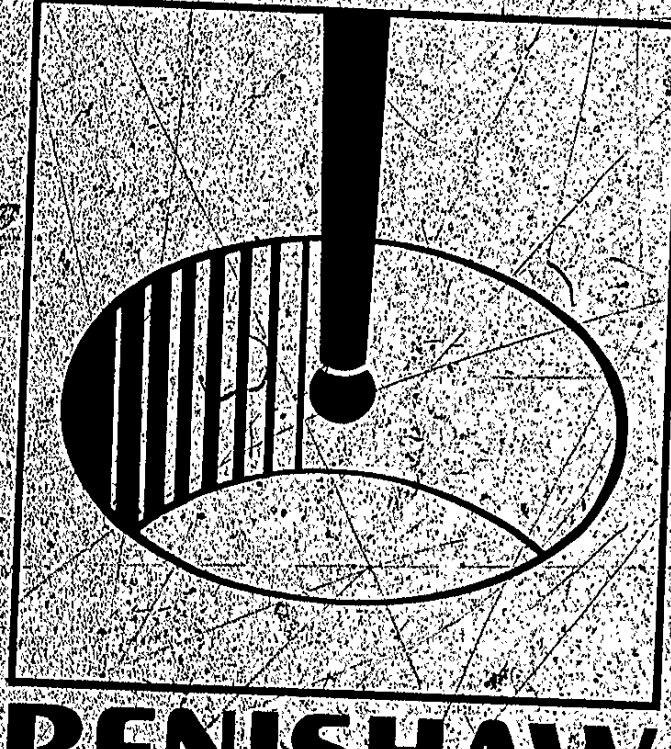


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Annual Report

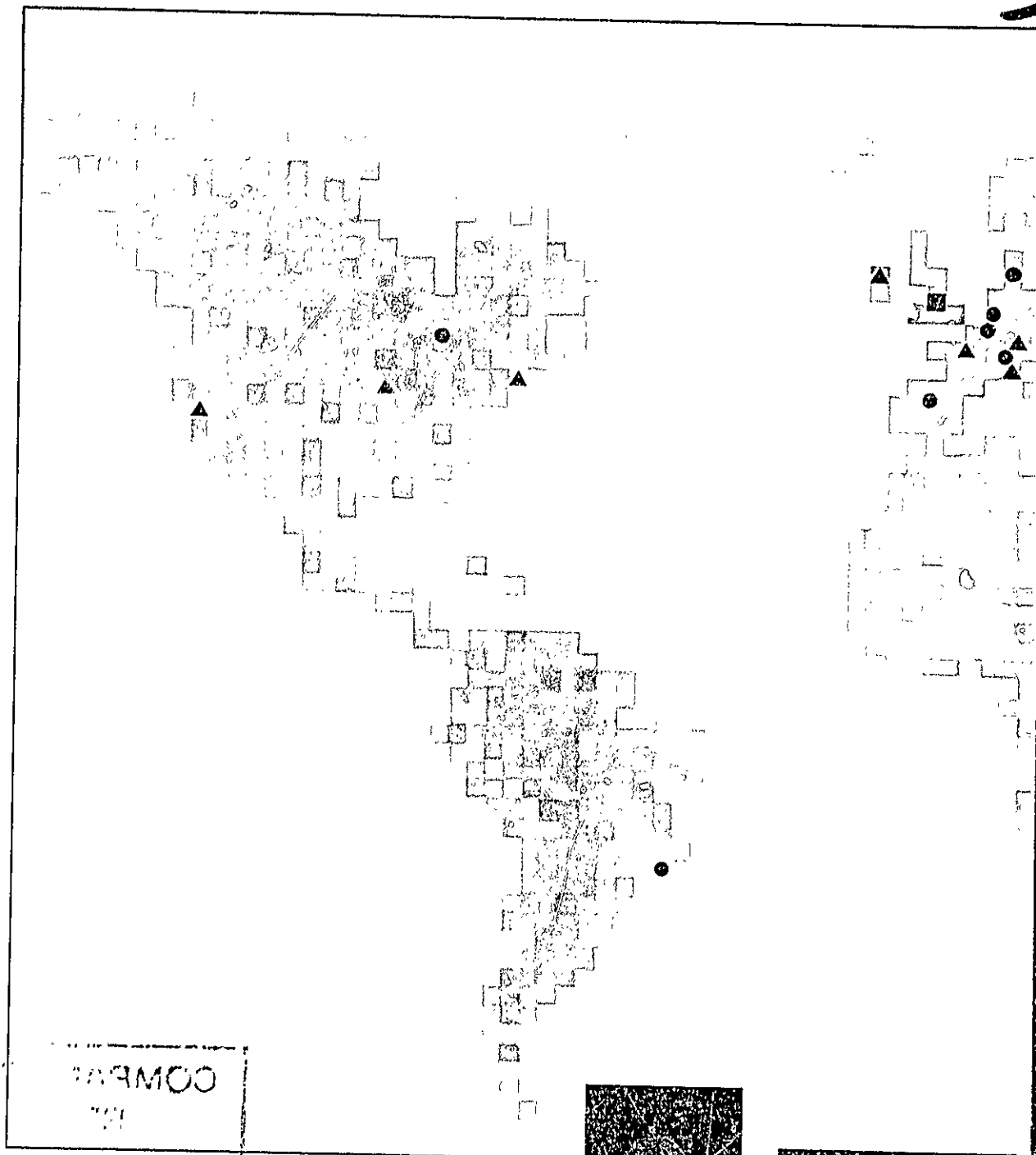


RENISHAW
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Renishaw

in action



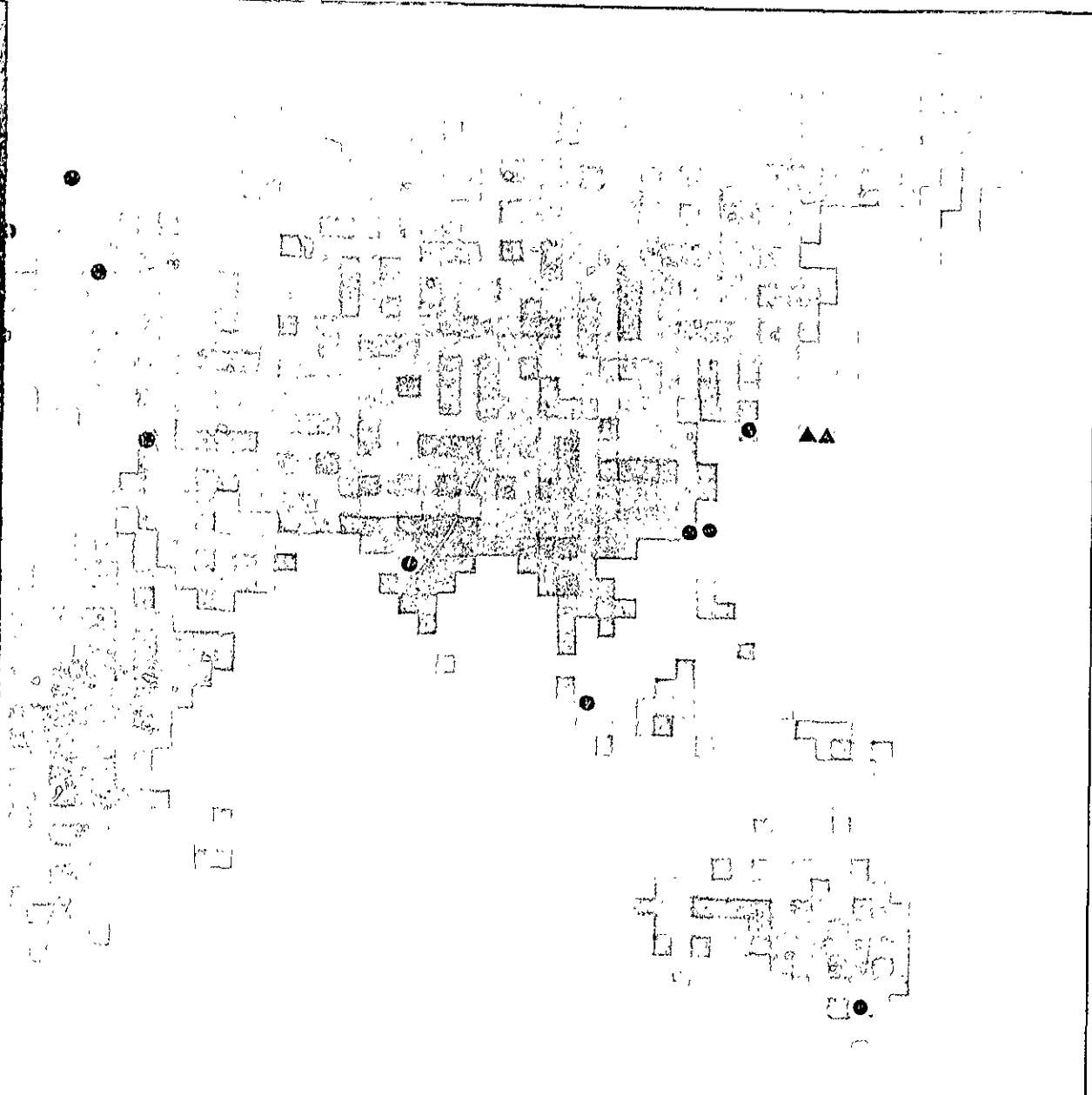
INTRODUCTION

Renishaw's products enable manufacturers to machine components right first time with traceability. Worldwide, many industries involved in precision engineering, benefit from improved productivity and assured quality.

Subsidiary companies have been established in the major markets of the USA, Japan, West Germany, France & Italy to provide full product support.



