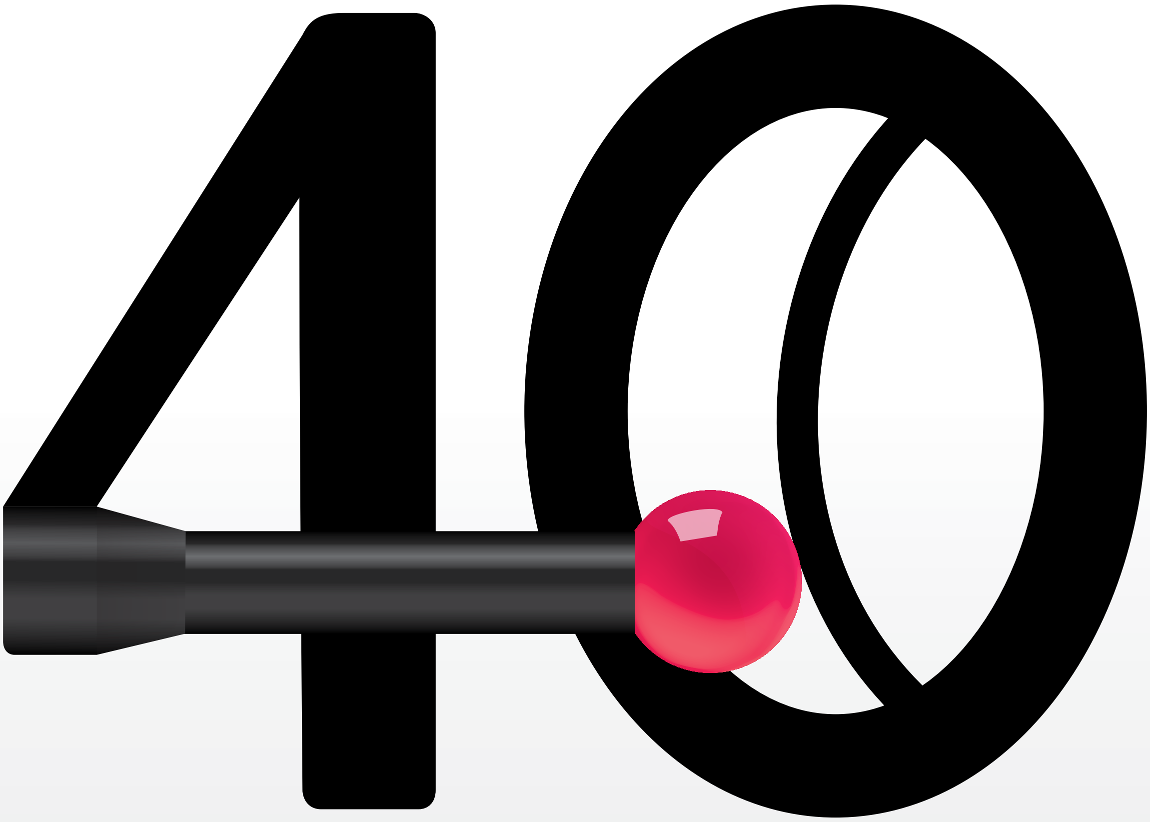
RENISHAW®
apply innovation™

Annual report and accounts 2013

Celebrating



years of innovation

Overview

CONTENTS

FIND MORE INFORMATION ONLINE AT WWW.RENISHAW.COM

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.

http://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.

http://www.renishaw.com/investor

CHAIRMAN'S STATEMENT – SUPPLEMENTARY VIDEO

You can watch the Assistant Chief Executive expanding on areas of interest in the Chairman's statement in a video on our website.

http://www.renishaw.com/chairmansstatements

For more information visit:
www.renishaw.com

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

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 our expanding global markets.

Our continuing investment in property, plant and equipment and new product development (c.£65m in the last year) is the key to our confidence in our long-term strategic prospects. With in excess of 3,200 skilled and motivated staff, we continue to be at the leading edge of technological innovation.

CELEBRATING 40 YEARS OF APPLYING INNOVATION

40
years of innovation
(1973 – 2013)

Renishaw plc (incorporated as Renishaw Electrical Limited) commenced trading on 4th April 1973 to commercialise the touch trigger probing business founded by Sir David McMurtry and John Deer.

Today Renishaw employs over 3,200 people in 32 countries where it has over 70 locations, and operates in two business segments, metrology and healthcare.

Overview

CHAIRMAN'S STATEMENT

During the year the Group has further consolidated its leading position in its principal markets, as well as investing for future growth and expansion. There is an extensive new product pipeline and strategy for each of our business segments and a number of new product introductions are anticipated in this current financial year.

I am pleased to report the Group's results for the year ended 30th June 2013, with record annual revenue in this, the Group's 40th anniversary, year.

Total group revenue for the year amounted to £346.9m, 5% ahead of the £331.9m for last year although this was not as high a level as expected earlier in the year. Good growth was realised in the Far East, especially China, where sales were £138.8m, 7% ahead of last year's total of £130.2m. Elsewhere, revenue growth in the Americas was 3% ahead of last year at £79.2m (2012 £76.8m) and 9% ahead in the UK at £20.7m (2012 £18.9m). In Europe, revenue of £96.0m (2012 £95.7m) was at a similar level to last year.

Adjusted group profit before tax for the year was £81.5m, compared with £86.0m last year, which with the inclusion of an exceptional gain of £2.9m reported in our half-yearly financial report gives a statutory profit before tax of £84.4m (2012 £86.0m).

Adjusted earnings per share were 91.4p compared with last year's earnings per share of 95.6p. Reported earnings per share for the year were 95.4p (2012 95.6p).

SEGMENTAL ANALYSIS

METROLOGY

Revenue from our metrology business was £317.9m, compared with £305.8m last year, an increase of 4%. Operating profit was £84.5m, which compares with £91.8m in 2012; this was lower than expected due to our investment for a higher level of revenue than actually achieved.

Investment in the electronic and semiconductor industries has contributed to increased revenue for our encoder product line during this year, whilst our machine tool product line continued to return good growth, particularly in the consumer electronics market in the Far East.

Sir David R McMurtry

CBE, RDI, FRS, FREng, CEng, FIMechE

Chairman and Chief Executive

2013 PERFORMANCE

	2013	2012	Change
Revenue (£m)	**346.9**	331.9	+5%
Adjusted operating profit (£m)*	**79.1**	83.2	-5%
Adjusted profit before taxation (£m)*	**81.5**	86.0	-5%
Adjusted earnings per share (pence)*	**91.4**	95.6	-4%
Dividend per share (pence)	**40.0**	38.5	+4%

STATUTORY	**2013**	2012	Change
Profit before tax (£m)	**84.4**	86.0	-2%
Basic earnings per share (pence)	**95.4**	95.6	–

*Adjusted figures are stated after excluding the exceptional item in 2013, a gain on deferred consideration settlement.

We saw good growth in our measurement automation product line which is beginning to gain more widespread acceptance and which has been augmented by the introduction of the Equator 300 extended height version.

Demand for our additive manufacturing products continues to grow. This product line was recently expanded by the £1.6m purchase of certain business assets of LBC LaserBearbeitungsCenter GmbH (LBC) in Germany. LBC specialises in the field of additive manufacturing for tool and mould making. This purchase will create a new business, LBC Engineering, comprising former employees of LBC and enables Renishaw to offer additional additive manufacturing services, including design and simulation, and the contract manufacture of metal prototypes and production parts.

In November 2012, the Company purchased the remaining 34% shareholding in Measurement Devices Limited (MDL) for a cash payment of £4.5m; this released an exceptional gain of £2.9m compared to the deferred consideration liability at 30th June 2012. The MDL business has subsequently undergone a reorganisation and from 1st July 2013 has been integrated into Renishaw plc.

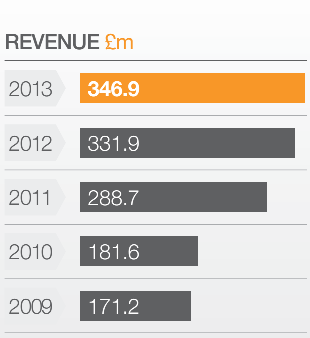
New product releases during the year include the RTS radio toolsetting probe, the PH10 PLUS probe head and controller, new off-axis rotary software for the XR20-W rotary calibrator, the RESOLUTE™ ultra-high vacuum encoder readhead and new software releases, being the UCCsuite 4.5 for the UCC CMM controller and Productivity+™ v1.90 for machine tool applications.

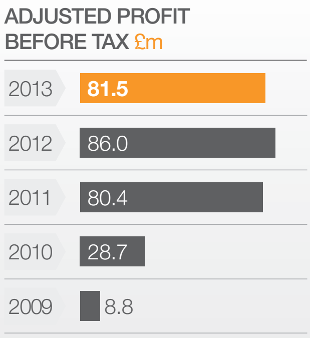
HEALTHCARE

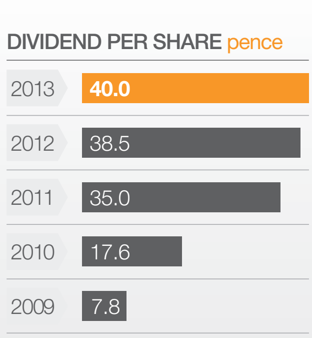
Revenue from our healthcare business for the year was £29.0m, compared with £26.1m last year, an increase of 11%. This year saw a reduced operating loss of £5.4m (2012 £8.6m), as the Board continues to focus on achieving at least break-even in our healthcare business sector over the next two years.

Spectroscopy sales continued to be the main driver in this business segment and were at a record level. During the year, this product line launched powerful new WiRE4 software for its inVia Raman system and Eclipse filters for improved Raman analysis.

We are continuing to invest in our neurological products and have seen good progress in this area over the last year. We have had a number of successes with sales of our neuromate® robot and neuroinspire™ software; new machines being sold in Europe and the Middle East which assist surgeons with a variety of neurological procedures. We are also supplying devices to deliver therapies directly into the brain and expanding our product range by pursuing development work on devices capable of delivering an expanded range of therapies for treatment of neuro degenerative conditions.







CHAIRMAN'S STATEMENT CONTINUED

Our dental product line has also introduced a number of new products during the year. This has included products manufactured using additive manufacturing as well as supplying our additive manufacturing machines to other companies involved in the manufacture of dental structures.

INVESTMENT FOR GROWTH

CAPITAL EXPENDITURE

The Group invested a further £28.0m (2012 £30.3m) in property, plant and machinery, and information technology to provide for future growth expectations:

- At Miskin, South Wales, a further 66,000 sq ft has been refurbished to add to the initial 68,500 sq ft which was refurbished and brought into operation last year. A new anodising plant and electronic production facility has been commissioned and production of additive manufacturing machines has commenced at this facility.
- In York, construction of 20,000 sq ft of new premises was completed and occupied by MDL.
- In Dublin, a 26,000 sq ft extension of our manufacturing facility was completed and is being brought into use.
- At New Mills, construction has recently started on a 120,000 sq ft facility to provide expansion for additional research and development activities and relocation of the spectroscopy product line. Completion is due in the current financial year.

RESEARCH AND DEVELOPMENT

During the year the Group continued to invest for the future with an expenditure of a total of £51.8m (2012 £47.9m) on engineering, including research and development, current product engineering and manufacturing processes. Part of the continuing investment has resulted in an increasing amount of advanced software, including applications software, to support the Group's range of products.

SALES AND MARKETING

We continued to grow and expand our global marketing and distribution activities to support the new products introduced and the expansion of our applications engineering capabilities as the Group becomes increasingly involved in the provision of system solutions:

- Distribution costs increased by 12%, from £62.2m last year to £69.4m which included the recruitment of a further 94 sales and marketing staff.
- In China, the Group opened its eleventh office, with a new office in Wuhan.

BALANCE SHEET

Net cash balances at 30th June 2013 were £26.6m, compared with £21.1m in 2012. In addition, there is an escrow account amounting to £11.0m (30th June 2012 £11.5m) relating to the provision of security to the Company's defined benefit pension scheme.

NON-EXECUTIVE DIRECTORS

David Snowden and Terry Garthwaite did not seek re-election at the AGM in October 2012, having each completed 9 years on the Board. The Board has subsequently made two new non-executive appointments:

- Carol Chesney, chartered accountant and company secretary at the manufacturing group Halma plc, joined the Board on 19th October 2012 as non-executive director and chair of the Audit committee.
- John Jeans CBE CEng was appointed on 11th April 2013. John is currently Chair of the Council of Cardiff University and Imanova (an imaging research partnership between three London universities and the Medical Research Council). In addition he chairs the board of MRC Technology and is a non-executive director of the Alliance Medical Group. He is also a board member of the University and College Employers Association.

Dr David Grant was appointed the chair of the Remuneration committee in place of David Snowden.

Resolutions relating to the election and re-election of all directors will be put to shareholders at the AGM.

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1 Official opening of Mexico office

2 Staff at Woodchester celebrate Best Electronics Factory award

3 First Minister of Wales, Carwyn Jones, opening the Miskin site

4 Marc Dimter and Ralph Mayer of LBC with Rainer Lotz, Renishaw GmbH

EMPLOYEES

The directors thank the Group's employees for their continuing support and significant contribution during this year.

Headcount at the end of June 2013 was 3,235, an increase of 331 during the year, from 2,904 at 30th June 2012.

AWARDS

On 21st April 2013 the Company was honoured with its 16th Queen's Award. The Queen's Award for Enterprise has been granted in the Innovation category for the REVO® five-axis multi-sensor probing system for co-ordinate measuring machines.

In September 2012 Renishaw's assembly facility at Woodchester in Gloucestershire won, against strong competition, the award for the UK's Best Electronics & Electrical Plant Factory at the prestigious Best Factory Awards 2012.

SHAREHOLDER COMMUNICATION

During the year the Board has reviewed its policy on communications with shareholders and the analyst and investor community. The Board will provide all shareholders with information at the same time, in the same forum or medium, and ensure that the level and quality of information provided is significantly enhanced.

As a consequence, no private meetings will be held by directors with investors, potential investors or analysts, however, shareholder meetings with the Chairman, the Senior independent director and/or any other non-executive director may be arranged where a shareholder wishes to communicate their views.

The corporate website is being significantly expanded. The Group's year end and half year results will continue to be delivered by way of webcasts with time allowed for questions and answers. In addition to the AGM, normally held in October, at which company presentations and tours are arranged, a corporate shareholder and investor day will be held annually in May.

OUTLOOK

During the year the Group has further consolidated its leading position in its principal markets, as well as investing for future growth and expansion. There is an extensive new product pipeline and strategy for each of our business segments and a number of new product introductions are anticipated in this current financial year. The Group faces tough comparators going into the first half of this financial year, however, we look forward with confidence to a successful 2014.

DIVIDENDS

A final dividend of 28.67 pence net per share will be paid on 21st October 2013 to shareholders on the register on 20th September 2013, resulting in a total dividend for the year of 40.00 pence net per share (2012 38.50 pence).

Sir David R McMurtry

CBE, RDI, FRS, FREng, CEng, FIMechE

Chairman and Chief Executive

24th July 2013

5

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7

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5 Queen's Award-winning REVO® measurement system

6 Newly refurbished area at Miskin, providing space for growth

7 Extension at Renishaw Ireland

8 Duke of York visits stand at The Big Bang UK Scientists and Engineers Fair

Overview

OUR BUSINESS SECTORS

METROLOGY

KEY HIGHLIGHTS

- Record revenue
- Growth for encoder product line due to investment in electronic and semiconductor industries
- Measurement automation product line gaining more widespread acceptance
- Strategic acquisition for additive manufacturing product line

£317.9m
Revenue (+4%)

£84.5m
Operating profit (-8%)

92%
Percentage of group revenue

Image shows Renishaw REVO® five-axis measurement system fitted to a CMM measuring a Rolls-Royce aeroengine part

HEALTHCARE

KEY HIGHLIGHTS

- Record revenue
- Spectroscopy product line sales at record levels
- Good progress in our neurological products
- New dental products produced using additive manufacturing

£29.0m
Revenue (+11%)

£5.4m
Operating loss

8%
Percentage of group revenue

Overview

OUR PRODUCTS/METROLOGY

Our technologies help manufacturers to maximise production output, to significantly reduce the time taken to produce and inspect components, and to keep their machines running reliably. In the fields of industrial automation and motion systems our high-quality position measurement and calibration systems allow builders to manufacture highly accurate and reliable products.

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 and high-accuracy inspection probes.

CO-ORDINATE MEASURING MACHINE (CMM) PRODUCTS

Sensors, software and control systems for three dimensional CMMs that allow the highly accurate measurement of manufactured components and finished assemblies, including touch-trigger probes, scanning probes, automated probe changers, motorised indexing probe heads and five-axis measurement systems.

STYLI FOR PROBE SYSTEMS

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

PERFORMANCE TESTING PRODUCTS

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

GAUGING

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

LARGE SCALE METROLOGY

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

FIXTURES

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

MATERIALS RESEARCH

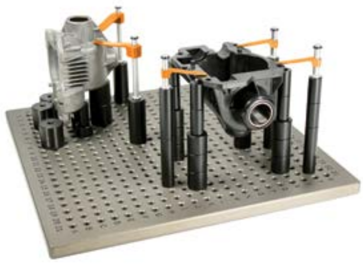
Commercial and research solutions to materials technology challenges including diamond-like carbon coatings and shape memory alloys.

POSITION ENCODERS

Position feedback encoders that ensure accurate linear and rotary motion control in a wide range of applications from electronics, motorsports, robotics and semi-conductors to food manufacturing and print production. These include incremental optical encoders, laser interferometer encoders, magnetic encoders and absolute optical encoders.

ADDITIVE MANUFACTURING

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



OUR PRODUCTS/HEALTHCARE

Our technologies are also helping within applications such as dentistry, neurosurgery, chemical analysis and nanotechnology research. These include systems, materials and manufacturing services that allow dental laboratories to manufacture high-quality dental restorations and engineering solutions for stereotactic neurosurgery. We also supply non-destructive analytical tools that identify and characterise the chemistry and structure of materials.

THE PRODUCT RANGE INCLUDES THE FOLLOWING:

DENTAL SCANNERS

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

DENTAL CAD SOFTWARE

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

DENTAL STRUCTURES MANUFACTURING SERVICE

A central manufacturing service that can handle CAD files from various dental scanning systems to produce structures for crowns and bridges in zirconia or cobalt chrome and abutments in cobalt chrome.

NEUROSURGICAL ROBOT

A stereotactic robot, plus a range of options, that provides a platform solution for a broad range of functional neurosurgical procedures including deep brain stimulation (DBS) and neuroendoscopy.

NEUROSURGICAL PLANNING SOFTWARE

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

NEUROSURGICAL IMPLANTABLES

Implantable devices that allow surgeons to verify expected DBS electrode position relative to targeted anatomy using magnetic resonance imaging (MRI).

RAMAN MICROSCOPES

inVia Raman microscopes comprising a research-grade optical microscope coupled to a high-performance Raman spectrometer for analytical applications as diverse as pharmaceutical, forensic science, nanotechnology and semiconductors.

COMBINED RAMAN SYSTEMS

Combined Raman and atomic force microscope (AFM) instruments that investigate chemical and structural properties of materials at sub-micrometre scales. Also combined Raman and infrared spectroscopy instruments that identify unknown materials by combining both vibrational spectroscopic techniques.

STRUCTURAL AND CHEMICAL ANALYSER

A structural and chemical analyser (SCA) that unites scanning electron microscopy (SEM) and Raman spectroscopy to allow morphological, elemental, chemical, physical and electronic analysis without moving the sample between instruments.

IN SITU MONITORS

Compact Raman systems for process monitoring and bulk material analysis enabling in situ monitoring in the laboratory, pilot plant, or process line.

DIAGNOSTIC SYSTEMS

Automated multiplex diagnostic and clinical research systems, currently being developed by Renishaw Diagnostics Limited for infectious disease identification.

OUR MARKETS/DELIVERING SOLUTIONS GLOBALLY

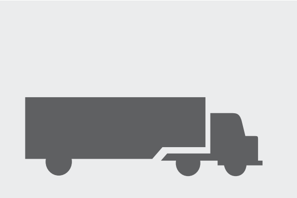
The Group has over 70 locations in 32 countries from where it distributes and supports products for its global customer base, with 94% of sales outside the UK. It manufactures its products in the UK, Ireland, India, Germany, USA and France.

AGRICULTURE

Increasing global demand for food products from developing nations

Increasing global demand for biofuels

Greater investment in machinery for intensive farming capabilities



AUTOMOTIVE

Continuing investment in manufacturing capacity to meet growing global demand

Improved fuel efficiency requires tighter tolerances on powertrain components

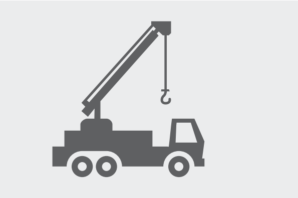
Cost efficiencies and automated processes required throughout the supply chain

AEROSPACE

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

New fuel efficient engines with complex parts requiring faster measurement

Improvements to fuel efficiency by minimising airframe weight

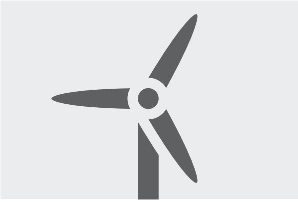


CONSTRUCTION

Major infrastructure projects driving heavy equipment sales

Skills shortages requiring more automation in equipment manufacturers

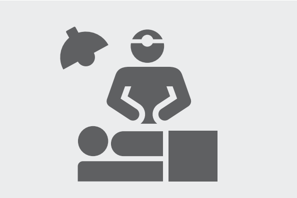
Enhanced safety standards for mines necessitates surveying tools



POWERGEN

Manufacture of components for civil nuclear and wind energy

Increasing focus on maximising output from machinery used in power generation



MEDICAL

Neurological disorders require highly precise surgical therapies

Growing demand for cosmetic dentistry with superior aesthetics

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

CONSUMER PRODUCTS

Rapid growth in consumer products

New technologies (e.g. OLED) prompting flat screen factory investment

New generations of electronic devices demand precision manufacturing systems

KEY FACILITIES DEVELOPMENTS

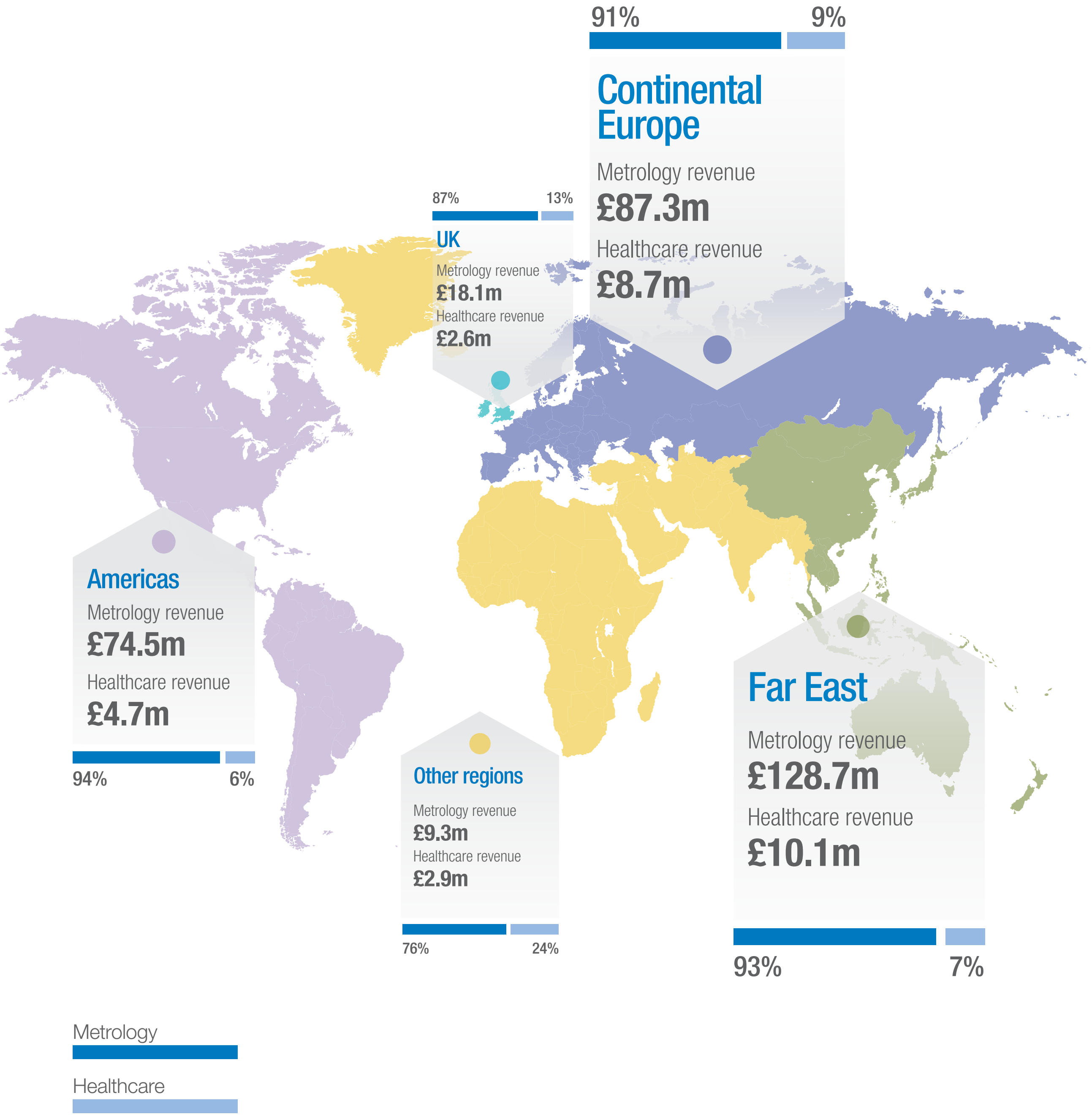
MISKIN, SOUTH WALES
Refurbished a further 66,000 sq ft of production space

DUBLIN, IRELAND
26,000 sq ft extension to existing production facility

WUHAN, CHINA
Opened 11th office in China

NEW MILLS, UK
Commenced work on 120,000 sq ft of new building as part of first phase of HQ expansion

YORK, UK
Built new 20,000 sq ft offices and production facility for large scale metrology products



Continental Europe
Metrology revenue
£87.3m
Healthcare revenue
£8.7m
91% 9%

UK
Metrology revenue
£18.1m
Healthcare revenue
£2.6m
87% 13%

Americas
Metrology revenue
£74.5m
Healthcare revenue
£4.7m
94% 6%

Other regions
Metrology revenue
£9.3m
Healthcare revenue
£2.9m
76% 24%

Far East
Metrology revenue
£128.7m
Healthcare revenue
£10.1m
93% 7%

Overview

STRATEGY AND BUSINESS MODEL

SECURING GROWTH FOR THE LONG TERM

To assure success, we undertake as many of our core activities as possible, including design, manufacturing, sales and support.

CONTINUAL RESEARCH CREATING STRONG MARKET POSITIONS WITH INNOVATIVE PRODUCTS

We invested £51.8m on R&D and engineering to maintain market leading positions in our various technologies. Much of our technology is proprietary and protected by patents and/or process know-how. New products are principally developed in-house or by acquisition. Renishaw consistently takes a long-term view of engineering and science-based projects, but as our Group Engineering Director, Geoff McFarland, says, "It requires a passionate belief in the ultimate commercial viability of the technology, and the ability to hold your nerve, because the length of time from fledgling technology to commercial launch can be significant."

EFFICIENT HIGH-QUALITY MANUFACTURING

The highly exacting specifications of Renishaw's products mean that efficient, innovative and high-quality manufacturing facilities are vital. Our manufacturing plants are located in UK, Ireland, India, Germany, USA and France. We believe that top-line revenue growth is enhanced by providing maximum flexibility and scalability of manufacturing capability for our rapidly growing businesses. We have recently refurbished a further 66,000 sq ft of extra production space at Miskin, South Wales, which offers 461,000 sq ft of existing factory space on a 193 acre site. We have also recently completed a 26,000 sq ft extension at our existing production facility near Dublin, Ireland.

STRONG MARKET PRESENCE AND FOCUS ON EMERGING MARKETS

We are focused on expanding our business globally to allow us to access increased markets worldwide, with particular emphasis on growth economies such as China, Latin America and India. We have established over 70 locations in 32 countries, whilst an extensive network of distributors covers all other major industrialised nations. We have recently opened our 11th office in China to support this important market.

BUILDING THE BUSINESS VIA ACQUISITION

We seek to enhance our product portfolio, speed geographic market penetration and gain access to new technologies and customers via acquisition. We focus on businesses that have strong complementary technology and people. This year we acquired certain assets of LBC to strengthen our additive manufacturing activities. We completed the purchase of the remaining tranche of shares in Measurement Devices Limited and transferred its business to the Company.

