

NOTICE OF ILLEGIBLE PAGES

Companies House regrets that documents in this company's record have pages which are illegible.

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

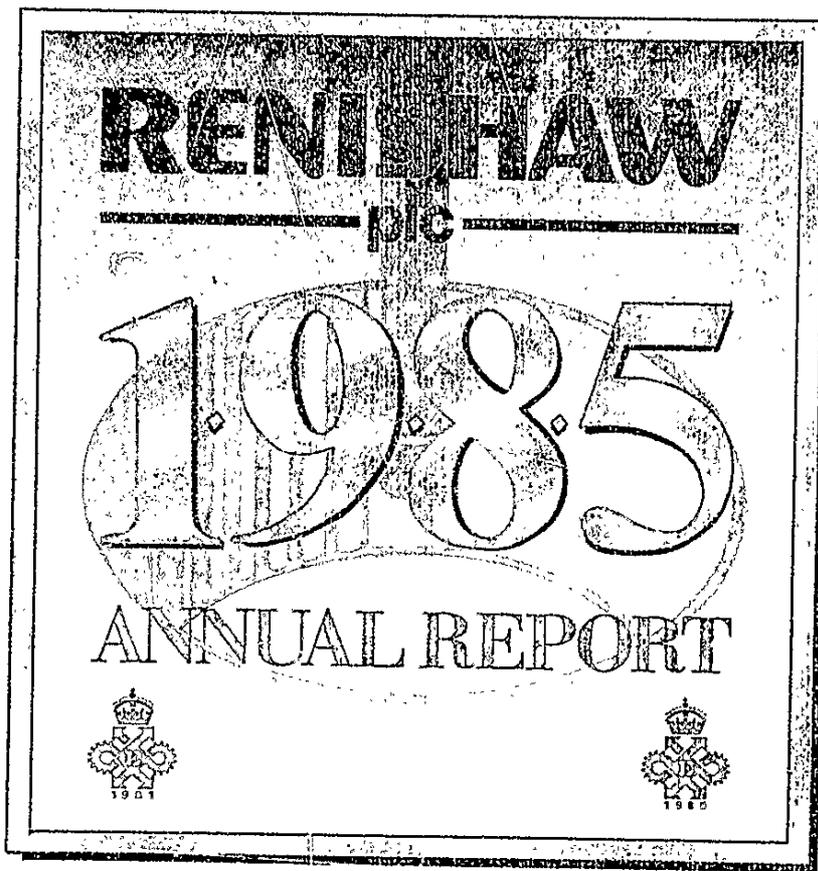
Companies House would like to apologise for any inconvenience this may cause

1106260

*Signed.
Registrar's Copy.*

18

167



CONTENTS

Results at a Glance	3
Chairman's Statement	4
RENISHAW - The Group	6
RENISHAW - At Home	8
RENISHAW - Overseas	10
Products	12
Directors	14
Notice of Meeting	15
Directors' Report	16
Consolidated Profit and Loss Account	18
Balance Sheets	19
Consolidated Statement of Source and Application of Funds	20
Accounting Policies	21
Notes to the Accounts	22
Subsidiary Companies	28
Report of the Auditors	28
Financial Calendar	28
Financial Record	29
Bar Chart, 8 years of Growth	30

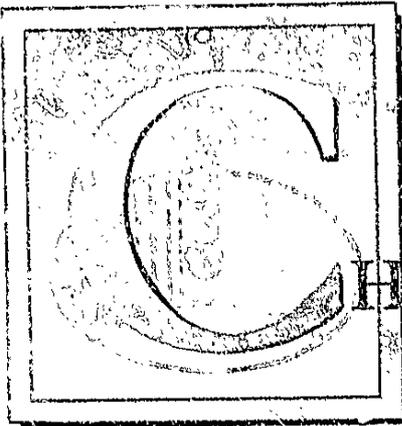
RESULTS AT A GLANCE

	1985	1984
	£'000	£'000
Turnover	15,545	10,492
Profit before Taxation	3,627	3,744
Taxation	1,813	1,548
Profit after Taxation	3,814	2,196
Earnings per Share	12.71p	7.72p

RENISHAW

plc

1985



CHAIRMAN'S STATEMENT

Results

In the year in which Renishaw moved from the Unlisted Securities Market on to the main market of The Stock Exchange, I am pleased to report another record set of results. Turnover increased by 48 per cent. to £15,545,000 and profit before taxation by 50 per cent. to £5,627,000. Again, the vast majority of our turnover was sold overseas — amounting to £13,878,000 (1984: £9,347,000). Profit after taxation amounted to £3,814,000 (£2,196,000).

During the year, our subsidiary, Renishaw Metrology Limited, was awarded the Queen's Award for Export Achievement — Renishaw's fourth Queen's Award since 1979.

People and Places

Considerable changes in the Group's organisation have been successfully implemented during the year to meet the needs of our expanding business.

Two new subsidiaries have been formed to cater for our newly-emerging activities together with the completion, since the year end, of the acquisition of Micro Aided Engineering Limited.

A number of key appointments have been made and new offices have been occupied in Chicago and Tokyo in addition to the opening of Renishaw Metrology's research and development centre in the New Mill and Renishaw Research's premises in Wotton-under-Edge.

Details of all these changes are set out on pages 6 to 11 of this report.

Products

Renishaw continues to increase and broaden its range of products. A number of those developed over the past two years are now being introduced on to the world markets and the full benefit from these will start to flow through in the 1986/87 financial year.

Research Programme

The five-year programme for the development of robotics and flexible manufacturing systems in Renishaw Research which is being funded by the rights issue in October 1984, continues on target. Its first product, the OP2 optical laser scanning probe, has now been launched and enthusiastically received.

Dividends

Your Directors are recommending the payment of a final dividend of 1.25p (net) per Share which, together with the interim dividend of 0.6p makes a total for the year of 1.85p per Share — compared with 1.5p last year.

Staff

I should like to reaffirm that Renishaw's achievements would not be possible without the support and commitment of our employees worldwide. In this year of organisational upheaval, I should like to express appreciation of their efforts.

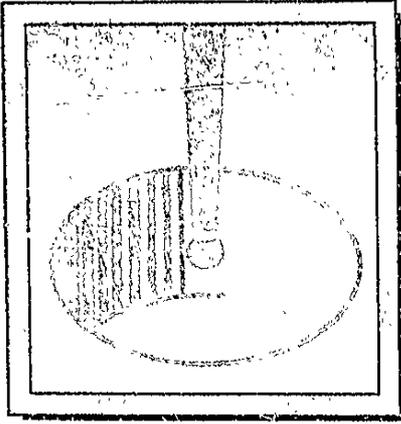
I am delighted to report that following approval of the Employee Share Option Scheme adopted at last year's Annual General Meeting all full time employees in the Group at 30th June 1985 were granted options in July this year.



Prospects

The board continues to have every confidence in Renishaw's future prospects and in the further strengthening and growth of the Group, based both on the existing product range and on the new products as they continue to be developed.

D. R. McMurtry
Chairman and Chief Executive



RENISHAW

plc

THE GROUP

Renishaw's success is in the field of metrology, the science of measurement, based on its innovation in 3-dimensional touch-trigger probe technology. The initial probe was invented by the Chairman, David McMurtry, in the early 1970's. Subsequent developments have led to substantial growth over its 12-year history and the Group's achievements have been recognised by four Queen's Awards to Industry since 1979.

During the year, the Board decided that Renishaw

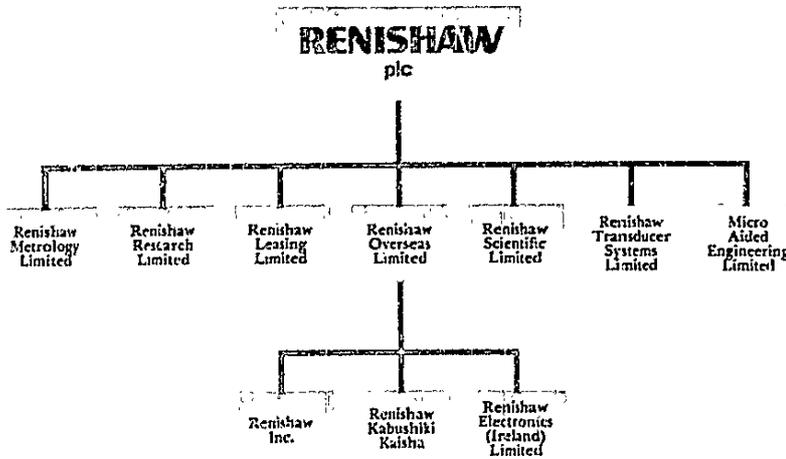
had reached the stage where important organisational changes should be made to promote and facilitate the Group's continued expansion. Therefore, this past year has seen significant changes in administration and reporting procedures, together with the establishment of new subsidiary companies. The role of Renishaw plc the parent company, is to determine the Group's overall corporate policy and to provide direction and guidance to the subsidiaries in the implementation of that policy.



Renishaw plc, at the same time, continues to offer full support in the areas of Finance and Data Processing, Personnel Recruitment and Administration, Patents and Legal Affairs.

