Strategic report

Business model

Renishaw International Limited ('the Company') operates as a treasury services and financing company for the Renishaw Group. It is a wholly-owned subsidiary of Renishaw plc and owns the share capital of the majority of the Renishaw Group's overseas subsidiaries.

Treasury services include:

- Global cash, deposits and money market funds management and reporting;
- Liquidity and capital financing, and facility management, of group companies;
- Management of external financing arrangements;
- Foreign currency trading and risk management; and
- Global banking arrangements and relationships.

When the Renishaw Group acquires or invests in a company not based in the UK, the Company will normally make this investment. Where an existing Renishaw Group company requires additional funding, the Company may provide a loan facility or equity financing.

Principal objectives and strategy

Funding for investments in, and loans to, Renishaw Group companies is provided from the cash reserves of the Company.

The Company receives returns from these investments by way of dividends from the overseas subsidiaries, which will depend on their profitability and local distribution tax considerations. The Company also receives interest on loans made to Renishaw Group undertakings and receives interest on bank deposits and money market funds.

Where necessary, the Company may draw down against a loan facility from the parent company.

When appropriate, the Company pays dividends to its parent company.

Section 172 statement

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

- the likely consequences of any decision in the long term,
- the interests of the Company's employees,
- the need to foster the Company's business relationships with suppliers, customers and others,
- the impact of the Company's operations on the community and the environment,
- the desirability of the Company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the Company.

Having carefully considered the Company's business, the Board considers its key stakeholders to be its employees (as well as those of the Group), its subsidiaries (both those held directly and indirectly), and the customers of its subsidiaries.

The below have been some of the principal matters discussed by the Board and how stakeholders' views have been considered:

a) United Arab Emirates (UAE) subsidiary:

The Board approved a proposal to incorporate a sales subsidiary in the UAE during the year. A business plan setting out the expected revenue, market potential, strategy, and risks was reviewed by Directors prior to making the decision. This review allowed the impact on the current subsidiaries, the Group as a whole, and customers within in the UAE to be considered.

STRATEGIC REPORT (CONTINUED)

b) Funding requirements for subsidiaries:

Loan facilities were granted to a number of the Company's subsidiaries during the year. An updated facility agreement template incorporating the latest market practices was agreed by the Board prior to making the decision to grant the loans. Financial and business plans of the relevant subsidiaries were reviewed prior to the loans being granted. These reviews enabled the Board to consider how the loans could support the growth of the subsidiaries, increase the level of support to customers in the respective regions, and ultimately increase the revenue for the both the Company, its subsidiaries and the wider Group.

c) Interim dividend:

The Board considered a proposal to pay an interim dividend to its shareholder during the year. The financial position of the Company, including the level of debt owed to its shareholder, and the funding needs of its subsidiaries were taken into account when considering the distribution proposal. After considering all the relevant factors the Board felt that it was not appropriate to make the distribution in the belief that it would be in the best interests of the Company and its stakeholders if the available funds were used to both pay off a portion of the debt owed to its shareholder and for the future funding needs of its business.

Principal risks and uncertainties

The key risks faced by the Company are in relation to the uncertainty of the profitability of the overseas subsidiaries, thereby not allowing for dividends to be paid to the Company. For more details of these risks and how they are managed, please see the Renishaw plc 2023 Annual Report.

Performance

For the year ended 30 June 2023, the Company's profit before tax was £58.5m (FY2022: £51.7m), which included dividends received of £59.4m (FY2022: £52.7m).

Dividends paid by the Company were nil (FY2022: £53.0m), resulting in shareholders' funds of £91.9m at 30 June 2023 (2022: £33.7m).

By order of the Board

A C G Roberts
Director
30 November 2023