Spent 15% of revenue (£51.8m) on R&D and engineering

Strengthened additive manufacturing product offering with purchase of certain assets of LBC

Expanded presence in China with 11th office located in Wuhan

Recruited record numbers of new apprentices and graduates

> We aim to continue at the forefront of the metrology industry whilst applying our measurement expertise into our growing healthcare business.

CUSTOMER SUPPORT

We support our customers at all times via our global presence, which allows us to build long-term partnerships as they grow and develop in new directions.

See more at pages 36 – 37

CONSISTENT ORGANIC GROWTH

The Group has a long history of profitable growth with excellent prospects for future growth, driven by the emerging markets in the developing world and the increasing requirement for solutions that reduce energy consumption. Total sales growth over the last 30 years has averaged over 14% per annum. We are continually investing in our facilities to accommodate such growth, including recently commencing work on 120,000 sq ft of additional office space as part of the first phase of expansion of New Mills, UK, HQ and building new 20,000 sq ft offices and production facility for large scale metrology products at York, UK.

PEOPLE

People lie at the heart of the business and we aim to attract, retain and develop high-quality staff that are fully committed to Renishaw. We invest in our facilities and organisation to create environments which stimulate positive engagement, high levels of loyalty and team building. We have a performance-based work culture and are always looking at ways to further engage and empower employees.

FOCUS ON BECOMING A SOLUTIONS PROVIDER

The provision of solutions is evident in our new product lines (dental, gauging, neurological, diagnostics and additive manufacturing). It is also increasingly the case in our core businesses such as CMM, machine tool and calibration.

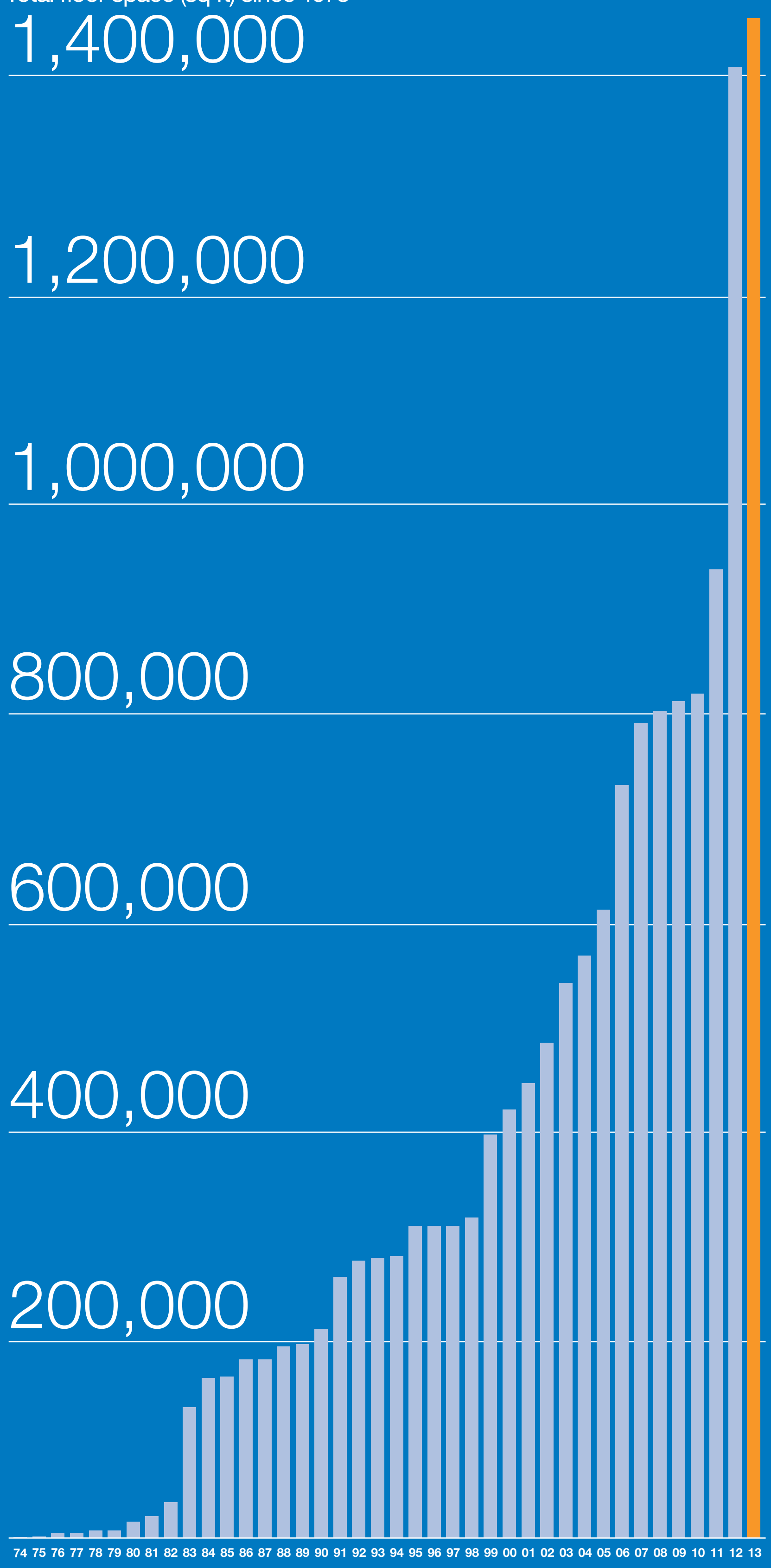
This is driving us to expand our applications engineering capabilities, to retrain our sales force and to invest in facilities. Solutions also change the nature of our engineering. They require applications software to deliver the customer experience, an area in which the business has invested heavily in recent years (such as MODUS, Productivity+, dental CAD/CAM, diagnostics, surgical planning and Apex), using engineers both in the UK and India.

PERFORMANCE

Today, as when we began in 1973, the majority of our R&D and manufacturing is carried out in the UK, primarily in Gloucestershire. Over the last 40 years we have grown our global presence and now have over 70 locations in 32 countries and 94% of our sales are made outside the UK.

We have always heavily invested in our global facilities for future growth.

Total floor space (sq ft) since 1973



In this section

Performance

BUSINESS REVIEW

There was a continued focus on investing strongly for the long-term growth of the business, including new product development, technology acquisition, the recruitment and training of skilled staff, building infrastructure and manufacturing capacity.

R&D AND ENGINEERING EXPENDITURE

We have continued to heavily invest for the future

PEOPLE

Continued focus on recruitment and training of skilled staff

REVIEW OF 2013

Against the backdrop of continuing global macroeconomic uncertainties, especially in the Eurozone, we still achieved record revenues. There was a continued focus on investing strongly for the long-term growth of the business, including new product development, technology acquisition, the recruitment and training of skilled staff, building infrastructure and manufacturing capacity. Operating profit was lower, primarily due to our investment for a higher level of revenue than actually achieved from our metrology business.

In October the Miskin site was formally opened by The First Minister of Wales, Carwyn Jones, at which time we announced the intention to submit a planning application during 2013 for a 2m sq ft development at the site, of which 400,000 sq ft would be for long-term use by Renishaw. At the existing facility we continued to grow component-machining operations and, in April 2013, completed the refurbishment of a further 66,000 sq ft of production space, which now includes an area for the assembly of our additive manufacturing machines, a new anodising plant and a new surface mount (SMT) assembly line. These investments provide a substantial mitigation of the previous risks of having only one machining and anodising facility at Stonehouse and all SMT operations located at our Woodchester site.

There were further investments in other Group facilities, with the completion of a 26,000 sq ft expansion of our existing Irish manufacturing facility, the occupancy of our MDL large scale metrology activities at a new 20,000 sq ft facility in York and the set-up of a new liaison office in Wuhan, China.

Planning permission was granted by Stroud District Council last year for a 230,000 sq ft phased development at New Mills and a 50,000 sq ft development at our Charfield site. Both applications are to meet the space requirements for our projected future growth in R&D resource across all product lines and the required growth in corporate support functions. Work has now started on a 120,000 sq ft first-phase development at New Mills, with half of the space expected to be occupied in January 2014 and a further 60,000 sq ft expected to be ready by July 2014.

There was again a focus on acquiring the necessary skills for the current and future growth of the business, enabling us to achieve an increase of 331 staff during the year (against a backdrop of skills shortages), and a major drive to develop younger staff, resulting in a record intake for 2013 of 46 apprentices (from over 300 applicants) and in excess of 50 graduates who will all start their careers with Renishaw during summer 2013.

40 YEARS OF APPLYING INNOVATION...

1972
- David McMurtry invents first touch-trigger probe

1973
- Renishaw Electrical Ltd registered 4th April
- First commercial probe for CMMs

1974
- John Deer is first full-time employee, operating from his home address

1976
- First commercial premises purchased

1977
- First dedicated probe for machine tools introduced

Performance

BUSINESS REVIEW
CONTINUED

BUILDING BUSINESS VIA ACQUISITION/ STRATEGIC PARTNERSHIPS

Acquired assets of LBC to strengthen additive manufacturing product offering

> We continue to make investments in areas that meet our key strategic aims, which this year included focusing on achieving faster market penetration for our additive manufacturing and dental businesses.

MARKET CONDITIONS

With tough comparators against last year's record year for revenues, which saw a number of large orders in China related to the consumer electronics market, this year was always going to be challenging. There was also lower than expected growth in some of our newer businesses, although we remain confident of their longer term contributions.

Once again it was China that had a marked impact on our performance, with its contribution seeing Far East revenue for the first quarter more than doubling compared to the corresponding period last year. Despite a slowing in growth during the latter part of the year, our annual sales to China still grew 15% and helped overall Far East sales to show some 7% growth over 2012. Sales to Americas also grew, but the Eurozone challenges, especially in the southern markets, meant that there was no growth this year in Europe.

There has been continued global investment in production systems for automotive, civil aviation, agriculture and energy (including oil, gas and renewables). These sectors all require more complex technologies that require tighter levels of process control and measurement accuracy, whilst at the same time aiming for more cost-effective processes. Renishaw systems help businesses to achieve these aims.

STRATEGY

We continue to make investments in areas that meet our key strategic aims, which this year included focusing on achieving faster market penetration for our additive manufacturing and dental businesses.

In March we reached a licensing agreement with BEGO, a leading international specialist in dental prosthodontics, which allows Renishaw to use BEGO patents for additive manufacturing. The agreement also gives our customers access to important patents from BEGO and comes at a time when we are introducing a range of innovative processes for the manufacture of dental structures.

During the third quarter our German subsidiary acquired certain assets of LBC LaserBearbeitungsCenter GmbH, a pioneer in the field of additive manufacturing for tool and mould making. A new business, LBC Engineering, has been created which will enable the Renishaw Group to offer additional additive manufacturing services, including design and simulation, that we believe will enable our customers to more rapidly integrate this new technology, and also allow us, where applicable, to contract manufacture metal prototypes and production parts.

40 YEARS OF APPLYING INNOVATION...

1978
- First patent case fought jointly with Rolls-Royce

1978
- First Renishaw exhibition stand at PEP show, Olympia, London

1979
- Sales reach £1m, of which 85% were exports

1979
- First Queen's Award (Export Achievement)

1979
- David McMurtry joined Company full-time
- First apprentice recruited

BUSINESS REVIEW/METROLOGY

SPRINT™ scanning system for machine tools

PERFORMANCE

The majority of the metrology product lines grew, including the gauging line, which is gaining increased acceptance in the conservative gauging market, and the additive manufacturing products business acquired in 2011 (see pages 26 – 27).

A strong customer base has now been established for the Equator™ gauge, mainly in the automotive, aerospace and consumer electronics sectors, with global interest. The integration of the product within automation cells is also a notable trend (see page 19).

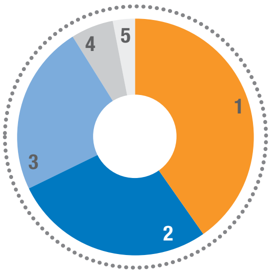
One of the strongest lines was our position encoders, which is benefitting from a recovery in investments into the electronic and semiconductor markets, especially in the Far East. As was the case last year, an important element of growth is the use of machine tool probe systems by manufacturers in the Far East in the production of precision components for consumer products. Whilst demand for both these lines can be unpredictable, our continuing infrastructure investments in the Far East and agile manufacturing capabilities mean that we are very well positioned to provide the rapid supply and expert local support required by customers responding to the fast-paced needs of these sectors.

In April we were also pleased to receive a Queen's Award for Enterprise in the Innovation category for the REVO® five-axis measurement system, acknowledging both its technological and commercial success. Due to the significant measurement throughput it offers, there is a growing interest in turnkey measurement solutions based on REVO for aerospace companies. With a strengthening portfolio of software to aid the measurement and manufacture of aeroengine blades, we expect to see this trend continue.

A notable success has also been the XR20-W rotary axis calibration system which was launched in 2011 and is currently achieving double the rate of sales of the product that it replaced.

METROLOGY REVENUE BY REGION

£m



	2013	2012
1 Far East	**128.7**	122.3
2 Continental Europe	**87.3**	86.7
3 Americas	**74.5**	71.3
4 UK	**18.1**	17.1
5 Other regions	**9.3**	8.4
Total	**317.9**	305.8

40 YEARS OF APPLYING INNOVATION...

1980
- Official opening of extended premises by HRH Princess Anne

1981
- First overseas manufacturing facility opened in Dublin, Ireland
- First overseas subsidiary opened near Chicago, USA

1983
- Renishaw shares listed on Unlisted Securities Market of the London Stock Exchange

1984
- First sponsored student scheme introduced
- Renishaw shares enter official list of London Stock Exchange; rights issue raises £5.9m

1985
- New Mills building opened (now the Company's HQ)

Performance

BUSINESS REVIEW/METROLOGY CONTINUED

> We also constantly evaluate new opportunities for existing or complementary technologies to both increase sales to our existing customer base and to expand upon that base, especially within the metal cutting sector.

BUILDING BUSINESS VIA ACQUISITION/ STRATEGIC PARTNERSHIPS

Completed the purchase of the remaining tranche of shares in MDL and integrated the MDL business into the Company

MARKET CONDITIONS

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

The automotive sector is clearly experiencing challenges caused by lower demand for domestic vehicles in the Eurozone countries, which is not being offset by increased demand in growth markets such as China.

A much more positive factor is the growth in the civil aviation sector, where there is an increased demand for planes caused by the rise of passenger numbers in growth markets, and the desire to replace fleets that have less fuel efficient engines. Our metrology products are heavily used in this sector.

STRATEGY

A key focus is on developing technologies that provide patented products and methods which support our product strategies, with £40.2m (net of capitalisation costs) expenditure on R&D and engineering during the year. The current technology focus includes high-speed, high-accuracy dimensional measurement systems, ultra high-resolution position feedback encoders and the development of additive manufacturing systems with faster processing capability. We will also invest in businesses that provide complementary technologies for faster market access, as demonstrated by the purchase of the LBC assets.

We also constantly evaluate new opportunities for existing or complementary technologies to both increase sales to our existing customer base and to expand upon that base, especially within the metal cutting sector. The purchase of MTT Technologies in 2011 to create our additive manufacturing business is a good example, with the majority of current sales to organisations with whom we already have a business relationship, whilst the Equator gauge transfers existing technologies employed in our dental scanning systems to a new shop floor measurement application.

We continue to position Renishaw as a "solutions provider" and reduce the risks of over-reliance on large customers who integrate our products. Our new gauging and additive manufacturing products are supplied direct to the end-user, whilst we continue to strengthen our portfolio of hardware and software for CMMs that can be used to upgrade measuring machines already installed.

40 YEARS OF APPLYING INNOVATION...

1987
- Digitising software (MAETRACE) introduced
- Introduced laser interferometer (SL10)

1987
- Agreement with Rolls-Royce to take 100% ownership of original patents

1989
- First encoder introduced (RGI)

1991
- QC10 ballbar launched
- Introduced Raman microscope

1992
- Launched Cyclone scanning machine

EQUATOR™ GAUGING PRODUCTS HELP CREATE AUTOMATION CELL FOR MANUFACTURE OF BEARINGS

Mud-motor bearings machined around the clock in an unmanned cell that paid for itself in just 18 days

Conroe Machine in Texas, USA, has integrated a Fanuc robot with an Equator™ gauging system, using Renishaw EZ-IO software to provide communication functions, for 100% part inspection and auto-compensation of a twin-spindle Okuma lathe. The cell also boxes and palletises finished parts.

Conroe has also created an unmanned part measurement/sorting cell for a customer, this time combining two Equators, a Fanuc robot, a vision system and multiple conveyor lanes. In both applications, the Equator has to measure quickly to keep up with machining cycle times for the parts, doing so without fixturing, or problems arising from the shop floor environment.

Says Conroe's James Wardell, "For our machining cell, there was no other cost-effective, shop-floor measuring tool comparable to the Equator."

See more at
www.renishaw.com

Performance

BUSINESS REVIEW/METROLOGY CONTINUED

KEY DEVELOPMENTS

It has been a busy year for new product introductions and many of these will be on show at EMO Hannover, the world's largest metalworking industry trade show, in September 2013. First introduced at a US conference last autumn, SPRINT™ is a high-speed contact scanning system that we believe will open up new process control opportunities for high-value CNC machine tools. It will enable fast and accurate form and profile data to be captured from prismatic and complex 3D components, opening up possibilities for sales into the aeroengine blade refurbishment market.

As already mentioned, a series of software products that complement the REVO system have also been introduced, specifically designed to aid the measurement and manufacturing of aeroengine blades. These include APEXBlade™ planning software for REVO sweep scanning and DMIS programming, MODUS™ airfoil analysis for the calculation and reporting of blade section profile and airfoil characteristics, and SurfitBlade™ to aid reverse engineering of the complete airfoil.

Following the acquisition of R&R Fixtures, LLC in 2012, we have also developed an extensive new range of modular fixturing, designed specifically for co-ordinate measuring machines (CMMs), vision systems and the Equator gauging system. This was previewed at a German exhibition in May and will be fully launched at EMO.

Other products introduced this year include HS20, a significantly updated replacement for our long established HS10 long range laser encoder, new off-axis software for the XR20-W rotary axis calibrator that extends usage to a wider range of five-axis machine tools, plus a new extended height version of the Equator gauge that accommodates large fixtures and automation systems. For position feedback we also launched two variants of our RESOLUTE™ absolute encoder: an ultra-high vacuum (UHV) compatible readhead, and a version offering compatibility with the Siemens DRIVE-CLiQ interface, which allows machine builders to achieve higher performance and greater reliability.

OUTLOOK

The outlook for global investment for production systems in civil aviation, consumer products, agriculture, construction and power generation (including oil, gas and renewables) continues to look favourable. These trends should all result in increased demand for our metrology products to help drive efficiencies, reduce waste, increase automation and aid product measurement traceability. We are also expecting to see increased adoption of additive manufacturing technologies and a continuing recovery in the electronics sector which will benefit our position encoder product line.

1


2


3


1 Renishaw fixtures for CMM, vision systems and Equators
2 HS20 laser encoder
3 XR20-W for off-axis rotary calibration

40 YEARS OF APPLYING INNOVATION...

1995
- Launched HS10 laser scale

1996
- 3 awards received for RAMTIC production system

1997
- PCMT process control software for machine tools launched
- Reached 1,000 employees worldwide

2000
- Worldwide sales reached £100m

2001
- David McMurtry received knighthood "for services to design and innovation"

CRITICAL OIL AND GAS PRODUCTION COMPONENTS RELY ON RENISHAW

Preventative maintenance programme checks and verifies the dimensional accuracy of 20 CNC machine tools

FMC Technologies manufactures oil and gas Production Control Systems (PCS), which include a Subsea Control Module (SCM) that provides engineers on board a production platform with precise control of the sub-sea well, which could be up to 120km away. Any failure of an SCM could cost tens or even hundreds of millions of dollars.

At its facility in Scotland FMC Technologies manufactures a range of components, including manifold blocks, a critical component of the SCM assembly, that take up to 35 hours to machine. Scrapping such parts due to a machine geometry inaccuracy would be very expensive, so to prevent this happening, all machines are regularly checked with a Renishaw QC20-W wireless ballbar and XL-80 laser measurement system, and machine data is stored for quick and easy retrieval using Renishaw's CNC Reporter software.

See more at
www.renishaw.com

Performance

BUSINESS REVIEW/HEALTHCARE

inVia Raman microscopes are used for analytical applications as diverse as pharmaceutical, forensic science, nanotechnology and semiconductors

PERFORMANCE

Growth came from our spectroscopy and neurological product lines, with both achieving record annual sales, and the former being particularly strong, driven by an increasingly diverse range of applications in nanotechnology, advanced materials and life sciences.

An important application highlighted during the year for the Raman microscope is its use for researching the “wonder” material graphene, a single layer of carbon atoms. It is one of the most conductive materials known to science and has a breaking strength 100 times greater than steel, but is very difficult to grow in large films without defects. Breakthrough research by an international team led by Oxford University using an inVia Raman microscope has identified a technique that could prevent these defects and pave the way for manufacturing graphene on an industrial scale.

We achieved further sales of our neuromate® stereotactic robot which is used for functional neurosurgery. In France, the neurosurgery department of Centre Hospitalier Universitaire Pasteur in Nice completed their first procedures using the robot, whilst a unit was also sold to a hospital in Toulouse. There were robots supplied for the first time to Germany and the Middle East. Multiple other opportunities exist, and the robot, together with our neuroinspire™ surgical planning software, used in the planning of Deep Brain Stimulation (DBS) procedures, are being shown at key international congresses.

We are also supplying devices to deliver therapies directly into the brain and expanding our product range by pursuing development work on devices capable of delivering an expanded range of therapies for treatment of neuro degenerative conditions.

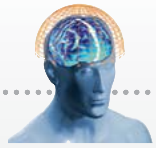
A key success for our dental business was the continuing growth of our LaserPFM™ frameworks, which are dental structures for crowns and bridges that are created from cobalt chrome powder using an additive manufacturing process. Production levels were at record levels during the year and, with increasing concerns about the traceability of materials used in dental products sourced globally, the certified products that we offer are increasingly attractive. We also continue to benefit from the decision to offer a central manufacturing facility to users of non-Renishaw scanning systems.

40 YEARS OF APPLYING INNOVATION...

2002
- First dental scanner introduced (Triclone 90)

2005
- Launched REVO five-axis measurement system

2006
- Purchased itp GmbH



2007
- Established neurological product line

2010
- Acquired initial stake in Measurement Devices Ltd (MDL) with agreement to purchase remaining shares

‘REMARKABLY ACCURATE’ DENTAL STRUCTURES

Renishaw LaserBridges™ are substructures for full-arch dental restorations made using a hybrid process combining laser melting (sometimes called 3D printing) and highly accurate 5-axis machining. The strengths of both processes are exploited to produce implant-supported bridges with extremely high surface detail and traceable accuracy, which is demonstrated by the unique certificate supplied with each case.

In this instance the customer had made crowns to cement onto the bridge before it had even been manufactured. This meant that the upper surface of the bridge had to be accurate enough to allow those crowns to seat correctly. This was successfully achieved using the power and flexibility of Renishaw’s hybrid manufacturing.

From his state of the art dental laboratory, in the heart of Gloucestershire, multi-award-winning T J Nicolas, of Implant & Ceramic Centre Ltd (Dental Studios), commented,

“I use Renishaw for my complex long span restorations after having tried all suppliers. I found Renishaw’s ability to deliver quickly and to mimic both the inner and the outer contour of my bridges remarkably accurate – to the micron!

With this technique I can make the finished crowns first, which gives an exact result. A patient can now have exactly what they had before any traumatic injury. Due to this accuracy I can make more discreet cobalt chrome and stronger zirconia frameworks with less aesthetic compromise. The photographed framework, provided by Renishaw, was a large distance, which has huge technical implications, but was unbelievably accurate. This technique would save any technician many days’ work.”

See more at
www.renishaw.com

BUSINESS REVIEW/HEALTHCARE CONTINUED

MARKET CONDITIONS

With increasing life expectancy in developed countries, there are greater incidences of degenerative neurological diseases which require medical treatments. In developing markets, there are also higher levels of wealth at a national and individual level, which are driving demand for higher quality medical treatments, and this often means the purchase of more technologically advanced products. There also continues to be strong global funding for biomedical research where our spectroscopy systems are increasingly seen as a powerful analytical tool.

STRATEGY FOR GROWTH

As with our metrology business, a key focus is developing technologies that provide patented products and methods, with £8.5m (net of capitalisation costs) of expenditure on R&D and engineering during the year. The regulatory requirements for healthcare products also demand significant investment, but make barriers to entry high for competitive products.

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.

We are constantly looking at opportunities based on core metrology technologies and expertise, so minimising technology risks. This can be seen in the use of measurement sensors, encoders, software and machining technologies for dental CAD/CAM products, including combining both additive and subtractive manufacturing techniques in the production of LaserAbutments™, and the application of core engineering skills that allow the accurate identification of target positions and the delivery of medical devices deep within the brain for stereotactic neurosurgery.

A focus is also on finding new markets for existing healthcare technologies. A good example is the use of Raman spectroscopy as a key component for the Group's emerging molecular diagnostics business and its use in research applications including cancer detection and IVF treatments.

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

KEY DEVELOPMENTS

At the Pittcon 2012 show in March 2013, we introduced our new WiRE 4 software that enables users to collect and work with larger Raman data files more efficiently, whilst producing high definition chemical images for reports and scientific papers that require no processing, no interpolation and are without pixellation. We also introduced the Eclipse filters for the inVia Raman microscope, which make studying low wavenumber Raman features much easier, for more in-depth material analysis.

During the year we also launched several new dental products. The DS20 dental scanner is our first non-contact optical scanner used for high-speed scanning of dental models, where less detailed data is required. The scanner can be used with our new Dental Studio™ CAD design software that allows the combination of contact scanning for accuracy and optical scanning for speed, and includes the ability for technicians to see photorealistic images of their designs with Trusmile™ image rendering software. Renishaw LaserBridges™ are screw-retained bridges produced in metal using an additive manufacturing process. They give dental laboratories a superior quality of fit because the implant positions are captured using a high-accuracy contact scanning method.

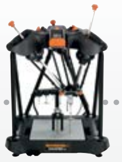
OUTLOOK

With an ageing global population there are rising incidences of neurological disorders which will require surgical therapies and we are well placed to supply surgeons with the products and techniques to support such procedures.

Where personal incomes and healthcare budgets are under pressure there is demand for lower cost dental crowns and bridges, serviced by our low-cost metal dental structures produced using an additive manufacturing process.

Commercial applications for Raman spectroscopy continue to grow, including new fields such as nanotechnology, advanced materials and the life sciences.

40 YEARS OF APPLYING INNOVATION...



2011
- Introduced gauging product line (Equator)
- Launched additive manufacturing product line

2011
- Won UK Best Mid-Cap Business of the Year award (National Business Awards)
- Purchased Miskin site in South Wales

2012
- Reached 3,000 employees worldwide
- Sales reached £300m

2012
- Woodchester plant won Best Electronics & Electrical Plant award

2013
- New fixtures product line launched

Performance

BUSINESS REVIEW/MANUFACTURING

STRONG INVESTMENTS IN MANUFACTURING CAPACITY

Following the acquisition of the 461,000 sq ft facility at Miskin in September 2011 and the first phase of refurbishments in 2012, production of machined parts has been ramped up to three shifts over the last year.

Investment in additional machine tools will occupy the remainder of the first phase. Refurbishment of a further 66,000 sq ft was completed in April 2013 to provide additional capacity for assembly operations. The production of additive manufacturing machines was transferred to Miskin at the beginning of 2013 and the production of some finished electronics products transferred in May 2013, together with a substantial investment in a new surface mount electronics line and associated facilities.

Meanwhile, investment in new technology, capacity and headcount has been maintained at the other manufacturing sites, and the planned expansion of the facility in Swords, Dublin was also completed during April 2013.

