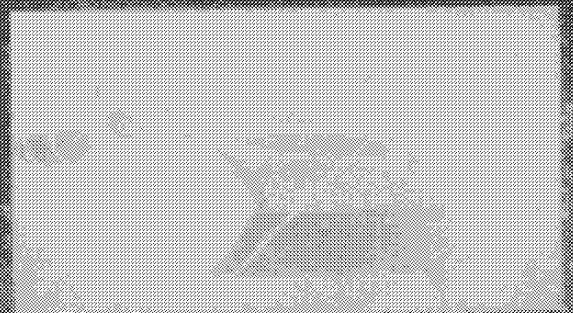
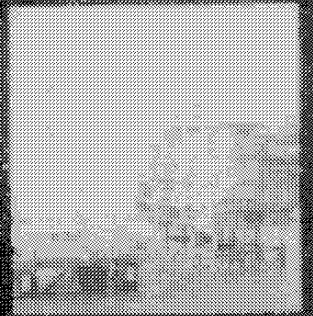
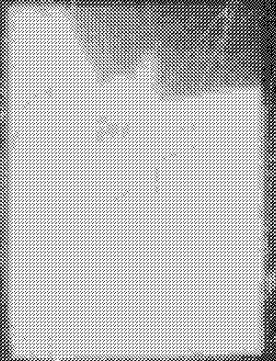
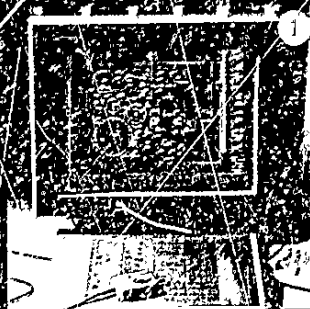
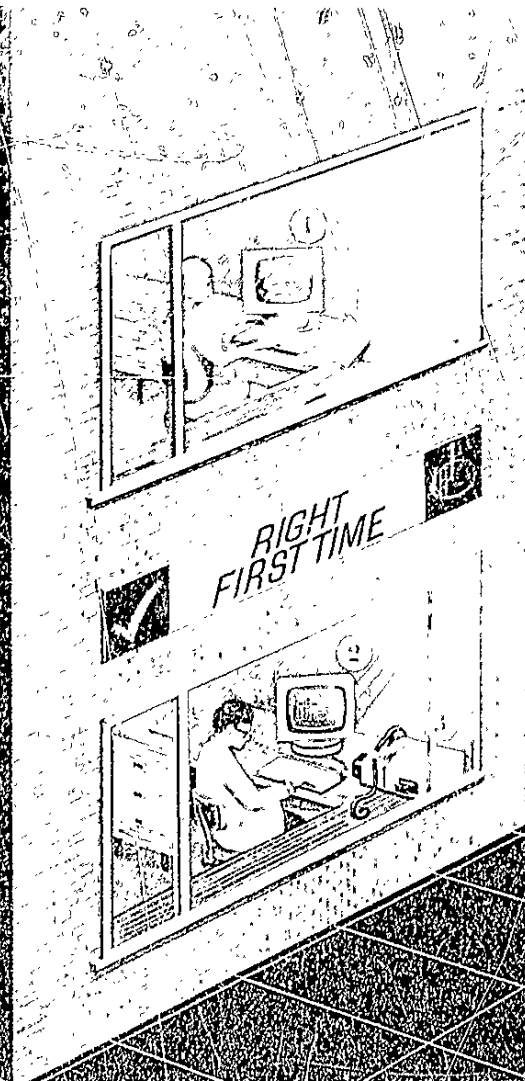


