Renishaw UK Sales Limited

Annual report and financial statements

Registered number 01418812

Year ended 30 June 2019

Contents

Company information

Directors	R F Macdonald R H Pountney J Archer
Registered office	New Mills Wotton-under-Edge Gloucestershire GL12 8JR
Solicitors	Burges Salmon LLP One Glass Wharf Bristol BS2 0ZX
Bankers	BNP Paribas Group 10 Harewood Avenue London NW1 6AA
Auditors	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX

Strategic report

The directors present their strategic report for the year ended 30 June 2019.

Principal activity

Renishaw UK Sales Limited ("the Company") sells, distributes and services high-precision metrology and healthcare products. The Company sells to third-party customers in the Renishaw Group's UK and Rest of World territories (UKRoW). These comprise of UK & Ireland; Continental Europe excluding Germany, Italy, France, Switzerland and Austria; the Middle East and Africa.

The Company also sells certain products and services globally to other group undertakings.

Review of the business

For the year to 30 June 2019 turnover was £149,549,468, operating profit was £4,802,717 and retained profits were £3,870,923. The level of turnover and resultant profits are in line with expectations.

The balance sheet shows net assets of £6,414,979 and net current assets of £5,057,115.

The directors monitor turnover and profitably against budgets. There are no specific financial or non-financial KPIs relating to the Company. Further information on the Group's analysis using KPI's can be found in the Renishaw plc annual report.

Principal risks and uncertainties

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

(a) Current trading levels and order book

Revenue growth is unpredictable and orders from customers generally involve short-lead times.

The Group products that Renishaw UK Sales distributes, remain world leading in the field of metrology. The range of products is expanding and diversifying. The Company balance sheet is and is expected to remain strong with net current assets of £5,057,115 and a positive cash position.

(b) Brexit

The significant risks in relation to Brexit are:

- Increased uncertainty around growth, inflation, interest and currency rates.
- Potential changes to UK and EU-based law and regulation.
- A possible short-term supply chain disruption at group level could impact the Company.

To help mitigate potential impacts the Company has established a distribution warehouse in Ireland. Inventory holdings will continue to be monitored to ensure efficient management of supply to our customers in a timely manner.

(c) Credit risk

The Company's credit risk is primarily attributed to its trade receivables. The amounts presented in the balance sheet are net of allowance for bad debt. The directors deem the credit risk to be low with no significant concentration of credit risk.

(d) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The risk is managed by the group treasury team. The directors are satisfied that the Company is not subject to significant liquidity risk.

(e) Currency risk

The majority of sales are made in foreign currencies. The group treasury manages the impact of foreign exchange fluctuations at a group level. The transfer prices of products purchased by the Company in sterling are monitored regularly to determine whether any changes are required to counteract the effect of exchange rate volatility on turnover.

Strategic report (continued)

(f) Covid-19 (coronavirus)

The impact of Covid-19 on businesses worldwide is changing on a daily basis. The measures being adopted by the UK Government and others around the EMEA region served by the Company could have a significant adverse impact on trade in the foreseeable future. The Company, in conjunction with all other Group Companies, is monitoring and managing the impact of this on a daily basis to ensure that the business can continue to source and deliver its products in a timely manner. With strong cash balances and assurance from the Company's parent entity that intercompany payment terms will be relaxed to allow the Company to meet its ongoing third-party liabilities, the directors do not foresee this impacting the Company's ability to continue as a going concern.

Future Developments

Despite the economic uncertainties the board remains confident in the future prospects of the business.

By order of the board

R F Macdonald
Director

New Mills
Wotton-under-Edge
Gloucestershire
GL12 8JR

17 March 2020

Directors' report

Directors' report for the year ended 30 June 2019

The directors present their report and the audited financial statements for the year ended 30 June 2019.

Directors

The directors who held office during the period were as follows:

J Archer (Appointed 4 April 2019)
R F Macdonald
R H Pountney
W E Lee (resigned 15 January 2019)

Results and dividends

The profit for the year after taxation amounts to £3,870,923 (2018: £1,958,500). No dividends have been paid or recommended during the year (2018: £nil).

Future Developments

Despite the economic uncertainties the board remains confident in the future prospects of the business.

Employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and various matters affecting the performance of the Company. This is achieved through Group related engagement surveys, internal newsletters, the intranet site and internal meetings.

Disabled persons

Applications for employment by disabled persons are always fully considered bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Disclosure of information to auditor

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

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, Ernst & Young LLP are deemed to be reappointed for the following year and will therefore continue in office.