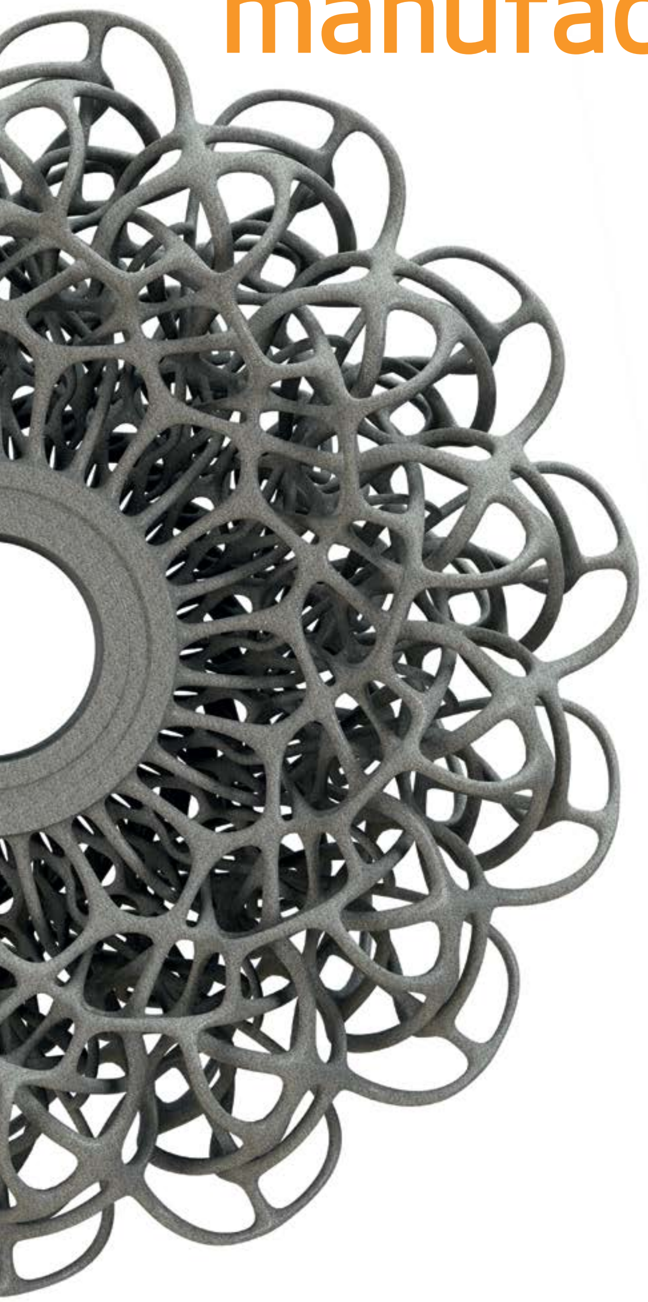
See more at
www.renishaw.com

Feature

THE FUTURE – ADDITIVE MANUFACTURING

Unlock the huge potential for additive manufacturing

IN THE WORLD OF MANUFACTURING TECHNOLOGY, WE OCCASIONALLY EXPERIENCE BREAKTHROUGHS THAT HAVE THE POTENTIAL TO TRANSFORM THE INDUSTRY, ENABLING EXISTING PRODUCTS TO BE MADE FASTER, CHEAPER AND BETTER, AND OPENING UP A WORLD OF NEW PRODUCT POSSIBILITIES.



Renishaw laser melting is a pioneering process capable of producing fully dense metal parts direct from 3D CAD, which has the power to unlock the potential for additive manufacturing. At the core of the process is the use of focused laser energy to fuse fine metallic powders, in a tightly controlled atmosphere, to form highly complex functional components, that go way beyond the designs of today.

The metallic powder is distributed evenly across the build plate in layer thicknesses ranging from 20 to 100 microns forming the 2D cross section. The layer of powder is then fused using the laser in a tightly controlled atmosphere. The process is repeated, building up parts of complex geometries, layer by layer.

The technology is already widely employed for the manufacture of custom medical implants, lightweight aerospace and motorsports parts, efficient heat exchangers, injection moulding inserts with conformal cooling channels, and dental copings and crowns. The process gives designers more freedom, resulting in structure and shapes that would otherwise be constrained by conventional processes or the tooling requirements of volume production, giving the opportunity to rethink the concept of "design for manufacture".

The capability to safely process reactive materials such as titanium and aluminium is a standard feature on all Renishaw machines, with safe systems for process emissions and powder handling. The machine build chambers are a vacuum chamber that is filled with a controlled atmosphere of inert argon gas. Other materials currently supported include certain grades of stainless steel, tool steel, cobalt chrome and inconel.

JUST LIKE THE ADVENT OF CNC MACHINING, CAD/CAM, CO-ORDINATE MEASURING MACHINES AND LASERS, METAL-BASED ADDITIVE MANUFACTURING WILL TRANSFORM PART PRODUCTION, BUT WE ARE ONLY AT THE START OF THIS EXCITING JOURNEY.

Customers benefit from reduced lead times, tooling costs and minimal waste product, as over 95% of the material is reusable after refinement in the Renishaw powder conditioning system. It is also complementary to conventional machining technologies.

Recent adopters of the Renishaw technology include Swansea University, one of the UK's top research universities, and Tsinghua University in China. Both universities have acquired a Renishaw AM250 additive manufacturing machine.

At Swansea University the system is being used by a new "Aerospace & Manufacturing" multidisciplinary research team within the University's College of Engineering. Part of the team's focus is the ASTUTE (Advanced Sustainable Manufacturing Technologies) project, which targets the aerospace, automotive and high technology sectors and aims to create sustainable, higher value goods. By applying Advanced Engineering techniques, such as additive manufacturing, to both the design of products and to the production process, the project aims ultimately to create new skilled jobs in the manufacturing sector in Wales.

Tsinghua University is Renishaw's first Chinese customer for additive manufacturing machines. The AM250 machine will be used for a range of metal powder research applications, such as high melting point alloys for civil nuclear applications, and potentially other applications including research into aeroengine blades and medical implants. It chose the Renishaw system due to its open platform architecture which allows mechanical and software parameters to be modified, plus our ability to provide strong local technical support.

Renishaw is also contributing its knowledge in additive manufacturing to create key prototype parts for the BLOODHOUND supersonic car, which will attempt to break the 1,000 mph speed barrier during summer 2015. One of the most critical components is the nose tip for the car, which will be subject to forces as high as 20 tonnes.

Dan Johns, a lead engineer at BLOODHOUND SSC, says: "We believe that the key benefit of using an additive manufacturing process to produce the nose tip is the ability to create a hollow, but highly rigid, titanium structure, and to vary the wall thickness of the tip to minimise weight. To machine this component conventionally would be extremely challenging, result in design compromises, and waste as much as 95% of the expensive raw material."

Simon Scott, responsible for Renishaw's additive manufacturing product line says, "Renishaw is rapidly gaining a reputation as a leading supplier within the additive manufacturing market and we are well placed to take advantage of the wider adoption of this exciting technology for research and industrial applications."

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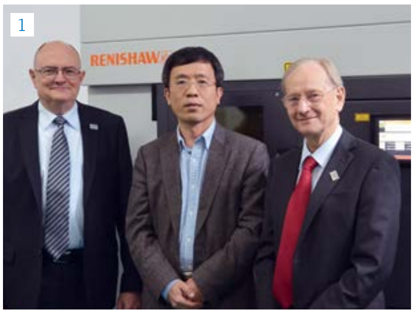

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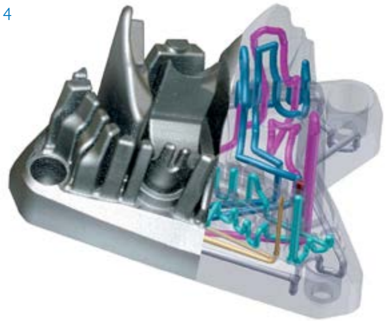


1 Professor Liu of Tsinghua University, with Ben Taylor and Sir David McMurtry, in front of the University's new AM250 additive manufacturing machine

2 3D representation of the design for the BLOODHOUND supersonic car (image courtesy Siemens NX)

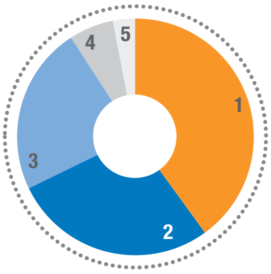
3 When the Rt Hon David Willetts MP, UK Minister for Universities and Science, formally opened the new BLOODHOUND Technical Centre in Bristol, he was presented with a prototype nose tip manufactured by Renishaw

4 A strong application for additive manufacturing is the production of mould tools and tool inserts, with complex conformal cooling channels, for injection moulding and die-casting applications

Performance

FINANCIAL REVIEW

REVENUE – GEOGRAPHICAL ANALYSIS



	2013 %	2012 %
1 Far East	**40**	39
2 Continental Europe	**28**	29
3 Americas	**23**	23
4 UK	**6**	6
5 Other regions	**3**	3

Allen Roberts
FCA
Group Finance Director

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).

FINANCIAL PERFORMANCE

In this our 40th anniversary year, the Group has achieved record revenue. Continued investment in sales and marketing resource and research and development activities and the integration of acquired businesses, combined with lower than expected sales in the second half of the year, have however resulted in a reduced profit for the year. Record first half revenue featured very strong sales into the consumer electronic industry. Second half sales in this market did not achieve the levels seen in the first half or the comparative period last year and such sales remain unpredictable in terms of size and timing. We have continued to invest in the Group’s manufacturing and assembly facilities to provide additional capacity for future growth whilst maintaining a strong balance sheet.

REVENUE

Group revenue for the year was a record £346.9m, an increase of £15.0m, or 5%, over the previous year of £331.9m although below the level expected earlier in the year. There was good growth of 7% in the Far East, especially China. In other major markets the Americas grew by 3% and Europe was at a similar level to the previous year. The UK experienced a 9% growth with other regions, incorporating India, growing at 18%.

In our metrology business segment, revenue grew by 4%, from £305.8m last year to £317.9m this year. Revenue in our healthcare business segment grew by 11%, from £26.1m to £29.0m.

The table on page 29 shows the analysis of group revenue by geographical market.

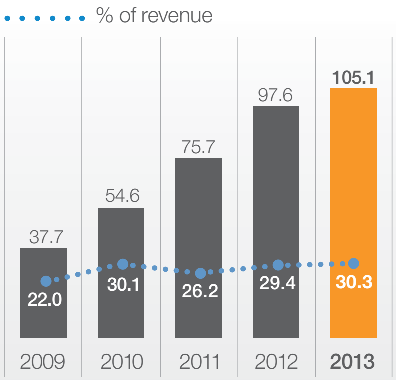
Geographical analysis of our metrology and healthcare segmental businesses is shown in the Business reviews earlier in this report.

PROFIT AND TAX

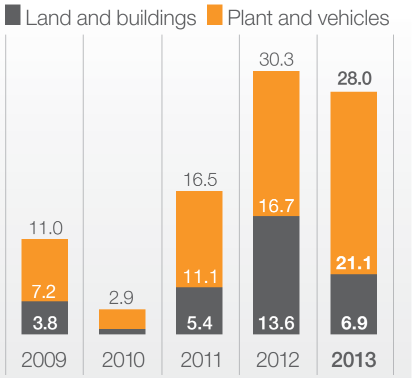
The group adjusted profit before tax amounted to £81.5m (2012 £86.0m) and represents a return on sales of 23.5% compared with 25.9% in the previous year. Statutory profit before tax, including an exceptional item of £2.9m (referred to on page 30) reported in the half year financial report, was £84.4m, compared with £86.0m last year.

In this our 40th anniversary year, the Group has achieved record revenue.

WORKING CAPITAL £m



CAPITAL EXPENDITURE £m



Our metrology business has significantly increased its sales and marketing resource and its engineering and research and development investment (up 16% to £40.2m).

The business segment has continued the integration of additive manufacturing, MDL, Renishaw fixtures and the recently acquired LBC assets in Germany. This together with additional marketing and research and development expenditure has resulted in operating profit of this business segment reducing by 8% to £84.5m compared to the 2012 operating profit of £91.8m.

Our healthcare business recorded an improved position over the previous year with an operating loss of £5.4m (2012 £8.6m loss). Cost reductions have been achieved following the reorganisation and refocus of the healthcare segment in the first half of 2012. We are targeting that this segment will achieve at least a breakeven position within the next two years.

The overall effective rate of tax, excluding the exceptional item, was 19.1% (2012 19.8%) reflecting a combination of the varying tax rates applicable throughout the countries in which the Group operates. The introduction of the patent box tax rate in the UK, which took effect from April 2013, made a small contribution to a lower tax charge this year but will have an increasing effect as this new tax initiative is phased in. The effective rate of tax should also benefit in the future from further reductions in the UK tax rate.

EARNINGS PER SHARE (EPS) AND DIVIDEND

Adjusted eps, excluding the exceptional item, decreased from 95.6p to 91.4p. Statutory eps was 95.4p, compared with 95.6p last year.

The final dividend of 28.67p net per share results in a total dividend for the year of 40.00p, an increase of 4% over the 38.50p in 2012. Dividend cover based on adjusted eps is 2.3 times (2.4 times when based on statutory eps) and compares with 2.5 times last year.

RESEARCH AND DEVELOPMENT

Gross expenditure on engineering costs, including research and development on new products, was £51.8m (2012 £47.9m). The capitalisation of development costs (net of amortisation charges) amounted to £3.1m (2012 £2.9m), giving a net charge in the Consolidated income statement of £48.7m (2012 £45.0m). The gross charge amounts to 15% of group revenue (2012 14%).

Between the reportable segments, net of the capitalisation costs, £40.2m (2012 £34.6m) was spent in the metrology segment and £8.5m (2012 £10.4m) spent in our healthcare segment.

New product research and development expenditure amounted to £33.9m, which compares with £33.3m spent last year.

There have been a number of new product releases in both our metrology and healthcare business segments and there is an extensive new product pipeline with a number of new product introductions anticipated in this financial year.

GROUP HEADCOUNT

Group headcount has increased from 2,904 at 30th June 2012 to 3,235 at 30th June 2013, with the average for the year of 3,092, compared with 2,765 last year. The increase of 331 comprised additional staff of 265 in the UK and 66 overseas.

As a result, labour costs increased by 12% to £137.3m (2012 £122.3m) reflecting the additional staff in the Group's production, sales and marketing, and research and development activities and the full year cost of staff recruited in the previous year.

CONSOLIDATED BALANCE SHEET

The Group's shareholders' funds at the end of the year were £278.1m, an increase of £35.0m over the £243.1m at 30th June 2012 and comprise an increase in retained reserves.

Additions to tangible fixed assets totalled £28.0m, of which £6.9m was spent on property and £21.1m on plant and machinery, IT equipment and vehicles.

The main property additions were:

- A further 66,000 sq ft have been refurbished at our premises at Miskin, bringing the total square footage in operation to 134,500 or 29% of the available space. The Group's additive manufacturing machine production was relocated to this facility in January of this year.
- The completion of a 20,000 sq ft building in York, now occupied by MDL.
- In Ireland, our subsidiary extended their premises by 26,000 sq ft, expanding their production capacity by more than 60%.
- In Canada, a property in Ottawa occupied and leased by a group company was purchased.
- At New Mills, construction has started on a 120,000 sq ft building for our head office and research and development facilities at this site. Completion is targeted by the end of our 2014 financial year.

GEOGRAPHICAL ANALYSIS – TOTAL

	2013 revenue at actual exchange rates £'000	2012 revenue at actual exchange rates £'000	Increase £'000	Increase %
Far East, including Australasia	**138,806**	130,169	8,637	+7%
Continental Europe	**96,003**	95,702	301	–
North, South and Central America	**79,220**	76,841	2,379	+3%
UK and Ireland	**20,668**	18,885	1,783	+9%
Other regions	**12,184**	10,295	1,889	+18%
Total group revenue	**346,881**	331,892	14,989	+5%

FINANCIAL REVIEW CONTINUED

The main additions to plant and equipment were:

- Additional machine tools, a new anodising plant and a new surface mount electronic production line have been commissioned during the year at Miskin to provide additional production capacity.
- Fixtures and fittings associated with the property developments at Miskin and York.
- Regional data centre IT equipment to provide enhanced resilience and efficiency to the Group's IT infrastructure.

Intangible fixed assets increased by £1.7m during the year, from £54.4m to £56.1m. Additions included capitalised research and development expenditure of £3.1m (net of annual amortisation charges) and £0.8m relating to the purchase of certain business assets of LBC in Germany to enhance our additive manufacturing products business.

Working capital is closely monitored and was 30% of revenue in the current year compared to 29% in 2012. Inventories increased to £65.3m from £54.0m at the beginning of the year. Safety stocks for certain high volume product lines were partially depleted at the end of last year following very strong final quarter revenue and have been replenished during the current year. The production of additive manufacturing machines has been relocated to our production facility at Miskin where inventory levels have been increased to meet future expected demand. Trade debtors decreased from £83.4m to £68.1m as trade debtors at the end of last year were particularly high due to the very strong final quarter revenue for that year and the subsequent cash being received during this year. Debtor days outstanding at the end of the current year were 62 (2012 67 days).

Cash balances at 30th June 2013 were £26.6m, compared with £21.1m at 30th June 2012. Cash flows from operating activities generated £79.6m, compared with £67.1m last year.

At the end of the year, the Group's defined benefit pension schemes, now closed for future accrual, showed a deficit of £41.7m, compared with a deficit of £42.0m at 30th June 2012. This year, the Board decided that for the USA defined benefit pension scheme, whilst the net financial position of the scheme is not material (£0.3m surplus), the gross asset and liability amounts should be reflected in the Consolidated balance sheet. Defined benefit pension scheme assets at 30th June 2013 increased to £118.8m from £95.2m at 30th June 2012, representing investment performance during the year and including £5.8m (2012 £4.8m) introduced with the USA scheme. Pension scheme liabilities increased from £137.2m to £160.5m reflecting the market rates at 30th June 2013 and £5.5m (2012 £5.8m) relating to the USA scheme.

The Company has given a guarantee regarding the UK defined benefit pension scheme deficit, which is supported by registered charges over certain UK properties and an escrow account with a cash balance of £11.0m at 30th June 2013 (2012 £11.5m). The application of IFRIC 14 increased pension scheme liabilities by £10.3m.

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

Valuation sensitivity	Valuation	Approximate effect on liabilities
Discount rate	0.1%	£3.2m
Inflation	0.1%	£2.7m

ACQUISITION AND EXCEPTIONAL ITEM

In November 2012, the Company purchased the remaining 34% shareholding in Measurement Devices Limited (MDL) for a cash payment of £4.5m; this was approximately 18 months earlier than the agreement provided for and released an exceptional gain of £2.9m compared to the deferred consideration liability at 30th June 2012. On 1st July 2013 MDL was integrated into Renishaw plc within the Group's laser and calibration product line.

TREASURY POLICIES

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

The information below includes disclosures which are required by IFRS and are an integral part of the financial statements.

Weekly groupwide cash management reporting and forecasting is in place to facilitate management of this currency risk. The operations of group treasury, which is situated at head office, are governed by Board-approved policies.

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

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

There are forward contracts in place to hedge against the Group's Euro, US Dollar and Japanese Yen cash inflows.

Also, currency contracts are used to minimise the interest cost of maintaining the currency borrowings. The foreign currency borrowings are short-term with floating interest rates. The Group does not speculate with derivative financial instruments.

See note 23 for an analysis of cash balances and currency borrowings at the year end.

INVESTMENT FOR THE FUTURE

Over the last six 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 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.

A C G Roberts
FCA
Group Finance Director

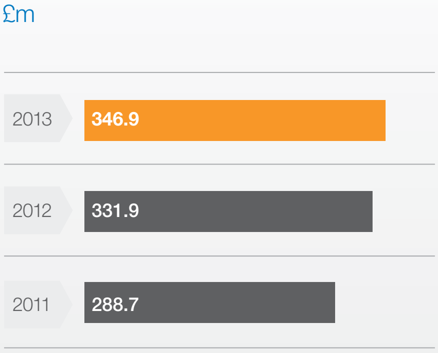
24th July 2013

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 the substantial investment in research and development of new products and processes, the 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.

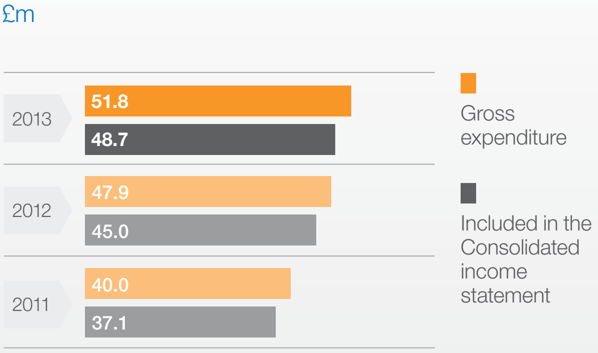
The main financial performance measures monitored by the Board are:

REVENUE GROWTH



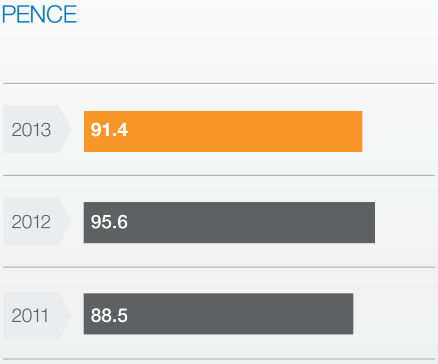
We are focused on growth in revenue, through increasing our market and geographic penetration and continually introducing new products. We have also made a number of acquisitions over the last two years which expand our product range and will support revenue growth by using the Group's worldwide marketing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

TOTAL ENGINEERING COSTS INCLUDING RESEARCH AND DEVELOPMENT



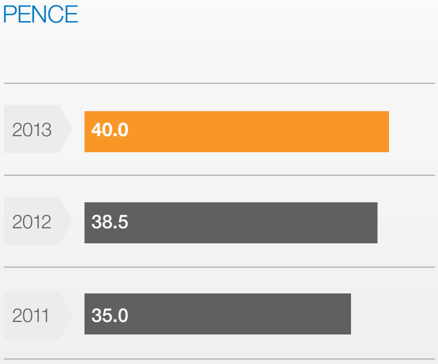
The growth of the business is fundamentally dependent on the continuing investment in engineering costs for the development of new products and processes. The Group continues to make significant investment in future products, with engineering costs equal to approximately 15% of group revenue, and has also been accelerating new product development in certain areas.

ADJUSTED EARNINGS PER SHARE



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



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.

PRINCIPAL RISKS AND UNCERTAINTIES

AREA OF RISK	DESCRIPTION
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.
RESEARCH AND DEVELOPMENT (R&D)	The development of new products and processes involves risk, such as development timescales, meeting the required technical specification and the impact of alternative technology developments.
SUPPLY CHAIN MANAGEMENT	Customer deliveries may be threatened by a failure in the supply chain.
REGULATORY LEGISLATION FOR HEALTHCARE PRODUCTS	The expansion of the Group's business into the healthcare markets involves a significantly increased requirement to obtain regulatory approval prior to the sale of these products.
DEFINED BENEFIT PENSION SCHEMES	Investment returns and actuarial valuations of the defined benefit pension scheme liabilities are subject to economic and social factors which are outside of the control of the Group.
TREASURY	Fluctuating foreign exchange rates may affect the results of the Group.

POTENTIAL IMPACT	MITIGATION
Global market conditions continue to highlight risks to growth and demand, especially in the Far East, with a forecast economic slowdown in China, and in the Eurozone, where governments are introducing substantial cuts in public expenditure budgets. Against this background, revenue growth for the Group for the year was below expectation and future growth is difficult to predict, especially with such a short-term order book. This limited forward order visibility leaves the annual revenue forecasts uncertain.	• The Group is expanding and diversifying its product range in order to maintain a world-leading position in its sales of metrology products. • The Group is applying its measurement expertise to grow its healthcare business activities. • The Group is integrating recent acquisitions which expand its product range in new and complementary market sectors.
Being at the leading edge of new technology in metrology and healthcare, there are uncertainties whether new developments will provide an economic return.	• Patent and intellectual property generation is core to new product developments. • R&D programmes are regularly reviewed against milestones and forecast business plans and, when necessary, projects are cancelled. • New products involve beta testing at customers to ensure they will meet the needs of the market. • Market developments are closely monitored.
Inability to meet customer deliveries could result in loss of revenue and profit.	• Production facilities are maintained with fire and flood risk in mind. • Critical production processes are replicated at different locations where practical. • 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 approval can be very expensive and time-consuming. This area is also very complex and there is a risk that the correct approvals are not obtained.	• Specialist legal and regulatory staff have been recruited to support the healthcare business. • A new non-executive director has been appointed to the Board with relevant healthcare experience. • Healthcare operations in UK and France have ISO 13485 certification for their quality management systems.
Volatility in investment returns and actuarial assumptions can significantly affect the defined benefit pension scheme deficits, impacting on future funding requirements.	• The investment strategy is managed by the pension scheme trustees who operate in line with a statement of investment principles which is agreed by the Company. • Recovery plans are in place for the 2006 and 2009 actuarial valuations. • The 2012 actuarial valuation and investment strategy is currently under review with the pension scheme trustees.
With over 94% of revenue generated outside of the UK, there is an exposure to major currency fluctuations, mainly in respect of the US Dollar, Euro and Japanese Yen. Such fluctuations could adversely impact both the Group's income statement and balance sheet.	• The Group enters into forward contracts in order to hedge varying proportions of forecast US Dollar, Euro and Japanese Yen revenue. • The Group uses currency borrowings and swap contracts to hedge the foreign currency denominated assets held in the Group's balance sheet.

CORPORATE SOCIAL RESPONSIBILITY

We, at Renishaw, seek excellence in every aspect of our business and are committed to managing our business in a responsible manner. We recognise we have a responsibility to our employees, the communities and the environment within which we operate. We recognise that our operations, products and sourcing have both direct and indirect environmental impacts. We believe by minimising our environmental impacts and operating in an ethical and sustainable manner we are able to minimise risks in our supply chain, and be a force for good within our communities. We regard legal compliance to be the minimum standard of operation throughout all of our global operations. To further the excellent work we have been undertaking in these areas, we have recently appointed a Corporate Social Responsibility Manager who will coordinate all the CSR activities across the globe and enable us to continue to be recognised collectively and individually as leaders and contributors in our field and all the communities within which we operate.

This year has been a successful year, both in business and from a CSR perspective, with record numbers of apprentices and graduates working with us. We have been awarded the Carbon Trust Standard, donated more time and money than ever to local and national charities and community groups, reduced our waste going to landfill, significantly expanded our locations around the world, managed a minimal increase of our energy usage and begun the process of developing a new waste management plan to ensure we are minimising our waste. We aim to develop a formal CSR strategy over the next few months with associated targets. We believe that as a responsible business we should be as transparent as possible and as such we will be reporting on our progress against our targets. This year will be a year of putting many systems and methodologies into place, and formalising best practice across the Group to ensure we are best placed to meet our targets.

PEOPLE

DIVERSITY

Renishaw is an equal opportunities employer, operating a strict non-discrimination policy. We offer an environment that actively promotes innovation and progress within which individual talents can flourish. As can be seen by Figure 1 we have a diverse mix of ages and gender. Proper consideration is given to applications for employment from disabled people who are employed, where suitable, for appropriate vacancies. Opportunities are given to employees who become disabled to continue in their employment or to be trained for other positions.

(See Fig 1. below right)

STAFF RETENTION

At Renishaw we have promoted an excellent working atmosphere that encourages our employees to stay with us. Our UK staff turnover rate at 3.2% is almost half the UK manufacturing industry national average, and is continuing to trend downwards.

(See Fig. 2. below right)

We recognise the hard work and dedication of our employees by offering on-site gyms, flexible working for the majority of UK employees allowing a better work life balance, subsidised restaurants at the most populous UK locations and a high-quality crèche at our facility in Pune, India. Our UK employees volunteer to run a sports and social club which offers discounted events and tickets for employees and their families. A group performance bonus programme is available to all qualifying staff members.

Ben Taylor
CEng, FIMechE
Assistant Chief Executive

82
Record number of apprentices in training

94
Record summer placement intake

55
Apprentices have obtained Bachelor of Engineering degrees over the past 10 years

COMMUNICATION AND PARTICIPATION

In the Gloucestershire locations, close to their respective birthdays, staff members are invited to attend a communications meeting at which Board members are present. These meetings provide staff with information about developments within the Group and give them the opportunity to ask any questions of the Board in an open discussion forum. A copy of the presentation and responses to questions raised at these meetings are made available to all worldwide staff via the Group's intranet. Following the announcement of half year and annual financial results, all staff in Gloucestershire (and other key sites via videoconference) are also invited to attend a series of presentations given by the Assistant Chief Executive.

A worldwide staff newsletter "Probity" is published every two months, with contributions encouraged from across the Group. Printed copies are produced for manufacturing areas and distributed to pensioners in the Renishaw UK pension scheme. Throughout the year other company updates and items felt to be of interest to employees are regularly communicated via email.

The Company encourages business participation through direct employee feedback, either to immediate supervisors or Board members. Employee work forums exist and representatives liaise with management on employee matters. Annual individual appraisals are also held across the Group which give employees a formal opportunity to feed back their thoughts about the Group, including a survey that enables us to measure employee satisfaction on a range of issues.