A number of key appointments have been made at senior management level to head up the subsidiary companies, both at home and overseas. The Board is confident that the individual skills, expertise and experience of those appointed will make a major contribution to Renishaw's business both in expanding present markets as well as developing new potential for future products and activities.

Renishaw's traditional probe-related business will be under the guidance of Jim Stevenson who has many years' experience as a manager in the



RENISHAW

plc

Renishaw plc, Group Offices.



*David McMurtry
Chairman and Chief
Executive*



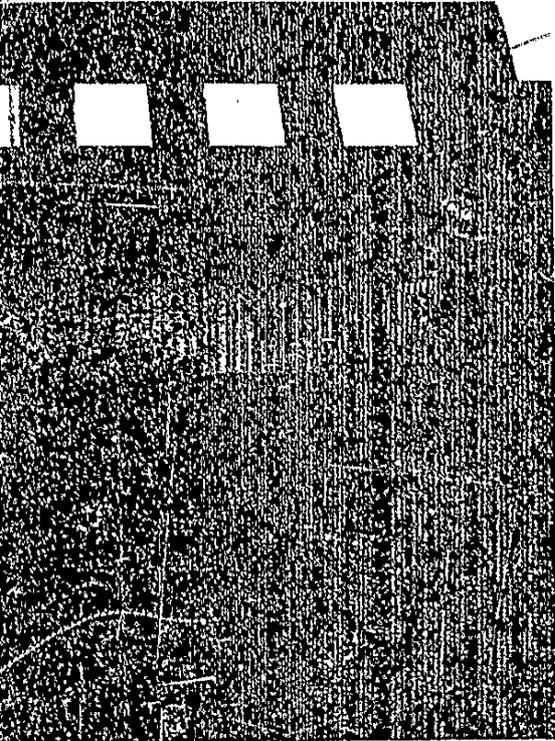
*John Deer
Managing Director*



*Allen Roberts
Finance Director*



*Leopold Brook
Non-Executive Director*



RENISHAW

subsidiaries

electronics industr

Renishaw Electrical was re-named Renishaw Metrology to describe more accurately its area of operation.

Professor Keith Rathmill, with both academic and industrial experience, has been appointed to be responsible for Renishaw Research.

Two new subsidiaries have been formed: Renishaw Scientific (Nov 1984) and Renishaw Transducer Systems (Sept 1985) and a 75 per cent shareholding has been acquired in Micro Aided Engineering ("MAE") (Sept 1985), with its CAD/CAM and post processing expertise.

Overseas, Ben Taylor, with his extensive knowledge of metrology products, has been appointed President of Renishaw Inc. to head up the USA Sales and Marketing operation.



*Jim Stevenson
Managing Director
Renishaw Metrology
Limited*



*Keith Rathmill
Managing Director
Renishaw Research
Limited*



*David Pitt
Managing Director
Renishaw Transducer
Systems Limited*



*Don Merriman
Managing Director
Micro Aided Engineering
Limited*



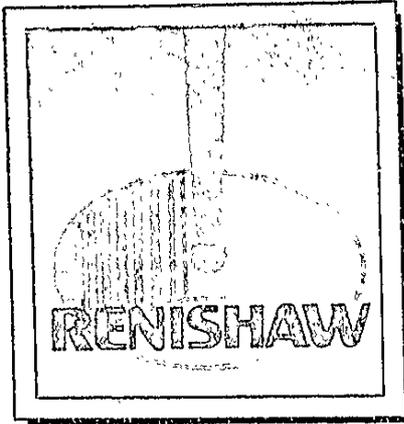
*Ben Taylor
President
Renishaw Inc.*



*Sabu Fukui
President
Renishaw Kabushiki Kaisha*



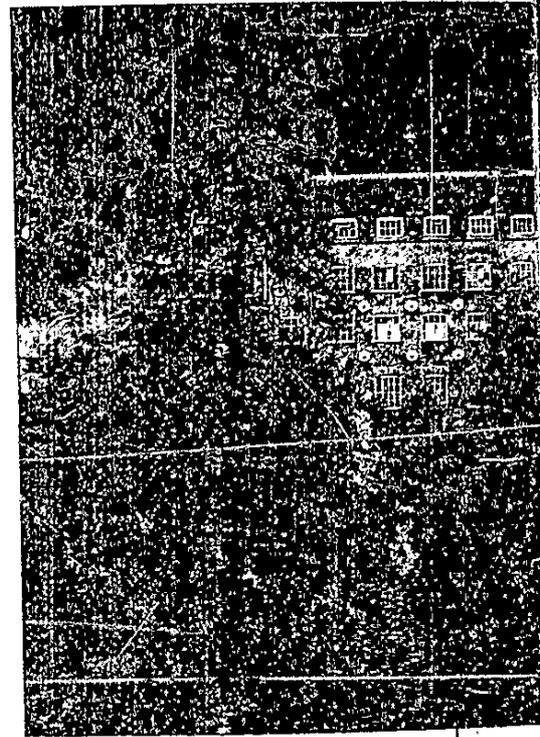
*Peter McMurtry
Director and General
Manager
Renishaw Electromes
(Ireland) Limited*



AT HOME

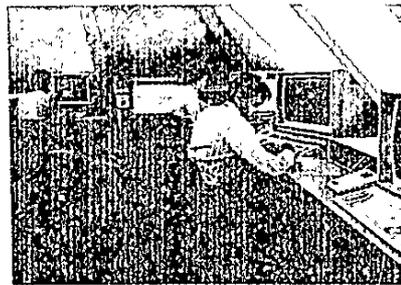
Renishaw Metrology concentrates on the ever-increasing applications for probes and probe systems in the co-ordinate measuring machine ("CMM") and computer numerically controlled ("CNC") machine tool markets. A Queen's Award for Export Achievement in 1985, its third such recognition, was accepted by the Chairman on behalf of the Company on 29th July from the Lord Lieutenant of Gloucestershire. The ceremony was followed by the Official Opening of the New Mill building which now houses the research and development operation of Renishaw Metrology.

Advanced computing facilities and support systems are used to handle the Group's continually expanding business. These assist in planning, monitoring and reporting from stores, through manufacturing, to marketing and distribution, together with all the accounting operations. An integrated computer-aided design and manufacturing system is already in operation, helping to reduce draughting and programming times and thus shortening lead times for the introduction of new products.



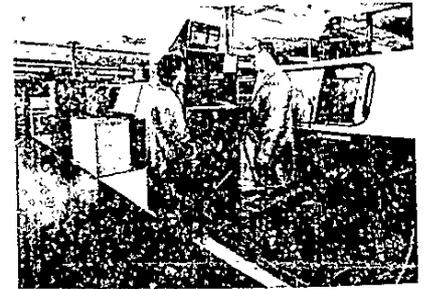
NEW MILL—RECEPTION

The New Mill, which is a Grade II listed building, dates from 1810 and has been refurbished to a high specification.



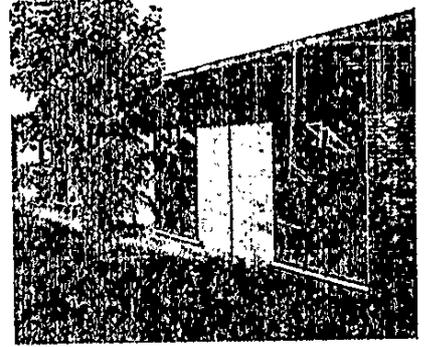
CAD/CAM

Six MAE networked stations have been installed. The MAEDOS draughting system and MAECAM CNC programming system will be directly linked by post processors to the computerised controls of the CNC machine tools in the machine shop.

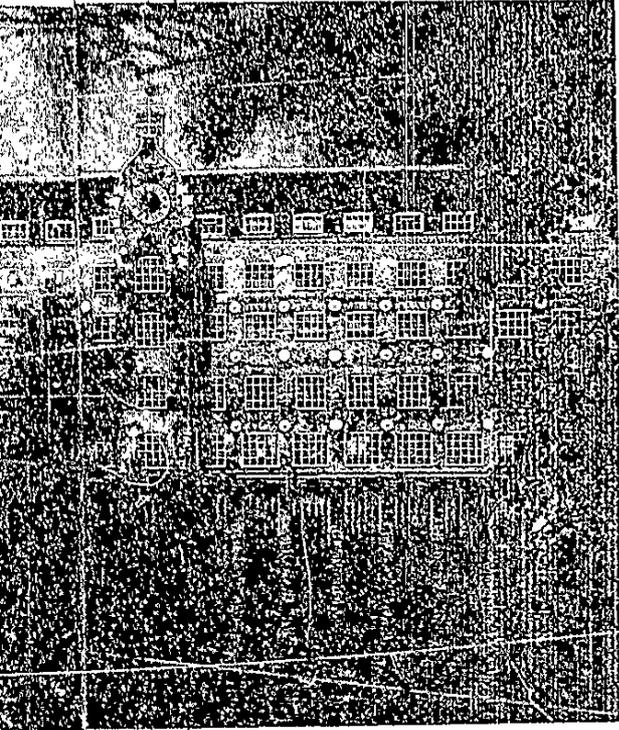


MANUFACTURING

The Machine Shop houses a wide variety of CNC lathes and CNC machining centres where probe bodies and associated components are manufactured. The use of probes in-house, in In-cycle Gauging applications, enables Renishaw to manufacture complex parts, from raw materials to the finished product, in a single process.