Worldwide

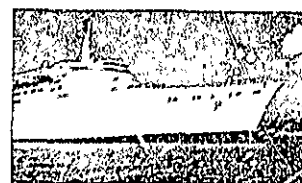
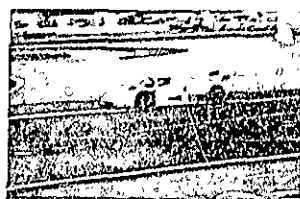


COMPANIES
RE

Key:
 ■ Head Office and
 UK subsidiaries
 ▲ Overseas subsidiaries
 ○ Distributors

LONG
17 JAN 1990 TO JAN 1990

2





RENISHAW

Directors & Advisers



D.R. McMurtry *Chairman and Chief Executive*



D.J. Deer *Deputy Chairman*



B.R. Taylor *Joint Managing Director*



G. Migliardi *Joint Managing Director*



A.C.G. Roberts *Finance Director*



L. Brook *Non-executive Director*

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: 437258 RENWOT G
Facsimile: (0453) 843689

Auditors

Peat Marwick McLintock, Chartered Accountants
Welsh Street Chambers, Chepstow,
Gwent NP6 5LN.

Solicitors

Norton Rose,
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 Ltd.,
1 Finsbury Avenue, London EC2M 2PA.

Financial Advisers

Brown, Shipley & Co. Ltd.,
Founders Court, Lothbury, London EC2R 7HE.

Financial calendar

Annual General Meeting
17th November 1989

Dividends

Interim – payable April
Final – Payable November

Announcement of results
Annual results – end September
Half year results – March

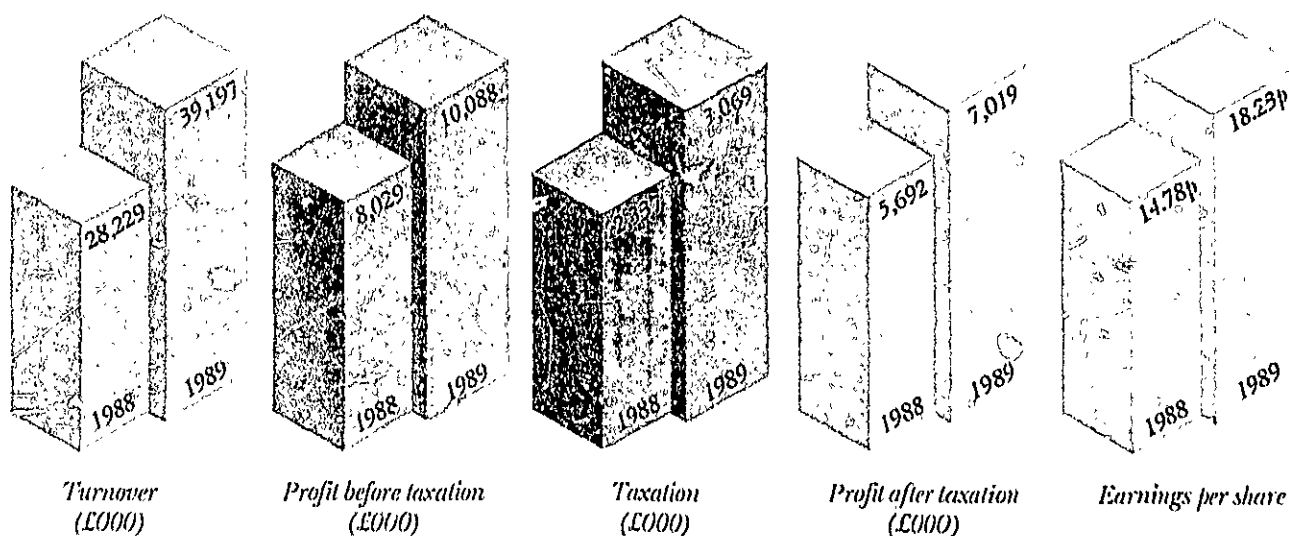


RENISHAW

C o n t e n t s

Renishaw Worldwide	2
Directors, Advisers and Financial calendar	4
Contents and Results at a glance	5
Chairman's Statement	6
Renishaw products	8
Renishaw Inc.	13
Renishaw KK	14
Renishaw GmbH	15
Pérférie SARI	16
Recent developments	17
Notice of meeting	18
Directors' report	19
Accounting policies	21
Consolidated Profit and Loss Account	22
Balance Sheets	23
Consolidated Statement of Source and Application of Funds	24
Notes to the Accounts	25
Auditors' report	31
Subsidiary companies	32
Financial record	34
Bar chart, Ten further years of continuous growth	35

R e s u l t s a t a g l a n c e





C h a i r m a n ' s

TRADING RESULTS AND DIVIDEND

I am delighted to report another very satisfactory year's results with profit before taxation exceeding £10 million for the first time.

Turnover of £39,197,000 represents an increase of 39 per cent over the comparable turnover of £28,229,000 in 1988. Operating profit amounted to £8,918,000 (1988 £7,017,000) an increase of 27 per cent which, together with interest receivable of £1,170,000 (1988 £1,012,000), gives a profit on ordinary activities before taxation of £10,088,000 (1988 £8,029,000).

Earnings per share were 18.23p (1988 14.78p) after adjusting for the capitalisation issue in November last year, representing an increase of 23 per cent.

Your Directors recommend the payment of a final dividend of 2.8p net per share which, together with the interim dividend of 1.4p per share, makes a total for the year of 4.2p per share (1988 2.64p) an increase of 59 per cent. The final dividend will be paid on 20th November 1989 to shareholders on the Register of Members at the close of business on 20th October 1989.

TRADING CLIMATE

Sales in the first quarter of this current financial year are significantly higher than in the corresponding period last year and the indications are that this trend will continue. I am confident that the planned expansion of the Group's manufacturing capacity will satisfy demand and result in lower unit costs whilst maintaining the high level of quality and precision required for our products.

OVERSEAS DEVELOPMENTS

It has been the Company's policy to expand through subsidiary companies in the major worldwide markets. This financial year will see the commencement of trading at our new subsidiary Renishaw S.p.A. based in Torino, which will be responsible for the sales and service of our products in Italy. Opportunities exist for substantial growth in Italy which is the second largest producer of machine

S t a t e m e n t

tools in Europe after West Germany. We now have a solid base in Europe for further expansion.

All our established subsidiaries report strong demand for our products and we have been especially pleased with the increased level of business obtained by Périphérie for metrology products in its first year as a subsidiary company of Renishaw.

Also I am very pleased to report that in the very demanding Japanese market in terms of quality, product and service, Renishaw KK increased its turnover by 37% and that turnover further increased in our other major markets, the USA and West Germany.

MANAGEMENT AND STAFF

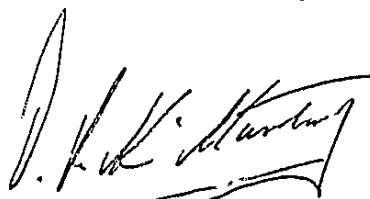
It is with pleasure that I record once more my appreciation to all our employees worldwide who have contributed to another successful year.

Again, all eligible employees in the Group at 30th June 1989 were granted options in September 1989 under the rules of the employee share option scheme.

On the 17th July 1989 my colleague, John Deer, was appointed Deputy Chairman and, at the same time, Ben Taylor and Gianfranco Migliardi were appointed Joint Managing Directors. Ben Taylor is responsible for our UK and Irish companies which design, develop, manufacture and market our metrology products. Gianfranco Migliardi, based in Torino, is responsible for our international subsidiaries together with finance, data processing, group strategies and planning.

FUTURE PROSPECTS

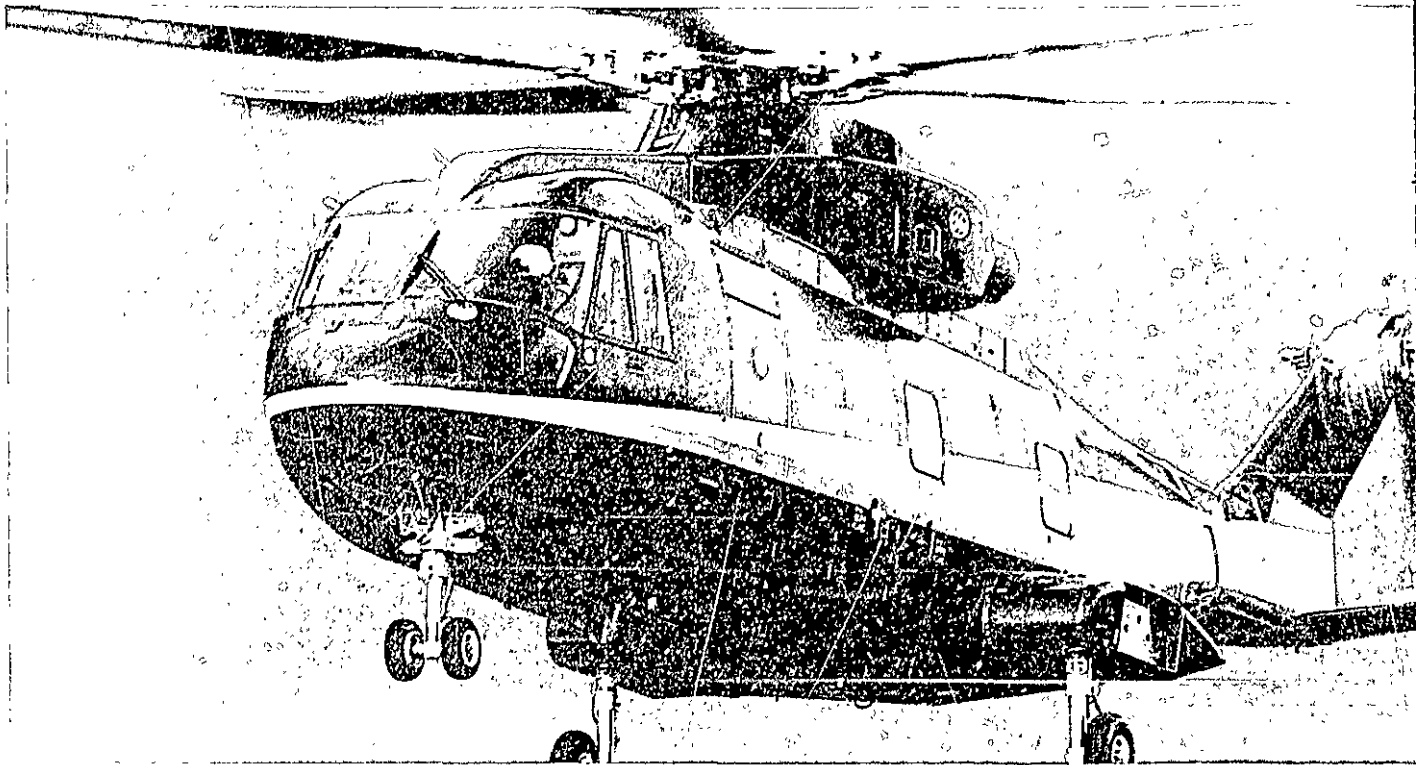
I am very encouraged with the first quarter trading results and the general growth of our market, and the Board has every confidence in our future prospects for another successful year ahead.