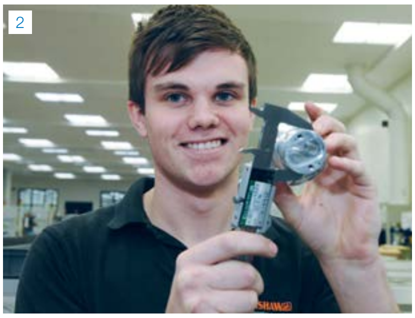
A suggestion scheme exists with awards for the best ideas received, plus an inventors' award scheme for individuals who are named as inventors on patent applications that are subsequently granted.

TRAINING AND DEVELOPMENT

The maintenance of a highly skilled workforce is essential to the future of the business and the directors place great emphasis on the continuation of the Company's approved training policy. During the year examples of expenditure on staff training include £290,000 on apprenticeships and £450,000 on centrally administered cross-departmental training. Overall, this amounts to a 94% increase in our training budget from last year.

A strength of the Company throughout its history has been the encouragement of young talent, with an apprenticeship scheme started in 1979 and sponsored student scheme in 1984. During this summer, some 94 students (2012 80) entered Renishaw for paid placements – 60 summer placements, 30 one-year industrial placements and four pre-university placements – amongst which the most promising students will be given financial incentives to maintain a relationship with the Company into the future. There are 71 craft and technical apprentices currently in training (2012 51) and 40 new starters confirmed for September 2013. A further 55 recent graduates also started with Renishaw this summer (2012 40).

1 Renishaw manufacturing sites were chosen for a location shoot by leading photographer Martin Parr, as part of a project to portray modern manufacturing. This will culminate in an exhibition next year at MShed, Bristol

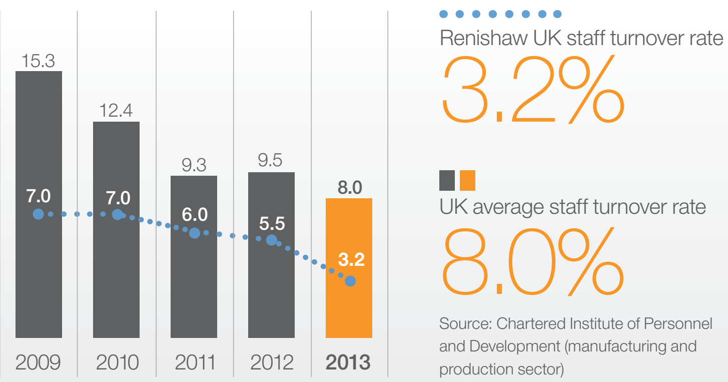


2 Ollie Counsell, a 2nd year Renishaw apprentice, was named Apprentices' Apprentice of the Year by attendees of Gloucestershire Engineering Training (image courtesy Gloucestershire Media)

FIG. 1. UK EMPLOYEES MIX

	2011	2012	**2013**
UK staff aged < 25	13.3%	13.5%	**13.7%**
Staff aged 25 - 49	66.3%	64.5%	**64.6%**
UK staff aged 50+	20.4%	22.0%	**21.7%**
Female	23.7%	23.7%	**22.6%**
Male	76.3%	76.3%	**77.4%**

FIG. 2. UK STAFF TURNOVER %



Source: Chartered Institute of Personnel and Development (manufacturing and production sector)

Performance

PROVIDING GLOBAL SUPPORT

MARKETPLACE

The Renishaw mission: Renishaw will design, manufacture and supply metrology systems of the highest quality and reliability to enable customers worldwide to carry out dimensional measurements to traceable standards.

Our product offerings will enhance quality and productivity, and we will strive for total customer satisfaction through superior customer service. Our aim is to provide leading-edge technology by encouraging innovation to address our customers' needs.

To ensure we can achieve this mission we have reflected our global customer base with a significant global presence of locations, with new offices, service centres and manufacturing facilities being acquired and opened year-on-year. In this reporting year we have opened or extended sites in South Wales, York, Ireland and China.

RENISHAW LOCATIONS

16	UK AND IRELAND
22	FAR EAST
18	CONTINENTAL EUROPE
9	AMERICAS
8	REST OF WORLD

THE FEATURED OFFICES ARE EXAMPLES OF OUR GLOBAL REACH

MISSISSAUGA, CANADA

HOFFMAN ESTATES, USA

SAN PEDRO GARZA GARCÍA, MEXICO

SÃO PAULO, BRAZIL

BARCELONA, SPAIN

NEW MILLS, UK

NUMBER OF CUSTOMERS SERVICED

18,999

PLIEZHAUSEN, GERMANY

JÄRFÄLLA, SWEDEN

PUNE, INDIA

BEIJING, CHINA

HONG KONG, CHINA

TOKYO, JAPAN

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

COMMUNITY

Renishaw is one of the largest employers in the west of England and we recognise the positive role that we can play through our ongoing relationships with the local community, businesses, schools and sports organisations. With the recognised national shortage in the UK of skilled engineers and scientists, we also continue to communicate a positive story about the role of science, engineering and manufacturing in enhancing the lives of the general populace and the attractions of a career within these sectors.

Throughout the year we therefore host tour groups and give talks to a range of organisations including schools, universities, business clubs and societies, such as Rotary, Probus and U3A. We also offer the use of our facilities to business groups and in the past year we have hosted the international conference of ISTMA (the International Special Tooling and Machining Association) and Business West, Gloucestershire's special roundtable discussion with HM Treasury for regional businesses.

We actively support the business community regionally, nationally and internationally, through membership of trade associations such as the UK's Manufacturing Technologies Association and Germany's VDW, as well as local chambers of trade and business networking groups. We impart our knowledge and business expertise in areas as diverse as exporting, human resource management and IT systems, through participation in roundtable discussions and business conferences, and also sponsoring award programmes.

In the past year, for example, we have sponsored and helped judge Gloucestershire Business of the Year awards, Stroud Life awards, Gloucestershire Apprentice of the Year awards and the Bristol Post business awards. Senior managers, including Group Engineering Director, Geoff McFarland, have given conference presentations about additive manufacturing, whilst in June 2013, Rhydian Pountney, General Manager ROW sales, won the Ambassador Award at the South West International Trade Awards, recognising his contribution to various events promoting export trade and his membership of the Advanced Engineering Sector Advisory Board of the UK Government's Trade & Investment body (UKTI) and the UKTI/FCO (Foreign & Commonwealth Office) Overseas Business Risk – Joint Advisory Group.

During the year we sponsored and actively contributed to numerous festivals, including Stroud International Textiles, where seminars explored the increasing influence of textiles within engineering and science, and the Cheltenham Design Festival, where we sponsored a session that looked at the design challenges faced by large scale power generation projects. We also supported the Nibley Music Festival, where "The Renishaw Stage" provides a platform for young acts in the early stage of their careers, and the Wychwood Music Festival at Cheltenham racecourse in Gloucestershire.

We are continuing to build our relationship with local and professional sports clubs in areas where we have operations, including English Premiership League football club Swansea City FC, which led to two of their first team players visiting our Miskin factory. In Gloucestershire we are a sponsor of Dursley Rugby Club with which many of our staff and their families are connected, and we also continue to forge close links with Gloucester Rugby Club, which plays in the English Premiership League, sponsoring the club's England international player Ben Morgan and the Young Player of the Year award, which is voted on by our Gloucestershire staff.

Bristol International Balloon Fiesta is Europe's largest ballooning event and we continue to be a member of its corporate 100 Club which funds the fiesta to keep it a free entry event for visitors. During the year we also started a three-year sponsorship of a hot air balloon which flies at events across the west region of England, helping to raise the Company's profile and funds for local charities. The inaugural launch took place from Gloucester Rugby Club's stadium in July 2012, with Ben Morgan on board.

A key reason why we decided to work with Exclusive Ballooning, the operators of the Renishaw balloon, was that they are believed to be the UK's only company licensed to take passengers in wheelchairs. One such user was Nigel Holland, who has Charcot-Marie-Tooth disease, also known as hereditary motor and sensory neuropathy, which causes wastage of the muscles in the lower part of the arms and legs. Nigel appeared on national TV after setting himself a target of 50 things to do before he was 50, one of which was to fly in a hot air balloon (see www.the50list.co.uk). His experiences, including the flight, appear in a book about his exploits published in March 2013.

1 *Left to right* Ben Taylor (Renishaw), Ben Morgan and Chris Pockett (Renishaw)
2 Renishaw balloon launch at Gloucester Rugby Club
3 Swansea FC visit Miskin

Nigel Holland achieves one of his 50-List after completing a wheelchair flight in the Renishaw balloon

CHARITY

Over 20 years ago, the Company created the Renishaw Charities Committee (RCC) to distribute funds to support charitable and voluntary organisations, and to support the individual charitable efforts of staff through a match-funding scheme. The RCC is made up of staff representatives from the Company's main Gloucestershire sites and has a particular focus to assist organisations that help enrich the lives of children and adults, from toddler groups and sports clubs, through to organisations that support the disabled and the bereaved. A separate fund is also administered by the RCC, which donates monies to aid the victims of global disasters.

During the year the RCC (www.renishaw.com/charity) made donations to around 170 individual organisations totalling over £83,000. Beneficiaries were diverse in nature including scout and brownie groups, schools, infant playgroups, meningitis and cancer research organisations, carers support groups, air ambulance groups, youth football clubs for boys and girls, food banks, organisations providing transport for senior citizen and disabled groups and hospice care organisations.

The Company and the RCC recognises that large numbers of Renishaw employees assist charitable organisations and therefore encourages such activities through match-funding programmes, both for individual and collective fundraising efforts. In the latter case, the RCC fully matches funds raised by staff for the national initiatives Children in Need, Movember, Comic Relief and Wear it Pink. Employee communications from the Company and the RCC's intranet pages also include details of charities seeking support for fundraising activities or in need of trustees, and promotional posters for fundraising events are distributed to company noticeboards.

During the year, significant donations of £2,000 or greater were made by the RCC to eight organisations. This included a £5,000 donation to the National Star College, based near Cheltenham, Gloucestershire, which is an excellent specialist college that works with children who have physical, sensory or learning difficulties to enable them to prepare for the best that adult life can offer. A £2,000 donation was also made towards a skate park being developed by the Stonehouse Youth Partnership.

WOODCHESTER ROCKS!

Staff across Renishaw's UK sites raised money for Children in Need, which was match funded by the RCC, raising a total of £6,900

Performance

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

EDUCATION

The Company has a fundamental aim to nurture the next generation of engineers and scientists and during the past 12 months has taken steps to accelerate engagement with the educational sector. One in five young people will need to become an engineer if the UK has any chance of addressing the severe skill shortages. Our Education Liaison Executive has continued to strengthen our links with local colleges, schools, universities and science, technology engineering and maths (STEM) enrichment organisations across the nation. The aims are to encourage STEM teaching and out-of-school clubs, to raise the profile of Renishaw as a potential employer and to ensure that we attract the most talented individuals.

The Company also continued its policy of opening its doors to visits from primary schools, secondary schools and universities from the UK and overseas. This year, one-week work experience placements were given to over 73 students under the age of 18, as well as four students spending a gap year with us before they take up their university place. We have supported the GFirst Local Enterprise Partnership initiative “Challenge 2013” to work with over 2,500 school children in 40 Gloucestershire primary schools. Renishaw was one of six engineering companies that partnered with six primary schools to work with the pupils in a one day workshop to introduce computer programming. The pupils learned some basic coding and then used this knowledge to program a robot they had devised from a construction kit. The best team of three pupils were then invited to Renishaw and presented with a certificate and a gift.

We have provided many talks to schools to encourage their pupils to take STEM subjects. One issue in the UK is that only 6% of the engineering workforce is made up of women, so we try and encourage more to think about a career in engineering. One example of this is Caroline Hughes, one of our graduates, who gave talks during the year to two girls schools, Monmouth Girls School and Badminton School, on her journey to becoming an engineer and what she did on a day-to-day basis. She received some very positive feedback and changed the preconceptions of many of the girls on how exciting a career in engineering would be.

This year we have invited schools to come to our New Mills site to have an opportunity to take apart some everyday equipment such as mobile phones, printers and cameras to see how they have been made. These “Technology Teardowns” have always been very popular with our new graduates and summer placements and this year we decided to extend this to secondary schools. At the time of writing we have had four local schools attend and the pupils enjoyed the opportunity to find out how something they use frequently was designed, with experienced engineers on hand to explain the design and engineering aspects. They all go away with a much better idea of what an engineer does.

We have contributed 50% funding to convert a transit van into a mobile laboratory for Rednock School.

1


2


3


1 Rednock School science teacher Ben Hall with students and the new mobile laboratory

2 Welsh students visit Miskin

3 UK Chancellor of the Exchequer, George Osborne, meets Renishaw apprentice, Jasmine Shellard at Gloucestershire Engineering Training

Aged just 25, Lucy Ackland has gone through an exciting journey as she has progressed from a young 16-year-old engineering apprentice at Renishaw, to her current role as a Process Engineering Project Manager.

When at The King's School in Gloucester, Lucy was expected to achieve excellent grades at GCSE and chose, despite opposition, to apply for an engineering apprenticeship. Lucy has achieved so much during her nine years at Renishaw. She was sponsored to undergo NVQ training and a BTEC National Certificate as part of her apprenticeship. She has since gone on to be sponsored to complete a Foundation degree in Mechatronic Engineering and completed her Bachelor in Engineering degree with 1st class honours. Lucy recommends this route through education to everyone, especially girls considering their next stages in education. She believes in it so much she also finds time to be a Young Engineers Ambassador, a STEM Ambassador, a Big Bang Fair Judge for school STEM projects, and a Big Bang Fair Moderator. She also runs a local engineering after school club. Lucy illustrates the value that Renishaw, puts on the development of our staff and the way in which we encourage our staff to give back to the community through educational links.

See more at
www.renishaw.com

This helps the school with its outreach work to feeder primary schools, as well as being an important resource for the school. The mobile laboratory will raise the profile and popularity of science in the school and wider community, and allow residential field trips to have a vital resource to bring learning to life. It is hoped that this will also improve the uptake of GCSE triple sciences and, in turn, the uptake of A-level Physics.

We sponsor numerous activities that aim to inspire young engineers, such as the Brunel Institute's "Young Brunels" initiative, where every year, 12 children are selected to join a five-year scheme to mentor them towards a career in science and engineering. Further events include the "Careering Around" initiative organised by the Cheltenham Science Festival, and the Engineering Education Scheme Wales. As part of the latter event, two of our young graduates mentored projects at Monmouth School and Chepstow School, with the former project winning the award for "Best Application" and was entered as a finalist at the national Big Bang UK Scientists and Engineers Fair held in London in 2013.

For our stand at The Big Bang Fair, one of our software engineers designed a Lego maze that was mounted on one of our Equator machines. Using a joystick, young people (and sometimes their parents!) attempted to complete the maze in the quickest time possible. A prize was awarded each day for the fastest. We had over 2,000 people play the game and we were able to showcase Renishaw, and raise our profile to a large audience of people.

We will also be attending the Big Bang Cymru in the summer as we wish to work more closely with Welsh schools to encourage them to consider Renishaw as we develop our Miskin site. We started this process with two education days in October 2012 held at our new Miskin factory. Over 650 school, college and university students were able to see our machine shop in action, as well as all our products in one of the largest exhibition stands that we have ever set up.

We have attended many school careers evenings in schools in Gloucestershire and South Wales as well as the "Skills Fest" held at Gloucester Rugby's Kingsholm stadium. These activities and all the work we have done with schools this year have contributed to the receipt of over double the amount of applications for our apprenticeships from the previous year.

Greenpower is a national organisation dedicated to inspiring future engineers. They run competitions for primary and secondary schools to design, build and race battery powered cars. Last September Renishaw sponsored the Western Regional Heats at the Castle Combe Circuit in Wiltshire. In May 2013 we were pleased to host Greenpower's "Goblin" class regional event for primary school pupils in Bristol and Bath, who raced their battery powered vehicles around a car park at our New Mills headquarters. It is great to see so many young people engaging in engineering and seeing the sense of achievement they have from taking part in the races and being part of a racing team.

We launched the Renishaw Engineering Experience in conjunction with Young Engineers this year. This is a nationwide competition with the winners able to experience a week visiting engineering companies culminating with a day at Renishaw. Previous winners have been encouraged to study engineering at university – again we see this as a way

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

to enthuse more young people to consider careers in STEM-related subjects.

We also attended the Gloucester Motor Show for the second year. This show attracts family visitors and they enjoy attending our stand and taking part in the activities available as well as learning about the Company and the career opportunities that we have.

We have been working with universities to ensure that we get the best talent for our business. This summer we had over 60 students from a wide range of universities join us and those that do well will be offered a bursary. We are also taking 30 students on an industrial year before they return to university for their last year of study. Again they may be offered sponsorship and encouragement to join our highly successful graduate programme.

We attended more career fairs than ever this year, gave talks on employability to students and had several universities visit us for lectures and tours. We have attended several poster days at universities, to see the student final year projects and to find potential future talent.

We are a sponsor of a Postgraduate Research Symposium at Imperial College, London, where we help judge and award prizes for the best projects.

Within Renishaw we also run our own Applications Academy which offers a varied training curriculum from “Face-to-Face Communications” and “Report Writing”, to the “Fundamentals of Manufacturing” and “CNC programming”. During the year 94 staff from across the Group benefitted from Academy training, plus many more who made use of e-learning programmes available as part of our new learning management system (LMS) in which we have made a significant investment. The LMS software is used for the administration, documentation, tracking and reporting of training programmes, classroom and online events, e-learning programmes and training content.

THE ENVIRONMENT

Renishaw takes its responsibilities for the environment seriously and continues to make further investments to improve its performance in relation to energy consumption, water usage, emissions and disposal of waste materials. The Company continues to monitor and control its energy consumption, as previously reported, with an additional emphasis upon expanding its data collection scope and accuracy.

ENERGY

In the UK, installation of half-hourly metering for electricity consumption is ongoing, with a target of HHM (for gas, electricity and water) at all of our UK sites within the next financial year, giving us the ability to identify opportunities for reduced consumption. Investments have also continued to be made in our monitoring equipment to identify specific peaks in electricity usage, quantify reductions and make continuous improvements across various sites. Additionally, recent investments are allowing us to monitor gas and water usage at our main UK sites, allowing these energy streams to be similarly reduced.

The refurbishment of our Miskin site is nearing completion and has thus far included a £100,000 investment in very high standard Pilkington energiKare™ triple glazed low-emissivity glass windows with Krypton gas filling, to achieve a U-value of just 0.9. A new building in York for our product line MDL has been built to the highest standards of the Building Research Establishment’s Environmental Assessment Method (BREEAM), a rating system which is recognised nationally and internationally as the most robust and rigorous method for assessing the environmental performance of buildings.

As Renishaw consumed more than 6 megawatts of electricity in 2008, we are bound by UK legislation to comply with the CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment) and have registered accordingly. To recognise the progress made in recent years by monitoring usage and reducing our CO_2 emissions, we have recently been awarded the Carbon Trust Standard.

EMISSIONS (FIG. 1)

Unless otherwise stated, the analysis in Figure 1 includes the Group’s global operations for the 12-month period 1st June 2012 to 31st May 2013.

Our carbon footprint has been restated for last year in order to account for significant changes to the conversion factors provided by the UK Department of Environment, Food and Rural Affairs, the calculation methods used and the expansion of scope of data capture for company reporting purposes.

FIG. 1. GREENHOUSE GAS (GHG) EMISSIONS

CO_2 / TONNES

SCOPE 1

Gas consumption	**1,467.01**
Owned transport	**1,443.57**
Generator diesel	**24.91**
Heating oil	**61.45**
Out of scope (bio fuel blend)	**37.42**
Total scope 1	**2,996.94**

SCOPE 2

Purchased electricity	**13,456.36**
Total scope 2	**13,456.36**

SCOPE 3

Business travel	**6,837.43**
Product distribution*	**3,545.49**
Raw metal purchase*	**4,020.35**
Post communications*	**500.13**
Transmission and distribution	**1,412.21**
WTT total	**3,022.83**
Out of scope (bio fuel blend)	**12.18**
Total significant scope 3	**19,338.44**

*UK only

The measurement of the overall impact of carbon emissions within the Group is very complex given the geography and scope of operations and in some cases estimates have been made for some markets where data is not readily available.

Our total recorded carbon footprint has increased by 16% from the previous reporting period (2012 30,745 tonnes CO$_2$e; 2013 35,791 tonnes CO$_2$e).

This increase is due to three significant changes, a 16% increase in gas usage, a 12% increase in electricity usage and a 241% increase in business travel. As we invest for the future by expanding our sites, including this year in China, York and Miskin, South Wales, it is understandable that our energy consumption will increase as a result.

As the Renishaw Group continues to develop globally, more business travel will be undertaken as a consequence. Travel for internal business requirements is minimised by providing web conferencing facilities and putting in place a rigorous approval system to ensure the travel is essential. As part of our budget controls we mandate economy travel as standard for short and medium haul flights, which in turn ensures our carbon impact is kept to a minimum.

Although not included within these standard Government measures, we continue to recognise that there is a significant impact caused by staff driving to our Gloucestershire sites. There is very limited public transportation serving these sites and therefore we actively encourage car sharing through lift-share notices in communal areas, by hosting a specific area on the Company intranet and through the circulation of regular emails that remind staff of the benefits of car sharing. We also provide showers, lockers and secure bike storage areas for any members of staff who want to cycle into work.

WASTE MANAGEMENT (FIG. 2)

Renishaw has continued to analyse waste streams and strives to increase recycling and reduce amounts sent to landfill, notably paper, cardboard, plastic cups, toner cartridges and batteries. Analysis of the waste streams at the significant UK sites shows a 27% decrease in waste to landfill. Although our total waste from our significant UK waste producing sites has increased by 51% over the past four reporting periods, our waste to landfill has decreased by 5.6% in the same period. It is also worth noting that during this time the Company has gone through significant expansion and manufacturing has increased considerably as has the number of sites to be considered. Also, through this time, much renovation and expansion of sites has been undertaken, which significantly contributes to our waste production.

Reduction of waste at source is seen as a key contributor to overall waste reduction. Continuing efforts are being made to distribute both technical and sales documentation in electronic format and we no longer distribute user guides to our customers for our encoder products, as up-to-date guides are available through a special support website. Regular marketing communications with customers in our main markets are now solely by email, and our employee newsletter “Probity”

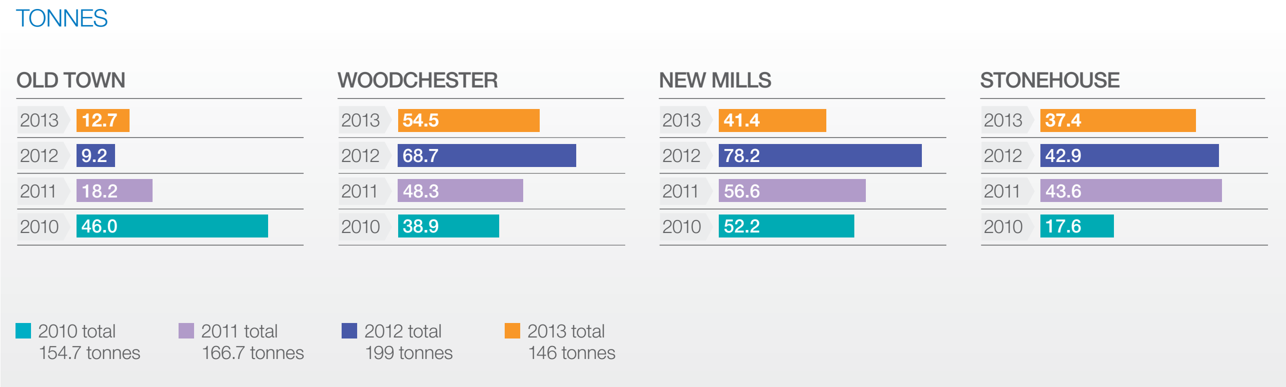
Collection point for waste metal produced from machining processes at the New Mills site

CARBON TRUST STANDARD
REDUCING CO2 YEAR ON YEAR

CARBON TRUST STANDARD

Renishaw plc has been certified to the Carbon Trust Standard. The award, earned every two years, recognises the work undertaken by the Company across all operations and is independent confirmation that Renishaw plc has genuinely measured, managed and reduced its carbon emissions

FIG. 2. LANDFILL TOTALS (DATA FOR SIGNIFICANT UK WASTE PRODUCING SITES)



Performance

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

CHARITY

During the year the Renishaw Charities Committee made donations to 170 individual organisations

Analysis of the waste streams at the significant UK sites shows a 27% decrease in waste to landfill. Although our total waste from our significant UK waste producing sites has increased by 51% over the past four reporting periods, our waste to landfill has decreased by 5.6% in the same period.

WASTE MANAGEMENT (FIG. 2) CONTINUED

is primarily distributed electronically, with a small quantity printed for manufacturing sites. In the UK, Renishaw staff no longer receive hard copy pay slips but can access these electronically.

Commercial documentation, such as invoices and acknowledgements, is also available through a "paperless" facility, with customers encouraged to accept this form of transaction.

Although only one of the Group's products currently falls within the scope of the requirements of the European Directive 2002/95/EC on the Restriction of the use of Hazardous Substances (RoHS), all new position encoder products and the majority of legacy encoder products are now RoHS compliant. We are continuing to develop and implement processes for other metrology products to ensure that they will meet the extended scope of the directive which will be implemented in 2017, whilst achieving several earlier dates for healthcare products.

We are continuing to work hard to meet the requirements of the European Directive on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and to date no "substances of very high concern" (SVHC) have been identified in our products at a level requiring any action. To co-ordinate our activities with regard to compliance with both RoHS and REACH directives, we have a dedicated project manager who manages risk assessments and information gathering from suppliers.

HEALTH AND SAFETY

Renishaw has a corporate health and safety management system that is supported by its corporate health and safety policy. As our employees are essential to our business we record all injuries from the smallest of paper cuts to the most serious of incidents. This allows us to highlight any areas of our business where injuries may occur and take appropriate action.

HEALTH AND SAFETY STATISTICS

0.049	accidents per person
16%	decrease in accidents
69%	of all accidents are very minor injuries
100+	H&S inductions
650	H&S training sessions

The total number of accidents for the period was 161 against a headcount of 3,235. This equates to an accident ratio of 0.05 accidents per person and is 16% down on the same period the year before, despite an 8% increase in staffing levels. The vast majority of these accidents are minor cuts accounting for 111 (69%) of all accidents during the period. Training continues to take place in order to reduce this statistic further.

REPORTABLE ACCIDENTS

There was one accident that was reportable under RIDDOR in which an employee removed a bag from a waste bin and pulled muscles in her back. This resulted in a total of 205 hrs (32.5 days) absence.

Following a reportable accident at Renishaw's Stone site in February 2012 Renishaw was investigated by the UK Health and Safety Executive (HSE) resulting in legal proceedings for a breach of health and safety legislation relating to the handling of dangerous substances and a subsequent £7,000 fine plus costs. This was the first such prosecution in Renishaw's history and we worked closely with the HSE to introduce all required changes to internal procedures.

OCCUPATIONAL HEALTH

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

Health monitoring in the form of lung function testing (anodising staff), hearing testing (for those in higher noise level areas) and eye testing (for VDU users and some manufacturing staff) has been established for several years and is ongoing.

Health support for UK staff is offered in the form of subsidised UK health monitoring (blood pressure, diabetes, cholesterol, and BMI). To date more than 400 employees have taken advantage of this at our Gloucestershire sites and the intention is to roll this out across the UK.