Renishaw Metrology Limited, New Mill.

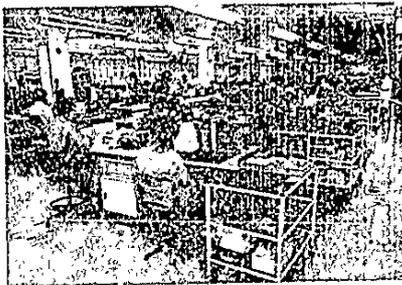


Renishaw Research was expanded in January 1984 and funded by the rights issue in October, 1984, to concentrate on the related technologies of robotics, opto-electric and laser operations in conjunction with flexible manufacturing systems. Its brief within the Group's five-year plan is to concentrate on the creation and development of new market niche products which are affordable and which will play a vital role in highly integrated manufacturing.

Renishaw Research moved into its new premises earlier this year. These provide both creative and advanced laboratory facilities for study in all branches of mechanical, electronic, opto-electronic and software engineering. The unique working environment

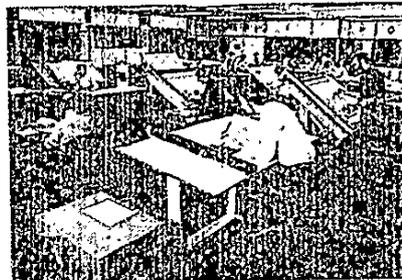
provided by the building, its location and the Company's challenging brief has attracted some of the leading specialists in their own particular fields. The Company is headed by one such person, Professor Keith Rathmill, who has recently joined Renishaw from the Cranfield Institute of Technology, where he was the Director of research and head of the robotics and automation initiatives.

The first such innovative product is the OP2 high performance laser scanning probe; launched at the 6. EMO Exhibition in September, 1985, it will be manufactured and marketed by Renishaw Metrology.



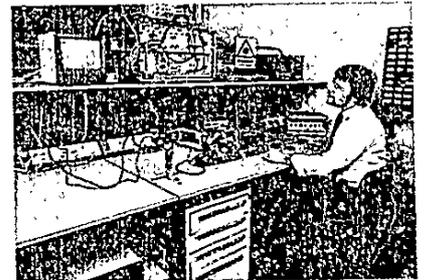
ASSEMBLY

To ensure that all finished products relate to Renishaw's exacting specification over a long working life, assembly is undertaken in fully air-conditioned "clean room" conditions.



RENISHAW RESEARCH "THINK TANK"

Renishaw Research's environment is designed to encourage creativity. Ideas at first freely developed on drawing board "sketch pads" are then refined with other members of the team prior to detailed design, development and manufacture.



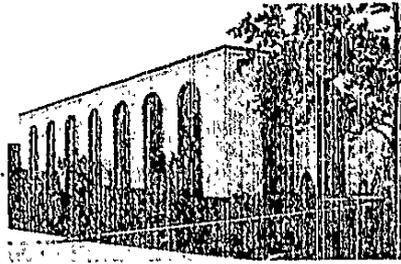
A RENISHAW RESEARCH LABORATORY

One of the well equipped laboratories responsible for the development of innovative products such as Renishaw's first non-contact probe OP2 which uses laser scanning.

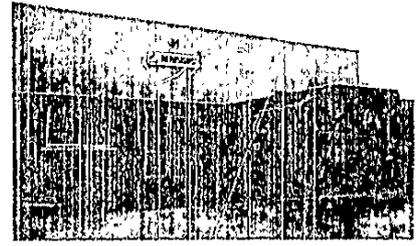
RENISHAW

With the continued increase in the Group's activities overseas, two subsidiary companies have expanded into newly-acquired premises. Renishaw Inc. in the USA has moved into a new purpose-built building in Schaumburg, Illinois, and Renishaw KK in Japan has expanded its operations based in new offices located in a sky-scraper block in the Shinjuku business quarter of Tokyo. These new facilities will add further support to their Marketing, Sales and Distribution activities.

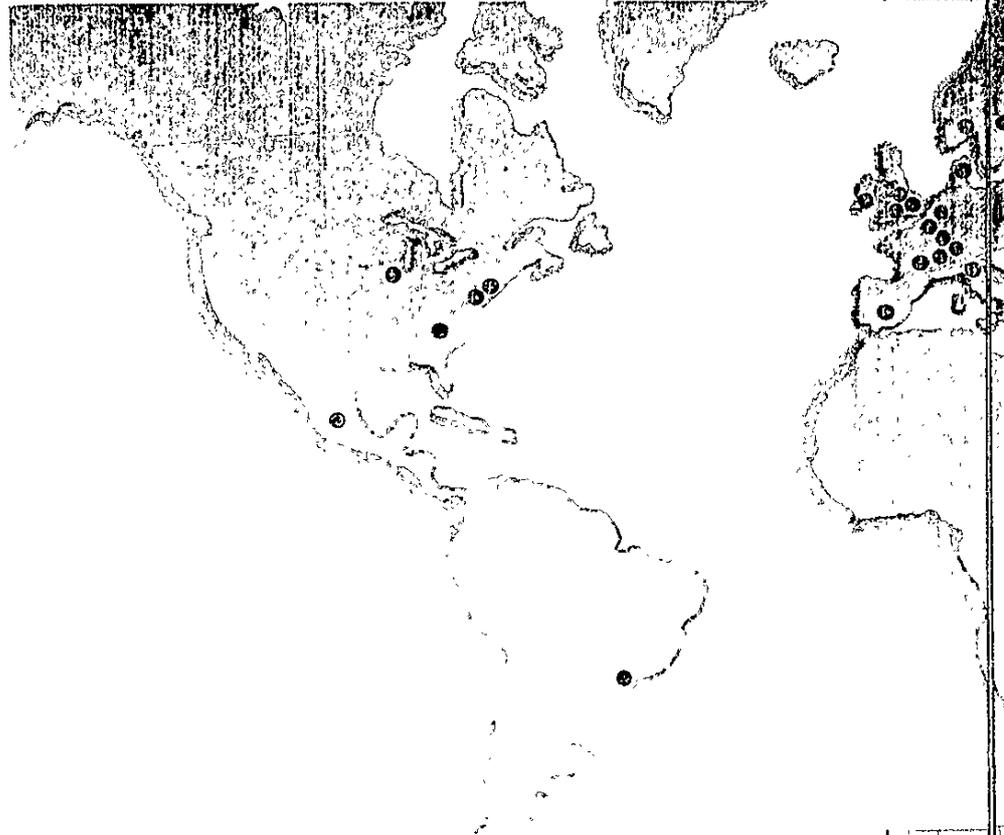
In Ireland, our Manufacturing subsidiary has increased its production facilities.



Renishaw Inc. New HQ Building in USA, Schaumburg, Illinois.



Renishaw Electronics (Ireland) Ltd., Dublin.



⊙ Distributors: These are located in the following countries:— Australia, Austria, Brazil, Belgium, Peoples Republic of China, Denmark, Finland, France, Germany, India, Israel, Italy, Japan, Korea, Mexico, The Netherlands, Norway, Spain, Sweden, Switzerland, Taiwan, United Kingdom, and the United States of America.

Subsidiaries:

- Renishaw Inc.,
623 Cooper Court,
Schaumburg,
Illinois 60195,
U.S.A.
Telephone: (312) 843 3666
Facsimile: (312) 843 1744
- Renishaw Inc.,
2907 Post Road, Warwick,
Rhode Island 02886, U.S.A.
Telephone: (401) 737 4473
- ⊙ Renishaw Electronics (Ireland) Ltd.,
Unit B4, Ballymun Industrial
Estate, Dublin 11,
Ireland
Telephone: 429373
Telex: 32217

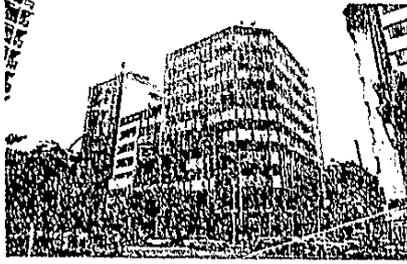


Interior—Renishaw Inc.

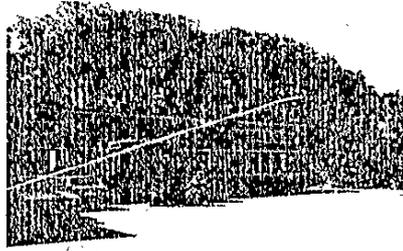


Interior—Renishaw Electronics (Ireland) Ltd.