By order of the board

R F Macdonald
Director

New Mills
Wotton-under-Edge
Gloucestershire
GL12 8JR

17 March 2020

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 Company and of the Income statement of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and estimates that are reasonable and prudent; and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENISHAW UK SALES LIMITED

Opinion

We have audited the financial statements of Renishaw UK Sales Limited for the year ended 30 June 2019 which comprise of the Income Statement, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENISHAW UK SALES LIMITED (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Paul Mapleston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

18th March 2020

Income statement

for the year ended 30 June 2019

	Note	2019	2018
		£	£
Turnover	*3*	**149,549,468**	70,383,795
Cost of sales		**(137,759,384)**	(62,951,960)
Gross profit		**11,790,084**	7,431,835
Distribution costs		**(5,620,403)**	(3,262,143)
Administrative expenses		**(1,366,964)**	(1,721,892)
Operating profit	*4*	**4,802,717**	2,447,800
Interest payable and similar charges	*6*	**(5,214)**	(862)
Profit on ordinary activities before taxation		**4,797,503**	2,446,938
Tax on profit on ordinary activities	*7*	**(926,580)**	(488,438)
Profit for the year		**3,870,923**	1,958,500

Profit on ordinary activities before taxation in the current year relates entirely to the continuing operations.

The Company had no recognised gains and losses other than those included in the results above and therefore no separate statement of other comprehensive income has been presented.

There is no difference between the profit for the financial year stated above and its historical cost equivalent.

Balance sheet

at 30 June 2019

	Note	2019 £	2018 £
Property, plant and equipment			
Tangible assets	*8*	**1,349,793**	2,310,244
Deferred tax assets	*12*	**8,071**	-
		1,357,864	2,310,244
Current assets			
Inventories	*9*	**18,770,160**	14,216,818
Debtors	*10*	**38,799,305**	25,585,376
Cash		**8,050,161**	9,985,242
		65,619,626	49,787,436
Current liabilities			
Creditors: amounts falling due within one year	*11*	**(60,562,511)**	(49,489,109)
Net current assets		**5,057,115**	298,327
Total assets less current liabilities		**6,414,979**	2,608,571
Deferred tax liabilities	*12*	**-**	(19,266)
Net assets		**6,414,979**	2,589,305
Capital and reserves			
Share capital	*13*	**2**	2
Retained earnings		**6,414,977**	2,589,303
Total equity		**6,414,979**	2,589,305

These financial statements were approved by the Board of Directors and authorised for issue on 17 March 2020 and were signed on its behalf by:

R F Macdonald
Director

The notes on pages 12 to 23 form an integral part of these financial statements

Statement of changes in equity

	Called up Share capital £	Retained earnings £	Total equity £
Balance at 1 July 2018	2	630,803	630,805
Profit for the financial year ended 30 June 2018	-	1,958,500	1,958,500
Balance at 30 June 2018	**2**	**2,589,303**	**2,589,305**
Adjustment for IFRS 15	-	(45,249)	(45,249)
Balance at 1 July 2018 restated	**2**	**2,544,054**	**2,544,056**
Profit for the financial year ended 30 June 2019	-	3,870,923	3,870,923
Balance at 30 June 2019	**2**	**6,414,977**	**6,414,979**

Notes to the financial statements

1. General information

Renishaw UK Sales Limited ("the Company") sells, distributes and services high-precision metrology and healthcare products. The Company sells to third-party customers in the Renishaw Group's UK and Rest of World territories (UK & Ireland; Continental Europe excluding Germany, Italy, France, Switzerland and Austria; the Middle East and Africa). The Company also sells certain products and services globally to other group undertakings.

The Company is a private company limited by share capital, incorporated and domiciled in the UK. The address of its registered office is New Mills, Wotton-under-Edge, Gloucestershire, GL12 8JR.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Renishaw UK Sales Limited have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (adopted IFRS) but makes amendments where necessary in order to comply with the Companies Act 2006. The Company has taken advantage of FRS 101 disclosure exemptions as set out below.

- The following paragraphs of IAS 1 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- The requirements of IFRS 7 Financial instruments: Disclosures
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

The financial statements have been prepared under the historical cost convention. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

Critical accounting judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are listed below.

(a) Timing of revenue recognition

See section 2.3

(b) Inventory provision

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

(c) Bad debt provision

Judgement is used to determine the recoverability of trade receivables. Knowledge of historic payment patterns and customer performance levels at a group level are used when calculating the bad debt provisions.