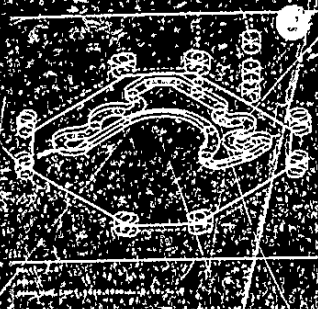
ANNUAL REPORT 1988



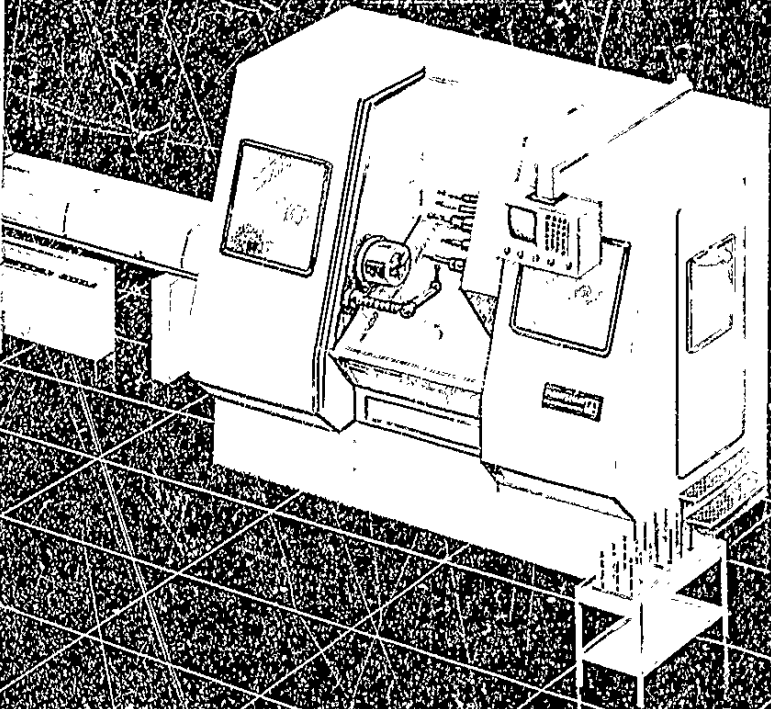
RENISHAW



MAPS computer aided draughting and design



MAT-CAD computer aided manufacturing system



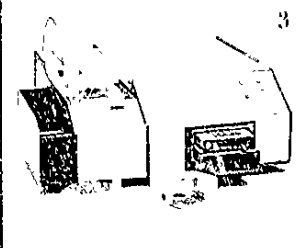
INTRODUCTION

Highly automated FMS (Flexible Manufacturing Systems) demand the integration of many disciplines. The Renishaw Group is able to offer a total system solution of both hardware and software, with their expertise in:

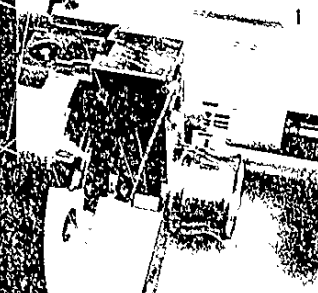
- CAD (Computer Aided Design)
- CAM (Computer Aided Manufacture)
- Part Programs
- Automated Inspection on CNC (Computer Numerically Controlled) Machine tools
- "One-Hit" machining
- Automated post-process quality assurance on CMMs (Co-ordinate Measuring Machines)
- Machine calibration

The Renishaw Group stands at the forefront of automated manufacturing technology, its products giving manufacturers the ability to machine components right first time with traceability. The front cover illustrates certain industries in which Renishaw's products are used.

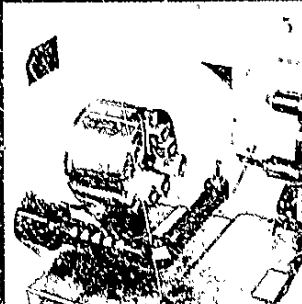
The promotional theme "RIGHT FIRST TIME WITH RENISHAW" which has been used at major International Exhibitions, sets the theme for this year's Annual Report.



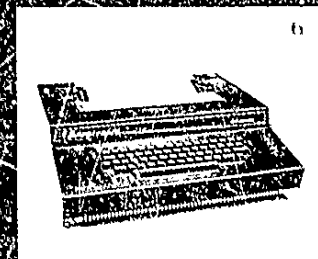
TP200 punch tape machine



TP2 Lathe inspection probe



TS20 Lathe toolsetting probe/arm



ESR 180 printer

Directors

D. R. McMurtry
(Chairman and Chief Executive)

D. J. Deer
(Managing Director)

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

B. R. Taylor, B.Sc. (Mech.Eng.)
(Director UK Operations)

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



*D.R. McMurtry
Chairman and Chief 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: 437258
Facsimile: (0453) 843689



*A.C.G. Roberts
Finance Director*

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.



