

## Strategic report

The directors present their strategic report for the year ended 30 June 2022.

### 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 & Financial Results

For the year to 30 June 2022 revenue was £112,662,797 with an operating profit of £4,002,726 and a retained profit of £3,334,244. Both revenue and profitability grew significantly over the prior year, mainly as a result of improved market conditions as the adverse impact of the Covid-19 pandemic eased.

The balance sheet shows net assets of £10,915,456 and net current assets of £5,793,332.

The Directors monitor revenue 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 KPIs can be found in the Renishaw plc Annual Report.

### Future Developments

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

### Streamlined Energy and Carbon Reporting (SECR)

The Company is exempt from the UK Streamlined Energy and Carbon Reporting (SECR) regulations. The performance of the Renishaw plc Group in respect of these regulations can be found in pages 57 to 61 of the Group’s Annual Report.

### Section 172 statement

Under the Companies Act 2006, the directors are required to explain how they have complied with their duty to have regard to the matters in section 172 (1) (a)-(f) (Section 172) of the Companies Act 2006. Under Section 172 a director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing so the director must have regard to other matters including:

- likely consequences of any decisions in the long term;
- interests of the company’s employees;
- the need to foster the company’s business relationships with suppliers, customers and others;
- impact of the company’s operations on the community and the environment;
- the company’s reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The Board takes the interests of stakeholders into account when making decisions. The relevance of each stakeholder group may increase or decrease by reference to the issue in question, so the Board seeks to understand the needs and priorities of each group during its discussions. This, together with the combination of the consideration of long-term consequences of decisions and the maintenance of our reputation for high standards of business conduct, has always been integral to the way the Board operates.

Having carefully considered the Company’s business, the Board still considers its key stakeholders to be its workforce and customers.

Directors are informed of their statutory duties as part of their induction when appointed to the Board and reminded that they owe their duties to the Company and not to the Renishaw Group as a whole, or the parent company.

## *Strategic report (continued)*

Stakeholder considerations is a standing agenda item to board meetings, acting as a prompt to ensure such matters are considered on an ongoing basis. Regular reports on employee headcount, customer and supplier delivery performance are also received as part of board meetings to support the Board in considering the impact of their decisions on stakeholders. Despite the upturn in trading levels it was another challenging year for the Company, particularly in relation to supply chain issues. The below have been some of the principal matters discussed and how stakeholders' views have been considered:

- **Supply chain:** The Board continued to consider the impact of supply chain shortages on the Company and its stakeholders, including how its impact could be reduced. In the previous year various mitigations were put in place to support customers including amending stock parameters, increasing the range of stock, and more stock held in the Company's EU-based warehouse. The board continued to monitor the effectiveness of these mitigations throughout the year.
- **Warranty period:** The Board considered a proposal from the Group's EMEA Management Team to harmonise warranty periods across the EMEA region. The board assessed how the proposed changes would impact customers and Company profitability and concluded that there were no adverse impacts on customers and minimal net financial impact on the Company.

As part of the Renishaw Group's wider governance arrangements, matters that the Directors are responsible for considering under Section 172 have also been considered by the board of Renishaw plc in relation both to the Group and the Company, including on the principal decisions taken by the Group during the financial year. An explanation of how the Renishaw plc board has considered those matters (for the Group and the Company) is set out on pages 66 to 68 of the Renishaw plc's 2022 Annual Report, which does not form part of this report. Stakeholder engagement was also undertaken using Group resources. Details of the engagement that took place with the Company's stakeholders at Group level is set out on pages 52 to 53 of Renishaw plc's 2022 Annual Report. The board took account of the outputs of these Group-wide engagement activities in its decision making.

### **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 the Company distributes, remain world leading in manufacturing technologies. The range of products is expanding and diversifying. The Company balance sheet is strong and is expected to remain strong with net current assets of £5,793,332 and a positive cash position.

#### *(b) 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.

#### *(c) 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.

#### *(d) Currency risk*

The majority of sales are made in foreign currencies. The Group treasury team manages the effect 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 revenue.

*Strategic report (continued)*

By order of the board

**J Archer**  
*Director*

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