Notes to the financial statements *(continued)*

New, revised or changes to existing accounting standards

The following accounting standards have been applied for the first time, with effect from 1 July 2018, and have been adopted in the preparation of these financial statements.

(a) IFRS 15 'Revenue from Contracts with Customers'

The Company adopted IFRS 15 on 1 July 2018 using the modified retrospective transition approach, taking advantage of the practical expedient in IFRS 15 C7 to apply the standard retrospectively only to contracts that were not completed as at 1 July 2018.

IFRS 15 provides a single, principles-based five-step model to be applied to all sales contracts with customers, against which the Group has reviewed the following:

- individually significant contracts by value;
- customers with cumulatively significant contracts;
- variable consideration arrangements;
- warranty arrangements, analysing such arrangements between assurance-type warranties already accounted for under IAS 37 and service-type warranties as defined by IFRS 15, to which revenue should be attributed and deferred over the service period; and
- sale of software licences and maintenance.

The impact on the Company results and net assets is significant, with a cumulative catch-up adjustment of £45,249 made to equity at 1 July 2018. This primarily relates to the impact of more revenue being allocated to extended warranties under IFRS 15 than under IAS 18. See note 15 for a comparison between IFRS 15 and IAS 18.

(b) IFRS 9 'Financial Instruments'

The Company adopted IFRS 9 on 1 July 2018. The standard introduced new requirements for the classification and measurement of financial assets, impairment of financial assets and hedge accounting. For the classification and measurement requirements, no changes have arisen from IFRS 9 and the impact on the Company is not significant.

2.2 Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Company is profitable with profits after tax amounting to £3,870,923 for the year ended 30 June 2019. The Company has net current assets of £5,065,186 at 30 June 2019. The directors have reviewed the forecasts for a period of 12 months from the date these financial statements are signed and are satisfied that the Company will be able to meet its liabilities as they fall due for payment. The Company's parent undertaking, Renishaw plc, has also given assurance that, for a period of at least 12 months from the date of signing these financial statements, intercompany trading balances will be called in only to an extent that allows the Company to meet other trading liabilities as they fall due.

2.3 Revenue recognition

Revenue from the sale of goods is recognised in the Income statement when the significant risks and rewards of ownership have been passed to the buyer, which is normally at 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 the possible return of goods.

(a) Sale of goods, capital equipment and services

The Company's contracts with customers consist both of contracts with one performance obligation and contracts with multiple performance obligations.

For contracts with one performance obligation, revenue is measured at the transaction price, which is typically the contract value except for customers entitled to volume rebates, and recognised at the point in time when control of the product transfers to the customer. This point in time is typically when the products are made available for collection by the customer, collected by the shipping agent, or delivered to the customer, depending upon the shipping terms applied to the specific contract.

Notes to the financial statements *(continued)*

Contracts with multiple performance obligations typically exist where, in addition to supplying product, we also supply services such as user training, servicing and maintenance, and installation services. Where the installation service is simple, does not include a significant integration service and could be performed by another party then the installation is accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the relative stand-alone selling prices. The revenue allocated to each performance obligation is then recognised when, or as, that performance obligation is satisfied. For installation, this is typically at the point in time in which installation

is complete. For training, this is typically the point in time at which training is delivered. For servicing and maintenance, the revenue is recognised evenly over the course of the servicing agreement except for ad-hoc servicing and maintenance which is recognised at the point in time in which the work is undertaken.

(b) Sale of software

The Company provides software licences and software maintenance to customers, sold both on their own and together as a bundled package with associated products. Where the software licence and/or maintenance is provided as part of a bundled package then the transaction price is allocated on the same basis as described in a) above.

The Group's software licences provide a right of use, and therefore revenue from software licences is recognised at the point in time in which the licence is supplied to the customer. Revenue from software maintenance is recognised evenly over the term of the maintenance agreement.

(c) Programming contracts

Programming is typically a distinct performance obligation and revenue for this work is recognised at a point in time, being when the completed program is supplied to the customer.

(d) Extended warranties

The Group provides standard warranties to customers that address potential latent defects that existed at point of sale and as required by law (assurance-type warranties). In some contracts, the Company also provides warranties that extend beyond the standard warranty period and may be sold to the customer (service-type warranties).

Assurance-type warranties continue to be accounted for by the Company under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Service-type warranties are accounted for as separate performance obligations and therefore a portion of the transaction price is allocated to this element, and then recognised evenly over the period in which the service is provided

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b*) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement.