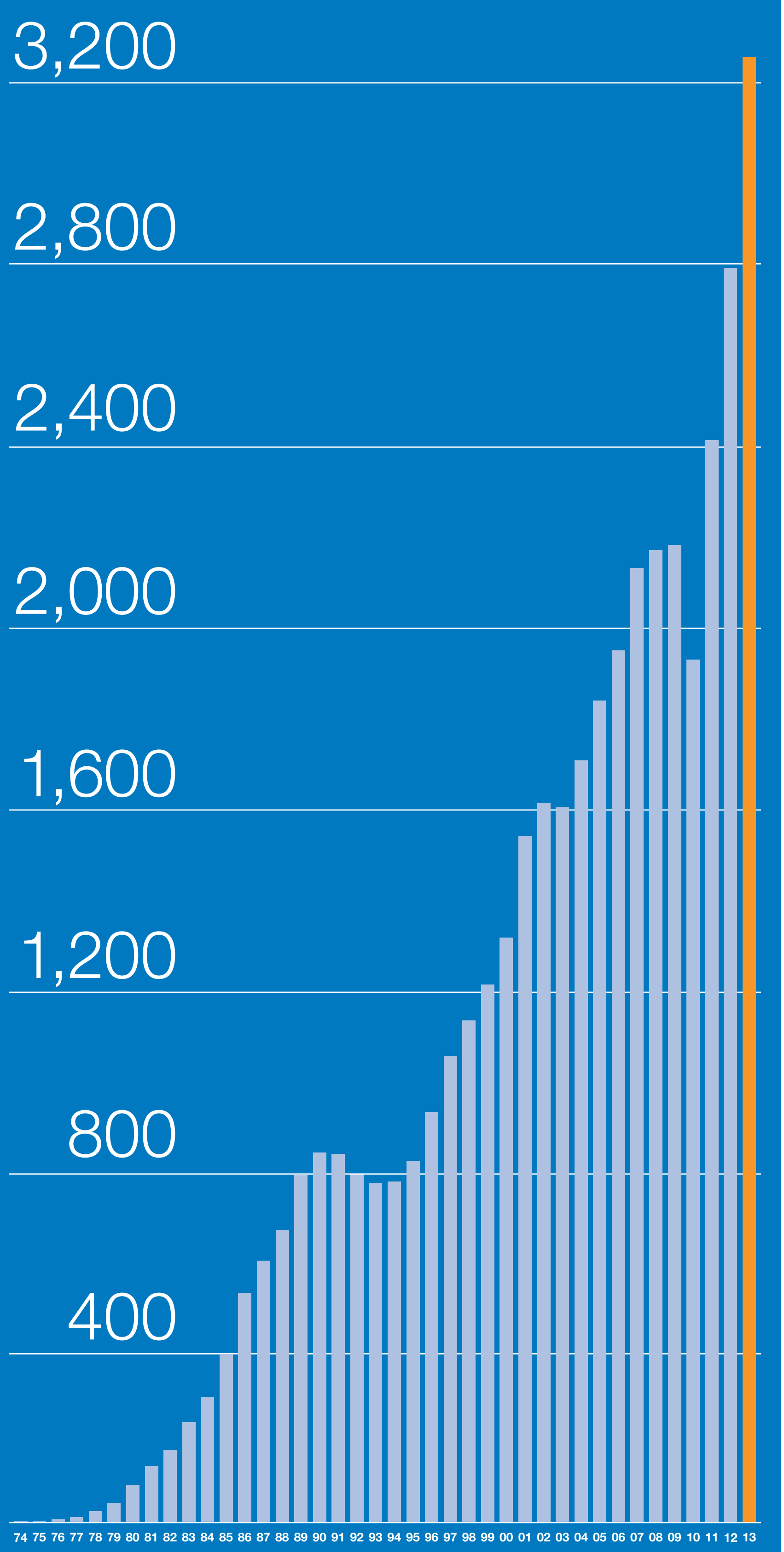
INCIDENTS/NEAR MISSES

A new electronic system of reporting and collating incidents/near misses was introduced over the period and has resulted in a total of 57 recorded occurrences.

GOVERNANCE

From day one, we recognised people would be the driving force of the success of Renishaw and today we employ over 3,200 people globally and around 2,000 of these are located in the UK.

How we manage our business is important to the Board. From the top down, we have strength across all areas and aim to run our business with the utmost transparency and integrity. This has served us well since 1973. It is always pleasing, as highlighted last year, that colleagues who have joined us during our 40 year journey now sit on the Executive Board.


Total number of staff

In this section

BOARD OF DIRECTORS AND COMPANY SECRETARY

1 SIR DAVID McMURTRY (73)

CBE, RDI, FRS, FREng, CEng, FIMechE

Chairman and Chief Executive

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

2 JOHN DEER (75)

Deputy Chairman

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

3 BEN TAYLOR (64)

CEng, FIMechE

Assistant Chief Executive

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

4 ALLEN ROBERTS (64)

FCA

Group Finance Director

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

5 GEOFF MCFARLAND (45)

Group Engineering Director

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

6 CAROL CHESNEY (50)

FCA

Non-executive director

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

7 JOHN JEANS (63)

CBE, CEng

Non-executive director

- Member of the Audit, Remuneration and Nomination committees.
- Appointed to the Board of Renishaw plc in April 2013.
- Currently chair of the Council of Cardiff University and Imanova (an imaging research partnership between three London universities and the Medical Research Council). In addition he chairs the board of MRC Technology and is a non-executive director of the Alliance Medical Group. He is also a board member of the University and College Employers Association.
- John also chairs the Technology Strategy Board's stratified medicine advisory board, is a Steering Board member of the HealthTech and Medicines Knowledge Transfer Network and is an advisor to the University of Manchester's venture fund.

8 BILL WHITELEY (64)

FCMA

Senior non-executive director

- Member of the Audit, Remuneration and Nomination committees.
- Appointed to the Board of Renishaw plc in June 2008.
- Formerly Chief Executive at Rotork plc.
- Bill is also the chairman of Spirax-Sarco Engineering plc, Hill and Smith Holdings plc and Brammer plc.

9 DR DAVID GRANT (65)

CBE, FREng, FLSW, CEng, FIET

Non-executive director

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

10 NORMA TANG (49)

Head of Legal and Company Secretary

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

Full biographies of the Board of directors are available online:
see **www.renishaw.com/directors**

Governance

EXECUTIVE BOARD

1 SIR DAVID McMURTRY (73)

CBE, RDI, FRS, FREng, CEng, FIMechE

Chairman and Chief Executive,
Chair of Executive Board

See pages 46 – 47 for biography

2 JOHN DEER (75)

Deputy Chairman

See pages 46 – 47 for biography

3 BEN TAYLOR (64)

CEng, FIMechE

Assistant Chief Executive

See pages 46 – 47 for biography

4 ALLEN ROBERTS (64)

FCA

Group Finance Director

See pages 46 – 47 for biography

5 GEOFF MCFARLAND (45)

Group Engineering Director

See pages 46 – 47 for biography

6 LEO SOMERVILLE (55)

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.

7 DAVE WALLACE (42)

M.Eng

Director and General Manager

- 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 of CMM Products Division in 2002.
- Appointed to the Executive Board in 2008.

8 DR TIM PRESTIDGE (42)

CPHYS, FINSTP

Director and General Manager

- Joined Renishaw in 1990 through Renishaw's sponsored student scheme.
- Over 13 years as Director and General Manager of Machine Tool Products Division. Also the Director and General Manager of Styli and Fixturing Products Division.
- Appointed to the Executive Board in 2008.

9 NORMA TANG (49)

Head of Legal and Company Secretary

See pages 46 – 47 for biography

INTERNATIONAL SALES AND MARKETING BOARD

1 JOHN DEER (75)

Deputy Chairman, Chair of International Sales and Marketing Board

See pages 46 – 47 for biography

2 ALLEN ROBERTS (64)

FCA

Group Finance Director

See pages 46 – 47 for biography

3 BEN TAYLOR (64)

CEng, FIMechE

Assistant Chief Executive

See pages 46 – 47 for biography

4 KEVIN GANI (41)

Director of Sales Development

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

5 SEAN HYMAS (47)

President and Representative Director, Renishaw KK

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

6 RAINER LOTZ (48)

Managing Director, Renishaw GmbH

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

7 KEVIN LENCH (52)

General Manager, UK sales

- Joined Renishaw in 2012.
- Over 20 years' test and measurement experience in related positions.
- Appointed as a member of the International Sales and Marketing Board in 2012.

8 JEAN-MARC MEFFRE (59)

Managing Director, Far East

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

9 MASUMU OISHI (55)

Deputy Chairman, Renishaw KK

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

10 RHYDIAN POUNTNEY (52)

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.
- Also a member of the UKTI's Advanced Engineering Advisory Board.

11 LEO SOMERVILLE (55)

President, Renishaw Inc

See pages 48 for biography

12 NORMA TANG (49)

Head of Legal and Company Secretary

See pages 46 – 47 for biography

GOVERNANCE

In this section of the Annual report, we explain the Board's approach to governance.

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

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

The Companies Act 2006 requires the directors' report to include a business review. Certain information that fulfils these requirements and those of the UK Listing Authority's Disclosure Rules and Transparency Rules, which require the Annual report to include a management report, can be found in the description of the Group's products and markets, the Business review and in the description of corporate social responsibility activities on pages 8 to 44.

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

For the purposes of the Disclosure Rules and Transparency Rules and the UK Corporate Governance Code 2010, a description of the work of the Audit committee and the Nomination committee is contained in the Directors' corporate governance report.

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

For the purposes of the UK Listing Authority's Listing Rules, certain information required to be provided to the shareholders is also contained in the Directors' remuneration report.

Accordingly pages 50 to 60 form the directors' report for statutory and regulatory disclosure purposes.

Bill Whiteley
FCMA
Senior non-executive director

DIRECTORS' CORPORATE GOVERNANCE REPORT

A. LEADERSHIP

THE ROLE OF THE BOARD

The Board comprises four executive and four 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 46 and 47. Full biographical details are available on www.renishaw.com. The Company maintains liability insurance for its directors and officers as disclosed in the Other statutory and regulatory disclosures.

The Board focuses on formulation of strategy, management of effective business controls and review of business performance. There is a formal schedule of matters specifically reserved to it for decision. These include the approval of annual and half year financial reports and interim management statements, company and business acquisitions and disposals, major capital expenditure, borrowings, material agreements, director and company secretary appointments and removals, any patent-related dispute and other material litigation, forecasts and major product development projects.

The Board meets as often as is necessary to discharge its duties effectively. In the financial year ended 30th June 2013, the Board met nine 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.

Business reports are provided to the Board for each of its meetings, including an update on financial performance, R&D, sales and marketing activities, progress on new product sales and reports from corporate functions such as patents, HR, health and safety, IT, legal and quality. The Board is also briefed on latest developments in corporate governance, narrative reporting and corporate legal compliance in these reports.

In addition to the standing agenda items such as business and financial performance reviews, the Board's agenda over the course of the year includes matters of good corporate governance, such as review of risk and internal controls, conflicts of interest and board and committee performance and composition and as appropriate, corporate acquisitions/structure and major capital expenditure programmes. Senior executives are invited to attend meetings during the year to provide updates to the Board on performance and strategy.

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

There is an executive management committee known as the Executive Board that is responsible for the executive management of the Group's businesses. It is chaired by the Chairman and includes the executive directors of Renishaw plc and three senior management representatives responsible for two core product lines of the Group, 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 senior executives responsible for the six largest sales regions and the Director of Sales Development.

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

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

DIVISION OF RESPONSIBILITIES/ THE CHAIRMAN

The role of Chairman and Chief Executive is a combined role and thus contrary to the recommendations of the UK Corporate Governance Code 2010 (the "Code"). Sir David McMurtry has held this position since the Company became a quoted company in 1983 and he and John Deer hold the majority of the voting interests in the Company. There has been a voting agreement in place between Sir David and John Deer since 1983, further details of which are set out in the Other statutory and regulatory disclosures on page 58. 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 two 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.

DIRECTORS' CORPORATE GOVERNANCE REPORT CONTINUED

NON-EXECUTIVE DIRECTORS

The senior independent director is Bill Whiteley and he is available to listen to concerns of shareholders should the normal channels of the Chairman and Chief Executive or the Group Finance Director fail to resolve such concerns, or for which such contact is inappropriate. 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.

The Code recommends that at least half the Board, excluding the Chairman, should comprise independent non-executive directors. The Board complies with this requirement at the date of this report but due to retirements and new appointments made during the year, the Board was not compliant throughout the year in question.

APPOINTMENTS TO THE BOARD

The Nomination committee is responsible for reviewing the structure and composition of the Board and nominating candidates for appointment to the Board. The majority of the members of this committee are independent non-executive directors. The members of the Nomination committee are Sir David McMurtry (Chair), Carol Chesney (from October 2012), David Grant, John Jeans (from April 2013) and Bill Whiteley. The terms of reference of this committee are published on the Company's website. This section of the Annual report describes the work of the Nomination committee.

Two new appointments were made to the Board during the year. A recruitment consultant, CT Partners Augmentum, was engaged to seek appropriate candidates and was provided with job specifications for the following non-executive positions: firstly, a director to take on the role of chair of the Audit committee and secondly, an individual with relevant experience in medical devices. 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. CT Partners Augmentum has no other connection with the Company.

As a result of this recruitment process, Carol Chesney was appointed to the Board with effect from 19th October 2012. Carol is a chartered accountant and company secretary at Halma plc where her role includes interpretation of accounting standards, share plans and pensions, property, environmental, anti-bribery and health and safety compliance, corporate governance and management of internal audit.

John Jeans was appointed a director on 11th April 2013. John formerly held senior leadership positions in several global healthcare companies including Smith & Nephew, Bristol Myers Squibb, Johnson & Johnson and Amersham plc (now GE Healthcare) and currently is chair of the Council of Cardiff University and Imanova. In addition he chairs the Board of MRC Technology and is a non-executive director of the Alliance Medical Group. He is also a board member of the University and College Employers Association, chairs the Technology Strategy Board's stratified medicine advisory board, is a Steering Board member of the HealthTech and Medicines Knowledge Transfer Network and is an advisor to the University of Manchester's venture fund.

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 need is to appoint directors with the necessary skills and experience for the role. However, the Board acknowledges that diversity of all types should be borne in mind when recruiting to all roles within the Company and has a policy to provide for 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.

COMMITMENT

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

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

DEVELOPMENT

Directors are offered the opportunity to attend formal training courses to update their knowledge of their duties as directors. Guidance notes on changes to law and regulations are provided as appropriate. Non-executive directors are invited to attend internal conferences, which provide information to the Group on new product development and marketing initiatives. 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 includes site visits and briefings by senior managers and attendance at internal senior management conferences and external trade shows.

INFORMATION AND SUPPORT

The Board receives appropriate documentation, management accounts, forecasts and commentaries thereon in advance of each Board meeting to enable its members to review the financial performance of the Group, current trading and key business initiatives. 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 normally undertakes an internal annual evaluation of the performance of the Board. This includes the completion of a questionnaire designed and approved by the Board to provide a framework for the evaluation process. It is the role of the senior independent director to summarise the responses and discuss them with individual directors and with the Board as a whole. The committees undertake a similar evaluation process led by the chair of the relevant committee.
The requirement under the Code that evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years has been noted and was implemented during the year. David Mensley of Equity Communications Limited was appointed to undertake an evaluation through use of a questionnaire focusing on topics such as board effectiveness, corporate strategy, risk oversight, training and board administration. The process also included the board committees.
The evaluation report is under review and action points will be identified.
Equity Communications Limited has no other connection with the Company.

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 or, in the case of directors appointed by the Board during the year, election at the AGM.

C. ACCOUNTABILITY

FINANCIAL AND BUSINESS REPORTING

The respective responsibilities of the directors and auditors in connection with the financial statements are explained in the Statement of directors' responsibilities and the Independent auditors' report.

GOING CONCERN

The Group's business activities and business model, together with the factors likely to affect its future development, performance and position are set out in the Business review, where also given are details of the financial and liquidity positions. In addition, note 23 in the financial statements includes the Group's objectives and policies for managing its capital, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

DIRECTORS' CORPORATE GOVERNANCE REPORT CONTINUED

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

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

AUDIT COMMITTEE AND AUDITORS

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

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

The committee has primary responsibility for making the recommendation on the appointment, reappointment and removal of external auditors, which the Board puts to shareholders for approval at the AGM. During the year, the committee adopted policies on non-audit services and audit services provision. A new audit partner was allocated responsibility for the Company's audit with effect from 2012, which will be taken into account in relation to consideration of the timing of the tender for audit services in future, it being noted the recommendation in the 2012 revision of the UK Corporate Governance Code is that tendering should normally fit the five yearly cycle of partner rotation. It is intended that a tender for the audit will take place in 2017. When tendering for audit services, tenders will not be assessed solely on the basis of lowest fees, but on a number of issues such as:

- Skills and knowledge of the team proposed to do the work;
- Quality of work;
- Independence of the audit firm from the Company;
- Audit partner rotation and succession planning;
- Global coverage for the Company's subsidiaries;
- Value for money;
- Audit approach and methodology;
- Internal governance processes;
- Technical capabilities of the firm as a whole; and
- Ethical behaviour and fair dealing.

The committee keeps under review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors. The auditors provide a confirmation of independence on an annual basis.

The committee reviews the nature and extent of the non-audit services supplied by the auditors, receiving regular reports on the balance of audit to non-audit fees. The committee regards it most cost efficient to use the auditors 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 auditors 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 auditors may be appointed to provide such services. In addition there are specified levels of authorisation to be obtained before the auditors may be permitted to tender for non-audit services.

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 by or received by Group employees and representatives of the Group.

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

D. REMUNERATION

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

DIRECTORS' ATTENDANCE AT MEETINGS

Director	Board	Audit committee	Remuneration committee	Nomination committee
Sir David McMurtry	9 (9)	–	–	2 (2)
D J Deer	8 (9)	–	–	–
B R Taylor	9 (9)	–	–	–
A C G Roberts	9 (9)	–	–	–
G McFarland	9 (9)	–	–	–
C T Chesney[1]	5 (5)	1 (1)	0 (0)	1 (1)
T B Garthwaite[2]	4 (4)	2 (2)	2 (2)	1 (1)
D Grant	9 (9)	2 (3)	1 (2)	2 (2)
D J Jeans[3]	2 (2)	0 (0)	0 (0)	0 (0)
T D Snowden[2]	4 (4)	2 (2)	2 (2)	1 (1)
W H Whiteley	8 (9)	2 (3)	2 (2)	2 (2)

[1] C T Chesney was appointed on 19th October 2012
[2] T B Garthwaite and T D Snowden retired on 18th October 2012
[3] D J Jeans was appointed on 11th April 2013

E. RELATIONS WITH SHAREHOLDERS

DIALOGUE WITH SHAREHOLDERS

The Board has reviewed its investor relations and information disclosure policy this year. The interim and annual results and presentations are posted on the Company's website promptly after announcement of the results to the UK Listing Authority via an RIS. Open webcasts of presentations on annual and half-yearly results are held and recordings of the presentations and the subsequent question and answer sessions made available after the webcast on the Company's website.

Private presentations by directors with investors, potential investors or analysts, will be given following publication of the annual results for the year ending 30th June 2013 only. Thereafter, 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.

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 at a new 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. Open days with appropriate notice may be organised from time to time at the Company's site. The corporate website is being significantly expanded and a range of corporate videos are being developed which will expand on areas such as Group strategy and products.

CONSTRUCTIVE USE OF THE AGM

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

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

DISCLOSURE RULE DTR 7.2.6 R

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

BOARD AND COMMITTEE MEMBERSHIP ATTENDANCE RECORD

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

COMPLIANCE STATEMENT

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

- the combined role of Chairman and Chief Executive; and
- for part of the year at least half the Board did not comprise independent non-executive directors.

W H Whiteley
Senior independent director

24th July 2013

DIRECTORS' REMUNERATION REPORT

REMUNERATION POLICY

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

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

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

REMUNERATION COMMITTEE

All the members of the committee are non-executive directors and comprise David Grant (Chair from 18th October 2012), Carol Chesney (from 19th October 2012), John Jeans (from 11th April 2013) and Bill Whiteley. David Snowden (former chair of this committee) and Terry Garthwaite both stepped down from their positions on the Board and the committee on 18th October 2012. The terms of reference of the committee are published on the Company's website. No executive director attends meetings of the committee.

The remuneration of the non-executive directors is determined by the executive directors. There are no share options available to non-executive directors. Two non-executive directors, Carol Chesney and John Jeans, were appointed to the Board during the year.

REMUNERATION

SALARY

The Remuneration committee reviews the basic salaries of executive directors to take effect from 1st July each year. In deciding appropriate levels, the committee takes account of financial data from a cross-section of UK companies within the electronics and engineering sectors.

BONUS

During the year, the committee reviewed the existing incentive arrangements for executive directors to ensure they are appropriately set.

For the year ended 30th June 2013, the bonus scheme required the Group's earnings per share to exceed a baseline adjusted profit level, at which bonus begins to be earned, of £80m which was translated into an equivalent earnings per share ("eps") of 87.90p. A targeted eps level was also set at 109.90p representing the level at which a bonus equivalent to 75% of salary would be earned. Bonuses could be earned above 75%, but were capped at 100% of salary. The bonus calculation is linear between the baseline, target and capped levels. There are no subjective measures on which executive directors can earn a bonus. Bonuses are paid in cash and there are no equity incentives.

Executive director bonus payments for 2013 totalled £208,000 versus £1,353,000 in the prior year, reflecting the fact that, as is normal practice, bonus targets were set during the first quarter of the financial year, and this year the Group's performance was exceptionally strong at that time.

For the year ending 30th June 2014, the bonus scheme remains relatively unchanged, although eps equivalents will no longer form part of the assessment. Targets will be related to adjusted group profit before tax alone, with agreed baseline, target and bonus cap levels.

This bonus scheme, which only applies to executive directors, will continue to be reviewed annually by the committee.

OTHER BENEFITS

Company cars and other benefits provided to directors are subject to income tax. The benefits are included in the directors' remuneration table in note 8.

Geoff McFarland is a non-executive director of Delcam plc, in respect of which no remuneration is payable by Delcam plc.

PENSIONS

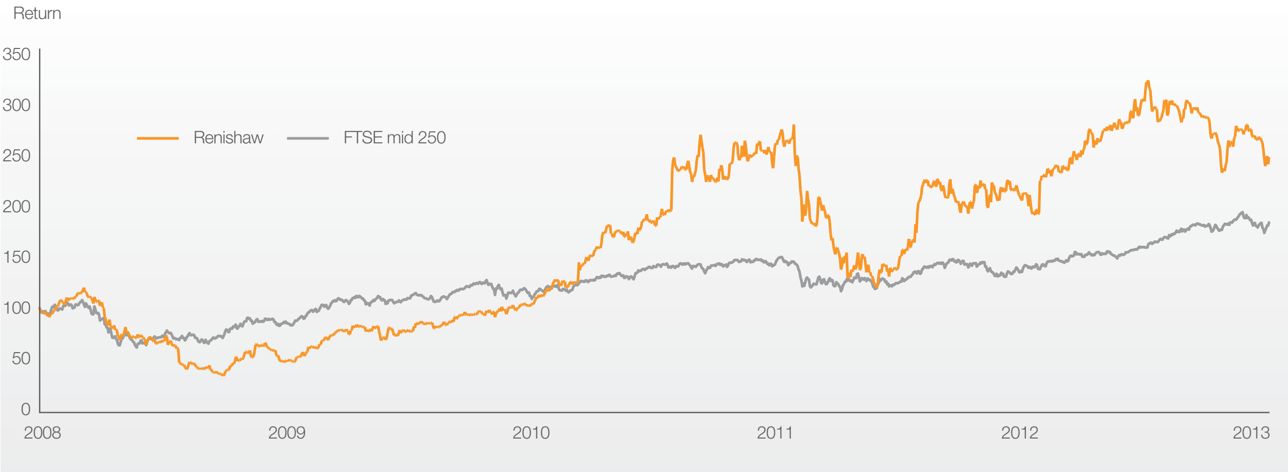
The Company makes annual contributions of 15% of underlying basic salary to individual pension policies for Ben Taylor and Allen Roberts. Neither bonus scheme payments nor other benefits are eligible for pension scheme contributions.

Geoff McFarland is a deferred member of the Company's defined benefit scheme which closed for future accruals on 5th April 2007 and he now participates in the Company's defined contribution scheme. More details are given in note 8.

The non-executive directors do not participate in the Company's pension schemes.

SUMMARY

Details of directors' remuneration (including pensions) which form the audited section of this report are shown in note 8.



SERVICE CONTRACTS AND COMPENSATION

The executive directors have each entered into a service contract with the Company. The contracts do not contain any specific provisions governing the payment of compensation for loss of office or employment, whether as a result of a takeover bid or otherwise. The notice period for termination of the contract is twelve months to be given by either the Company or the director.

The non-executive directors have been appointed under contracts for services which are intended to continue for an initial period of three years. However, these contracts may be terminated by either the Company or the director on one month's notice.

PERFORMANCE GRAPH

The graph above 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 report was approved by the Board of directors on 24th July 2013 and has been signed on its behalf by:

David Grant
Chair, Remuneration committee

OTHER STATUTORY AND REGULATORY DISCLOSURES

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the Group during the year were the design, manufacture and sale of advanced precision metrology and inspection equipment together with products for the healthcare sector, including Raman spectroscopy systems, dental systems, molecular diagnostic equipment and neurosurgical products.

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

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

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

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

There are no persons with whom the Company has contractual or other arrangements which are essential to the business of the Company.

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

DIVIDENDS

The directors propose a final dividend of £20,868,475 or 28.67p per share (2012 £20,526,369 or 28.2p per share) which, together with the interim dividend of £8,246,942 or 11.33p per share (2012 7,497,220 or 10.3p per share) makes a total amount of dividends for the year of £29,115,417 or 40p per share, compared to £28,023,589 or 38.5p per share for the previous year.

DIRECTORS INTERESTS

The directors and their interests in the share capital of the Company (with the equivalent number of voting rights), at end of the financial year, were:-

Ordinary shares of 20p

	30th June 2013	1st July 2012 (or date of appointment if later)
Sir David McMurtry	26,377,291	26,377,291
D J Deer	12,233,040	12,233,040
B R Taylor	10,147	10,147
A C G Roberts	5,165	5,165
G McFarland	2,000	2,000
C T Chesney[1]	nil	nil
D Grant	nil	nil
D J Jeans[2]	nil	nil
W H Whiteley	6,765	6,765

[1] C T Chesney was appointed to the Board on 19th October 2012

[2] D J Jeans was appointed to the Board on 11th April 2013

All the above interests were beneficially held with the exception of 2,434,411 shares (2012 2,434,411 shares) which were non-beneficially held by D J Deer but in respect of which he has voting rights.

There has been no change in the above holdings in the period 1st July 2013 to 24th July 2013.

In accordance with the provisions of the UK Corporate Governance Code all directors will retire and, being eligible, offer themselves for re-election, or, in the case of directors appointed by the Board during the year, election at the annual general meeting ("AGM") to be held on 17th October 2013. Details of the directors are shown on pages 46 and 47 and full biographical details are available on www.renishaw.com.

Sir David McMurtry, as one party, and D J Deer and Mrs M E Deer, as the other party, have entered into an agreement relating to the way each party would vote in respect of his or her shares if requested by the other party to do so. Under this agreement Sir David McMurtry, John Deer and Mrs Deer agree that (i) Mr and Mrs Deer will vote their shares in favour of any ordinary resolution if requested to do so by Sir David McMurtry and (ii) Sir David McMurtry will vote his shares against any special or extraordinary resolution if requested to do so by John Deer. The voting arrangement was renewed during the year 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 the directors and officers of the Company in respect of their acts and omissions during the performance of their duties.

SHARE CAPITAL

Details of the Company's share capital, including rights and obligations, is given in note 22 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 2013 financial year. However, the Company did not purchase any of its own shares during that time.

AUDITORS

The current auditors, KPMG Audit Plc, have instigated an orderly wind down of their business. The directors have decided to put KPMG LLP forward to be appointed as auditors of the Company and a resolution concerning their appointment will be proposed at the forthcoming AGM.

DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are 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 auditors are aware of that information.

ANNUAL GENERAL MEETING

The notice convening the AGM and an explanation of the resolutions sought are set out on pages 105 to 108. 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 below voting rights have been notified to the directors under the requirements of the UK Listing Authority's Disclosure Rules and Transparency Rules DTR 5, which represent 3% or more of the voting rights attached to issued shares in the Company, as at 30th June 2013.

	% 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
Montanaro Asset Management	3.03%	2,206,799
Standard Life Investments Limited	4.99%	3,631,612

One notification was received under the provisions of DTR 5 in the period 1st July 2013 to 24th July 2013 being a notification from Montanaro Asset Management of a reduction in voting rights to below 3%.

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 Business review.

CREDITOR PAYMENT POLICY

The Company does not follow a specific standard or code on payment practice but has a variety of payment terms based on the following:

- Contracts have been negotiated with a number of suppliers and payments are made in accordance with the terms of these contracts.
- Payment terms are disclosed on the Company's standard purchase order forms. The Company's policy is to ensure that all invoices are settled within 60 days of the receipt and agreement of a valid and complete invoice.

Two payment runs are made each month. Wherever possible, payments are made using the Bankers' Automated Clearing Service.

Typically, the Company settles all due invoices in the calendar month following their receipt. The number of days' purchasing outstanding at the end of June 2013 was approximately 30 days (2012 30 days).