D.R. McMurtry
Chairman and Chief Executive



Renishaw

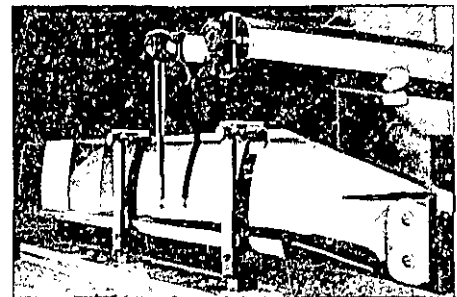


Renishaw probe used by Westland Helicopter

Renishaw's traditional business is 3-dimensional touch-trigger probes and their applications in industry. On Co-ordinate Measuring Machines (CMMs) post process inspection can be automated, with time reduced dramatically, using Renishaw's sophisticated probing systems.

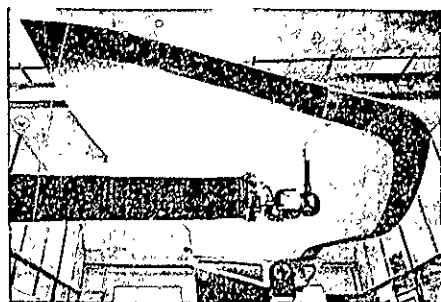
On Computer Numerically Controlled (CNC) lathes and machining centres, machine down time is reduced using probing for rapid tool setting and monitoring, fast job set-up and automatic in process gauging.

More recent products developed include a Laser Interferometer System for machine calibration, Software Controller and Linear Encoder for CMMs.

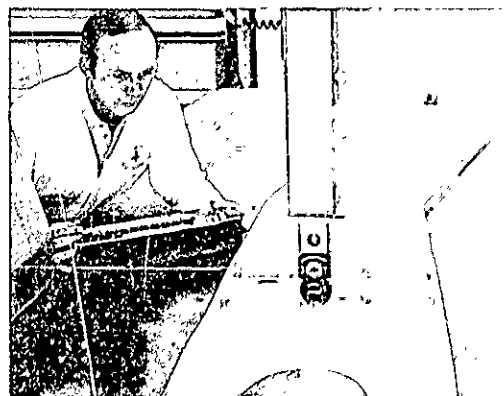


Renishaw's P119 motorised head fitted with TP2 touch trigger probe was commissioned by Westland Helicopters Ltd in the UK specifically to measure blades for their famous Sea King model the Lynx which carried both the night probe record and the P119 which is under development.

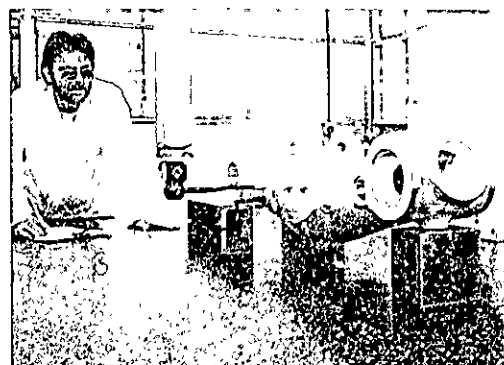
p r o d u c t s



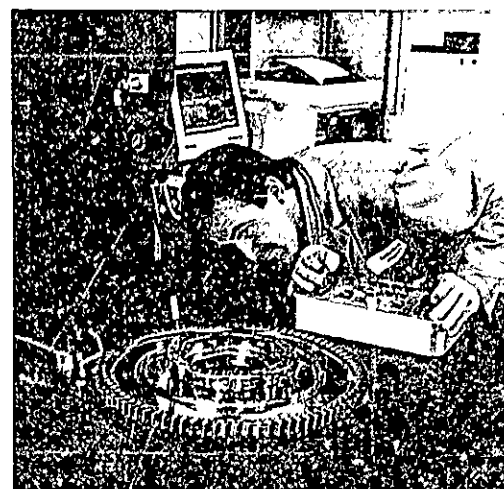
British Aerospace Aircraft Division, Filton also rely heavily on Renishaw's automated inspection systems on a number of CMMs involved with confirming critical features on today's modern aeroplanes. These include the Tornado, BA146, A310/320/330/340 series.



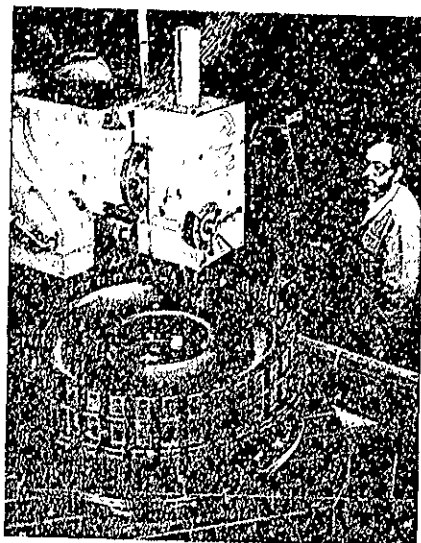
Dowty Rotol Ltd, Gloucester have designed and manufacture the main landing gear for the A320 "Airbus". Renishaw's probes are used during the manufacture of individual components as well as on final inspection, as an essential ingredient in the production of critical machined parts.



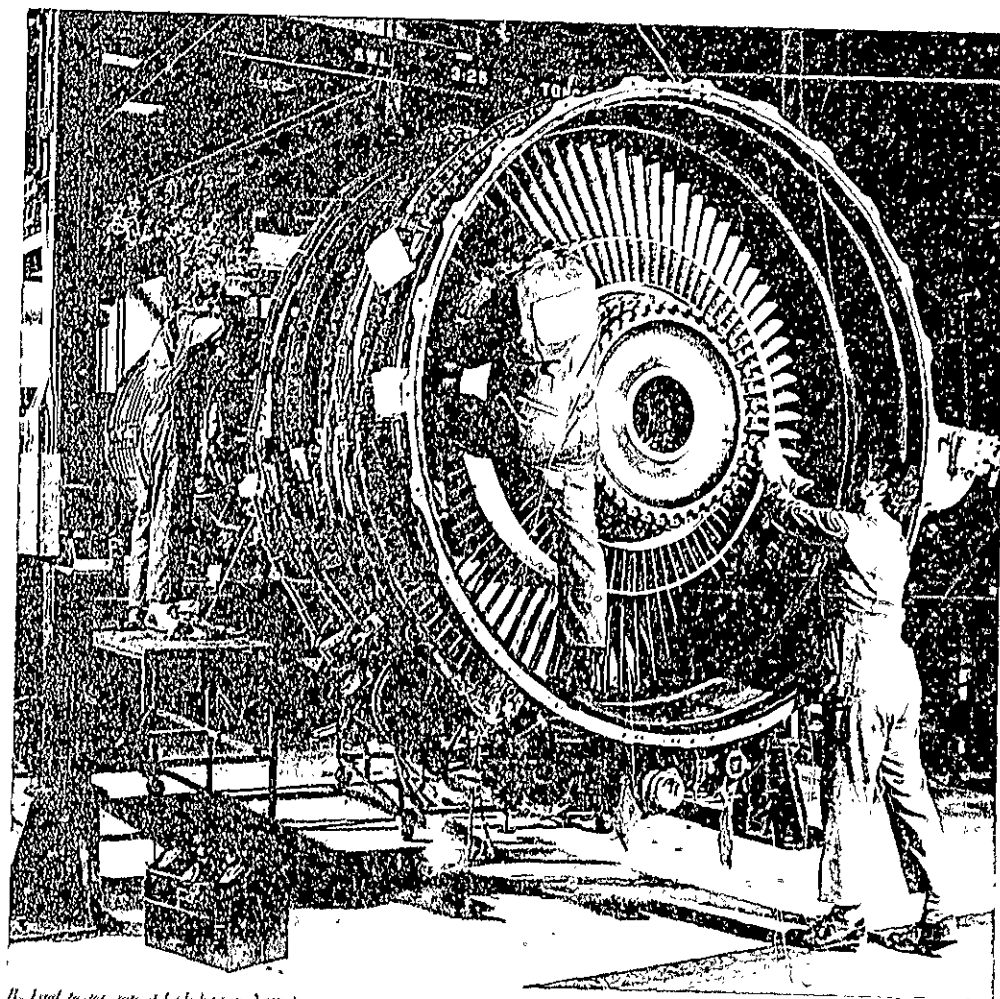
Airmotive Ireland Ltd employ over 600 people and are involved with the re-manufacture of Pratt & Whitney engines. The second stage of a JT8D engine, as used on a Boeing 737, is shown here being measured by a TP2 probe mounted on a PH9 motorised head.