OVERSEAS

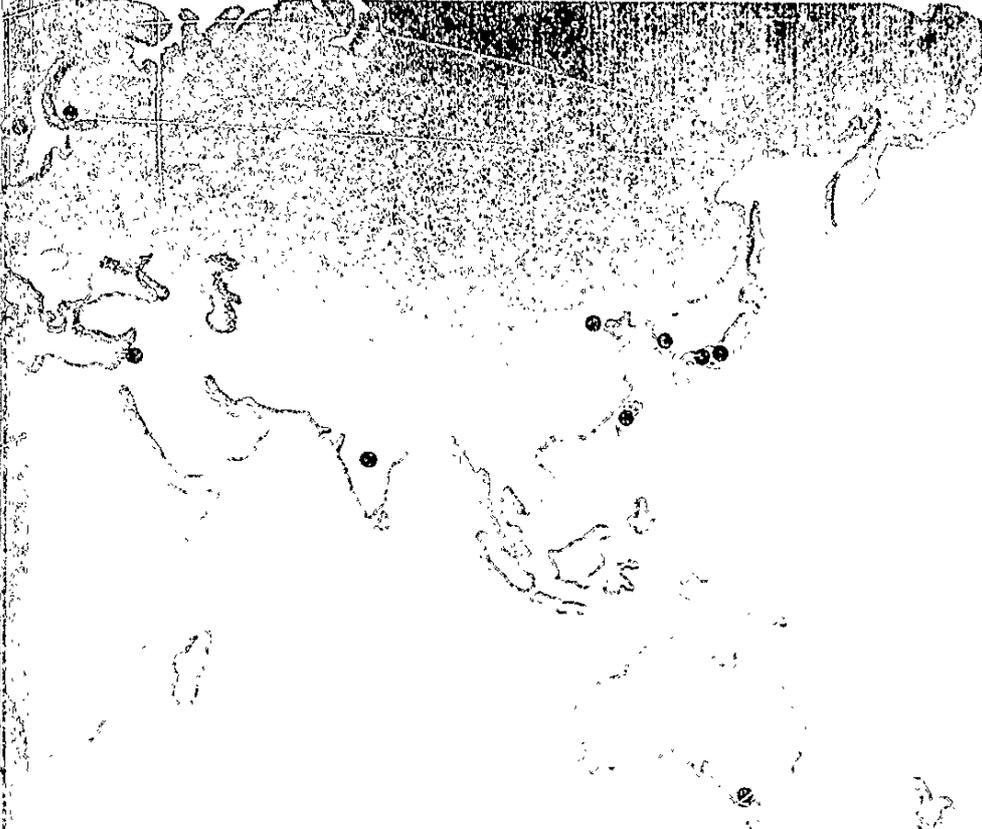


Renishaw KK. New HQ in Tokyo, Japan, (Top floor).



A leading distributor, Wegu-Messtechnik, West Germany.

Sales in other parts of the world are handled through a network of selected distributors in key countries. Regular contact is maintained with these distributors and full promotional support is provided, not only with advertising but also with local participation in key Exhibitions. During the year the Group has successfully exhibited at IMTS—Chicago, BIMU—Milan, JIMTOF—Tokyo, Microtechnic—Zurich, 6.EMO—Hannover, as well as INSPEX, NE 85 and others in the UK itself. Full technical support is provided to all Renishaw customers worldwide.



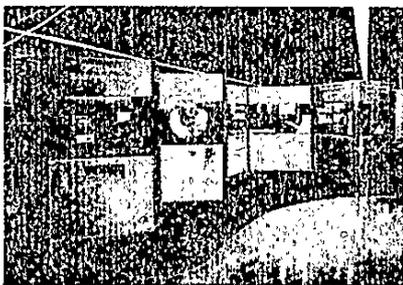
● Renishaw Kabushiki Kaisha,
10F, Han-ei No. 2 Building,
10-1 Shinjuku-ku, Tokyo 160,
Japan
Telephone: (03) 350-6234
Telex: J32960
Facsimile: (03) 350-6208

● Micro Aided Engineering Limited,
The Gables, Old Market Street,
Thetford, Norfolk IP24 2EW,
United Kingdom
Telephone: (0842) 4041
Telex: 817913
Facsimile: (0842) 65549

For further information contact
● Renishaw plc, Gloucester Street,
Wotton-under-Edge,
Gloucestershire, GL12 7DN,
United Kingdom.
Telephone: (0453) 842533
Telex: 437120
Facsimile: (0453) 843689



Interior—Renishaw KK.



Renishaw Exhibition Stand, 6.EMO. Hannover, West Germany.

P RODUCTS

A selection of the Group's latest products:—

MP7 RETRO-FIT PACKAGE

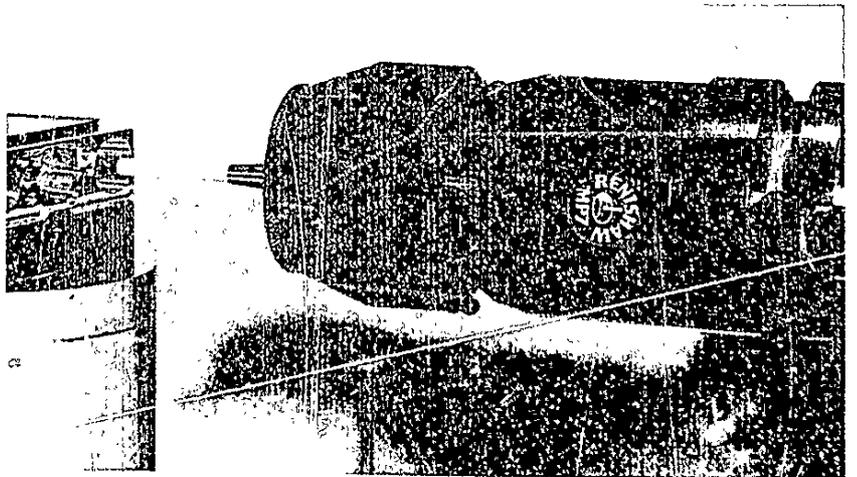
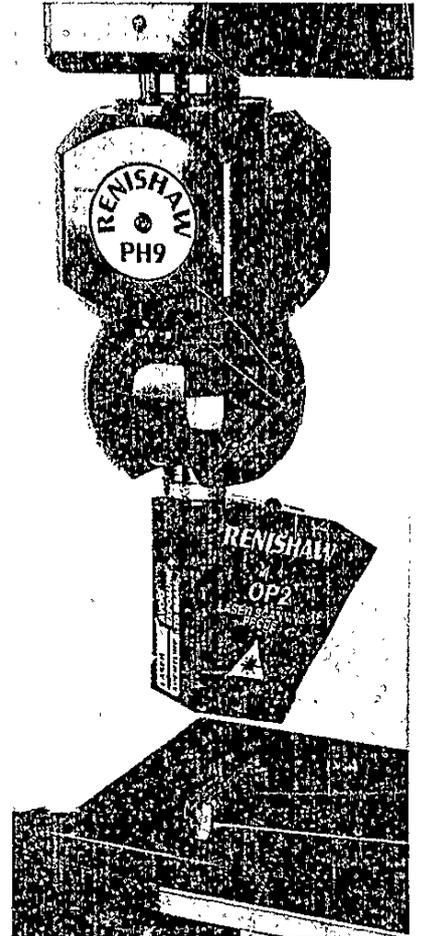
Renishaw's revolutionary MP7 COMPACT OPTICAL PROBE can be fitted easily to CNC machining centres having suitable control systems.

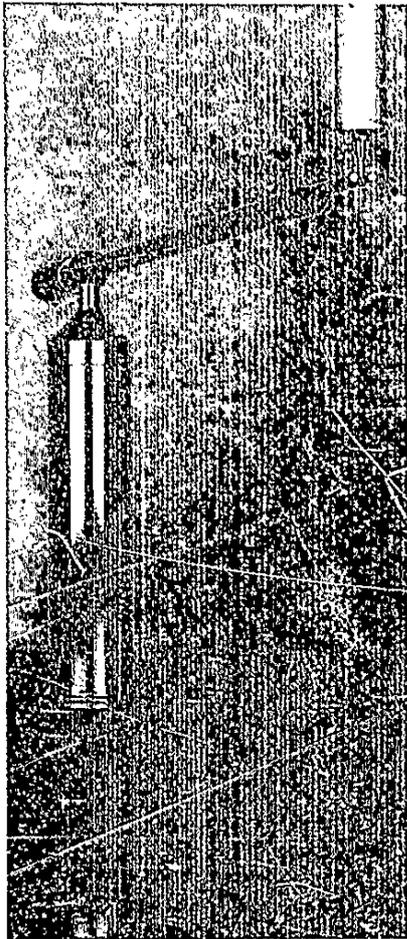
The MP7 uses infra-red signal transmission, powered from an inexpensive, long-life, replaceable battery which is housed in the body of the probe itself. Linking the probe's signals to the machine's control system via an interface unit is the RENISHAW SOFTWARE PACKAGE which comprises a suite of macro programmes covering a wide range of in-cycle gauging requirements. The machining process is monitored and adjusted automatically from job set-up, through prove-out, to component inspection.

Using simple one-line commands, the system is especially user-friendly to the numerical control programmer. Improved quality and time saving is achieved by faster job set-up, better batch control, less rejects and fewer tasks for the operator. This results in greatly increased productivity.