OTHER STATUTORY AND REGULATORY DISCLOSURES CONTINUED

EMPLOYEES

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

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

Details on information provided to staff on the performance of the business, consultation with employees and performance incentives are contained in the description of corporate social responsibility activities set out on pages 34 to 44.

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

DONATIONS

During the year the Group made charitable donations of £83,000 (2012 £105,000). The Group organises its charitable donations by two methods: firstly, by allocating a fund of money to its Charities Committee; and secondly, through direct grants as decided by the Board. The Charities Committee meets at least four times a year to consider all applications for donations from local groups in the area. Its donations policy is to provide funds to local causes or local branches of national groups, with focus on youth projects. Further information is set out on page 39.

No political donations were made during the year (2012 £nil).

Signed on behalf of the Board

N Tang
Company Secretary

24th July 2013

Renishaw plc

Registered number 1106260,
England and Wales

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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 and applicable law (UK Generally Accepted Accounting Practice).

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 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.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

We confirm that to the best of our knowledge:

(a) the financial statements, prepared in accordance with the accounting standards referred to in the Statement of directors' responsibilities, 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

(b) the Business review 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.

On behalf of the Board

A C G Roberts FCA
Group Finance Director

24th July 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RENISHAW PLC

We have audited the financial statements of Renishaw plc for the year ended 30th June 2013 set out on pages 64 to 99. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of directors' responsibilities set out on page 61, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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.

OPINION ON FINANCIAL STATEMENTS

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 2013 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 51 to 55 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 53, in relation to going concern;
- the part of the corporate governance statement on pages 51 to 55 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Virginia Stevens
(Senior Statutory Auditor)

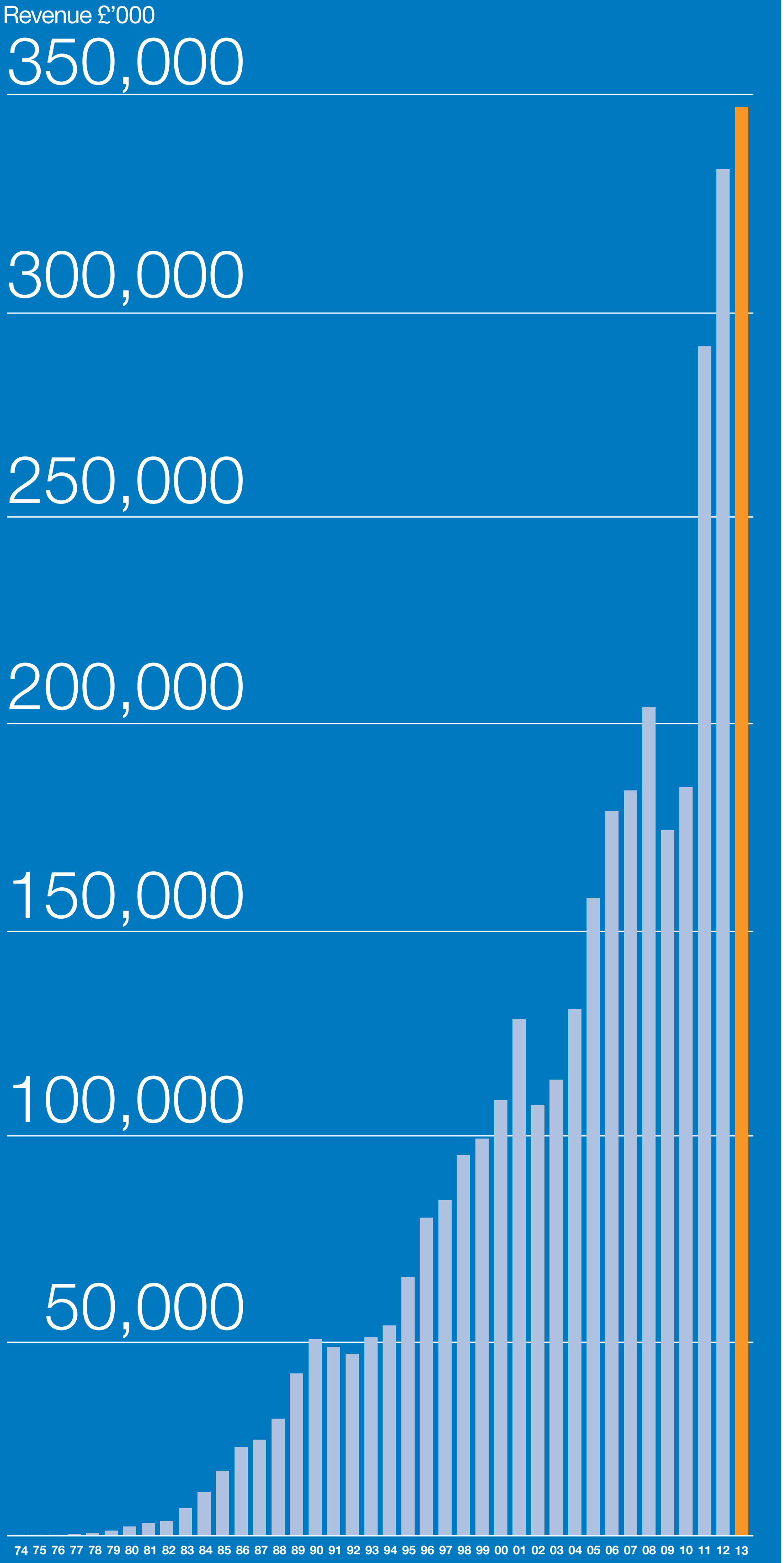
for and on behalf of KPMG Audit Plc,
Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

24th July 2013

FINANCIAL STATEMENTS

In 1974 we recorded an annual revenue of £11,500. 40 years on we have a revenue in excess of £340m. We have been listed on the London Stock Exchange for 30 years, another significant milestone. We are a constituent of the FTSE 250 and at the date of this report have a market capitalisation of around £1.1bn.

We have consistently posted dividends to our shareholders and this year we are paying a total dividend of 40.00p.



In this section

£ Financial statements

CONSOLIDATED INCOME STATEMENT

for the year ended 30th June 2013

from continuing operations	Notes	**2013 £'000**	2012 £'000
Revenue	2	**346,881**	331,892
Cost of sales		**(164,704)**	(154,996)
Gross profit		**182,177**	176,896
Distribution costs		**(69,386)**	(62,155)
Administrative expenses including exceptional items		**(30,817)**	(31,553)
Operating profit excluding exceptional item		**79,071**	83,188
Exceptional item: Gain on deferred consideration settlement	4	**2,903**	–
Operating profit		**81,974**	83,188
Financial income	5	**7,592**	8,979
Financial expenses	5	**(6,169)**	(6,811)
Share of profits of associates less related amortisation	12	**1,022**	690
Profit before tax	6	**84,419**	86,046
Income tax expense	7	**(15,594)**	(17,008)
Profit for the year from continuing operations		**68,825**	69,038
Profit attributable to:			
Equity shareholders of the parent company		**69,418**	69,555
Non-controlling interest	22	**(593)**	(517)
Profit for the year from continuing operations		**68,825**	69,038
		pence	pence
Dividend per share arising in respect of the year	22	**40.0**	38.5
Dividend per share paid in the year		**39.5**	35.0
Earnings per share (basic and diluted)	9	**95.4**	95.6

CONSOLIDATED BALANCE SHEET

at 30th June 2013

	Notes	**2013 £'000**	2012 £'000
Assets			
Property, plant and equipment	10	**117,926**	100,972
Intangible assets	11	**56,143**	54,407
Investments in associates	12	**7,403**	6,790
Deferred tax assets	14	**18,276**	17,777
Derivatives	15	**7,976**	3,532
Total non-current assets		**207,724**	183,478
Current assets			
Inventories	17	**65,268**	53,983
Trade receivables	23	**68,082**	83,407
Current tax		**1,160**	2,791
Other receivables		**10,871**	10,590
Derivatives	15	**3,583**	3,157
Pension scheme cash escrow account	16	**10,982**	11,523
Cash and cash equivalents	18,23	**26,605**	21,127
Total current assets		**186,551**	186,578
Current liabilities			
Trade payables		**18,481**	22,900
Current tax		**2,629**	5,662
Provisions	19	**1,630**	1,170
Derivatives	15	**2,018**	1,052
Other payables	20	**19,017**	25,596
Total current liabilities		**43,775**	56,380
Net current assets		**142,776**	130,198
Non-current liabilities			
Employee benefits	16	**41,718**	41,988
Deferred tax liabilities	14	**20,032**	19,492
Derivatives	15	**10,442**	2,313
Other payables	21	**1,589**	7,484
Total non-current liabilities		**73,781**	71,277
Total assets less total liabilities		**276,719**	242,399
Equity			
Share capital	22	**14,558**	14,558
Share premium		**42**	42
Currency translation reserve	22	**2,929**	2,583
Cash flow hedging reserve	22	**(694)**	2,526
Retained earnings		**261,607**	223,820
Other reserve		**(389)**	(389)
Equity attributable to the owners of the Company		**278,053**	243,140
Non-controlling interest	22	**(1,334)**	(741)
Total equity		**276,719**	242,399

These financial statements were approved by the Board of directors on 24th July 2013 and were signed on its behalf by:

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

£ Financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

for the year ended 30th June 2013

	Notes	**2013** **£'000**	2012 £'000
Profit for the year		**68,825**	69,038
Other items recognised directly in equity:			
Items that will not be reclassified to the Consolidated income statement:			
Foreign exchange translation differences		**346**	(1,779)
Actuarial loss in the pension schemes	16	**(3,183)**	(7,781)
Deferred tax on items that will not be reclassified		**427**	1,001
Relating to associates, net of tax		**(102)**	(1,229)
Total for items that will not be reclassified		**(2,512)**	(9,788)
Items that may be reclassified to the Consolidated income statement:			
Effective portion of changes in fair value of cash flow hedges, net of recycling	22	**(4,225)**	9,039
Deferred tax on items that may be reclassified		**1,005**	(2,398)
Total for items that may be reclassified		**(3,220)**	6,641
Total other comprehensive income and expense, net of tax		**(5,732)**	(3,147)
Total comprehensive income and expense for the year		**63,093**	65,891
Attributable to:			
Equity shareholders of the parent company		**63,686**	66,408
Non-controlling interest	22	**(593)**	(517)
Total comprehensive income and expense for the year		**63,093**	65,891

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2013

Year ended 30th June 2012	**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 2011	14,558	42	4,362	(4,115)	187,750	(389)	(490)	201,718
Profit/(loss) for the year	–	–	–	–	69,555	–	(517)	69,038
Other comprehensive income and expense								
Actuarial loss in the pension schemes (net of tax)	–	–	–	–	(6,780)	–	–	(6,780)
Foreign exchange translation differences	–	–	(1,779)	–	–	–	–	(1,779)
Changes in fair value of cash flow hedges (net of tax)	–	–	–	6,641	–	–	–	6,641
Relating to associates	–	–	–	–	(1,229)	–	–	(1,229)
Total other comprehensive income	–	–	(1,779)	6,641	(8,009)	–	–	(3,147)
Total comprehensive income	–	–	(1,779)	6,641	61,546	–	(517)	65,891
Acquisition of non-controlling interest	–	–	–	–	–	–	266	266
Dividends paid	–	–	–	–	(25,476)	–	–	(25,476)
Transactions with owners recorded directly in equity	–	–	–	–	(25,476)	–	266	(25,210)
Balance at 30th June 2012	14,558	42	2,583	2,526	223,820	(389)	(741)	242,399
Year ended 30th June 2013								
Profit/(loss) for the year	–	–	–	–	69,418	–	(593)	68,825
Other comprehensive income and expense								
Actuarial loss in the pension schemes (net of tax)	–	–	–	–	(2,756)	–	–	(2,756)
Foreign exchange translation differences	–	–	346	–	–	–	–	346
Changes in fair value of cash flow hedges (net of tax)	–	–	–	(3,220)	–	–	–	(3,220)
Relating to associates	–	–	–	–	(102)	–	–	(102)
Total other comprehensive income	–	–	346	(3,220)	(2,858)	–	–	(5,732)
Total comprehensive income	–	–	346	(3,220)	66,560	–	(593)	63,093
Transactions with owners recorded directly in equity – dividends paid	–	–	–	–	(28,773)	–	–	(28,773)
Balance at 30th June 2013	**14,558**	**42**	**2,929**	**(694)**	**261,607**	**(389)**	**(1,334)**	**276,719**

More details of share capital and reserves are given in note 22.

£ Financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 30th June 2013

	Notes	**2013 £'000**	2012 £'000
Cash flows from operating activities			
Profit for the year		**68,825**	69,038
Adjustments for:			
Amortisation of development costs	11	**7,558**	6,747
Amortisation of other intangibles	11,12	**3,280**	3,901
Depreciation	10	**10,293**	9,518
Profit on sale of property, plant and equipment		**(36)**	(94)
Share of profits from associates	12	**(1,345)**	(1,030)
Exceptional gain on deferred consideration settlement		**(2,903)**	–
Financial income	5	**(7,592)**	(8,979)
Financial expenses	5	**6,169**	6,811
Tax expense	7	**15,594**	17,008
		31,018	33,882
Increase in inventories		**(11,285)**	(4,006)
Decrease/(increase) in trade and other receivables		**15,339**	(24,704)
(Decrease)/increase in trade and other payables		**(6,562)**	7,919
Increase in provisions	19	**460**	400
		(2,048)	(20,391)
Defined benefit pension contributions		**(2,508)**	(1,359)
Income taxes paid		**(15,711)**	(14,079)
Cash flows from operating activities		**79,576**	67,091
Investing activities			
Purchase of property, plant and equipment	10	**(27,976)**	(30,328)
Development costs capitalised	11	**(10,615)**	(9,679)
Purchase of other intangibles		**(1,226)**	(1,123)
Investment in subsidiaries and associates		**–**	(2,611)
Payments in respect of deferred consideration		**(7,500)**	(2,746)
Sale of property, plant and equipment		**299**	414
Interest received	5	**1,009**	695
Dividends received from associates	12	**307**	108
Payments from/contributions to pension scheme escrow account (net)		**541**	(705)
Cash flows from investing activities		**(45,161)**	(45,975)
Financing activities			
Interest paid	5	**(259)**	(296)
Dividends paid	22	**(28,773)**	(25,476)
Cash flows from financing activities		**(29,032)**	(25,772)
Net increase/(decrease) in cash and cash equivalents		**5,383**	(4,656)
Cash and cash equivalents at the beginning of the year		**21,127**	23,733
Effect of exchange rate fluctuations on cash held		**95**	2,050
Cash and cash equivalents at the end of the year	18	**26,605**	21,127

NOTES (FORMING PART OF THE FINANCIAL STATEMENTS)

1. ACCOUNTING POLICIES

Basis of preparation

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

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

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

The accounting policies set out below have, 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 2012 and 2013 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) 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 11).

(ii) 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 16.

(iii) 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.

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

Pension 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.

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.

NOTES CONTINUED

1. ACCOUNTING POLICIES continued

New, revised or changes to existing accounting standards
The following adopted IFRS has been issued but has not been applied by the Group in these financial statements. Its adoption is expected to have an effect on the financial statements as indicated below.

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

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

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

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

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

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

The amended standard is required to be applied retrospectively. Had the standard been applied to the 2013 results, the currently quantifiable effect (items (i) to (iii) above) is that profit for the year would have been approximately £2.3m lower, with a compensating credit in other comprehensive income.

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

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

Revenue
Revenue from the sale of goods is recognised in the Consolidated income statement when the significant risks and rewards of ownership have been transferred to the buyer, which is the time of despatch. Where certain products require installation, part of the revenue may be deferred until the installation is complete.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, or the possible return of goods.

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

Gains and losses arising on currency borrowings used to hedge the foreign currency exposure on the net assets of the foreign operations are accounted for directly in equity, to the extent that hedge accounting criteria are met and are included in the Consolidated statement of comprehensive income and expense.

See the note on derivative financial instruments below, for the accounting policies for forward exchange contracts and currency borrowings.

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

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

1. ACCOUNTING POLICIES continued

Goodwill and other intangible assets

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

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

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

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

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

Intangible assets such as customer lists, patents, trade marks, know-how and intellectual property that are acquired by the Group are stated at cost less amortisation and impairment losses. Amortisation is charged to the Consolidated income statement on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful lives of the intangible assets included in the Consolidated balance sheet reflect the benefit derived by the Group and vary from 5 to 10 years.

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

Intangible assets – research and development costs

Expenditure on research activities is recognised in the Consolidated income statement as an expense as incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Consolidated income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Intangible assets – software licences

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

Property, plant and equipment

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

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

Warranty provisions

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

Employee benefits

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

The schemes are administered by trustees who are independent of the group finances. Pension scheme assets of the defined benefit schemes are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The expected return on the schemes' assets and the interest on the schemes' liabilities arising from the passage of time are included in financial income and financial expenses respectively. The Group recognises actuarial gains and losses in full in the Consolidated statement of comprehensive income and expense.

NOTES CONTINUED

1. ACCOUNTING POLICIES continued

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.

Cash and cash equivalents

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

Dividends

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

Taxation

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

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

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

Exceptional items

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business review, where also given are details of the financial and liquidity positions. In addition, note 23 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.

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 2013	**Metrology £'000**	**Healthcare £'000**	**Total £'000**
Revenue	**317,857**	**29,024**	**346,881**
Depreciation and amortisation	**17,776**	**3,355**	**21,131**
Operating profit/(loss) before exceptional item	**84,528**	**(5,457)**	**79,071**
Share of profits from associates	**1,022**	**–**	**1,022**
Exceptional gain on deferred consideration settlement	**2,903**	**–**	**2,903**
Net financial income	**–**	**–**	**1,423**
Profit before tax	**–**	**–**	**84,419**

Year ended 30th June 2012	Metrology £'000	Healthcare £'000	Total £'000
Revenue	305,832	26,060	331,892
Depreciation and amortisation	16,360	3,806	20,166
Operating profit/(loss)	91,845	(8,657)	83,188
Share of profits from associates	690	–	690
Net financial income	–	–	2,168
Profit before tax	–	–	86,046

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:

	2013 £'000	2012 £'000
Far East, including Australasia	**138,806**	130,169
Continental Europe	**96,003**	95,702
North, South and Central America	**79,220**	76,841
UK and Ireland	**20,668**	18,885
Other regions	**12,184**	10,295
Total group revenue	**346,881**	331,892

Revenue in the above table has been allocated to regions based on the geographical location of the customer. Individual countries which comprised more than 10% of group revenue were:

	2013 £'000	2012 £'000
China	**75,228**	65,166
USA	**66,426**	64,581
Germany	**41,085**	42,539
Japan	**35,655**	38,496

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

NOTES CONTINUED

2. SEGMENTAL ANALYSIS continued

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

	2013 **£'000**	2012 £'000
United Kingdom	**128,875**	114,329
Overseas	**52,597**	47,840
Total non-current assets	**181,472**	162,169

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:

	2013 **£'000**	2012 £'000
Wages and salaries	**112,675**	100,468
Compulsory social security contributions	**13,305**	12,121
Contributions to defined contribution plans	**11,273**	9,674
Total payroll costs	**137,253**	122,263

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

	2013 **Number**	2012 Number
UK (including Ireland)	**2,140**	1,926
Overseas	**952**	839
Average number of employees	**3,092**	2,765

4. EXCEPTIONAL ITEM

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

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

The Group had applied the anticipated-acquisition method to this transaction, and an estimate of the outstanding purchase price, based on MDL's three-year forecast, was provided within the financial statements as deferred contingent consideration. This consideration totalled £7,403,000 in November 2012 (June 2012 £7,200,000) and the subsequent re-measurement resulted in an exceptional gain of £2,903,000 recognised in the Consolidated income statement.

5. FINANCIAL INCOME AND EXPENSES

Financial income	**2013** **£'000**	2012 £'000
Expected return on assets in the pension schemes (note 16)	**6,583**	8,284
Bank interest receivable	**1,009**	695
Total financial income	**7,592**	8,979

Financial expenses	**2013** **£'000**	2012 £'000
Interest on pension schemes' liabilities (note 16)	**5,638**	6,186
Bank interest payable	**259**	296
Unwinding of deferred acquisition cost interest	**272**	329
Total financial expenses	**6,169**	6,811

6. PROFIT BEFORE TAX

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

	Notes	2013 £'000	2012 £'000
Depreciation of property, plant and equipment	(a)	**10,293**	9,518
Amortisation of intangibles	(a)	**10,838**	10,648
Research and development expenditure	(b)	**33,898**	33,278
Profit on sale of property, plant and equipment	(c)	**(36)**	(94)
Foreign currency (gains)/losses	(c)	**(76)**	183
Auditors:			
Audit of these financial statements	(c)	**99**	96
Audit of subsidiary undertakings pursuant to legislation	(c)	**178**	189
Audit assurance	(c)	**10**	10
Tax compliance	(c)	**107**	111
Tax advisory	(c)	**78**	64
Other assurance services	(c)	**73**	33
Corporate finance services	(c)	**98**	–
Other services	(c)	**85**	88

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.

7. INCOME TAX EXPENSE

	2013 £'000	2012 £'000
Current tax:		
UK corporation tax on profits for the year	**4,876**	7,906
Overseas tax on profits for the year	**9,245**	5,049
Total current tax	**14,121**	12,955
Deferred tax:		
Origination and reversal of other temporary differences	**2,084**	4,982
Effect on deferred tax for change in UK tax rate to 23% (2012 24%)	**(611)**	(929)
	1,473	4,053
Tax charge on profit	**15,594**	17,008
Effective tax rate (based on profit before tax)	**18.5%**	19.8%

£ Financial statements

NOTES CONTINUED

7. INCOME TAX EXPENSE continued

The tax for the year is lower (2012 lower) than the weighted average of the UK standard rate of corporation tax of 23.75% (2012 25.5%). The differences are explained as follows:

	2013 £'000	2012 £'000
Profit before tax	**84,419**	86,046
Tax at 23.75% (2012 25.5%)	**20,049**	21,942
Effects of:		
Different tax rates applicable in overseas subsidiaries	**(2,082)**	(3,776)
Research and development tax credit and patent box	**(1,942)**	(1,342)
Expenses not deductible for tax purposes	**558**	312
Companies with unrelieved tax losses	**469**	527
Items with no tax effect	**(932)**	–
Effect on deferred tax for change in UK tax rate to 23% (2012 24%)	**(611)**	(929)
Other differences	**85**	274
Tax charge on profit	**15,594**	17,008

At 30th June 2013 the reduction to 23% effective 1st April 2013 had been substantively enacted and further reductions to 21% from 1st April 2014 and 20% from 1st April 2015 had been proposed. These latter reductions were substantively enacted on 3rd July 2013. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax liability accordingly.

8. DIRECTORS' REMUNERATION

The key management personnel are considered to be the Board of directors.

The total remuneration of the directors was:

	2013 £'000	2012 £'000
Salary and fees	**2,201**	2,082
Bonus	**208**	1,353
Benefits	**75**	70
Pension contributions	**169**	162
Total remuneration of the directors	**2,653**	3,667

8. DIRECTORS' REMUNERATION continued

	2013					2012				
	Salary and fees £'000	**Bonus £'000**	**Benefits £'000**	**Pension contributions* £'000**	**Total £'000**	Salary and fees £'000	Bonus £'000	Benefits £'000	Pension contributions* £'000	Total £'000
Chairman										
Sir David McMurtry	600	61	2	–	663	572	395	2	–	969
Other executive directors										
D J Deer	362	37	18	–	417	346	238	23	–	607
B R Taylor	418	42	19	63	542	397	274	15	60	746
A C G Roberts	340	34	19	51	444	323	223	15	48	609
G McFarland	340	34	17	55	446	323	223	15	54	615
Non-executive										
T D Snowden**	12	–	–	–	12	38	–	–	–	38
T B Garthwaite**	12	–	–	–	12	38	–	–	–	38
W H Whiteley	40	–	–	–	40	38	–	–	–	38
D Grant**	40	–	–	–	40	7	–	–	–	7
C T Chesney**	28	–	–	–	28	–	–	–	–	–
D J Jeans**	9	–	–	–	9	–	–	–	–	–
	2,201	208	75	169	2,653	2,082	1,353	70	162	3,667

* As noted in the Directors' remuneration report, certain directors are entitled to a contribution of 15% of salary for retirement provision. This can either be taken as a contribution to a pension scheme or as cash.

** D Grant was appointed a director on 25th April 2012, C T Chesney was appointed a director on 19th October 2012 and D J Jeans was appointed a director on 11th April 2013. T D Snowden and T B Garthwaite retired from the Board on 18th October 2012.

Benefits include company cars (or cash alternative), private telephone and private health insurance. There were no directors' share options outstanding at any time during the year or the previous year.

For the pension contributions above not taken as cash, the contributions have been paid by the Company to the personal pension plans of the directors for the relevant periods, except for G McFarland, where the amounts paid are those to the Company's defined contribution scheme, in which he participates. The values required to be reported in respect of the defined benefit scheme for G McFarland were:

Year ended 30th June 2013

AB* at 30th June 2013 £p.a.	Increase in AB excluding inflation (A) £	Increase in AB including inflation £	Transfer value of (A) less director's contribution £	Transfer value of AB at 30th June 2012 £	Transfer value of AB at 30th June 2013 £	Change in transfer value less director's contribution £
27,540	–	586	–	354,635	422,640	68,005

Year ended 30th June 2012

AB* at 30th June 2012 £ p.a.	Increase in AB excluding inflation (A) £	Increase in AB including inflation £	Transfer value of (A) less director's contribution £	Transfer value of AB at 30th June 2011 £	Transfer value of AB at 30th June 2012 £	Change in transfer value less director's contribution £
26,954	–	1,337	–	331,450	354,635	23,185

* AB = Accrued benefits.

9. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated on earnings after tax of £69,418,000 (2012 £69,555,000) 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 2013 excludes the exceptional item.

10. PROPERTY, PLANT AND EQUIPMENT

Year ended 30th June 2013	**Freehold land and buildings £'000**	**Plant and equipment £'000**	**Motor vehicles £'000**	**Assets in the course of construction £'000**	**Total £'000**
Cost					
At 1st July 2012	**85,854**	**96,615**	**7,056**	**3,996**	**193,521**
Additions	**5,690**	**12,696**	**1,280**	**8,310**	**27,976**
Transfers	**1,742**	**5,260**	**–**	**(7,002)**	**–**
Disposals	**–**	**(805)**	**(706)**	**–**	**(1,511)**
Currency adjustment	**(604)**	**685**	**79**	**–**	**160**
At 30th June 2013	**92,682**	**114,451**	**7,709**	**5,304**	**220,146**
Depreciation					
At 1st July 2012	**18,738**	**69,580**	**4,231**	**–**	**92,549**
Charge for the year	**1,762**	**7,544**	**987**	**–**	**10,293**
Released on disposals	**–**	**(741)**	**(507)**	**–**	**(1,248)**
Currency adjustment	**142**	**442**	**42**	**–**	**626**
At 30th June 2013	**20,642**	**76,825**	**4,753**	**–**	**102,220**
Net book value					
At 30th June 2013	**72,040**	**37,626**	**2,956**	**5,304**	**117,926**
At 30th June 2012	67,116	27,035	2,825	3,996	100,972

At 30th June 2013, properties with a net book value of £25,825,000 (2012 £25,625,000) were subject to a registered charge to secure the UK defined benefit pension scheme liabilities.

Additions to assets in the course of construction of £8,310,000 (2012 £19,437,000) comprise £1,208,000 (2012 £8,285,000) for freehold land and buildings and £7,102,000 (2012 £11,152,000) for plant and equipment.