*B.R. Taylor
Director UK Operations*

Stockbrokers

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

Financial Advisers

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



*L. Brook
Non-Executive Director*

FINANCIAL CALENDAR

Annual General Meeting

18th November 1988

Results

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

Dividends

Interim - payable April
Final - payable November



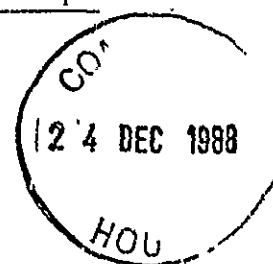
*D.J. Deer
Managing Director*

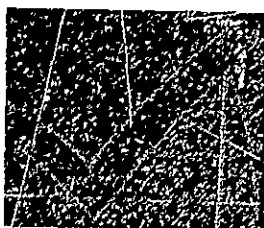
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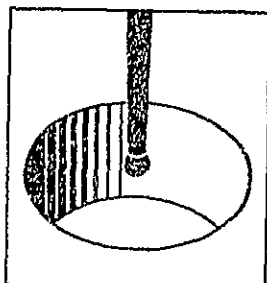
RESULTS AT A GLANCE

	1988 £'000	1987 £'000
Turnover	28,229	23,110
Profit before Taxation	8,029	7,511
Taxation	2,337	2,149
Profit after Taxation	5,692	5,362
Earnings per share	18.48p	17.41p





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RENISHAW

TRADING RESULTS AND DIVIDEND

I am pleased to report a very satisfactory year's results in terms of both profitability and growth.

Turnover of £28,229,000 represents an increase of 22 per cent over the comparable turnover of £23,110,000 in 1987.

Operating profit amounted to £7,017,000 (1987 £4,325,000) an increase of 62 per cent which, together with interest receivable of £1,012,000 (1987 £797,000), gives a profit on ordinary activities before taxation of £8,029,000 (1987 £5,122,000 plus exceptional credit of £2,389,000).

Earnings per share were 18.48p (1987 12.37p before the exceptional credit which gave a total for 1987 of 17.41p).

Your Directors recommend the payment of a final dividend of 2.3p net per share which, together with the interim dividend of 1.0p per share, makes a total for the year of 3.3p per share (1987 2.5p) an increase of 32 per cent. The final dividend will be paid on 21st November 1988 to shareholders on the Register of Members at the close of business on 13th October 1988.

TRADING CLIMATE

The market for the Group's traditional metrology business has seen a significant increase in turnover for both Co-ordinate Measuring Machine (CMM) and Machine Tool products with considerable interest and orders being received for a number of our new products. This growth has been experienced in each of our major markets particularly USA, Japan, West Germany and Italy. Sales in the USA would have been higher in sterling terms but for the relative strength of sterling compared with the previous year.

The buoyant level of trading has continued into the current year and the manufacture of a number of Group products has now commenced at our facilities in Cwmbran, South Wales to provide the additional capacity required.

OVERSEAS DEVELOPMENTS

Sales to overseas customers of £25,053,000 (1987 £20,098,000) represented 89 per cent of group turnover, compared with 87 per cent in the previous year.

All our overseas subsidiaries have been expanding to support the increased business and to reinforce our product and servicing support for customers in our major markets.

During the year, to enhance the promotion of the Group's products in France, the Company acquired Périféric SARL a French company based in Paris. Périféric took over the marketing of the Group's CMM products on 1st July 1988 and will assume responsibility for the sale of Machine Tool products on 1st January 1989. This company specialises in industrial terminals for CNC machine tools and, with a number of service centres around France, provides a sound base for promoting the Group's products.

1988 RENISHAW COMMUNICATIONS YEAR

EXTRAORDINARY ITEM

The extraordinary item refers to two matters; firstly, in November 1987 the Company acquired the Rolls-Royce interest in the patent rights formerly jointly owned by the Company and Rolls-Royce plc.

Secondly, the Board decided to discontinue the business of Renishaw Controls Limited. The market uptake for this company's products did not materialise and the ongoing costs would have been an unacceptable burden. Following unsuccessful attempts to find a satisfactory purchaser the company has ceased trading.

CAPITALISATION ISSUE

In order to bring the issued share capital more into line with the resources employed in the business, the Board is proposing to increase the nominal value of the existing shares from 5p each to 20p by the capitalisation of reserves and consolidation. The Board is also proposing a one for four capitalisation issue of new shares.

The new shares, if shareholders approve these proposals, will rank *pari passu* with the existing ordinary shares except that they will not rank for the final dividend in respect of the year ended 30th June 1988. It is intended that dividends per share in 1989 will be at least maintained on the capital as increased by the capitalisation issue.

MANAGEMENT & STAFF

I would like to 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 1988 were granted options in September 1988 under the rules of the Employee Share Option Scheme.

I am pleased to report that Ben Taylor has been appointed Director of UK Operations and has recently relocated in the UK, having been the President of our USA subsidiary since March 1985.