OP2 LASER SCANNING PROBE

Renishaw's first LASER SCANNING PROBE adds great flexibility to a CMM and to post-process and process-control gauging. Since there is no contact with the part under inspection, the probe has many applications with soft materials, such as plastic, intermittent surfaces such as honeycomb construction and complex surface structures like gears or turbine blades. Its compact size allows mounting on Renishaw's Motorised Head, the PH9, for full orientation. The probe is capable of high-speed scanning with great accuracy and has a high dynamic capability so that a variety of surfaces can be measured at a wide angle.





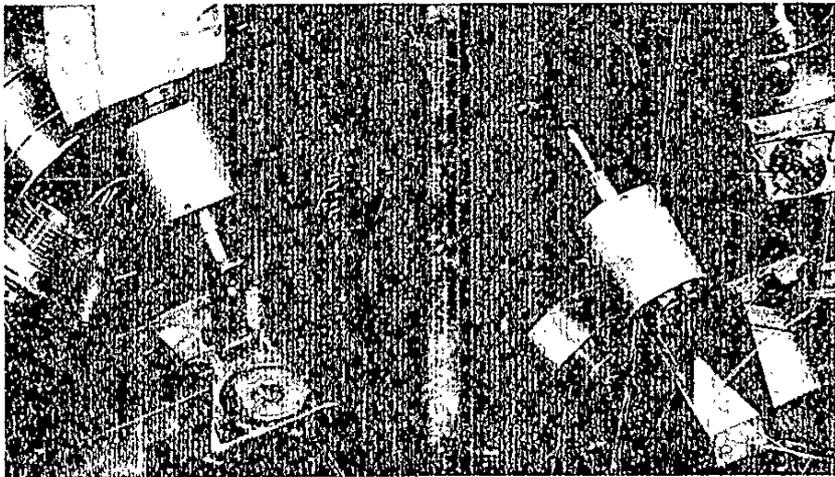
MACHINE CHECKING GAUGE

Renishaw's unique, patented MACHINE CHECKING GAUGE allows, for the first time, rapid and automatic checking of the volumetric accuracy of a CMM. Full calibration can be reduced to as little as 15 minutes and the probe may be moved manually or programmed under CNC-control. Carbon fibre has been used in the manufacture of the arm for minimum weight and fast gauging speeds. The path of the probe's stylus describes a large radius circle, 360 degrees horizontally and plus or minus 45 degrees vertically so that the checking envelope resembles a truncated sphere. Repeating a sequence of readings checks the accuracy of the complete system, taking into account any

variations in the probe, CMM or software. The short inspection time minimises the effect of thermal variation. Two kits, complete with accessories, are available which allow volumetric analysis of a wide range of inspection profiles.

LP2H TOUCH TRIGGER PROBE

The LP2H TOUCH TRIGGER PROBE has been developed for use on larger machining centres and lathes with higher levels of vibration. It can prove useful especially where heavier styli or build-up of modular styli is required and for tool setting. Like the standard version, the LP2, it is sealed and protected for working in hostile conditions of swarf and coolant, and maintenance is minimised. A higher force on the stylus is necessary to trigger the probe. This results in some four times more resistance to vibration yet with only a marginal reduction in repeatability, compared with the LP2. The primary application of the LP2 series is on CNC lathes where probes are mounted in turret tool stations for component inspection. They may be used also on machining centres where the small cross-section of the probe body enables gauging of workpiece features where access is restricted.



Directors

D. R. McMurtry,
H.N.D.(Mech.Prod.Eng.)
(Chairman and Chief Executive)

D. J. Deer, H.N.C.(Mech.Eng.)
(Managing Director)

A. C. G. Roberts, F.C.A.
(Finance Director)

L. Brook, B.Sc.(Eng.), C. Eng.,
F.I.C.E., F.I.Mech.E.
(Non-Executive)

Company Secretary and Registered Office

A. C. G. Roberts, F.C.A.
Gloucester Street,
Wotton-under-Edge,
Gloucestershire GL12 7DN.
Registered Number: 1106260
Telephone: (0453) 842533
Telex: 437120
Facsimile: (0453) 843689

Auditors

Peat, Marwick, Mitchell & Co.,
Chartered Accountants
Welsh Street Chambers,
Chepstow, Gwent NP6 5LN.

Solicitors

Norton, Rose, Botterell & Roche,
Kempson House, Camomile Street,
London EC3A 7AN.

Principal Bankers

Lloyds Bank Plc,
23 Long Street, Wotton-under-Edge,
Gloucestershire GL12 7DA.

Registrars and Transfer Office

Lloyds Bank Plc,
Registrar's Department,
Goring-by-Sea,
Worthing, West Sussex BN12 6DA.

Stockbrokers

Rowe & Pitman,
1 Finsbury Avenue,
London EC2M 2PA.

Merchant Bankers

Lloyds Merchant Bank Limited,
40/66 Queen Victoria Street,
London EC4P 4EL.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 12th Annual General Meeting of the Company will be held at the Post House Hotel, Thornbury Road, Alveston, nr. Thornbury, Avon on Friday 15th November, 1985 at noon to transact the following business:—

1. To receive and adopt the reports of the Directors and Auditors and the Statement of Accounts for the year ended 30th June, 1985.
2. To declare a final dividend.
3. To re-elect as a Director of the Company Mr. A. C. G. Roberts, who is retiring by rotation.
4. To re-appoint Peat, Marwick, Mitchell & Co., as Auditors to the Company and to authorise the Directors to fix their remuneration.

To consider as special business and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:—

5. That:—

(A) the Directors be and they are hereby empowered, pursuant to section 95 of the Companies Act 1985 ("the Act"), to allot equity securities pursuant to the authority given in accordance with section 14 of the Companies Act 1980 by a Resolution passed at the Annual General Meeting held on 16th November 1984 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:—

(i) during the period commencing on the date of the passing of this Resolution and expiring at the conclusion of the Annual General Meeting of the Company in 1986 but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power;

(ii) in connection with an offer of securities, open for acceptance for a period fixed by the Directors, by way of rights to holders of Ordinary Shares in proportion (as nearly as may be) to their holdings on a record date fixed by the Directors (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with problems under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in connection with fractional entitlements or otherwise howsoever); and

(iii) (otherwise than pursuant to paragraph (ii) above) up to an aggregate nominal amount of £105,000;

(B) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this Resolution.

6. To transact any other business of an Annual General Meeting.



By Order of the Board
A. C. G. Roberts
Secretary

Gloucester Street,
Wotton-under-Edge,
Gloucestershire GL12 7DN
22nd October, 1985.

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a member of the Company and the appointment of a proxy will not preclude a member from attending and voting at the meeting. A form of proxy is enclosed for this purpose.
2. The register of Directors' shareholdings will be available for inspection at the Registered Office of the Company during normal business hours on the date of the meeting and at the place of the meeting for 15 minutes prior to, and during, the meeting.

Directors' Report

The Directors have pleasure in presenting their twelfth Annual Report, together with the Audited Accounts for the year ended 30th June 1985 as set out on pages 18 to 28 and approved by the Board of Directors on 2nd October 1985.

Trading Results

The Group results for the year were as follows:

	1985 £'000	1984 £'000
Profit on Ordinary Activities before Taxation	5,627	3,744
Taxation on Profit on Ordinary Activities	1,813	1,548
Profit on Ordinary Activities after Taxation	3,814	2,196
Extraordinary Item	—	260
Profit for the Financial Year	3,814	2,456
Dividends	586	128
Retained Profit for the Year	3,228	2,328

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.

In addition, the Group carried on the trade of leasing equipment to third parties.

The principal activities of the subsidiaries are detailed on page 28.

There has been no significant change in these activities during the year.

An analysis of turnover by geographical market is given in Note 1 to the Accounts.

Dividends

The Directors propose a final dividend of £384,999 for the year, which is equivalent to 1.25p per Share net and together with the interim dividend of 0.6p makes a total of 1.85p for the year, compared with 1.5p for the previous year.

The final dividend, if approved at the Annual General Meeting, will be paid on 18th November 1985 to shareholders whose names are recorded in the register at close of business on 24th October 1985.

Research and Development

The Group has a continuing commitment to a high level of research and development. The expenditure involved is mainly directed towards the development of new products relating to Metrology, and to the updating and further development of existing products.

As a result of these efforts it is anticipated that new products will be available for introduction to the market place in the forthcoming year to sustain the continued growth of the Group.

In addition Renishaw Research has been expanded to concentrate on the development of new but related products associated with the rapidly emerging technologies of robotics, flexible manufacturing systems and electro-optic and laser technology. The financing of the development of these products was the purpose of the £5.9m rights issue in October 1984.

Taxation

The Company is no longer a close company within the provisions of the Income and Corporation Taxes Act 1970.



Directors and Their Interests

The Directors who served during the year were:

D. R. McMurtry
(Chairman and Chief Executive)

D. J. Deer
A. C. G. Roberts
L. Brook
M. A. Wilson

The interests of the Directors in the Share Capital of the Company at the beginning and end of the year, all of which were beneficial, were as follows:

	Ordinary Shares of 5p each	
	30th June 1985	30th June 1984
D. R. McMurtry	12,000,334	13,000,334
D. J. Deer	5,899,166	6,499,166
A. C. G. Roberts	40,517	36,834
L. Brook	7,332	6,666
M. A. Wilson	40,700	67,250

There has been no change in the above holdings in the period 30th June 1985 to 2nd October 1985. Under the terms of the Employee Share Option Scheme A. C. G. Roberts was granted an option to purchase 12,000 shares at 253p between 24th July 1988 and 24th July 1995.