R e n i s h a w



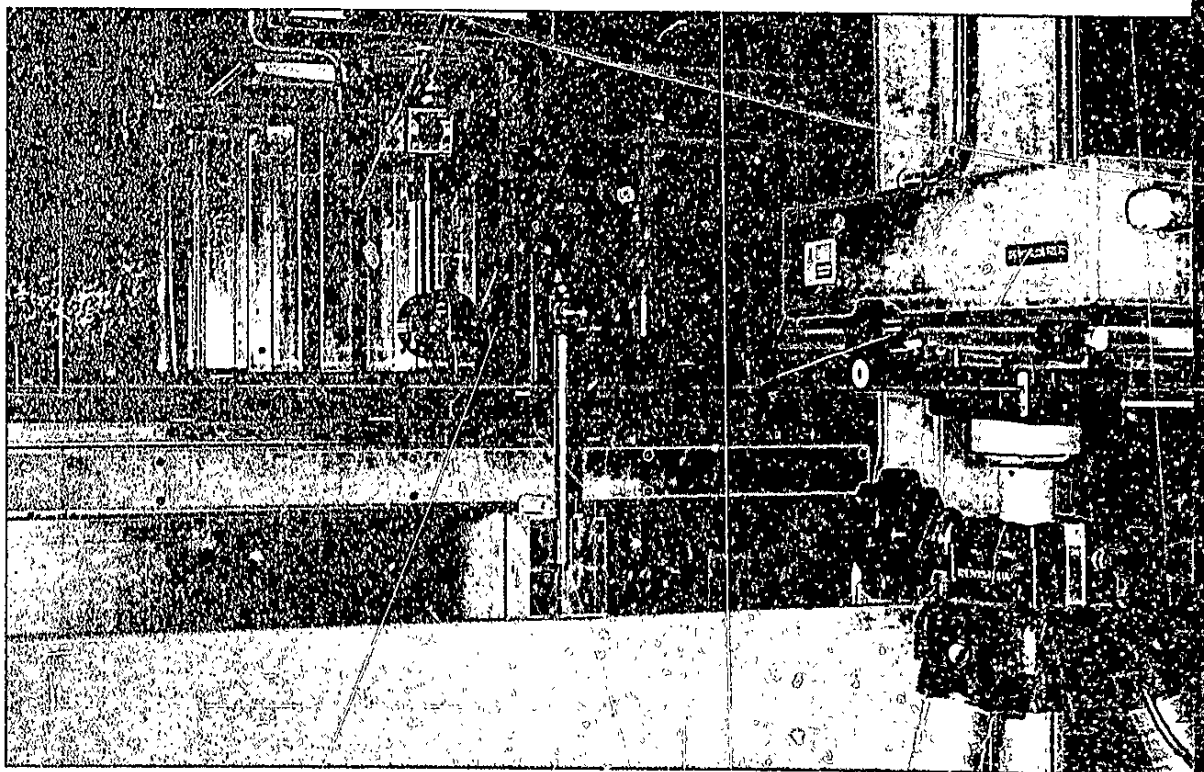
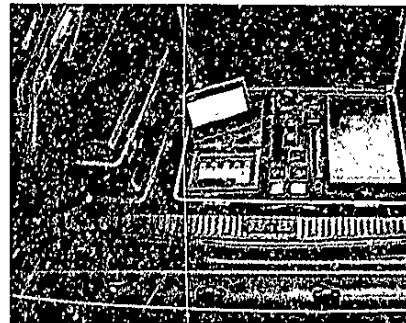
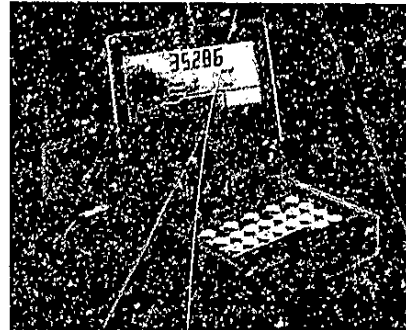
Caledonian Armaments of Port Glasgow overhaul the General Electric turbines of engines used by the world's marine to power their warships. The large low-pressure fan blade fits precisely into rotor disc dovetail joint. Slot with surface treatment are machined and then rebuilt using a special coating and finish. Reinshaw inspection probe are essential to the accurate positioning of the milling cutter.



Reinshaw inspection probe used at Caledonian Armaments

p r o d u c t s

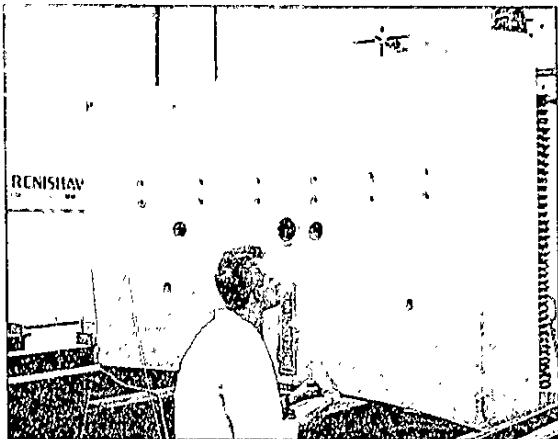
Renishaw's Laser Interferometer Calibration System is depicted, calibrating a machine tool, in a research application at the University of Wales College of Cardiff, in their ELSYM Department.



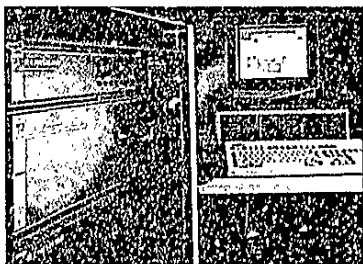


RENISHAW

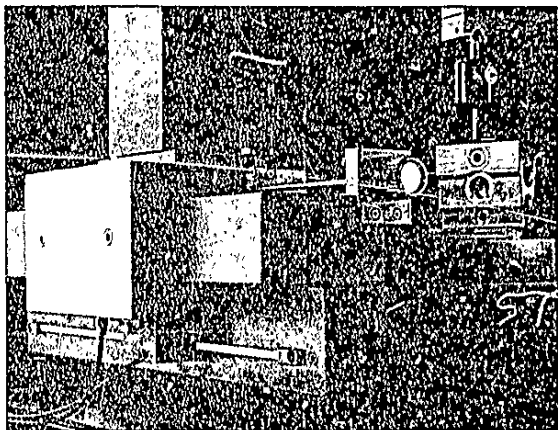
Renishaw products



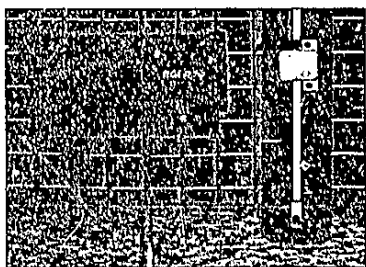
Transmanche Link (TML), the Channel Tunnel Contractors, are using Renishaw's PMS300 Software Controllers and probing systems working on two large CMMs. Their "pre-cast" site at The Isle of Grain inspects the individual segments which line the tunnels. 500,000 of these segments, in a variety of configurations are required.



PMS310 is now available, with additional software and hardware, to accommodate an even wider range of probing facilities.



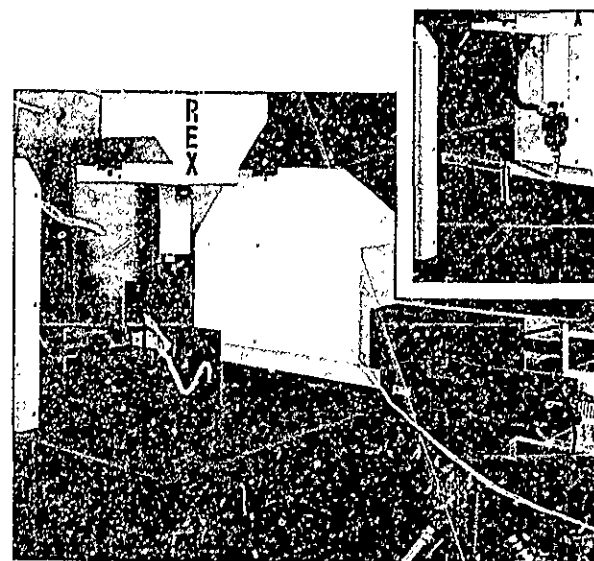
Renishaw's RGI Linear Encoder is installed here on a CMM at Ives Valves Ltd, Birmingham, a Division of Concentric Controls Ltd, who are manufacturers of precision instrument valves and manifolds.



The RGI can be integrated into the most sophisticated contemporary CMMs, or supplied as a retro-fit package, as an accurate yet inexpensive measuring system with the logistical advantages of the scale being supplied on a reel.

Renishaw Inc

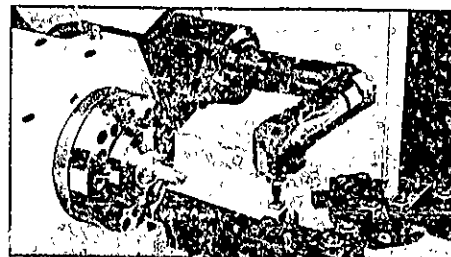
Briggs & Stratton Corporation is a major US manufacturer of small petrol engines for the world's lawn mower and pump markets. The company has a strong commitment to high quality, which includes the constant monitoring of inspection equipment for gauging error. Recently, Renishaw Inc, in conjunction with Sheffield of Milwaukee, began a case study of 5 CMMs which were monitored continuously for volumetric measuring performance using Renishaw's Machine Checking Gauge and Laser Interferometer Calibration System.



A leading manufacturer of vertical machining centres and control systems has incorporated Renishaw's TS20 toolsetting probes, together with MP8 inspection probes, on their latest machines.