Notes to the financial statements *(continued)*

2.5 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of 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 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 temporary difference can be utilised.

2.6 Employee benefits

The Company operates a defined contribution pension scheme, under which the Company pays fixed contributions into a master trust operated by a third party. The Company has no legal or constructive obligations to pay further contributions once the contributions have been paid.

The contributions are recognised in the Income statement as they fall due. Amounts not paid are shown within accruals on the Balance Sheet.

2.7 Property, plant and equipment, and depreciation

The plant and equipment assets relate to assets that are leased to customers under operating leases.

The plant and equipment 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:

Plant and equipment – 3-5 years

2.8 Leases

Company as a lessor

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight-line basis over the lease term.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. As payments fall due, finance income is recognised in the income statement so as to achieve a constant rate of return on the remaining net investment in the lease.

2.9 Inventories

Inventories are valued at the lower of actual cost on a FIFO basis and net realisable value.

Notes to the financial statements *(continued)*

2.10 Non-derivate financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Company has substantially transferred the risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged or called or expires.

(a) Cash and cash equivalents

Cash and cash equivalents relate to cash in hand and deposits held on call with banks.

(b) Trade and other receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method, less provision for bad and doubtful debts and expected credit losses according to IFRS9.

(c) Trade payables

Trade payables are initially recognised at fair value and are subsequently measure at amortised cost.

3. Turnover

All turnover and loss on ordinary activities before taxation arises solely from the principal activity of the Company.

	2019	2018*
	£	£
Turnover analysis by geographic segment		
Americas	**14,882,922**	8,283,715
APAC	**30,581,328**	8,094,057
EMEA	**85,343,707**	39,777,892
UK	**18,741,511**	14,228,131
	149,549,468	70,383,795

*Prior year revenue analysis by geographical markets has been allocated to align with the current geographical structure.

4. Operating profit

	2019	2018
	£	£
Included in operating profit are the following costs:		
Inventory recognised as an expense	120,235,044	55,879,395
Total Staff costs (see note 5)	4,141,795	2,284,430
Depreciation on owned assets	626,253	266,000
Auditor's remuneration – audit of these financial statements *	-	-

* For the year to June 2019, audit fees of £17,250 (2018: £16,429) were paid by the ultimate parent undertaking, Renishaw plc.

Notes to the financial statements *(continued)*

5. Employees and Directors

The average number of persons employed by the Company (including directors) during the year to 30 June 2019 was 66 (2018: 70).

All employees are involved in sales and marketing activities.

	2019	2018
	£	£
Staff costs during the year		
Wages and salaries	**3,301,607**	1,849,541
Social security costs	**367,692**	197,863
Pension costs, defined contribution scheme	**472,496**	237,026
	4,141,795	2,284,430

	2019	2018
	£	£
Directors remuneration		
Renumeration	**119,114**	130,052
Contributions paid to pension scheme	**-**	-

No pension contributions are paid to directors by the Company. Pension contributions to R Macdonald are paid by Renishaw Plc. R Pountney and J Archer are not members of the Company defined contribution pension scheme.

Remuneration in respect of J Archer is shown from the date of his appointment as a director.

The remuneration of W E Lee was paid by Renishaw plc and not recharged.

6. Interest payable

	2019	2018
	£	£
Bank interest charges	**5,214**	862

Notes to the financial statements *(continued)*

7. Taxation

Recognised in the Profit & Loss account

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the year	**989,050**	469,186
Adjustment in respect of prior periods	**(46,424)**	(14)
Total current tax	**942,626**	469,172
Deferred tax		
Current year	**58,504**	19,266
Adjustment in respect of prior periods	**(74,550)**	-
Tax charge per the profit and loss	**926,58 0**	488,43 8

Reconciliation of effective tax rate

	2019	2018
	£	£
Profit on ordinary activities before taxation	**4,797,503**	2,446,938
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	**911,526**	464,918
Effects of:		
Non-deductible expenditure	**141,584**	25,801
Effect of changes in deferred tax rates	**(5,556)**	(2,267)
Corporation tax prior year	**(46,424)**	(14)
Prior year deferred tax	**(74,550)**	-
Total tax charge for the period	**926,580**	488,438

Factors that may affect future tax charges

A reduction in the UK rate of corporation tax to 17% from 1st April 2020 has been substantively enacted. This will reduce the Company's future current tax charge accordingly.