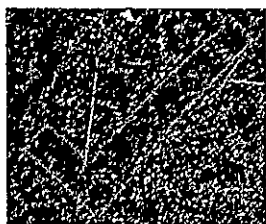
FUTURE PROSPECTS

As previously mentioned, the current year has started well, with turnover in the first quarter considerably ahead of the corresponding period last year. The Board continues to have every confidence in the future prospects of the Group and looks forward to another successful year ahead.

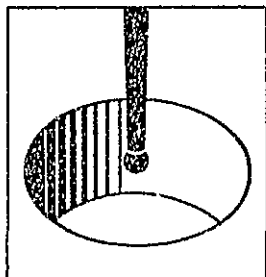


D.R. McMurtry
Chairman and Chief Executive

GROUP COMMUNICATIONS



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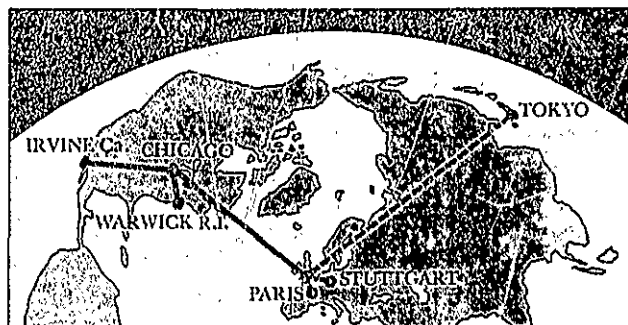
RENISHAW

INTRODUCTION

In the early 1970s, there was but a single product and one company location. Today there is a wide range of both hardware and software products, together with many companies around the globe. Good communications across the Group are essential for providing complete engineering solutions for our customers and promoting the benefits of Renishaw's product applications.

COMPUTER LINKS

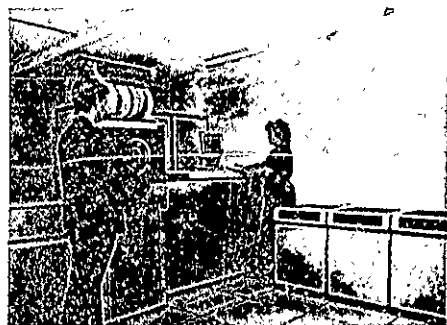
With the continued expansion of Renishaw's operations in the U.K. and overseas, and the need to maintain close contact, this year has seen the start of implementing communications links between the computer systems in the Group. This network is used to provide the latest information on all aspects of the Group's business, together with monitoring the order status for our customers worldwide. Plans are already well advanced to extend coverage shortly for both our Japanese and French subsidiary companies.



Worldwide computer network



Data Processing operations meeting



Computer complex - New Mills

GROUP CONFERENCES

The third annual Conference, attended by the Group's Managing Directors, with other delegates assisting in the presentations, was held in July. Earlier this year, the annual Group Marketing Conference and Distributors' Conference were also well attended. These gatherings give the opportunity both for a review of the previous year's business and an opportunity for each company to outline their strategies for promoting the Group's products worldwide.



Renishaw Group Directors

TRAINING

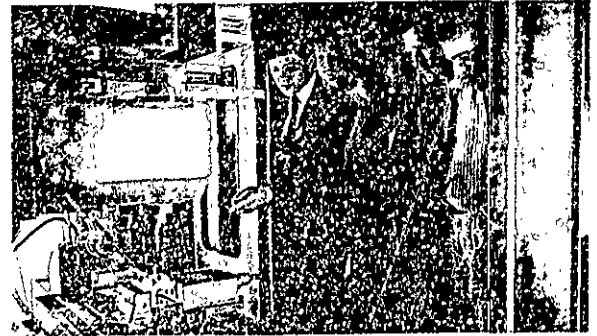
The APC (Advanced Productivity Centre) at New Mills, provides both Lecture Room and demonstration facilities for improving our customers and distributors understanding of the many applications and benefits of the Group's products. It also provides in-house facilities for training Sponsored Students, Apprentices and our employees. Monthly Group Communications meetings are also held here, which give the main Board Directors and personnel the opportunity of getting to know each other and to discuss matters of interest, in a relatively informal atmosphere.



Sponsored Students training in the APC.

VISITORS

We welcome representatives from Government, Business, Financial Institutions, our Shareholders and Education who have an interest in the Group's activities. Members of the Technical, Industrial and Financial Press also make regular visits, during which Renishaw's manufacturing concepts are demonstrated.