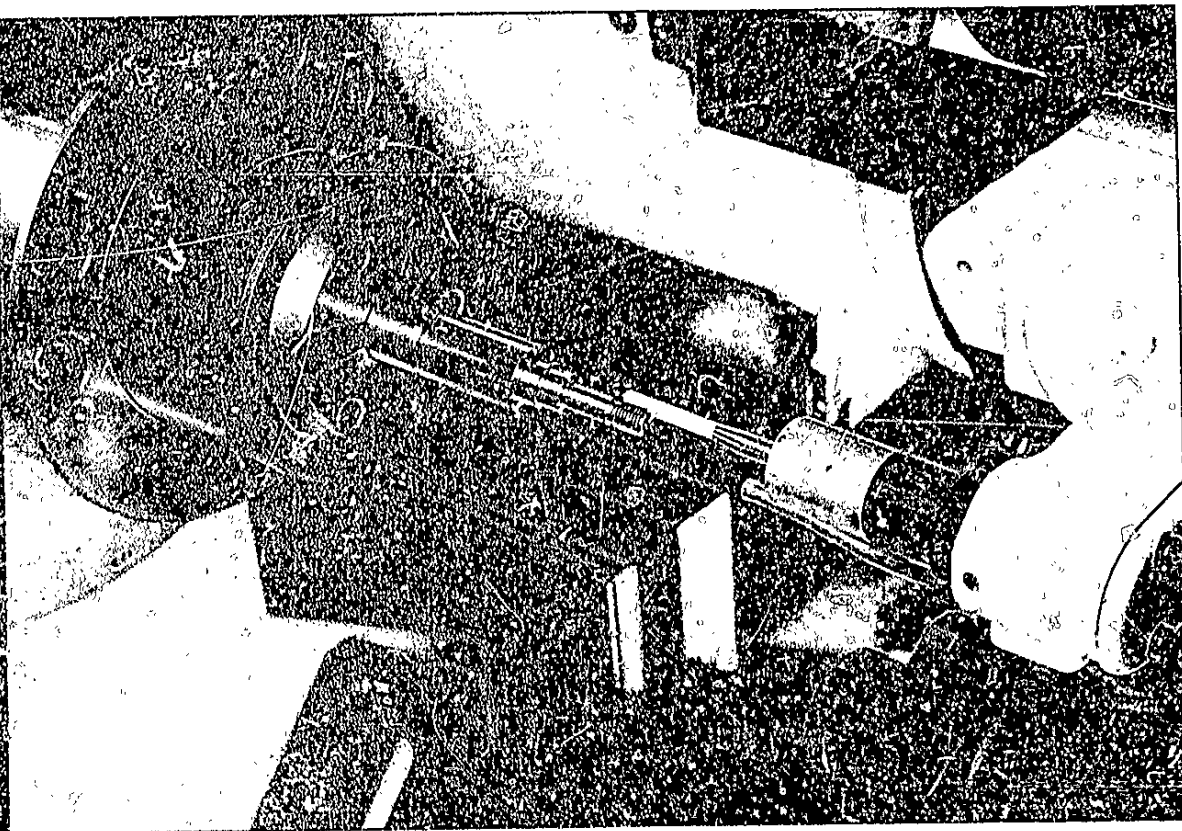
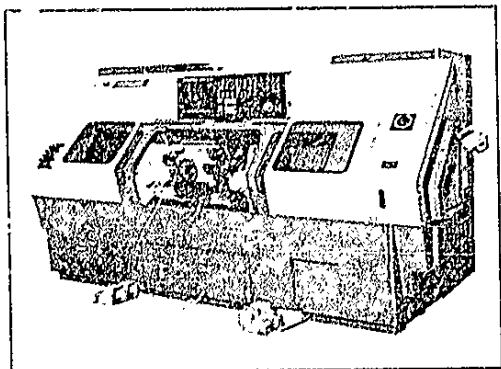
As part of a productivity improvement process, a major manufacturer of high accuracy machines is fitting a comprehensive part probing package to their new models. The options include the TS20 toolsetting probe and the High Precision Arm (HPA).





Renishaw KK

A newly introduced twin-spindle lathe with a significant increase in productivity has been announced in Japan which includes dual LP2 inspection probes. Renishaw's probes provide an essential part of the workpiece measurement system.

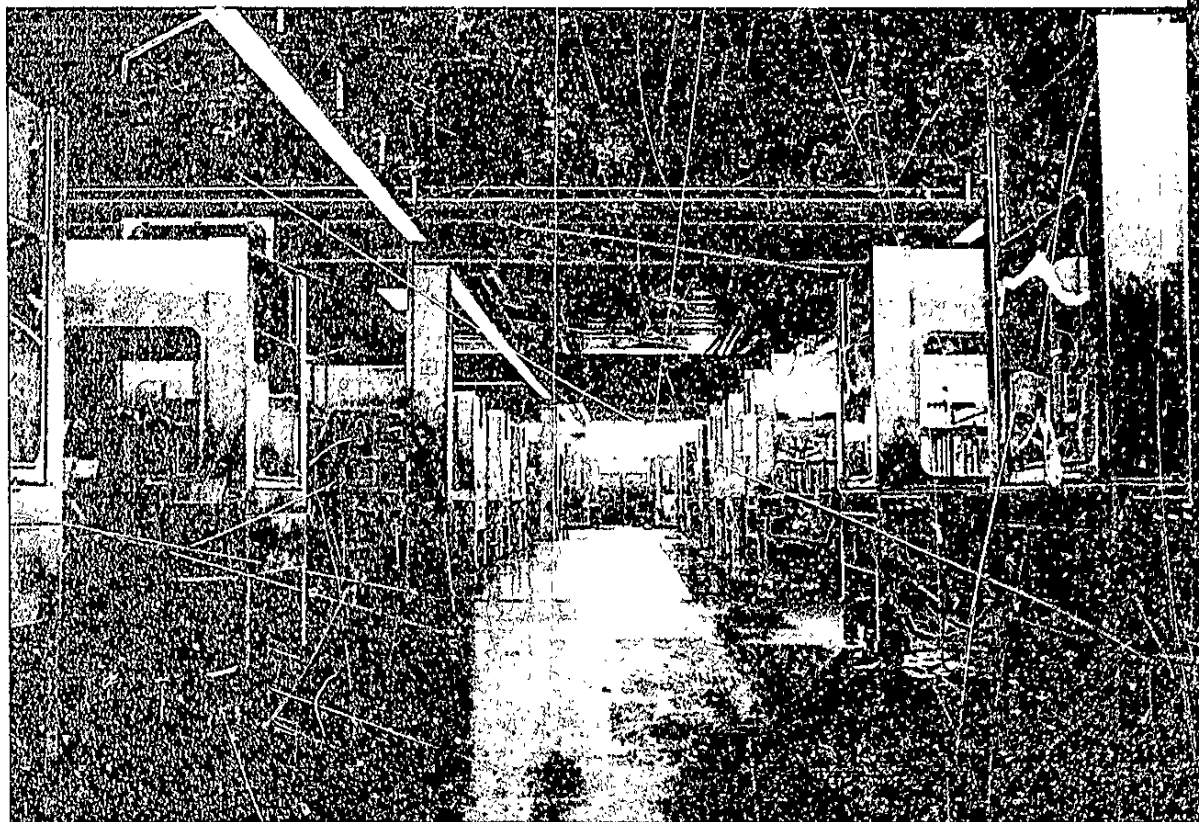


By kind permission of Yamazaki-Mazda Corporation.



R e n i s h a w G m b H

One of the largest carbide-tipped tool manufacturers in West Germany operates 24 machining centres equipped with Renishaw's MP3 probes to ensure that machined components are maintained within the specified tolerances.



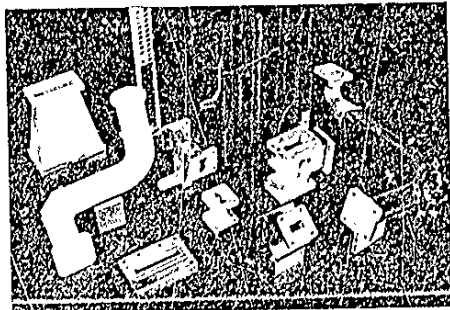
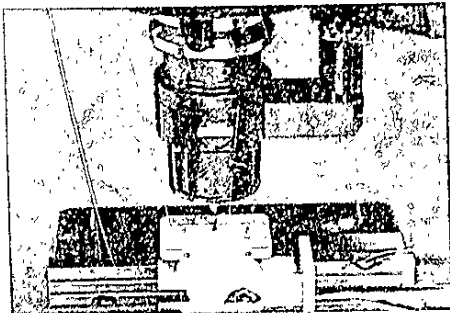
By kind permission of Hertel

*in
action*

PERIPHERIC

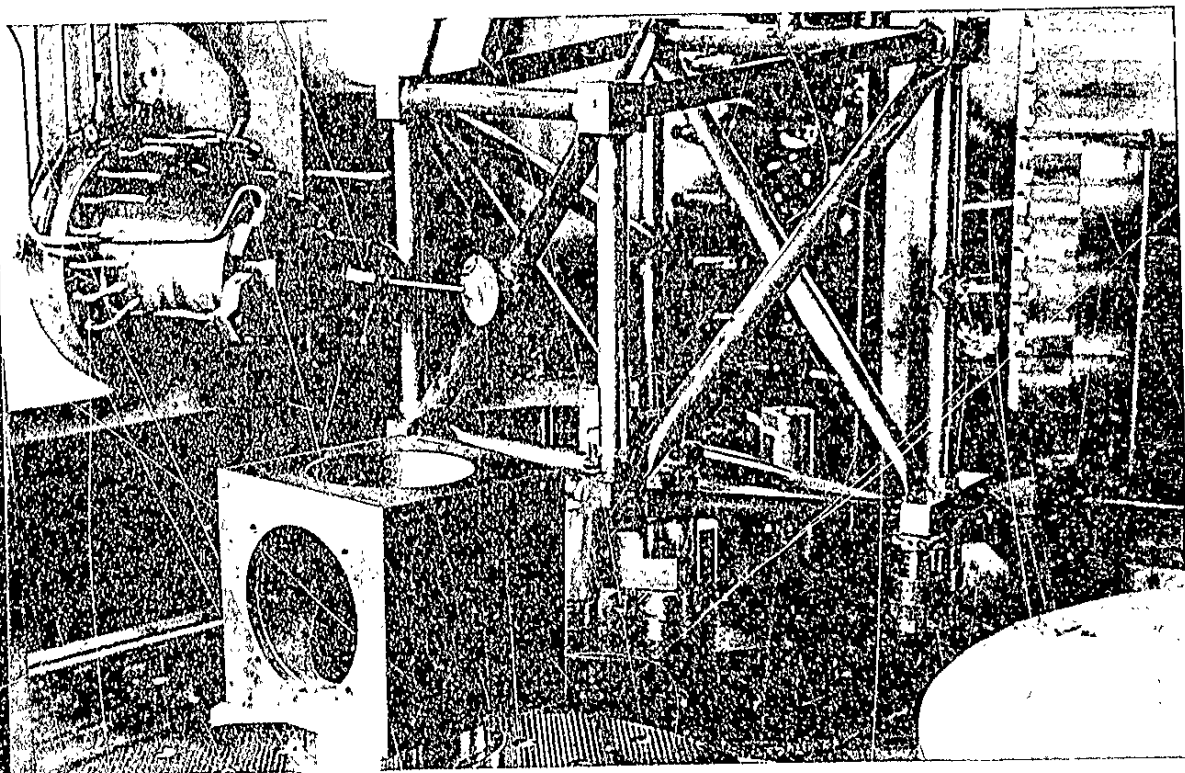
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Group Renault