In accordance with the Articles of Association A. C. G. Roberts retires by rotation and being eligible offers himself for re-election. M. A. Wilson resigned as a Director on 4th September 1985, in order to devote himself full-time to his new appointment.

No director was interested during or at the end of the year in any contract which was significant in relation to the Company's business.

Share Capital

On 30th October 1984, 2,799,917 Ordinary Shares of 5p each were issued by way of a rights issue, on the basis of one new Ordinary Share for every ten existing Ordinary Shares, at 220p each.

Following approval at the last Annual General Meeting, the authorised Share Capital has been increased from £1,750,000 to £2,100,000 by the creation of 7,000,000 Ordinary Shares of 5p each.

Substantial Shareholders

Apart from the shareholdings of Messrs McMurtry and Deer (58.1 per cent) the Directors are not aware of any other shareholding which represents 5 per cent or more of the issued Share Capital of the Company.

Post Balance Sheet Event

On 2nd September 1985 the Company acquired 75 per cent of the issued Share Capital of Micro Aided Engineering Limited ('MAE'), which is based in Thetford, Norfolk.

The business of MAE is the design, development, manufacture, supply and marketing of computer-aided design and manufacturing systems and equipment.

The total consideration, paid in cash, was £780,000.

Donations

During the year the Company made charitable donations amounting to £4,500. No political donations were made.

Fixed Assets

The changes in Tangible Fixed Assets during the year are summarised in Note 8 to the Accounts.

The principal U.K. properties were professionally valued on an open market basis at 29th April 1983, and showed a surplus over book value of approximately £117,000. This surplus has not been incorporated into the Accounts.

Employees

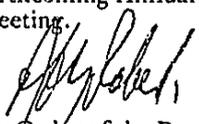
The maintenance of a highly skilled workforce is essential to the future of the business and the Directors place great emphasis on the continuation of the Company's approved training policy. Health and Safety matters are given special attention by the Directors and it is their policy to ensure that continued employment is offered to employees who become temporarily or permanently disabled and the Company always carefully considers an application for employment by any registered disabled person.

To encourage involvement in their companies, all full time employees who were in service on 30th June 1985 participated in the Company's Employee Share Option Scheme.

Regular contact is maintained with all employees through departmental channels and the monthly in-house journal ensures staff are kept well informed on the progress of the Group.

Auditors

A resolution in accordance with Section 384, Companies Act 1985, for the re-appointment of Peat, Marwick, Mitchell & Co as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.


By Order of the Board
A. C. G. Roberts
Secretary
2nd October 1985.

Consolidated Profit and Loss Account

For the Year ended
30th June 1985

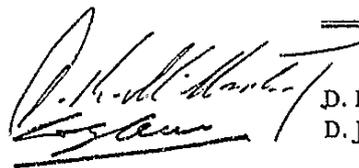
	Notes	1985 £'000	1984 £'000
TURNOVER	1	15,545	10,492
Cost of Sales		7,251	5,133
GROSS PROFIT		8,294	5,359
Distribution Costs		1,299	642
Administrative Expenses		1,765	861
		3,064	1,503
OPERATING PROFIT	2	5,230	3,856
Interest Receivable less Payable	3	397	(112)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,627	3,744
Taxation on Profit on Ordinary Activities	4	1,813	1,548
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,814	2,196
Extraordinary Item Release of Deferred Taxation		—	260
PROFIT FOR THE FINANCIAL YEAR		3,814	2,456
Dividends	5	586	128
RETAINED PROFIT FOR THE YEAR		3,228	2,328
Earnings per Share	6	12.71p	7.72p
PROFIT FOR THE FINANCIAL YEAR Dealt with in the accounts of:			
The Company		1,344	342
Subsidiaries		2,470	2,114
		3,814	2,456



Balance Sheets

At 30th June 1985

	Notes	The Group		The Company	
		1985 £'000	1984 £'000	1985 £'000	1984 £'000
FIXED ASSETS					
Intangible Asset	7	750	778	—	—
Tangible Assets	8	6,210	3,957	3,157	2,038
Investments					
Group Companies		—	—	15	15
		<u>6,960</u>	<u>4,735</u>	<u>3,172</u>	<u>2,053</u>
CURRENT ASSETS					
Stocks	9	2,784	1,532	—	—
Debtors	10	5,703	3,512	5,512	1,524
Investments	11	2,249	1,054	—	—
Cash at Bank and in Hand		6,346	383	5,442	—
		<u>17,082</u>	<u>6,481</u>	<u>10,954</u>	<u>1,524</u>
CREDITORS					
Amounts falling due within one year	12	5,363	2,876	4,271	655
		<u>11,719</u>	<u>3,605</u>	<u>6,683</u>	<u>869</u>
NET CURRENT ASSETS					
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,679</u>	<u>8,340</u>	<u>9,855</u>	<u>2,922</u>
CREDITORS					
Amounts falling due after more than one year	13	1,167	1,294	212	280
		<u>17,512</u>	<u>7,046</u>	<u>9,643</u>	<u>2,642</u>
PROVISION FOR LIABILITIES AND CHARGES					
Deferred Taxation	14	3,993	2,595	859	526
		<u>13,519</u>	<u>4,451</u>	<u>8,784</u>	<u>2,116</u>
NET ASSETS					
		<u><u>13,519</u></u>	<u><u>4,451</u></u>	<u><u>8,784</u></u>	<u><u>2,116</u></u>
CAPITAL AND RESERVES					
Called Up Share Capital	15	1,540	1,400	1,540	1,400
Share Premium Account	15	5,770	—	5,770	—
Other Reserves—Currency		(6)	64	—	—
Profit and Loss Account	16	6,215	2,987	1,474	716
		<u>13,519</u>	<u>4,451</u>	<u>8,784</u>	<u>2,116</u>



D. R. McMurtry } Directors
D. J. Deer }

**Consolidated
Statement of Source
and Application
of Funds**

For the Year ended
30th June 1985

SOURCE OF FUNDS

Profit on Ordinary Activities
before Taxation

1985
£'000

1984
£'000

5,627

3,744

Adjustment for Items not
involving the Movement of
Funds:—

Amortisation of Intangible Asset

28

37

Depreciation of Tangible Assets

459

308

Loss on Sale of Tangible Assets

3

1

Currency movements

(58)

28

492

374

**TOTAL GENERATED FROM
OPERATIONS**

6,059

4,118

**FUNDS FROM OTHER
SOURCES**

Proceeds of Rights Issue

5,910

—

Hire Purchase

84

514

Sale of Tangible Assets

2

66

Deferred Liability

—

648

5,996

1,228

TOTAL SOURCES OF FUNDS

12,055

5,346

APPLICATION OF FUNDS

Purchase of Tangible Assets

2,704

1,847

Intangible Asset Acquired

—

815

Hire Purchase Repaid

201

152

Taxation Paid

218

234

Dividends Paid

285

103

3,408

3,151

**INCREASE IN WORKING
CAPITAL**

8,647

2,195

Arising from Movements in:—

Stocks

1,252

247

Debtors

2,191

1,347

Investments

1,195

491

Creditors

(1,883)

(993)

2,755

1,092

Net Liquid Funds

5,892

1,103

8,647

2,195

Accounting Policies

The principal accounting policies applied in the preparation of the Accounts of the Group are described below. The Accounts have been prepared under the historical cost accounting rules.

Basis of Consolidation

The Consolidated Accounts incorporate the accounts of the Company and all its subsidiaries.

As provided by section 228(7) of the Companies Act 1985, a separate Profit and Loss Account dealing with the results of the Company alone has not been presented.

Turnover

Turnover represents the value of Group sales to third parties invoiced during the year less returns, allowances and value added tax.

Intangible Asset and Amortisation

The intangible asset is stated at cost less accumulated amortisation. Amortisation is provided to write off the cost of the asset on an incremental basis over the period of the relevant agreement.

Tangible Assets and Depreciation

Tangible Assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost of assets on a straight line basis over their estimated useful lives as follows:—

Freehold Buildings	— 50 years
Plant and Machinery	— 5 to 10 years
Motor Vehicles	— 3 years

Finance Leases

Income from third parties is credited to Profit and Loss Account in proportion to the capital balances outstanding. Interest payable on the related hire purchase liabilities is charged against the income in proportion to capital balances owing.

Stocks

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

Research and Development

Research and development expenditure is charged against profit in the year in which it is incurred.

Hire Purchase

Hire purchase interest is charged to Profit and Loss Account in proportion to the capital sums outstanding.

Deferred Taxation

Deferred taxation is provided on all timing differences except where there is a reasonable probability that no liability will arise in the foreseeable future and where there is no indication that after this period the situation is likely to change so as to crystallise the liabilities.

Provision is calculated under the liability method at the rates applicable to the periods in which it is anticipated the differences will be reversed.

Foreign Currency

Each trading transaction entered into by the Group denominated in a foreign currency, is translated and recorded at the rate of exchange ruling at the date of the transaction, and any differences in value on settlement are taken to Profit and Loss Account.