Year ended 30th June 2012	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 2011	74,940	84,065	6,516	4,838	170,359
Additions	5,396	3,973	1,522	19,437	30,328
Acquired through business combinations	–	689	127	–	816
Transfers	7,961	12,318	–	(20,279)	–
Disposals	–	(2,456)	(749)	–	(3,205)
Currency adjustment	(2,443)	(1,974)	(360)	–	(4,777)
At 30th June 2012	85,854	96,615	7,056	3,996	193,521
Depreciation					
At 1st July 2011	17,736	66,143	4,136	–	88,015
Charge for the year	1,747	6,844	927	–	9,518
Released on disposals	–	(2,252)	(633)	–	(2,885)
Currency adjustment	(745)	(1,155)	(199)	–	(2,099)
At 30th June 2012	18,738	69,580	4,231	–	92,549
Net book value					
At 30th June 2012	67,116	27,035	2,825	3,996	100,972
At 30th June 2011	57,204	17,922	2,380	4,838	82,344

11. INTANGIBLE ASSETS

Year ended 30th June 2013	Goodwill on consolidation £'000	Other intangible assets £'000	Internally generated development costs £'000	Software licences In use £'000	Software licences In the course of acquisition £'000	Total £'000
Cost						
At 1st July 2012	**19,414**	**10,347**	**55,743**	**19,652**	**31**	**105,187**
Additions	**403**	**373**	**10,615**	**449**	**1**	**11,841**
Transfers	**–**	**–**	**–**	**32**	**(32)**	**–**
Currency adjustment	**365**	**48**	**–**	**19**	**–**	**432**
At 30th June 2013	**20,182**	**10,768**	**66,358**	**20,152**	**–**	**117,460**
Amortisation						
At 1st July 2012	**198**	**5,907**	**34,468**	**10,207**	**–**	**50,780**
Charge for the year	**–**	**1,347**	**7,558**	**1,610**	**–**	**10,515**
Currency adjustment	**–**	**5**	**–**	**17**	**–**	**22**
At 30th June 2013	**198**	**7,259**	**42,026**	**11,834**	**–**	**61,317**
Net book value						
At 30th June 2013	**19,984**	**3,509**	**24,332**	**8,318**	**–**	**56,143**
At 30th June 2012	19,216	4,440	21,275	9,445	31	54,407

Year ended 30th June 2012	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 2011	12,694	10,219	46,064	18,516	87	87,580
Additions	–	25	9,679	679	419	10,802
Acquired through acquisitions	7,069	43	–	–	–	7,112
Transfers	–	–	–	475	(475)	–
Currency adjustment	(349)	60	–	(18)	–	(307)
At 30th June 2012	19,414	10,347	55,743	19,652	31	105,187
Amortisation						
At 1st July 2011	–	4,149	27,721	8,615	–	40,485
Charge for the year	198	1,758	6,747	1,605	–	10,308
Currency adjustment	–	–	–	(13)	–	(13)
At 30th June 2012	198	5,907	34,468	10,207	–	50,780
Net book value						
At 30th June 2012	19,216	4,440	21,275	9,445	31	54,407
At 30th June 2011	12,694	6,070	18,343	9,901	87	47,095

NOTES CONTINUED

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

The analysis of acquired goodwill on consolidation is:

	2013 **£'000**	2012 £'000
itp GmbH	**2,960**	2,886
Renishaw Diagnostics Limited (92.4%)	**1,784**	1,784
Renishaw Mayfield S.A. (75%)	**1,569**	1,559
Measurement Devices Limited	**6,661**	6,661
Renishaw Software Limited	**1,559**	1,559
R&R Fixtures, LLC	**4,556**	4,275
Other smaller acquisitions	**895**	492
Total acquired goodwill	**19,984**	19,216

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 (part of the metrology reportable segment) – actual operating results and an average growth rate of 5% for five years with a nil growth rate to perpetuity (2012 same basis).
- Renishaw Diagnostics Limited, Renishaw Mayfield S.A. (both in the healthcare reportable segment), Measurement Devices Limited and R&R Fixtures, LLC (both in the metrology reportable segment) – five-year business plans with a nil growth rate to perpetuity (2012 same basis where applicable).

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 11% to 28%, except for Renishaw Diagnostics Limited, which is in its research and development phase and thus has negligible revenue to date.

A pre-tax discount rate of 12% has been used in discounting the projected cash flows of itp GmbH, Measurement Devices Limited and R&R Fixtures, LLC (2012 12%). A pre-tax discount rate of 15% has been used for Renishaw Diagnostics Limited and Renishaw Mayfield S.A. (2012 15%). These have been set on the basis of them being appropriate rates for a market participant. On this basis, no impairment write-downs are required.

There is significant headroom in all the above and for an impairment to arise, there would need to be a significant material deterioration in business; this is considered to be remote. An increase of 5% in the discount rate would not result in an impairment. For goodwill to be impaired in the CGU with the minimum headroom, the discount rate would have to increase to 30%.

12. INVESTMENTS IN ASSOCIATES

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

	Country of incorporation	**Ownership** **2013** **%**	Ownership 2012 %
RLS merilna tehnika d.o.o.	Slovenia	**50**	50
Metrology Software Products Limited	England & Wales	**50**	50
Delcam plc (31st December)	England & Wales	**20**	20

Delcam plc is listed on AIM at the London Stock Exchange. Its share price on 30th June 2013 was £13.45 (2012 £7.525). The Company holds 1,543,032 shares (2012 1,543,032). Equity accounting has been applied in the Group's results based on Delcam plc's management accounts to 30th June 2013.

12. INVESTMENTS IN ASSOCIATES continued

Movements during the year were:

	2013 £'000	2012 £'000
Balance at the beginning of the year	**6,790**	7,437
Dividends received	**(307)**	(108)
Share of profits of associates	**1,345**	1,030
Amortisation of intangibles	**(323)**	(340)
Other comprehensive income and expense	**(102)**	(1,229)
Balance at the end of the year	**7,403**	6,790

Summarised aggregated financial information for associates:

	2013 £'000	2012 £'000
Revenue	**13,545**	12,287
Share of profits for the year	**1,345**	1,030
Assets	**11,882**	10,771
Liabilities	**5,976**	6,161

13. ACQUISITIONS

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

Year ended 30th June 2012

Thomas Engineering and Construction Limited
On 3rd February 2012 the Group acquired a 100% shareholding in Thomas Engineering and Construction Limited ("TEC") for the sum of £0.7m, of which £0.2m was paid at the date of acquisition and the balance is payable over the following two years. Prior to acquisition, the company had been a supplier in Canada of products manufactured by Measurement Devices Limited, a subsidiary undertaking of Renishaw plc. Further payments may be payable subject to the future profitability of the acquired company, although the amount is not material.

The fair values of assets acquired were £659,000. Included in the fair value of assets are acquired intangible assets, which comprise customer relationships and customer list. Acquisition costs were £15,000 and are included in administrative expenses.

Of the total consideration, £211,000 was paid in cash and £448,000 has been accounted for as deferred contingent consideration and is shown within other payables (£203,000 within one year and £245,000 beyond one year).

R&R Fixtures, LLC (formerly R&R Sales, LLC)
On 26th April 2012 the Group acquired a 100% shareholding in R&R Fixtures, LLC, ("R&R") for the sum of £2,609,000. There may be additional payments in respect of the shares acquired based on the earnings of R&R over the five-year period to 31st December 2016. An estimate of the outstanding purchase price, based on R&R's five-year forecast, but which will be between £nil and £5.9m, is provided for within the financial statements. R&R is a US-based supplier of fixtures for the global measurement and inspection market.

The fair values of assets acquired, which were not considered to be materially different from their book values, were:

	Fair value £'000
Tangible fixed assets	504
Inventories	119
Receivables and prepayments	227
Cash	77
Creditors	(504)
Fair value of assets acquired	423
Goodwill	4,275
Total consideration	4,698

Of the total consideration, £2,609,000 was paid in cash and £2,089,000 has been accounted for as deferred contingent consideration and is shown within other payables (£151,000 within one year and £1,938,000 beyond one year).

NOTES CONTINUED

13. ACQUISITIONS continued

Goodwill exists due to the potential future opportunities from combining this business with the Group's Equator product range. The Group's investment in R&R will enable R&R to expand further on a global basis and benefit from Renishaw's worldwide distribution network and manufacturing expertise. Acquisition costs were £64,000 and are included in administrative expenses.

TEC's and R&R's contribution to the consolidated profit before tax since acquisition and their historical trading results for their previous full year were:

	TEC		R&R	
	Period to 30th June 2012 £'000	Year to 29th February 2012 £'000	**Period to 30th June 2012 £'000**	Year to 31st December 2011 £'000
Revenue	**501**	1,407	**313**	1,701
Expenses	**(427)**	(1,296)	**(303)**	(1,188)
Profit before tax	**74**	111	**10**	513

If TEC and R&R had been within the Group for the full year, their contribution to the Group's revenue would have been £3,110,000 and their contribution to the Group's profit before tax would have been a profit of £536,000.

14. DEFERRED TAX ASSETS AND LIABILITIES

Balances at the end of the year were:

	2013			2012		
	Assets £'000	**Liabilities £'000**	**Net £'000**	Assets £'000	Liabilities £'000	Net £'000
Property, plant and equipment	**–**	**(4,678)**	**(4,678)**	–	(4,561)	(4,561)
Intangible assets	**–**	**(8,445)**	**(8,445)**	–	(7,630)	(7,630)
Intragroup trading (inventory)	**8,415**	**–**	**8,415**	7,261	–	7,261
Pension schemes	**8,973**	**–**	**8,973**	9,519	–	9,519
Other	**888**	**(6,909)**	**(6,021)**	997	(7,301)	(6,304)
Balance at the end of the year	**18,276**	**(20,032)**	**(1,756)**	17,777	(19,492)	(1,715)

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

	2013 £'000	2012 £'000
Balance at the beginning of the year	**(1,715)**	6,539
Movements in the Consolidated income statement	**(1,473)**	(4,053)
Intangibles assets acquired	**–**	(2,804)
Movement in relation to the cash flow hedging reserve	**1,005**	(2,398)
Movement in relation to the pension schemes	**427**	1,001
Total movement in the Consolidated statement of comprehensive income and expense	**1,432**	(1,397)
Balance at the end of the year	**(1,756)**	(1,715)

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

	2013 £'000	2012 £'000
Property, plant and equipment	**(117)**	67
Intangible assets	**(815)**	503
Intragroup trading (inventory)	**1,154**	(1,429)
Pension schemes	**(974)**	(875)
Other	**(721)**	(2,319)
Total movement for the year	**(1,473)**	(4,053)

No deferred tax asset has been recognised in respect of tax losses carried forward of £10,113,000 (2012 £8,104,000) due to the uncertainty over their recoverability, as a significant proportion may only be carried forward for a limited period of time.

15. DERIVATIVES

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

	2013 £'000	2012 £'000
Non-current assets	**7,976**	3,532
Current assets	**3,583**	3,157
Total of derivatives with positive fair values	**11,559**	6,689

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

	2013 £'000	2012 £'000
Non-current liabilities	**10,442**	2,313
Current liabilities	**2,018**	1,052
Total of derivatives with negative fair values	**12,460**	3,365

16. 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. This year, the Board decided that for the USA defined benefit pension scheme, whilst the net financial position of the scheme is not material, the gross asset and liability amounts have become more material in relation to the Consolidated balance sheet and so have now been included.

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 £11,273,000 (2012 £9,674,000), of which £169,000 (2012 £162,000) related to directors and £4,482,000 (2012 £3,059,000) related to overseas schemes.

The latest full actuarial valuation of the UK defined benefit scheme was carried out at September 2009 and updated to 30th June 2013 by a qualified independent actuary. The mortality assumption used for 2013 is PCA00, year of birth, medium cohort, which reflects increasing life expectancy.

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

	30th June 2013		30th June 2012		30th June 2011	
	UK scheme	**Ireland scheme**	UK scheme	Ireland scheme	UK scheme	Ireland scheme
Rate of increase in pension payments	**3.5%**	**2.5%**	2.7%	1.7%	3.4%	2.4%
Discount rate	**4.8%**	**3.6%**	4.3%	3.4%	5.5%	4.9%
Inflation rate (RPI)	**3.7%**	**2.5%**	2.7%	1.7%	3.6%	2.4%
Inflation rate (CPI)	**2.7%**	**–**	1.7%	–	2.9%	–
Expected return on equities	**7.3%**	**5.5%**	6.7%	5.8%	8.3%	7.5%
Retirement age	**64**	**65**	64	65	64	65

The assets and liabilities in the defined benefit schemes were:

	30th June 2013 £'000	% of total assets	30th June 2012 £'000	% of total assets	30th June 2011 £'000	% of total assets	30th June 2010 £'000	% of total assets	30th June 2009 £'000	% of total assets
Market value of assets:										
Equities	**117,114**	99	93,827	99	99,365	98	81,737	98	68,538	98
Bonds and cash	**1,653**	1	1,409	1	1,684	2	1,447	2	1,630	2
	118,767	100	95,236	100	101,049	100	83,184	100	70,168	100
Actuarial value of liabilities	**(160,485)**	–	(137,224)	–	(138,713)	–	(120,435)	–	(92,626)	–
Deficit in the schemes	**(41,718)**	–	(41,988)	–	(37,664)	–	(37,251)	–	(22,458)	–
Deferred tax thereon	**8,973**	–	9,519	–	9,393	–	9,694	–	5,701	–

16. EMPLOYEE BENEFITS continued

Note C.36 gives the analysis of the UK defined benefit pension scheme. For the other schemes, the market value of assets at the end of the year was £12,349,000 (2012 £5,429,000) and the actuarial value of liabilities was £17,500,000 (2012 £10,278,000). The expected rates of return are based on market conditions at 30th June 2013 and represent the best estimate of future returns, allowing for risk premiums where appropriate.

For a sensitivity analysis of certain elements of the UK defined benefit pension scheme, see the note in the financial review section of the Business review. 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 2013	**Assets £'000**	**Liabilities £'000**	**Total £'000**
Balance at the beginning of the year	**95,236**	**(137,224)**	**(41,988)**
Contributions paid	**2,508**	**–**	**2,508**
Expected return on pension schemes' assets	**6,583**	**–**	**6,583**
Interest on pension schemes' liabilities	**–**	**(5,638)**	**(5,638)**
Opening amounts for USA scheme	**4,763**	**(5,831)**	**(1,068)**
Actuarial gain/(loss)	**11,459**	**(13,574)**	**(2,115)**
Benefits received/(paid)	**(1,782)**	**1,782**	**–**
Balance at the end of the year	**118,767**	**(160,485)**	**(41,718)**

Year ended 30th June 2012	Assets £'000	Liabilities £'000	Total £'000
Balance at the beginning of the year	101,049	(138,713)	(37,664)
Contributions paid	1,359	–	1,359
Expected return on pension schemes' assets	8,284	–	8,284
Interest on pension schemes' liabilities	–	(6,186)	(6,186)
Actuarial gain/(loss)	(13,868)	6,087	(7,781)
Benefits received/(paid)	(1,588)	1,588	–
Balance at the end of the year	95,236	(137,224)	(41,988)

The income/(expense) recognised in the Consolidated income statement was:

	2013 £'000	2012 £'000
Expected return on pension schemes' assets	**6,583**	8,284
Interest on pension schemes' liabilities	**(5,638)**	(6,186)
Total income recognised in the Consolidated income statement	**945**	2,098

The expected return on pension schemes' assets and the interest on pension schemes' liabilities are recognised within financial income and financial expenses respectively.

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

	2013 £'000	2012 £'000
Actual return less expected return on scheme assets	**11,167**	(13,266)
Experience gain/(loss) arising on scheme liabilities	**1,117**	–
Changes in financial assumptions	**(13,799)**	(8,515)
Adjustment to liabilities for IFRIC 14	**(600)**	14,000
Total amount in respect of the current year	**(2,115)**	(7,781)
Inclusion of the USA scheme opening balance	**(1,068)**	–
Total amount recognised in the Consolidated statement of comprehensive income and expense	**(3,183)**	(7,781)

16. EMPLOYEE BENEFITS continued

The history of experience gains and losses is:

	Year ended 30th June 2013	Year ended 30th June 2012	Year ended 30th June 2011	Year ended 30th June 2010	Year ended 30th June 2009
Difference between the expected and actual return on scheme assets					
amount (£'000)	**11,167**	(13,266)	11,773	9,920	(21,601)
percentage of scheme assets	**9%**	(14%)	12%	12%	(31%)
Experience gains and losses on scheme liabilities					
amount (£'000)	**1,117**	–	(1,521)	915	(3,954)
percentage of present value of scheme liabilities	**1%**	–	(1%)	1%	(4%)
Total amount recognised in the Consolidated statement of comprehensive income and expense					
amount (£'000)	**(3,183)**	(7,781)	(1,577)	(14,867)	(13,032)
percentage of present value of scheme liabilities	**(2%)**	(6%)	(1%)	(12%)	(14%)

The cumulative amount of actuarial gains and losses recognised in the Consolidated statement of comprehensive income and expense was a loss of £78,846,000 (2012 loss of £76,731,000).

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

	2013 years	2012 years
Male currently aged 65	**22.0**	21.8
Female currently aged 65	**24.2**	24.1
Male currently aged 45	**23.1**	22.9
Female currently aged 45	**25.1**	25.0

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, into which it has paid £11,400,000 in 2011 and into which it was obliged to pay approximately £158,000 per month until September 2012. This account is subject to a registered floating charge to secure the UK defined benefit pension scheme liabilities. The balance of this account was £10,982,000 at the end of the year (2012 £11,523,000).

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 £42,540,000 if an insolvency event occurs in relation to the Company before 1st November 2016 or if the Company has not made good any deficit up to £42,540,000 by midnight on 1st November 2016. No scheme assets are invested in the Group's own equity.

The value of the guarantee discussed above is greater than the value of the pension scheme's deficit. As such, in line with IFRIC 14, the UK defined benefit pension scheme's liabilities have been increased by £10,300,000, to represent the maximum discounted liability as at 30th June 2013 (30th June 2012 £9,700,000).

17. INVENTORIES

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

	2013 £'000	2012 £'000
Raw materials	**25,067**	25,758
Work in progress	**15,415**	11,511
Finished goods	**24,786**	16,714
Balance at the end of the year	**65,268**	53,983

During the year, the amount of inventories recognised as an expense in the Consolidated income statement was £104,881,000 (2012 £99,211,000) and the amount of write-down of inventories recognised as an expense in the Consolidated income statement was £397,000 (2012 £567,000).

£ Financial statements

NOTES CONTINUED

18. CASH AND CASH EQUIVALENTS

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

	2013 **£'000**	2012 £'000
Bank balances and cash in hand	**13,641**	10,118
Short-term deposits	**12,964**	11,009
Balance at the end of the year	**26,605**	21,127

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

19. PROVISIONS

Warranty provision

Movements during the year were:

	2013 **£'000**	2012 £'000
Balance at the beginning of the year	**1,170**	770
Created during the year	**826**	526
Utilised in the year	**(366)**	(126)
	460	400
Balance at the end of the year	**1,630**	1,170

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.

20. OTHER PAYABLES

Balances at the end of the year were:

	2013 **£'000**	2012 £'000
Payroll taxes and social security	**3,712**	3,965
Other creditors and accruals	**15,305**	21,631
Total other payables	**19,017**	25,596

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23. Included in other creditors and accruals is £988,000 (2012 £5,432,000) in respect of deferred consideration. The amount in 2012 included £1,896,000 for Measurement Devices Limited and £3,000,000 for Renishaw Software Limited.

21. OTHER PAYABLES (NON-CURRENT)

The deferred consideration of £1,589,000 is in respect of the investment in R&R Fixtures, LLC, which is payable over the next four years (2012 £1,938,000).

The previous year also included £5,301,000 in respect of the investment in Measurement Devices Limited, which has now been fully settled by the early purchase of the remaining shares and £245,000 in respect of the investment in Thomas Engineering and Construction Limited, which is now classified as a current payable.

22. CAPITAL AND RESERVES

Share capital

	2013 £'000	2012 £'000
Allotted, called-up and fully paid		
72,788,543 ordinary shares of 20p each	**14,558**	14,558

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

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the foreign operations, offset by foreign exchange differences on bank liabilities which have been accounted for directly in equity on account of them being classified as hedging items. The movement in the year of a gain of £346,000 (2012 loss £1,779,000) comprises a gain on the net assets of foreign currency operations of £193,000 (2012 loss £3,829,000) and a gain on foreign currency bank accounts of £153,000 (2012 gain £2,050,000).

Cash flow hedging reserve

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

Movements during the year were:

	2013 £'000	2012 £'000
Balance at the beginning of the year	**2,526**	(4,115)
Amounts transferred to the Consolidated income statement (within Revenue)	**(2,106)**	3,835
Revaluations during the year	**(2,119)**	5,204
Deferred tax movement	**1,005**	(2,398)
Balance at the end of the year	**(694)**	2,526

Dividends paid

Dividends paid comprised:

	2013 £'000	2012 £'000
2012 final dividend paid of 28.2p per share (2011 24.7p)	**20,526**	17,979
Interim dividend paid of 11.33p per share (2012 10.3p)	**8,247**	7,497
Total dividends paid	**28,773**	25,476

A final dividend in respect of the current financial year of £20,868,475 (2012 £20,526,369), at the rate of 28.67p net per share (2012 28.2p) is proposed, to be paid on 21st October 2013 to shareholders on the register on 20th September 2013, with an ex-dividend date of 18th September 2013.

Non-controlling interest

Movements during the year were:

	2013 £'000	2012 £'000
Balance at the beginning of the year	**(741)**	(490)
Share of investments	**–**	266
Share of loss for the year	**(593)**	(517)
Balance at the end of the year	**(1,334)**	(741)

The non-controlling interest represents the minority shareholdings in Renishaw Diagnostics Limited – 7.6%, Renishaw Mayfield S.A. – 25% and Renishaw Advanced Materials Limited – 45%.

23. 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 Group financial assets at the year end is as follows:

	Trade receivables		Other receivables		Cash	
Currency	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
Pound Sterling	**7,639**	7,374	**7,566**	7,493	**11,187**	7,512
US Dollar	**22,408**	35,908	**305**	327	**4,174**	2,744
Japanese Yen	**6,403**	8,142	**11,510**	1,548	**1,319**	2,337
Euro	**18,277**	17,852	**1,428**	6,397	**3,141**	866
Other	**13,355**	14,131	**1,621**	1,514	**6,784**	7,668
	68,082	83,407	**22,430**	17,279	**26,605**	21,127

The above trade receivables, other receivables and cash are predominately held in the functional currency of the relevant entity, with the exception of £2,400,000 of Euro-denominated trade receivables being held in the Company, along with some foreign currency cash balances which are of a short-term nature.

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

	2013 £'000	2012 £'000
Past due 0–1 month	**9,412**	14,654
Past due 1–2 months	**3,860**	5,808
Past due more than 2 months	**2,931**	1,219
Balance at the end of the year	**16,203**	21,681

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

	2013 £'000	2012 £'000
Balance at the beginning of the year	**3,829**	4,007
Changes in amounts provided	**85**	40
Amounts utilised	**(389)**	(218)
Balance at the end of the year	**3,525**	3,829

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 £350,000. The market value of forward exchange contracts is determined by reference to market data.

23. FINANCIAL INSTRUMENTS continued

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

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

Year ended 30th June 2012	Carrying amount £'000	Up to 1 year £'000	1–2 years £'000	2–5 years £'000
Trade payables	22,900	22,900	–	–
Other payables	33,080	25,665	6,179	1,898
Provisions	1,170	1,170	–	–
Forward exchange contracts	3,365	1,052	835	1,478
	60,515	50,787	7,014	3,376

For non-current other receivables of £7,976,000 (2012 £3,532,000), £4,080,000 (2012 £1,563,000) is receivable between 1 and 2 years and £3,896,000 (2012 £1,969,000) is receivable between 2 and 5 years.

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

Under the disclosure requirements of IFRS 7, all fair value measurements of financial assets and liabilities are considered to be categorised as Level 2, except for the deferred consideration, which is categorised as Level 3.

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

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

Exchange rates and sensitivity analysis
The Group has hedged a significant proportion of its forecasted US Dollar, Japanese Yen and Euro cash flows and hence there is not expected to be a material impact on the Group's results resulting from fluctuations in their exchange rates against Sterling.

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.

	2013			2012	
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	**1.52**	**1.57**	470	1.57	1.59
Japanese Yen	**151**	**138**	50	125	125
Euro	**1.17**	**1.21**	50	1.25	1.19
Average US Dollar forward contract rates	**–**	**1.59**	–	–	1.58
Average Japanese Yen forward contract rates	**–**	**128**	–	–	135
Average Euro forward contract rates	**–**	**1.11**	–	–	1.22

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 loss carried forward of £694,000 (2012 profit £2,526,000) (see note 22). The nominal amounts of foreign currencies relating to these forward contracts are, in Sterling terms, £269,116,000 in US Dollars (2012 £218,814,000), £67,041,000 in Japanese Yen (2012 £70,581,000) and £112,826,000 in Euro (2012 £103,573,000).

NOTES CONTINUED

23. FINANCIAL INSTRUMENTS continued

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

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	26,501	24,595	0.25
Japanese Yen	12,414	12,620	0.10
Euro	36,326	32,300	0.50

The currency borrowings are short term, with floating interest rates. In order to minimise the cost of these borrowings, short-term currency swaps are used on a rolling one-month cycle, so that at the year end, the currency borrowings are not in existence but forward contracts are in place to re-establish the currency borrowing shortly after the year end. These currency swaps are not reflected in the table above.

For the net assets of the overseas subsidiaries not hedged, a 1% change in exchange rates will affect reserves by approximately £250,000.

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.

24. 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:

	2013 £'000	2012 £'000
Expiring within one year	**1,763**	1,806
Expiring between two and five years	**2,357**	2,414
Total future minimum lease payments	**4,120**	4,220

Lease payments recognised as an expense during the year were:

	2013 £'000	2012 £'000
Total lease payments for the financial year	**2,024**	2,201

25. CAPITAL COMMITMENTS

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

	2013 £'000	2012 £'000
Authorised and committed	**6,052**	7,958

26. 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.

27. RELATED PARTIES

During the year, associates and other related parties purchased goods and services from the Group to the value of £247,000 (2012 £319,000) and sold goods and services to the Group to the value of £5,024,000 (2012 £4,328,000). At 30th June 2013, associates owed £54,000 to the Group (2012 £73,000). Associates were owed £167,000 by the Group (2012 £253,000). Dividends of £307,000 were received from associates during the year (2012 £108,000). Loans to related parties from the Company at 30th June 2013 were £2,991,000 (2012 £2,745,000).

There were no bad debts written off during the year (2012 £nil).

£ Financial statements

COMPANY BALANCE SHEET

at 30th June 2013

	Notes	**2013** **£'000**	2012 £'000
Fixed assets			
Tangible assets	C.29	**80,847**	67,431
Investments in subsidiaries	C.30	**316,476**	316,476
Investments in associates		**6,888**	6,888
		404,211	390,795
Current assets			
Stock	C.31	**36,370**	31,581
Debtors	C.32	**101,980**	94,914
Pension scheme escrow bank account	16	**10,982**	11,523
Cash at bank		**10,839**	6,456
		160,171	144,474
Creditors			
Amounts falling due within one year	C.33	**(129,039)**	(97,531)
Net current assets			
Due within one year		**23,156**	43,411
Due after more than one year		**7,976**	3,532
		31,132	46,943
Total assets less current liabilities		**435,343**	437,738
Creditors			
Amounts falling due after more than one year	C.34	**(12,031)**	(9,552)
Provisions for liabilities	C.35	**(2,626)**	(2,911)
Net assets excluding pension liability		**420,686**	425,275
Pension liability	C.36	**(28,157)**	(28,226)
Net assets including pension liability		**392,529**	397,049
Capital and reserves			
Called up share capital	C.37	**14,558**	14,558
Share premium account		**42**	42
Currency reserve	C.38	**(694)**	2,526
Profit and loss account	C.39	**378,623**	379,923
Shareholders' funds – equity		**392,529**	397,049

These financial statements were approved by the Board of directors on 24th July 2013 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 2013

	2013 **£'000**	2012 £'000
Profit for the financial year	**29,236**	207,235
Dividends paid	**(28,773)**	(25,476)
Effective portion of changes in fair value of cash flow hedges, net of recycling and deferred tax	**(3,220)**	6,641
Actuarial loss in the pension scheme, net of deferred tax	**(1,763)**	(5,077)
(Decrease)/increase in shareholders' funds	**(4,520)**	183,323
Shareholders' funds at 1st July 2012	**397,049**	213,726
Shareholders' funds at 30th June 2013	**392,529**	397,049

NOTES TO THE COMPANY FINANCIAL STATEMENTS

C.28. 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 a 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.

C.28. ACCOUNTING POLICIES continued

Warranty on the sale of products

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

Derivative financial instruments

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

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

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

Stocks

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

Foreign currencies

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review, where also given are details of the financial and liquidity positions. In addition, note 23 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.29. TANGIBLE FIXED ASSETS

Year ended 30th June 2013	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1st July 2012	**47,343**	**91,526**	**3,030**	**4,027**	**145,926**
Additions	**2,656**	**10,054**	**398**	**8,311**	**21,419**
Transfers	**1,742**	**5,292**	**–**	**(7,034)**	**–**
Disposals	**–**	**(250)**	**(125)**	**–**	**(375)**
At 30th June 2013	**51,741**	**106,622**	**3,303**	**5,304**	**166,970**
Depreciation					
At 1st July 2012	**9,825**	**66,675**	**1,995**	**–**	**78,495**
Charge for the year	**947**	**6,644**	**401**	**–**	**7,992**
Released on disposals	**–**	**(239)**	**(125)**	**–**	**(364)**
At 30th June 2013	**10,772**	**73,080**	**2,271**	**–**	**86,123**
Net book value					
At 30th June 2013	**40,969**	**33,542**	**1,032**	**5,304**	**80,847**
At 30th June 2012	37,518	24,851	1,035	4,027	67,431

Overview
Performance
Governance
Financial statements
Shareholder information

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C.29. TANGIBLE FIXED ASSETS continued

At 30th June 2013, properties with a net book value of £25,825,000 (2012 £25,625,000) 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 £42,540,000 if an insolvency event occurs in relation to the Company before 1st November 2016 or if the Company has not made good any deficit up to £42,540,000 by midnight on 1st November 2016.