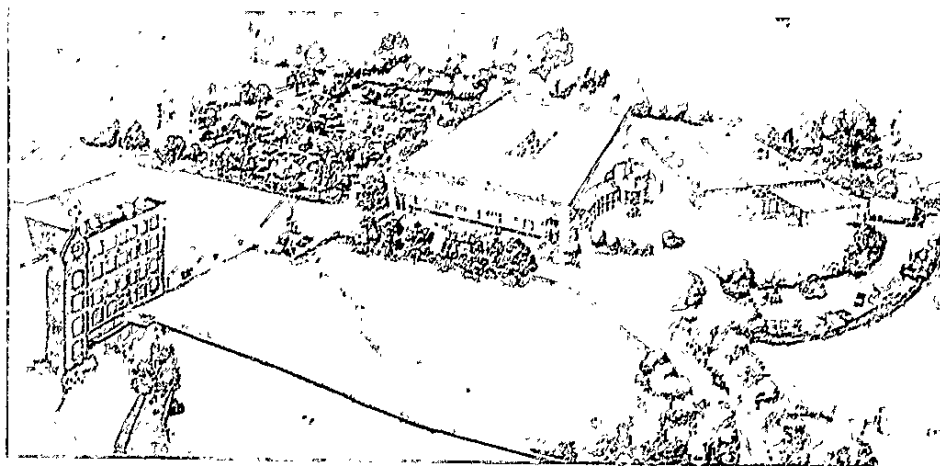


Periféric uses STEPT technology in the field of ultra- and ultra-high frequency equipment concerned with size control. Probing is essential to maintaining the critical dimensions of these high precision components.

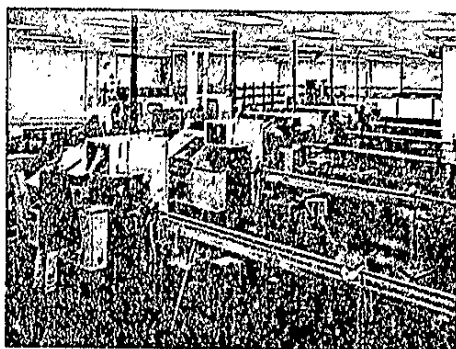
Units are located near Lille in France and are subcontractors specialising in the manufacture of blades for the motor and aeronautical industries. In process gauging assures them of quality components as demanded by their customers who include Peugeot, Renault, Michelin & Aero-spaciale.



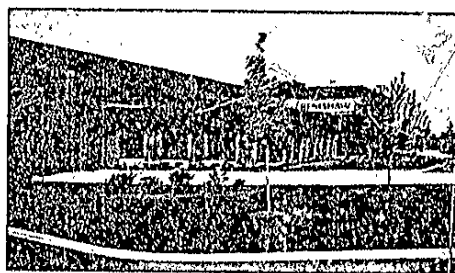
Recent developments



Designs for the new Group Technology Centre at Wotton-under-Edge have been agreed and occupation planned for Autumn of next year. An artist's impression shows the location of the site, adjacent to the present buildings at New Mills.



The manufacturing operation at Gwmbran has been enhanced by the installation of additional CNC lathes which incorporate automatic "bar feed" of raw material, together with the development of the "Supercell" machining centre.



Renishaw Inc have extended their facilities at Cooper Court, Schaumburg, Illinois in an adjacent building, No. 710, where stores, shipping and customer service have been able to expand. The original building, No. 623, is now able to house their new Advanced Productivity Centre and training, as well as giving additional room for sales, marketing and administration.



Renishaw S.p.A. was established in March as a new Group subsidiary company in Torino (Italy). This operation will provide marketing and technical support for the Group's products in Italy.



Notice of meeting

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of the Company will be held at the Post House Hotel, Thornbury Road, Alveston, nr. Thornbury, Avon on Friday 17th November 1989 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 1989.
2. To declare a final dividend.
3. To re-elect as a Director of the Company Mr. B.R. Taylor, who is retiring by rotation.
4. To re-elect as a Director of the Company Mr. G. Migliardi, who was appointed a Director on 1st May 1989.
5. To re-appoint Peat Marwick McLintock as Auditors to the Company and to authorise the Directors to fix their remuneration.
6. To consider as special business and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:-

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 80 of the Companies Act 1985 by a Resolution passed at the Extraordinary General Meeting held on 18th November 1988 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 1990 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 (i) above) up to an aggregate nominal amount of £384,998.

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

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

By order of the Board

A. C. G. Roberts

Secretary

A.C.G. Roberts
Gloucester Street,
Wotton-under-Edge,
Gloucestershire GL12 7DN
20th October 1989.

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 and Director's service contract will be available for inspection at the Registered Office of the Company during normal business hours until 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 16th Annual Report, together with the audited Accounts for the year ended 30th June 1989 as set out on pages 21 to 33 and approved by the Board of Directors on 27th September 1989.

Trading results

The Group results for the year were as follows:

	1989	1988
	£000	£000
Profit on ordinary activities before taxation	10,088	8,029
Taxation on profit on ordinary activities	3,069	2,337
Profit on ordinary activities after taxation	7,019	5,692
Extraordinary item	—	1,735
Dividends	7,019	3,957
	1,617	1,016
Retained profit for the year	5,402	2,941

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 and computer aided design and manufacturing systems.

The principal activities of the subsidiaries are detailed on pages 32 and 33. 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 £1,077,997 for the year, which is equivalent to 2.8p per share net and together with the interim dividend of 1.4p makes a total of 4.2p for the year, compared with 2.64p for the previous year, after allowing for the one for four capitalisation issue in November 1988.

Directors and their interests

The Directors who served during the year and their interests in the share capital of the Company at the beginning and end of the year, were as follows:

	Ordinary Shares of 20p each	
	30th June 1989	30th June 1988
D. R. McMurtry	15,025,417	15,025,417
D. J. Deer	7,386,457	7,386,457
B. R. Taylor	—	—
G. Migliardi (appointed 1st May 1989)	—	—
A. C. G. Roberts	75,645	75,645
L. Brook	9,165	9,165

All the above holdings were beneficially held with the exception of 1,250,000 shares which were non-beneficially held by D. J. Deer at 30th June 1989 but in respect of which he has voting rights. The holdings at 30th June 1988 have been adjusted to reflect the one for four capitalisation issue during the year. There has been no change in the above holdings in the period 30th June 1989 to 27th September 1989. Under the terms of the employee share option scheme, options granted to Directors outstanding at 27th September 1989, which are exercisable between 3 and 10 years after the date the options were granted, were:

Date options granted	Option price	Number of shares		
		B. R. Taylor	G. Migliardi	A. C. G. Roberts
24th July 1985	£2.02	7,000	—	12,000
6th August 1986	£2.26	3,500	—	7,500
7th September 1987	£1.75	7,500	—	7,500
23rd September 1988	£1.46	7,500	—	7,500
6th September 1989	£2.38	7,500	7,500	7,500

In accordance with the Articles of Association B. R. Taylor, who does not have a service contract, retires by rotation and being eligible, offers himself for re-election. G. Migliardi, who was appointed a Director on 1st May 1989 and who has a three year rolling service contract with notice not to be given before 30th June 1991, also offers himself for re-election.

L. Brook joined Renishaw in 1980 as a non-executive Director. He is an engineer of long experience and has held many directorships and senior appointments in the engineering industry. He was Chairman of Simon Engineering PLC from 1970 to 1977 and is currently Chairman of Associated Nuclear Services.

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



RENISHAW

Directors' report

Share capital

Following shareholders' approval at the Extraordinary General Meeting held on 18th November 1988, the nominal value of the ordinary shares was increased from 5p each to 20p each by capitalisation of reserves and consolidation and there was a one for four capitalisation issue. Details of the share capital are given in note 16 to the Accounts.

Under the terms of the employee share option scheme, options have been granted to employees of group companies. Details of options are given in note 16 to the Accounts.

Substantial shareholders

Apart from the shareholdings of Messrs McMurtry and Deer (58.2 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.

Fixed assets

The changes in tangible fixed assets during the year are summarised in note 9 to the Accounts.

Research and development

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

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 1989 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.

Donations

During the year the Company made charitable donations amounting to £9,214 (1988 £9,250). No political donations were made.

Taxation

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

A resolution in accordance with Section 384, Companies Act 1985, for the reappointment of Peat Marwick McIntock, as auditors of the Company, will be proposed at the forthcoming Annual General Meeting.

By order of the Board
A. C. G. Roberts
Secretary
27th September 1989.



RENISHAW

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.

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 using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

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.

Pension scheme

The Group operates a contributory pension scheme, of the defined benefit type, for the benefit of UK based employees. The scheme is administered by trustees and is independent of the Group finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service. The Group's contributions are charged against profits in accordance with SSAP 24. An independent actuarial valuation has been carried out on the scheme in September 1987 and the scheme is adequately funded.

Foreign based employees are covered by state and private pensions schemes in their countries of residence. Actuarial valuations of the foreign pension schemes, in accordance with SSAP 24, were not obtained because of the costs involved and the small number of foreign employees.