Overseas profits are translated into sterling at the rate of exchange ruling when they are earned.

Overseas assets and liabilities included in the Consolidated Balance Sheet are translated into sterling at the rates of exchange ruling at the end of the accounting year and resultant currency adjustments are treated as movements on reserves.

Government Grants

Government grants received relating to the purchase of Tangible Assets are released to Profit and Loss Account over the estimated useful life of the relevant asset. Grants relating to revenue expenditure are credited to Profit and Loss Account when received.

Notes to the Accounts

For the Year ended 30th June 1985

1. Turnover

Turnover is defined under the accounting policies and relates entirely to the principal trade. An analysis by geographical market is as follows:—

	1985 £'000	1984 £'000
USA	7,241	4,233
Japan	2,911	2,210
West Germany	1,668	1,608
France	593	449
Other Overseas Countries	1,465	847
Total Sales to Overseas Customers	13,878	9,347
United Kingdom	1,667	1,145
Total Group Sales	15,545	10,492

2. Operating Profit

	1985 £'000	1984 £'000
a) The Operating Profit is stated after charging		
Depreciation	459	308
Directors' Emoluments	242	259
Auditors' Remuneration	24	22

b) Emoluments of Directors and Higher Paid Employees

The emoluments of the Chairman and highest paid Director for the year, excluding pension contributions, were £85,764 (1984 £85,764). The emoluments of the other Directors, excluding pension contributions, fell within the following ranges:—

	Number of Directors	
	1985	1984
£ 5,001—£10,000	2	1
£30,001—£35,000	—	1
£35,001—£40,000	1	1
£45,001—£50,000	1	1

No U.K. employee had emoluments greater than £30,000 per annum.

c) Staff Numbers and Costs

The average number of persons employed by the Group (including Directors) during the year was as follows:—

	1985 No.	1984 No.
Office and Management	49	41
Research, Manufacturing, Marketing	322	234
	371	275

	1985 £'000	1984 £'000
The aggregate payroll cost of the above was as follows:—		
Wages and Salaries	3,423	2,341
Social Security Costs	294	230
Other Pension Costs	64	53
	3,781	2,624

3. Interest Receivable Less Payable		1985 £'000	1984 £'000
Receivable	Bank	742	83
Payable	Hire Purchase	411	230
	Bank and other short term interest	244	126
	Attributable to leasing activity	655 (310)	356 (161)
		345	195
		397	(112)

4. Taxation on Profit on Ordinary Activities		1985 £'000	1984 £'000
	Based on Group Profit on Ordinary Activities for the Year:—		
	Corporation Tax at 43.75% (1984: 48.75%)	176	196
	Deferred Tax at 38.75% (1984: 43.75%)	1,527	1,259
	Overseas Tax	110	93
		1,813	1,548

The charge for the year has been reduced by the effect on Deferred Tax resulting from lower tax rates. A further liability to taxation would arise if the retained profits of overseas subsidiaries were distributed.

5. Dividends		1985 £'000	1984 £'000
	Interim dividend paid of 0.6p (1984: 0.5p)	185	43
	Additional 1984 final dividend of 1.0p	16	—
	Proposed final dividend of 1.25p (1984: 1.0p)	385	85
		586	128

The additional 1984 final dividend is in respect of shares sold by Messrs. McMurtry and Deer prior to payment of the dividend. For that year Messrs. McMurtry and Deer waived their dividend entitlements amounting to £276,492.

6. Earnings per Share
Earnings per Share are calculated on earnings of £3,814,000 (1984: £2,196,000) and on the adjusted weighted average of 30,008,000 shares in issue during the year (1984: adjusted - 28,446,000).

7. Intangible Asset
Represents the value of the agreement whereby Brown & Sharpe ceased to be the authorised distributor in North America of certain Renishaw products. The asset is denominated in U.S. dollars and is stated at cost of £815,000 less amortisation of £65,000. The consideration is payable over a period of years and the balance outstanding, also denominated in U.S. dollars, is shown in Note 13 as a deferred liability.

8. Tangible Assets

a) The Group	Freehold Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1st July 1984	1,805	2,739	205	4,749
Additions	1,282	1,334	88	2,704
Disposals	—	(3)	(13)	(16)
Currency Adjustment	5	14	(6)	13
At 30th June 1985	3,092	4,084	274	7,450
Depreciation				
At 1st July 1984	44	642	106	792
Charged for Year	36	369	54	459
Released on Disposals	—	(1)	(10)	(11)
At 30th June 1985	80	1,010	150	1,240
Net Book Value				
At 30th June 1985	3,012	3,074	124	6,210
At 30th June 1984	1,761	2,097	99	3,957

b) The Company	Freehold Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1st July 1984	1,642	424	103	2,169
Additions	939	262	30	1,231
At 30th June 1985	2,581	686	133	3,400
Depreciation				
At 1st July 1984	35	37	59	131
Charged for Year	36	52	24	112
At 30th June 1985	71	89	83	243
Net Book Value				
At 30th June 1985	2,510	597	50	3,157
At 30th June 1984	1,607	387	44	2,038

c) Outstanding Capital Expenditure not provided for in these Accounts

	The Group		The Company	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Authorised but not Committed	778	55	76	—
Authorised and Committed	342	662	32	491

9. Stocks

	The Group	
	1985 £'000	1984 £'000
Raw Materials	879	582
Work in Progress	720	623
Finished Goods	1,185	327
	<u>2,784</u>	<u>1,532</u>

10. Debtors

	The Group		The Company	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Trade Debtors	3,743	2,861	—	—
Amounts owed by Group Companies	—	—	4,762	1,370
Prepayments and Accrued Income	1,960	651	750	154
	<u>5,703</u>	<u>3,512</u>	<u>5,512</u>	<u>1,524</u>

11. Investments

	The Group	
	1985 £'000	1984 £'000
This item represents the net investment in Finance Leases as follows:—		
Net Amounts Receivable from Lessees		
a) Within one year	2,866	1,010
b) After more than one year	6,766	2,656
	<u>9,632</u>	<u>3,666</u>
Less Related Hire Purchase Liabilities		
a) Within one year	2,022	825
b) After more than one year	5,361	1,787
	<u>7,383</u>	<u>2,612</u>
	<u>2,249</u>	<u>1,054</u>

The investment in finance leases has been shown net in the Accounts in order to show a true and fair view of the current assets and of the liabilities relating to the principal activities of the Group.

Certain finance companies have taken security by means of charges on specific leasing agreements with third parties. Also, the Company has given a guarantee in respect of the hire purchase agreement entered into between its subsidiary and a finance company. The guarantee is for the discharge of obligations due by the subsidiary and is limited to £500,000.

12. Creditors
Amounts falling due
within one year

	The Group		The Company	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Bank Overdraft	71	—	—	84
Trade Creditors	1,826	835	277	44
Amounts owed to Group Companies	—	—	2,990	131
Taxation	535	337	504	36
Other Taxes	140	79	42	9
Other Creditors	2,202	1,371	11	227
Hire Purchase	204	169	62	39
Proposed Dividend Payable	385	85	385	85
	<u>5,363</u>	<u>2,876</u>	<u>4,271</u>	<u>655</u>

The Company's overdraft from time to time is secured on one of its freehold properties.

13. Creditors
Amounts falling due after
more than one year

	The Group		The Company	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Total Obligations under Hire Purchase Agreements Relating to Finance Leases (Note 11)	8,081	3,427	274	319
	<u>7,383</u>	<u>2,612</u>	<u>—</u>	<u>—</u>
	698	815	274	319
Current Obligations (Note 12)	204	169	62	39
	<u>204</u>	<u>169</u>	<u>62</u>	<u>39</u>
Non-Current Obligations Deferred Liability (Note 7)	494	646	212	280
	<u>673</u>	<u>648</u>	<u>—</u>	<u>—</u>
	<u>1,167</u>	<u>1,294</u>	<u>212</u>	<u>280</u>

**14. Deferred
Taxation**

	The Group		The Company	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
a) Movements during the year				
At 1st July 1984	2,595	1,592	526	1,179
Transfer on reorganisation	—	—	—	(1,001)
Provision for the year	1,527	1,259	462	379
Extraordinary release	—	(260)	—	(35)
Advance Corporation Tax Movement	(129)	4	(129)	4
At 30th June 1985	<u>3,993</u>	<u>2,595</u>	<u>859</u>	<u>526</u>
b) Represented by:—				
Accelerated Capital Allowances	3,761	2,558	881	593
Other Timing Differences	397	73	143	(31)
	<u>4,158</u>	<u>2,631</u>	<u>1,024</u>	<u>562</u>
Advance Corporation Tax Recoverable	(165)	(36)	(165)	(36)
	<u>3,993</u>	<u>2,595</u>	<u>859</u>	<u>526</u>

15. Share Capital

	1985 £'000	1984 £'000
Authorised		
42,000,000 Ordinary Shares of 5p each	2,100	1,750
Allotted, Called Up and Fully Paid		
At 1st July 1984		
28,000,000 Ordinary Shares of 5p each	1,400	1,400
Rights Issue of 2,799,917 Ordinary Shares of 5p each in October 1984	140	—
At 30th June 1985		
30,799,917 Ordinary Shares of 5p each	1,540	1,400

Following approval at the 1984 Annual General Meeting the authorised Share Capital has been increased from £1,750,000 to £2,100,000 by the creation of 7,000,000 Ordinary Shares of 5p each.