Additions to assets in the course of construction of £8,311,000 (2012 £19,856,000) comprise £1,208,000 (2012 £8,285,000) for freehold land and buildings and £7,103,000 (2012 £11,571,000) for plant and equipment.

C.30. INVESTMENTS IN SUBSIDIARIES

Movements during the year were:

	2013 £'000	2012 £'000
Balance at the beginning of the year	**316,476**	31,939
Investments made during the year	**–**	284,537
Balance at the end of the year	**316,476**	316,476

C.31. STOCK

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

	2013 £'000	2012 £'000
Raw materials	**11,841**	14,610
Work in progress	**15,316**	11,017
Finished goods	**9,213**	5,954
Balance at the end of the year	**36,370**	31,581

C.32. DEBTORS

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

	2013 £'000	2012 £'000
Debtors due within one year		
Trade debtors	**11,610**	10,659
Amounts owed by group undertakings	**71,736**	68,089
Amounts owed by associated undertakings	**3,045**	2,817
Prepayments and other receivables	**4,030**	6,660
Fair value of forward exchange contracts	**3,583**	3,157
	94,004	91,382
Debtors due after more than one year		
Fair value of forward exchange contracts	**7,976**	3,532
Balance at the end of the year	**101,980**	94,914

C.33. CREDITORS

Amounts falling due within one year

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

	2013 **£'000**	2012 £'000
Trade creditors	**13,611**	16,297
Corporation tax	**1,694**	4,479
Amounts owed to group undertakings	**106,196**	63,950
Amounts owed to associated undertakings	**67**	108
Other taxes and social security	**2,109**	1,854
Other creditors	**3,344**	9,791
Fair value of forward exchange contracts	**2,018**	1,052
Balance at the end of the year	**129,039**	97,531

C.34. CREDITORS

Amounts falling due after more than one year

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

	2013 **£'000**	2012 £'000
Deferred consideration	**1,589**	7,239
Fair value of forward exchange contracts	**10,442**	2,313
Total creditors due after more than one year	**12,031**	9,552

The deferred consideration of £1,589,000 is in respect of the investment in R&R Fixtures, LLC, which is payable over the next four years (2012 £1,938,000). 2012 also included £5,301,000 in respect of the investment in Measurement Devices Limited.

C.35. PROVISIONS FOR LIABILITIES AND CHARGES

An analysis of provisions for liabilities and charges was:

	2013 **£'000**	2012 £'000
Warranty provision	**1,260**	917
Deferred tax	**1,366**	1,994
Total provisions for liabilities and charges	**2,626**	2,911

Warranty provision

Movements during the year were:

	2013 **£'000**	2012 £'000
Balance at the beginning of the year	**917**	543
Created in the year	**617**	385
Utilised in the year	**(274)**	(11)
	343	374
Balance at the end of the year	**1,260**	917

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.

£ Financial statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C.35. PROVISIONS FOR LIABILITIES AND CHARGES continued

Deferred tax

Movements during the year were:

	2013 £'000	2012 £'000
Balance at the beginning of the year	**1,994**	(867)
Movements during the year	**(628)**	2,861
Balance at the end of the year	**1,366**	1,994

The deferred tax asset is represented by:

	2013 £'000	2012 £'000
Difference between accumulated depreciation and capital allowances	**1,623**	1,253
Other timing differences	**(257)**	741
	1,366	1,994
Deferred tax on pension scheme liability (note C.36)	**(8,410)**	(8,913)
Balance at the end of the year	**(7,044)**	(6,919)

The movements in the deferred tax balance were:

	2013 £'000	2012 £'000
Balance at the beginning of the year	**(6,919)**	(9,890)
Amount charged to the profit and loss account	**377**	463
Amount reflected through the statement of total recognised gains and losses	**(502)**	2,508
Balance at the end of the year	**(7,044)**	(6,919)

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 16 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 £7,511,000 (2012 £6,202,000), of which £169,000 (2012 £162,000) related to directors.

The latest full actuarial valuation of the scheme was carried out at September 2009 and updated to 30th June 2013 on an FRS 17 basis by a qualified independent actuary.

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

	30th June 2013	30th June 2012	30th June 2011
Rate of increase in pension payments	**3.5%**	2.7%	3.4%
Discount rate	**4.8%**	4.3%	5.5%
Inflation rate (RPI)	**3.7%**	2.7%	3.6%
Inflation rate (CPI)	**2.7%**	1.7%	2.9%
Expected return on equities	**7.3%**	6.7%	8.3%
Retirement age	**64**	64	64

The mortality assumption adopted for 2013 is PCA00, year of birth, medium cohort (2012 medium cohort), which reflects the increasing life expectancy.

C.36. PENSION SCHEME continued

The assets and liabilities in the scheme were:

	30th June 2013 £'000	% of total assets	30th June 2012 £'000	% of total assets	30th June 2011 £'000	% of total assets	30th June 2010 £'000	% of total assets	30th June 2009 £'000	% of total assets
Market value of assets:										
Equities	**106,117**	100	89,653	100	94,941	100	78,248	100	65,550	99
Bonds and cash	**301**	–	154	–	362	–	156	–	441	1
	106,418	100	89,807	100	95,303	100	78,404	100	65,991	100
Actuarial value of liabilities	**(142,985)**	–	(126,946)	–	(130,008)	–	(111,569)	–	(85,192)	–
Deficit in the scheme	**(36,567)**	–	(37,139)	–	(34,705)	–	(33,165)	–	(19,201)	–
Deferred tax thereon	**8,410**	–	8,913	–	9,023	–	9,286	–	5,376	–
Pension liability	**(28,157)**	–	(28,226)	–	(25,682)	–	(23,879)	–	(13,825)	–

The history of experience gains and losses is:

	Year ended 30th June 2013	Year ended 30th June 2012	Year ended 30th June 2011	Year ended 30th June 2010	Year ended 30th June 2009
Difference between the expected and actual return on scheme assets					
amount (£'000)	**10,707**	(13,168)	11,650	9,357	(20,244)
percentage of scheme assets	**10%**	(15%)	12%	12%	(31%)
Experience gains and losses on scheme liabilities					
amount (£'000)	**–**	–	(1,521)	–	(3,954)
percentage of present value of scheme liabilities	**–**	–	(1%)	–	(5%)
Total amount recognised in the statement of total recognised gains and losses					
amount (£'000)	**(1,830)**	(5,836)	(2,588)	(14,135)	(10,279)
percentage of present value of scheme liabilities	**(1%)**	(5%)	(2%)	(13%)	(12%)

The movements in the scheme were:

Year ended 30th June 2013	**Assets £'000**	**Liabilities £'000**	**Total £'000**
Deficit in scheme at the beginning of the year	**89,807**	**(126,946)**	**(37,139)**
Contributions	**1,398**	**–**	**1,398**
Expected return on pension scheme assets	**6,013**	**–**	**6,013**
Interest on pension scheme liabilities	**–**	**(5,009)**	**(5,009)**
Actuarial gain/(loss)	**10,707**	**(12,537)**	**(1,830)**
Benefits received/(paid)	**(1,507)**	**1,507**	**–**
Deficit in scheme at the end of the year	**106,418**	**(142,985)**	**(36,567)**

Year ended 30th June 2012	Assets £'000	Liabilities £'000	Total £'000
Deficit in scheme at the beginning of the year	95,303	(130,008)	(34,705)
Contributions	1,306	–	1,306
Expected return on pension scheme assets	7,901	–	7,901
Interest on pension scheme liabilities	–	(5,805)	(5,805)
Actuarial gain/(loss)	(13,168)	7,332	(5,836)
Benefits received/(paid)	(1,535)	1,535	–
Deficit in scheme at the end of the year	89,807	(126,946)	(37,139)

£ Financial statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

C.36. PENSION SCHEME continued

The income recognised in the profit and loss account was:

	2013 **£'000**	2012 £'000
Expected return on pension scheme's assets	**6,013**	7,901
Interest on pension scheme's liabilities	**(5,009)**	(5,805)
Total income recognised in the profit and loss account	**1,004**	2,096

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

	2013 **£'000**	2012 £'000
Actual return less expected return on scheme assets	**10,707**	(13,168)
Experience loss arising on scheme liabilities	**–**	–
Changes in financial assumptions	**(11,937)**	(6,668)
Adjustment to liabilities for IFRIC 14	**(600)**	14,000
Total recognised in the statement of total recognised gains and losses	**(1,830)**	(5,836)

C.37. SHARE CAPITAL

	2013 **£'000**	2012 £'000
Allotted, called-up and fully paid		
72,788,543 ordinary shares of 20p each	**14,558**	14,558

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

C.38. CURRENCY RESERVE

The currency reserve comprises all foreign exchange differences arising from the valuation of forward exchange contracts which are effective hedges and mature after the year end. These are valued on a mark-to-market basis, are accounted for directly in equity and are recycled through the profit and loss account when the hedged item affects the profit and loss account.

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

Movements during the year were:

	2013 **£'000**	2012 £'000
Balance at the beginning of the year	**2,526**	(4,115)
Amounts recycled into the profit and loss account in the year	**(2,106)**	3,835
Revaluations during the year	**(2,119)**	5,204
Deferred tax movement	**1,005**	(2,398)
Balance at the end of the year	**(694)**	2,526

C.39. PROFIT AND LOSS ACCOUNT

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

	2013 £'000	2012 £'000
Balance at the beginning of the year	**379,923**	203,241
Profit for the year	**29,236**	207,235
Dividends paid in the year	**(28,773)**	(25,476)
Actuarial loss in the pension scheme	**(1,830)**	(5,836)
Deferred tax thereon	**67**	759
	(1,763)	(5,077)
Balance at the end of the year	**378,623**	379,923

Profit for the year includes dividends received of £307,000 (2012 £166,383,000) from associates and a subsidiary undertaking.

C.40. RELATED PARTIES

During the year, related parties, these being Renishaw Diagnostics Limited, Renishaw Mayfield S.A., Renishaw Advanced Materials Limited and the Group's associates (see note 12), purchased goods and services from the Company to the value of £256,000 (2012 £574,000) and sold goods and services to the Company to the value of £2,209,000 (2012 £1,764,000).

At 30th June 2013, related parties owed £54,000 (2012 £130,000) to the Company. Related parties were owed £67,000 (2012 £119,000) by the Company. Dividends of £307,000 were received from related parties during the year (2012 £108,000). Loans to related parties from the Company at 30th June 2013 were £9,871,000 (2012 £8,211,000).

All transactions were on an arm's length basis. There were no bad debts written off during the year (2012 £nil).

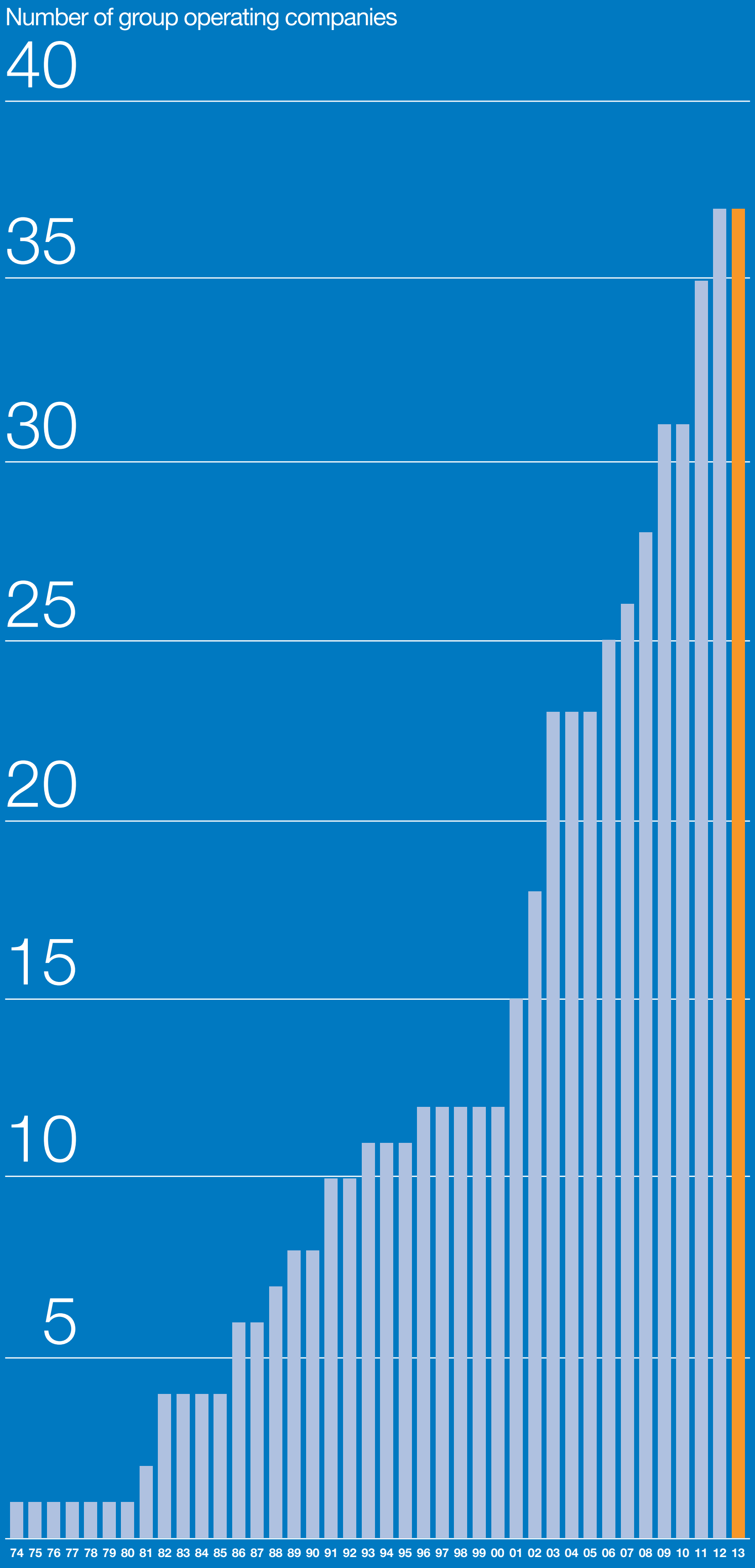
C.41. CAPITAL COMMITMENTS

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

	2013 £'000	2012 £'000
Authorised and committed	**5,769**	7,727

SHAREHOLDER INFORMATION

Renishaw's philosophy is to provide first class local support for our customers and so over the years we have set up subsidiaries across the world to ensure we are able to react quickly as needed. Of the current 37 operating companies shown, 34 provide local sales and support for Renishaw Group products. We also have representative offices in a number of locations in addition to these.



In this section

Shareholder Information

10 YEAR FINANCIAL RECORD

Results	**note 2 2013 £'000**	2012 £'000	note 2 2011 £'000	note 2 2010 £'000	note 2 2009 £'000	note 2 2008 £'000	note 2 2007 £'000	2006 £'000	note 1 2005 £'000	2004 £'000
Overseas revenue	**326,213**	313,007	273,989	170,957	159,988	189,137	169,094	164,322	144,438	118,881
UK revenue	**20,668**	18,885	14,761	10,650	11,259	12,020	11,789	11,513	10,361	8,820
Total revenue	**346,881**	331,892	288,750	181,607	171,247	201,157	180,883	175,835	154,799	127,701
Operating profit	**79,071**	83,188	79,286	28,095	5,991	37,335	29,729	35,468	29,307	18,053
Profit before tax	**81,516**	86,046	80,410	28,725	8,843	41,715	32,672	38,102	31,733	20,146
Taxation	**15,594**	17,008	16,345	5,745	2,105	8,309	6,532	7,621	6,297	4,023
Profit for the year	**65,922**	69,038	64,065	22,980	6,738	33,406	26,140	30,481	25,436	16,123

Capital employed	**2013 £'000**	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'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	**262,119**	227,799	187,118	144,021	129,162	151,725	153,400	128,136	110,857	93,110
Total equity	**276,719**	242,399	201,718	158,621	143,762	166,325	168,000	142,736	125,457	107,710

Statistics	**2013**	2012	2011	2010	2009	2008	2007	2006	2005	2004
Overseas revenue as a percentage of total revenue	**94.0%**	94.3%	94.9%	94.1%	93.4%	94.0%	93.5%	93.5%	93.3%	93.1%
Adjusted earnings per share	**91.4p**	95.6p	88.5p	32.3p	9.6p	45.9p	35.9p	41.9p	34.9p	22.1p
Proposed dividend	**40.0p**	38.5p	35.0p	17.6p	7.76p	25.39p	22.87p	21.78p	19.80p	18.00p

Notes

1. For the year 2005 and onwards, the financial statements have been prepared under adopted IFRS. Financial statements for 2004 were prepared under UK GAAP and have not been adjusted to adopted IFRS.
2. The results and adjusted earnings per share for the years 2007 to 2011 and 2013 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) and 2013 – gain on deferred consideration settlement (£2.9m).

Shareholder Information

SUBSIDIARY UNDERTAKINGS

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

Company	**Principal activities**
Renishaw International Limited	Overseas holding and investment company.
Renishaw (Ireland) Limited (Republic of Ireland)*	Manufacture and sale of advanced precision metrology and inspection equipment.
Renishaw S.A.S. (France)*	Service, distribution, research and development and manufacture of group products.
itp GmbH (Germany)*	Manufacture and sale of advanced precision metrology and inspection equipment.
Wotton Travel Limited	Travel agency.
Renishaw Diagnostics Limited (92.4%) (Scotland)	Design and sale of molecular diagnostics and surface-enhanced Raman spectroscopy products.
Renishaw Mayfield S.A. (75%) (Switzerland)*	Manufacture and sale of surgical robots for neurosurgical applications.
Renishaw Metrology Systems Limited (India)* (31st March)	Manufacture and sale of advanced precision metrology and inspection equipment.
Measurement Devices Limited	Manufacture and sale of laser scanning equipment.
Thomas Engineering and Construction Limited (Canada)* (31st December)	Distribution and service of laser scanning equipment.
MTT Investments Limited	Manufacture and sale of additive manufacturing and rapid prototyping systems.
Renishaw Advanced Materials Limited (55%)	Sale of diamond-like carbon coatings and shape memory alloys.
Renishaw Software Limited	Development and sale of software solutions.
R&R Fixtures, LLC (USA)* (31st December)	Manufacture and sales of fixturing products.

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

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

* Equity held by a subsidiary undertaking.

SHAREHOLDER INFORMATION

ORDINARY SHARES

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

REGISTRARS

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

REGISTRARS AND TRANSFER OFFICE

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

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

Facsimile: +44 (0)871 384 2100

Website: www.shareview.co.uk

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

AGM

The AGM is held at the Company's offices and is open for attendance by all shareholders. The 2013 AGM will be held on Thursday 17th 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 this Annual report. Shareholders holding shares in the Company through a nominee services 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 Services.

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING

17th October 2013

HALF YEAR

31st December 2013

HALF YEAR RESULTS

January 2014

INTERIM MANAGEMENT STATEMENT

May 2014

FINAL DIVIDEND

Ex-div date 18th September 2013

Record date 20th September 2013

Payment date 21st October 2013

INTERIM DIVIDEND (PROVISIONAL)

Ex-div date 5th March 2014

Record date 7th March 2014

Payment date 7th April 2014

REGISTRATION DETAILS AND COMPANY SECRETARY

COMPANY SECRETARY AND REGISTERED OFFICE

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

Registered number: 1106260,
England and Wales

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

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

SHAREHOLDER INFORMATION CONTINUED

AUDITORS AND CORPORATE ADVISORS

AUDITORS

KPMG Audit Plc

SOLICITORS

Norton Rose LLP
Burges Salmon LLP

STOCKBROKERS

UBS

PRINCIPAL BANKERS

Lloyds TSB Bank Plc

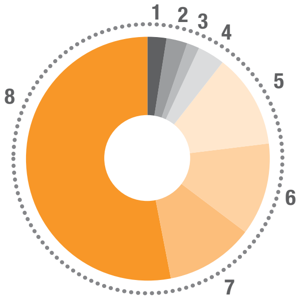
WARNING TO SHAREHOLDERS

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

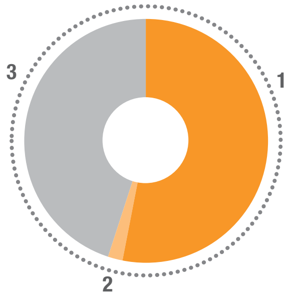
- Make sure you get the correct name of the person and organisation and make a record of any other information they give.
- Check that they are properly authorised by the FCA before getting involved by visiting www.fca.org.uk/register and contacting the firm using the details on the register.
- The FCA 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).
- 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	2.6
2	5,001 – 25,000	2.7
3	25,001 – 50,000	1.7
4	50,001 – 100,000	3.8
5	100,001 – 500,000	12.5
6	500,001 – 1,000,000	12.2
7	1,000,001 – 3,000,000	11.5
8	more than 3,000,000	53.0



	Shareholdings	%
1	Directors	53.1
2	Individuals	1.9
3	Institutions	45.0



NOTICE OF MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Renishaw plc, you should pass this document and the accompanying form of proxy without delay to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice is hereby given that the 40th annual general meeting ("AGM") of the Company will be held at its offices at New Mills, Wotton-under-Edge, Gloucestershire GL12 8JR on Thursday 17th October 2013 at noon. You will be asked to consider and, if thought fit, pass the resolutions below. Resolution 15 will be proposed as a special resolution. This means that for this resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution. All other resolutions will be proposed as ordinary resolutions. This means that for each of these resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

ORDINARY RESOLUTIONS

1. To receive and adopt the reports of the directors and auditors and the financial statements for the year ended 30th June 2013;
2. To declare a final dividend for the year ended 30th June 2013;
3. To re-elect as a director Sir David McMurtry, a director retiring voluntarily and who, being eligible, offers himself for re-election;
4. To re-elect as director John Deer, a director retiring voluntarily and who, being eligible, offers himself for re-election;
5. To re-elect as director Ben Taylor, a director retiring voluntarily and who, being eligible, offers himself for re-election;
6. To re-elect as director Allen Roberts, a director retiring voluntarily and who, being eligible, offers himself for re-election;
7. To re-elect as a director Geoff McFarland, a director retiring voluntarily and who, being eligible, offers himself for re-election;
8. To re-elect as a director David Grant, a director retiring voluntarily and who, being eligible, offers himself for re-election;
9. To re-elect as a director Bill Whiteley, a director retiring voluntarily and who, being eligible, offers himself for re-election;
10. To elect as a director Carol Chesney, a director retiring voluntarily and who, being eligible, offers herself for election;
11. To elect as a director John Jeans, a director retiring voluntarily and who, being eligible, offers himself for election;
12. To approve the Directors' remuneration report for the year ended 30th June 2013 contained in the Annual report 2013;
13. To appoint KPMG LLP as auditors of the Company, to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the meeting;

14 To authorise the directors to determine the remuneration of the auditors;

SPECIAL RESOLUTION

15. To consider and, if thought fit, to pass the following resolution:

That the Company be and is hereby unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the "2006 Act") to make one or more market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of 20p each in the capital of the Company ("ordinary shares") provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased is 7,278,854;

(ii) the maximum price that may be paid for an ordinary share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the day on which the ordinary share is purchased and (ii) the amount stipulated by Article 5(1) of the Buy-Back and Stabilisation Regulation 2003;

(iii) the minimum price which may be paid for an ordinary share shall be 20p;

(iv) the authority hereby conferred shall expire at the earlier of the conclusion of the AGM to be held in 2014 and 31st December 2014 unless such authority is renewed prior to such time; and

(v) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to such contract.

By order of the Board

N Tang
Company Secretary

23rd August 2013

Registered office: New Mills, Wotton-under-Edge, Gloucestershire GL12 8JR

Registered in England and Wales under number: 1106260

NOTICE OF MEETING CONTINUED

NOTES

1. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend and to speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. If a member wishes to appoint more than one proxy and therefore requires additional proxy forms, the member should contact Equiniti Limited on 0871 384 2169. Calls to this number cost 8p per minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday. Overseas shareholders should call +44 121 415 7047.
2. A proxy form which may be used to make such appointment and give proxy instructions accompanies this Notice of meeting.
3. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or the proxy appointment must be lodged using the CREST Proxy Voting Service, in accordance with note 7 below, no later than 48 hours before the time appointed for holding the meeting. Amended instructions must also be received by the Company's registrars by the deadline for receipt of proxy forms.
4. The return of a completed proxy form or other such instrument will not prevent a member from attending the meeting and voting in person if he/she wishes to do so.
5. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B Companies Act 2006, the Company has specified that to be entitled to attend and vote at the meeting or any adjournment (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company as at 6pm on 15th October 2013 or for any adjourned meeting, 6pm on the day which is two days before the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in this Notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at www.euroclear.com/CREST.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. You may not use any electronic address provided either in this Notice of meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares.
12. Any person receiving a copy of this Notice of meeting as a person nominated by a member under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") should note the provisions in this Notice concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person, as only shareholders have the right to appoint a proxy. However, a Nominated Person may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

13. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; and (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

14. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

15. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found in the copy of the Annual report and accounts 2013 at www.renishaw.com.

16. Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than Wednesday 4th September 2013, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

17. As at 22nd August 2013 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 72,788,543 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 22nd August 2013 are 72,788,543. There are no other classes of shares or any shares held in treasury.

18. Copies of the following documents are available for inspection at the registered office of the Company during normal business hours (8.00am – 4.15pm, excluding weekends and public holidays):

    (a) service contracts of the executive directors; and

    (b) letters of appointment of the non-executive directors.

    All documents will be available for inspection at the above locations from the date of this notice until the conclusion of the AGM, and will also be available for inspection at the place of the AGM from 15 minutes before it is held until its conclusion.

NOTICE OF MEETING CONTINUED

APPENDIX

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Resolution 1 – Reports of directors and financial statements

The directors must present the report of the directors and the auditors and the accounts of the Company for the year ended 30th June 2013 to the shareholders at the AGM.

Resolution 2 – Final dividend

The directors recommend that a final dividend of 28.67p per share be paid to each shareholder on the register of members as at the close of business on the record date.

Resolutions 3 to 11 inclusive – Re-election and election of directors

In accordance with the provisions of the UK Corporate Governance Code, all directors will retire and, being eligible, offer themselves for re-election or, in the case of directors appointed by the Board during the year, election, at the AGM. Short biographical details of the directors are shown on pages 46 and 47 and full details are available on www.renishaw.com. It is considered that each of the non-executive directors continue to contribute to the performance of the Board and demonstrate their commitment to their roles, and therefore should be re-elected or elected, as the case may be.

Resolution 12 – Remuneration report

Listed companies are required to prepare a directors' remuneration report and put a resolution to approve the report to the shareholders at the AGM. The Directors' remuneration report is set out on pages 56 and 57.

Resolution 13 – Appointment of auditors

The Company is required to appoint auditors at each general meeting at which accounts are laid before shareholders, to hold office until the end of the next such meeting. KPMG Audit Plc have notified the Company that they are not seeking reappointment. It is proposed that KPMG LLP be appointed as the Company's auditors from the conclusion of the AGM until the conclusion of the next AGM.

Resolution 14 – Remuneration of auditors

This resolution seeks authority for the directors to decide the auditors' remuneration.

Resolution 15 – Market purchase of own shares by the Company

This resolution renews the previous authority granted on 18th October 2012, which expires on the date of the forthcoming AGM. The resolution authorises the Company to make market purchases of its own ordinary shares. The authority limits the number of shares that could be purchased to a maximum of 7,278,854 (representing 10% of the issued share capital of the Company) and sets minimum and maximum prices. This authority will expire at the conclusion of the Company's next AGM.

The directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account market conditions, the cash reserves of the Company, the Company's share price, appropriate gearing levels, other investment opportunities and the overall financial position of the Company. The authority will be exercised only if to do so would be likely to promote the success of the Company for the benefit of its shareholders as a whole.

Any purchases of ordinary shares would most likely be by means of market purchases through the London Stock Exchange. The authority will only be valid until the conclusion of the Company's next AGM or, if earlier, 18 months from the date of this resolution.

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