Consolidated Profit and Loss Account

for the year ended 30th June 1989

	Notes	1989 £'000	1988 £'000
Turnover	1	39,197	28,229
Cost of sales		18,088	12,922
Gross profit		21,109	15,307
Distribution costs		5,454	3,298
Administrative expenses		6,737	4,992
Operating profit	2	12,191	8,290
Interest receivable less payable	3	8,918	7,017
Profit on ordinary activities before taxation		1,170	1,012
Taxation on profit on ordinary activities	4	10,088	8,029
Profit on ordinary activities after taxation		3,069	2,337
Extraordinary item		7,019	5,692
Profit for the financial year	5	—	1,735
Dividends	6	7,019	3,957
Retained profit for the year		1,617	1,016
Earnings per share	7	5,402	2,941
		18.23p	14.78p



RENISHAW

B a l a n c e S h e e t s

at 30th June 1989

		The Group		The Company	
	Notes	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Fixed assets					
Intangible asset	8	274	351	—	—
Tangible assets	9	12,491	10,970	4,741	4,013
Investments in subsidiaries	10	—	—	4,845	3,850
		<u>12,765</u>	<u>11,321</u>	<u>9,586</u>	<u>7,863</u>
Current assets					
Stocks	11	5,374	4,812	—	—
Debtors	12	9,227	7,484	7,951	9,953
Cash at bank		15,977	11,843	15,582	11,354
		<u>30,578</u>	<u>24,139</u>	<u>23,533</u>	<u>21,307</u>
Creditors					
Amounts falling due within one year	13	10,358	7,911	17,872	15,241
Net current assets		<u>20,220</u>	<u>16,228</u>	<u>5,661</u>	<u>6,066</u>
Total assets less current liabilities		<u>32,985</u>	<u>27,549</u>	<u>15,247</u>	<u>13,929</u>
Creditors					
Amounts falling due after more than one year	14	2,234	1,896	1,395	494
		<u>30,751</u>	<u>25,653</u>	<u>13,852</u>	<u>13,435</u>
Provision for liabilities and charges					
Deferred taxation	15	1,566	2,189	639	773
Net assets		<u>29,185</u>	<u>23,464</u>	<u>13,213</u>	<u>12,662</u>
Capital and reserves					
Called up share capital	16	7,700	1,540	7,700	1,540
Share premium account		—	5,770	—	5,770
Profit and loss account	17	21,485	16,154	5,513	5,352
Shareholders' funds		<u>29,185</u>	<u>23,464</u>	<u>13,213</u>	<u>12,662</u>

D. R. McMurtry
A. C. G. Roberts

Directors



RENISHAW

Consolidated Statement of Source and Application of Funds

for the year ended 30th June 1989

	1989 £'000	1988 £'000
Profit before taxation and extraordinary item	10,088	8,029
Extraordinary item	—	(2,670)
	<u>10,088</u>	<u>5,359</u>
Adjustments for items not involving the movement of funds:—		
Amortisation of intangible asset	113	88
Depreciation of tangible assets	1,807	1,587
Profit on sale of tangible assets	(51)	(22)
Currency movements	108	(122)
	<u>1,977</u>	<u>1,531</u>
Total generated from operations	12,065	6,890
Funds from other sources		
Hire purchase	—	730
Secured loan	1,090	—
Sale of tangible assets	61	89
	<u>1,151</u>	<u>819</u>
Total sources of funds	13,216	7,709
Application of funds		
Purchase of tangible assets	3,136	2,600
Secured loan repaid	220	220
Goodwill on acquisition of subsidiary	—	406
Hire purchase repaid	536	411
Taxation paid	1,825	3,913
Dividends paid	1,247	832
Deferred liability paid	104	88
	<u>7,068</u>	<u>8,470</u>
Increase/(decrease) in working capital	<u>6,148</u>	<u>(761)</u>
Arising from movements in:—		
Stocks	562	915
Debtors	1,743	288
Creditors	(330)	(1,598)
	<u>1,975</u>	<u>(365)</u>
Net liquid funds	<u>4,173</u>	<u>(396)</u>
	<u>6,148</u>	<u>(761)</u>



RENISHAW

Notes to the Accounts

for the year ended 30th June 1989

1. Turnover

Turnover is defined under the accounting policies and relates to the principal trade. An analysis by geographical market is:-

	1989 £'000	1988 £'000
USA	12,999	10,200
Japan	7,101	5,168
West Germany	4,829	3,667
France	5,064	1,982
Other overseas countries	5,251	4,036
Total sales to overseas customers	35,244	25,053
United Kingdom	3,953	3,176
Total group sales	39,197	28,229

2. Operating profit

a) The operating profit is stated after charging:-

	1989 £'000	1988 £'000
Depreciation	1,807	1,587
Amortisation of intangible asset	113	88
Directors' emoluments	484	334
Auditors' remuneration	45	43

b) Emoluments of Directors

The emoluments, excluding pension contributions, of the Chairman, who was also the highest paid Director, were £121,627 (1988 £108,000). The emoluments, excluding pension contributions, of the other Directors, whose duties were performed mainly in the UK, fell within the following ranges:-

	1989 Number	1988 Number
£ 5,001—£10,000	1	1
£55,001—£60,000	1	1
£70,001—£75,000	1	—
£85,001—£90,000	—	1
£95,001—£100,000	1	—

c) Staff numbers and costs

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

	1989 Number	1988 Number
Office and management	126	98
Research, manufacturing and marketing	639	545
	765	643

The aggregate payroll cost of the above was:-

	1989 £'000	1988 £'000
Wages and salaries	9,958	7,708
Social security costs	1,084	636
Other pension costs	415	319
	11,457	8,663

d) Emoluments of higher paid employees

The number of UK employees of the Group other than the Directors of the Company whose emoluments, excluding pension contributions, exceeded £30,000 for the year, fell within the following ranges:-

	1989 Number	1988 Number
£30,001—£35,000	4	2
£35,001—£40,000	1	—
£40,001—£45,000	1	2
£45,001—£50,000	2	—

3. Interest receivable less payable

	1989 £'000	1988 £'000
Receivable		
Bank	1,879	1,122
Payable		
Hire purchase	306	166
Bank and other short term interest	550	286
	856	752
Less attributable to leasing activity	147	312
	709	440
	1,170	1,012

4. Taxation on profit on ordinary activities

Based on group profit on ordinary activities for the year:-

	1989 £'000	1988 £'000
Corporation tax at 35%	2,535	2,600
Deferred tax at 35%	(155)	(531)
Overseas tax	689	271
	3,069	2,337

A further liability to taxation would arise if the retained profits of overseas subsidiaries were distributed.

5. Profit for the financial year

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. The loss for the financial year, excluding dividends receivable, dealt with in the Accounts of the Company is £332,000 (1988 £827,000)

6. Dividends

	1989 £'000	1988 £'000
Interim dividend paid of 1.4p (1988 0.8p)	539	308
Proposed final dividend of 2.8p (1988 1.84p)	1,078	708
	1,617	1,016

7. Earnings per share

Earnings per share are calculated on earnings of £7,019,000 (1988 £5,692,000) and on 38,499,896 shares, being the number of shares in issue after the one for four capitalisation issue during the year.



RENISHAW

8. Intangible asset

	1989 £'000	1988 £'000
The Group		
At 1st July 1988	351	466
Amortisation for the year	(113)	(88)
Currency adjustment	36	(27)
At 30th June 1989	274	351

9. Tangible assets

	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
a) The Group				
Cost				
At 1st July 1988	5,450	9,868	704	16,022
Additions	849	1,784	503	3,136
Disposals	—	(45)	(146)	(191)
Currency adjustment	144	114	12	270
At 30th June 1989	6,443	11,721	1,073	19,237
Depreciation				
At 1st July 1988	306	4,319	427	5,052
Charge for year	138	1,421	248	1,807
Released on disposals	—	(42)	(139)	(181)
Currency adjustment	2	60	6	68
At 30th June 1989	446	5,758	542	6,746
Net book value				
At 30th June 1989	5,997	5,963	531	12,491
At 30th June 1988	5,144	5,549	277	10,970
b) The Company				
Cost				
At 1st July 1988	3,482	1,120	191	4,793
Additions	210	263	325	798
Transfers from subsidiaries	—	323	413	736
Disposals	—	—	(97)	(97)
At 30th June 1989	3,692	1,706	832	6,230
Depreciation				
At 1st July 1988	243	412	125	780
Charge for year	78	246	147	471
Transfers from subsidiaries	—	71	259	330
Released on disposals	—	—	(92)	(92)
At 30th June 1989	321	729	439	1,489
Net book value				
At 30th June 1989	3,371	977	393	4,741
At 30th June 1988	3,239	708	66	4,013

c) Outstanding capital expenditure not provided for in these Accounts was:-

	The Group		The Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Authorised but not committed	2,751	2,634	2,200	2,250
Authorised and committed	469	1,119	50	—



RENISHAW

10. Investments in subsidiaries

The Company	Shares £'000	Loans £'000	Total £'000
Cost			
At 1st July 1988	897	9,625	10,522
Additions	—	3,135	3,135
At 30th June 1989	897	12,760	13,657
Provisions			
At 1st July 1988	857	5,815	6,672
Amounts provided in year	—	2,140	2,140
At 30th June 1989	857	7,955	8,812
Net book value			
At 30th June 1989	40	4,805	4,845
At 30th June 1988	40	3,810	3,850

On 20th June 1989, the Company disposed of Renishaw Leasing Limited, a company formed by the Group with a share capital of £2.

11. Stocks

	The Group	
	1989 £'000	1988 £'000
Raw materials	1,677	1,435
Work in progress	1,334	1,140
Finished goods	2,363	2,237
	<u>5,374</u>	<u>4,812</u>

12. Debtors

	The Group		The Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Trade debtors	7,911	6,228	—	—
Amounts owed by subsidiaries	—	—	7,393	9,230
Prepayments	1,316	1,256	558	723
	<u>9,227</u>	<u>7,484</u>	<u>7,951</u>	<u>9,953</u>

13. Creditors

Amounts falling due within one year

	The Group		The Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Bank loans and overdrafts	220	259	220	220
Trade creditors	3,335	2,898	367	199
Amounts owed to subsidiaries	—	—	14,010	12,925
Corporation tax	3,119	1,597	957	923
Other taxes	476	619	40	15
Other creditors	1,737	1,296	1,121	165
Hire purchase	393	504	79	86
Proposed dividend payable	1,078	708	1,078	708
	<u>10,358</u>	<u>7,911</u>	<u>17,872</u>	<u>15,211</u>



RENISHAW

14. Creditors

Amounts falling due after more than one year

	The Group		The Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Total obligations under hire purchase agreements	1,173	2,925	164	140
Relating to finance leases	—	1,216	—	—
	<u>1,173</u>	<u>1,709</u>	<u>164</u>	<u>140</u>
Current obligations (note 13)	393	504	79	86
Non-current obligations	780	1,205	85	51
Deferred liability	144	251	—	—
Secured loans				
Due between one and two years	220	220	220	220
Due between two and five years	1,090	220	1,090	220
	<u>2,234</u>	<u>1,896</u>	<u>1,395</u>	<u>494</u>

The Company's secured loans are secured by fixed charges on one of the Group's freehold properties. Interest is charged at rates varying with the London inter bank offered rate.