During the year the issued Share Capital was increased by £139,996 by way of a rights issue of 2,799,917 Ordinary Shares of 5p each at 220p on the basis of one new share for every ten existing shares. This was to finance Renishaw Research's five year programme for the development of robotics and flexible manufacturing systems. The premium, net of expenses of £249,520, has been credited to Share Premium Account.

On 24th July 1985 options for 257,870 Ordinary Shares, exercisable at 253p, were granted under the Employee Share Option Scheme. The period of the options is from 24th July 1988 until 24th July 1995.

16. Profit and Loss Account

	The Group		The Company	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Movements during the year				
At 1st July 1984	2,987	659	716	502
Retained Profit for the year	3,228	2,328	758	214
At 30th June 1985	6,215	2,987	1,474	716

17. Post Balance Sheet Event

On 2nd September 1985 the Company acquired 75 per cent of the issued Share Capital of Micro Aided Engineering Limited for a cash consideration of £780,000.

Subsidiary Companies

The following are the subsidiary companies of Renishaw plc, all of which are wholly owned, except where otherwise stated. The Country of Incorporation is England unless otherwise stated.

i) Subsidiaries of Renishaw plc	Principal Activities
Renishaw Metrology Limited (formerly Renishaw Electrical Limited)	Design, Manufacture and Sale of Advanced Precision Metrology and Inspection Equipment
Renishaw Research Limited	New Product Research and Development
Renishaw Overseas Limited	Overseas Holding and Investment Company
Renishaw Leasing Limited	Leasing Equipment to third parties
Renishaw Scientific Limited (75%)	Design, Manufacture and Sale of Scientific Instruments
Renishaw Transducer Systems Limited	Design, Manufacture and Sale of Transducer Systems
Micro Aided Engineering Limited (75%)	Design, Manufacture and Sale of CAD/CAM Systems
ii) Subsidiaries of Renishaw Overseas Limited	
Renishaw Inc. (U.S.A.)	Service, Repair and Sale of Precision Metrology and Inspection Equipment
Renishaw Electronics (Republic of Ireland) Limited	Manufacture and Sale of Precision Metrology and Inspection Equipment
Renishaw Kabushiki Kaisha (Japan)	Service, Repair and Sale of Precision Metrology and Inspection Equipment

The Country of Incorporation is also the principal Country of Operation.

Report of the Auditors to the Members of Renishaw plc

We have audited the Accounts on pages 18 to 28 in accordance with approved Auditing Standards.

In our opinion the Accounts, which have been prepared on the basis of the accounting policies set out on page 21, give a true and fair view of the state of affairs of the Company and of the Group at 30th June 1985 and of the Profit and Source and Application of Funds of the Group for the year to that date and comply with the Companies Act 1985.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants
2nd October 1985
Chepstow, Gwent

Peat Marwick Mitchell & Co.

Friday 15th November 1985

Financial Calendar Annual General Meeting

Results

Dividends

Preliminary announcement of annual results—early October.
Announcement of half year results—March.

Interim payable April
Final payable November



Financial Record Results

	1985 £'000	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000	1979 £'000	1978 £'000
Overseas Sales	13,878	9,347	5,565	2,790	2,146	1,578	932	432
UK Sales	1,667	1,145	907	626	708	422	170	81
Total Sales	15,545	10,492	6,472	3,416	2,854	2,000	1,102	513
Profit on Ordinary Activities before Taxation	5,627	3,744	1,722	636	1,003	732	509	179
Taxation	1,813	1,548	813	257	397	383	265	93
Profit on Ordinary Activities after Taxation	3,814	2,196	909	379	606	349	244	86
Extraordinary Item	—	260	(272)	—	—	—	—	—
	3,814	2,456	637	379	606	349	244	86
Dividends	586	128	71	23	110	70	—	—
Retained Profits	3,228	2,328	566	356	496	279	244	86

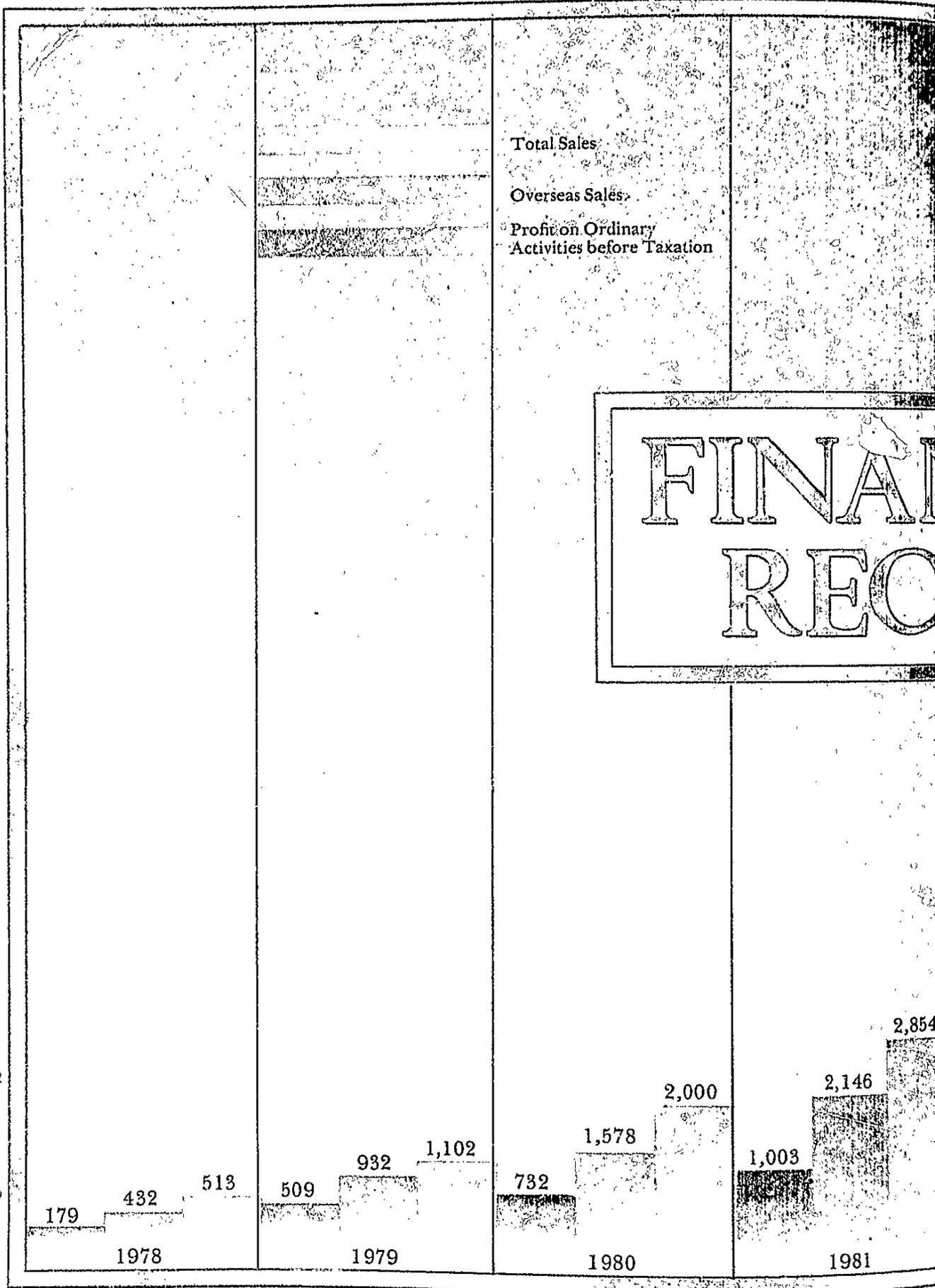
Capital Employed

	1985 £'000	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000	1979 £'000	1978 £'000
Share Capital	1,540	1,400	1,400	14	14	14	7	7
Share Premium	5,770	—	—	—	—	—	—	—
Reserves	6,209	3,051	676	1,479	1,123	627	355	111
Shareholders' Funds	13,519	4,451	2,076	1,493	1,137	641	362	118
Deferred Taxation	3,993	2,595	1,592	1,062	765	704	351	86
	17,512	7,046	3,668	2,555	1,902	1,345	713	204

Statistics

	1985	1984	1983	1982	1981	1980	1979	1978
Earnings per Share (reflecting the Rights Issue in October 1984)	12.71p	7.72p	3.20p	1.33p	2.13p	1.23p	0.86p	0.31p
Profit before taxation as a percentage of average Shareholders' Funds	62.6%	114.7%	96.5%	48.4%	112.8%	146.0%	212.1%	241.9%
Overseas Sales as a percentage of Total Sales	89.3%	89.1%	86.0%	81.7%	75.2%	78.9%	84.6%	84.2%

all figures shown × £000



FINAL
REC

FINANCIAL CORD

8 years of continued growth