The deferred liability is payable between one and two years.

15. Deferred taxation

a) Movements during the year were:-

	The Group		The Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
At 1st July 1988	2,189	2,765	773	1,028
Release for the year	(155)	(534)	(11)	(213)
Disposal of Renishaw Leasing Ltd.	(345)	—	—	—
ACT movement	(123)	(42)	(123)	(42)
At 30th June 1989	<u>1,566</u>	<u>2,189</u>	<u>639</u>	<u>773</u>

b) Represented by:-

	The Group		The Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Accelerated capital allowances	1,549	2,293	622	877
Other timing differences	376	132	376	132
	<u>1,925</u>	<u>2,425</u>	<u>998</u>	<u>1,009</u>
ACT recoverable	(359)	(236)	(359)	(236)
	<u>1,566</u>	<u>2,189</u>	<u>639</u>	<u>773</u>

16. Share capital

	1989 £'000	1988 £'000
Authorised 50,000,000 ordinary shares of 20p each	10,000	2,100
Allotted, called up and fully paid 38,499,896 ordinary shares of 20p each	7,700	1,510

On 24th November 1988, the authorised share capital was increased to 50,000,000 shares. The nominal value of the shares was increased from 5p each to 20p each by capitalisation of reserves and consolidation and a one for four capitalisation issue increased the number of shares in issue from 30,799,917 to 38,499,896. The reserves utilised were:-

	£'000
Share premium account	5,770
Profit and loss account	390
	<u>6,160</u>

Under the terms of the employee share option scheme, options outstanding at 27th September 1989 which are exercisable between 3 and 10 years after the date the options were granted, were:-

Date options granted	Option price	Number of shares
24th July 1985	£2.02	189,495
6th August 1986	£2.26	85,090
7th September 1987	£1.75	114,935
23rd September 1988	£1.46	144,650
6th September 1989	£2.38	199,835

17. Profit and loss account

Movements during the year were:-

	The Group		The Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
At 1st July 1988	16,154	13,794	5,352	5,694
Capitalisation issue	(390)	—	(390)	—
Goodwill	—	(406)	—	—
Movement in currency reserve	319	(175)	—	—
Retained profit/(loss) for the year	5,402	2,941	551	(342)
At 30th June 1989	<u>21,485</u>	<u>16,154</u>	<u>5,513</u>	<u>5,352</u>

18. Pension scheme

The Group operates a number of pension schemes throughout the world. The major schemes which cover 90% of scheme members are of the defined benefit type.

The total pension cost for the Group was £415,000 (1988 £319,000) of which £90,000 (1988 £46,000) relates to the overseas schemes. The pension cost relating to the UK scheme is assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial assessment of that scheme was as at September 1987. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 9% per annum, that salary increases would average 8% per annum and that future pensions would increase at the rate of 3% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the UK scheme was £650,398 and the actuarial value of the assets was sufficient to cover 96% of the benefits that had accrued to members after allowing for expected future increases in earnings. This deficiency is not considered by the actuary to be material.



RENISHAW

A u d i t o r s ' r e p o r t

KPMG Peat Marwick McLintock

To the members of Renishaw plc

We have audited the Accounts on pages 21 to 33 in accordance with Auditing Standards.

In our opinion the Accounts give a true and fair view of the state of affairs of the Company and of the Group at 30th June 1989 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Peat Marwick McLintock

Peat Marwick McLintock
Chartered Accountants
Chepstow, Gwent

27th September 1989



RENISHAW

S u b s i d i a r y

The following are the subsidiary companies of Renishaw plc, all of which are wholly owned. The country of incorporation is England unless otherwise stated. The country of incorporation is also the principal country of operation.

i) Subsidiaries of Renishaw plc	Address details	Principal activities
	Renishaw Metrology Limited New Mills, Wotton-under-Edge, Glos. GL12 8JR Tel 0453 844211 Telex 437120 REN MET G Fax 0453 842893	Design, manufacture and sale of advanced precision metrology and inspection equipment
	Renishaw Research Limited Old Town, Wotton-under-Edge, Glos. GL12 7DH Tel 0453 844302 Telex 437258 REN WOT G Fax 0453 845447	New product research and development
	Renishaw Transducer Systems Limited Gloucester Street, Wotton-under-Edge, Glos. GL12 7DN Tel 0453 842533/844360 Telex 437258 REN WOT G Fax 0453 844236	Design, manufacture and sale of transducer systems
	Renishaw - MAE Limited New Mills, Wotton-under-Edge, Glos. GL12 8JR Tel 0453 844211 Telex 437120 REN MET G Fax 0453 844412	Design, manufacture and sale of CAD/ CAM systems
	Wotton Travel Limited 1 Bradley Street, Wotton-under-Edge, Glos. GL12 7AP Tel 0453 845088 Telex 437258 REN WOT G Fax 0453 843689	Travel agency
	Renishaw Overseas Limited Gloucester Street, Wotton-under-Edge, Glos. GL12 7DN Tel 0453 842533 Telex 437258 REN WOT G Fax 0453 843689	Overseas holding and investment company

c o m p a n i e s

ii) Subsidiaries of Renishaw Overseas Limited	Address details	Principal activities
	<p>Renishaw Inc. (USA) 623 & 710 Cooper Court, Schaumburg, Illinois 60173, USA Tel 708 843 3666 Fax 708 843 1744</p> <p>(East Coast Offices) 109 Airport Road, Suite 7, Warwick, Rhode Island 02889, USA Tel 401 737 4473 Fax 401 738 2858</p> <p>(West Coast Offices) 17744 Skypark Boulevard, Suite 240, Irvine, California 92714, USA Tel 714 250 9191 Fax 714 250 8944</p>	Service and distribution of group products
	<p>Renishaw Electronics (Ireland) Limited (Republic of Ireland) A1 Santry Avenue Industrial Estate, Santry, Dublin 9, Ireland Tel 429373 Fax 429353</p>	Manufacture and sale of precision metrology and inspection equipment
	<p>Renishaw Kabushiki Kaisha (Japan) 10F, Han-ei No. 2 Building, 10-1 Shinjuku 1-chome, Shinjuku-ku, Tokyo 160, Japan Tel 3 350 6234 Fax 3 350 6208</p> <p>6F, Ikko Imai Central Building, 10-17 Uchiyama, 3-chome, Chikusa-ku, Nagoya 464, Japan Tel 52 733 1321</p>	Service and distribution of group products
	<p>Renishaw GmbH (West Germany) Fabrikstrasse 17, D-7024 Filderstadt 4, West Germany Tel 711-774038 Fax 711-7775850</p>	Service and distribution of group products
	<p>Périféric SARL (France) 26-28 rue Jean-Jaurès, F 94350 Villiers-sur-Marne, France Tel 1 49 30 96 35 Telex 230 264F Fax 1 49 30 26 27</p>	Service and distribution of group products and the manufacture and sale of industrial terminals
	<p>Renishaw S.p.A. (Italy) Via San Quintino 28, Torino 10121, Italy Tel 11 531 252/11 534 995 Fax 11 533 756</p>	Service and distribution of group products

For further information contact:
Renishaw plc,
Gloucester Street, Wotton-under-Edge,
Glos. GL12 7DN
Tel 0453 842533
Telex 437258 REN WOT G
Fax 0453 843689



RENISHAW

Financial record (10 years)

Results

	1989 £'000	1988 £'000	1987 £'000	1986 £'000	1985 £'000	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000
Overseas sales	35,244	25,053	20,098	17,869	13,878	9,347	5,565	2,790	2,146	1,578
UK sales	3,953	3,176	3,012	3,518	1,667	1,145	907	626	708	422
Total sales	39,197	28,229	23,110	21,387	15,545	10,492	6,472	3,416	2,854	2,000
Profit on ordinary activities before taxation	10,088	8,029	7,511	7,019	5,627	3,744	1,722	636	1,003	732
Taxation	3,069	2,337	2,149	2,022	1,813	1,548	813	257	397	383
Profit on ordinary activities after taxation	7,019	5,692	5,362	4,997	3,814	2,196	909	379	606	349
Extraordinary item	—	1,735	—	—	—	(260)	272	—	—	—
Profit for the financial year	7,019	3,957	5,362	4,997	3,814	2,456	637	379	606	349
Dividends	1,617	1,016	770	678	586	128	71	23	110	70
Retained profits	5,402	2,941	4,592	4,319	3,228	2,328	566	356	496	279

Capital employed

	1989 £'000	1988 £'000	1987 £'000	1986 £'000	1985 £'000	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000
Share capital	7,700	1,540	1,540	1,540	1,540	1,400	1,400	14	14	14
Share premium	—	5,770	5,770	5,770	5,770	—	—	—	—	—
Reserves	21,485	16,154	13,794	9,227	6,209	3,051	676	1,479	1,123	627
Shareholders' funds	29,185	23,464	21,104	16,537	13,519	4,451	2,076	1,493	1,137	641
Deferred taxation	1,566	2,189	2,765	3,340	3,993	2,595	1,592	1,062	765	704
Capital employed	30,751	25,653	23,869	19,877	17,512	7,046	3,668	2,555	1,902	1,345

Statistics

	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
Earnings per share (see note)	18.23p	14.78p	13.93p	12.98p	10.17p	6.18p	2.56p	1.06p	1.70p	0.98p
Profit before taxation as a percentage of average shareholders' funds	38.3%	36.0%	39.9%	46.7%	62.6%	114.7%	96.5%	48.4%	112.8%	146.0%
Overseas sales as a percentage of total sales	89.9%	88.7%	87.0%	83.6%	89.3%	89.1%	86.0%	81.7%	75.2%	78.9%

Note: All earnings per share figures have been calculated to reflect the capitalisation issue during the year



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Ten further years of continuous growth