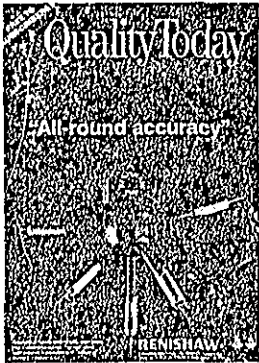


Demonstration of machining techniques

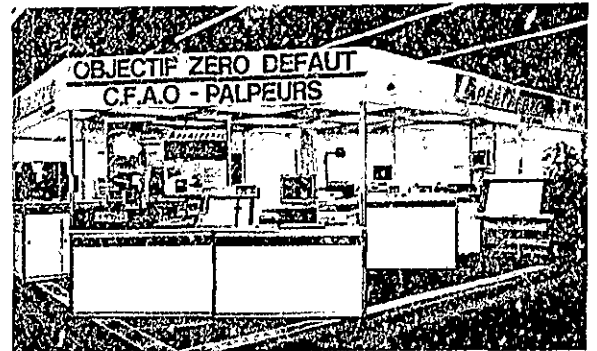
EXHIBITIONS

For the first time, the new Group Stand made an appearance at two major International Exhibitions, MACH '88 at the N.E.C. Birmingham and METAV in Düsseldorf and supported the theme, "RIGHT FIRST TIME WITH RENISHAW" with an automated manufacturing simulation. At METAV, Renishaw GmbH used their parallel theme of "GEWINNE DURCH MABHALTEN." Other venues at which Renishaw companies participated included, DES '88 and QUALITY TODAY Roadshow, in the UK, WESTEC, QUALITY WEST and IMTS, in the USA, CONTROL and METAV in West Germany, MICROTECNIC in Switzerland, MACHINE OUTIL and PRODUCTIQUE in France.

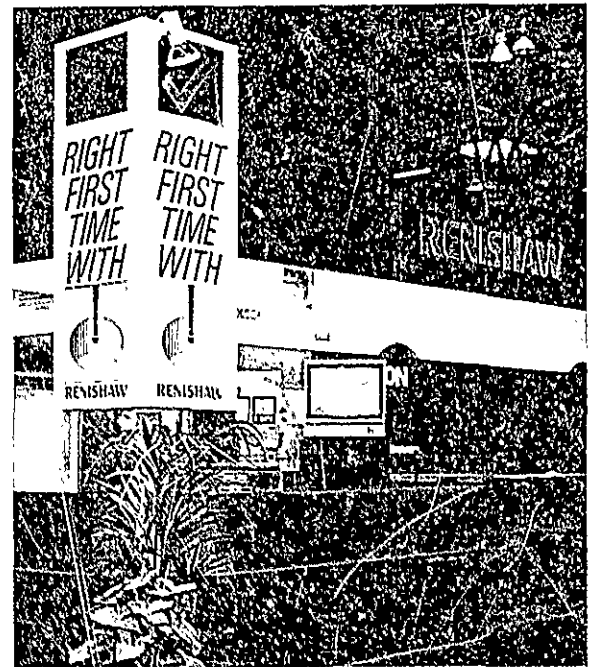
Apart from on our own stands many Renishaw products are demonstrated on our customer's machines.



"Front page" of U.K. major industry journal



"PRODUCTIQUE" Exhibition - Paris



"MACH '88" Exhibition - N.E.C. - U.K.

PUBLIC RELATIONS-PRESS

Renishaw supports major Exhibitions and special Editorial Features with strategic advertising in the major Industry journals and magazines worldwide. Exposure comes from regular News Releases and User - application articles, which lend independent authoritative support to our own activities. Regular news update to our customers and distributors is through the Group's magazine CONTACT.



Advertisement for "MACH '88"

AWARDS

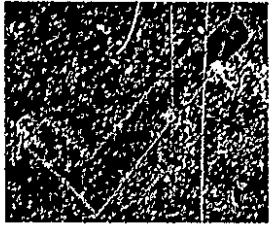
Renishaw encourages innovation and has participated in a number of local and national award schemes, having provided bursaries to The Prince's Youth Business Trust, prizes at leading Universities and Industry awards such as The Machinery Awards, 1988. The major honour received last year, The 1987 MacRobert Award was for "The design and exploitation of Renishaw probes for metrology." This Award, often referred to as "The British Nobel for Engineering" was presented to David McMurtry, John Deer, Peter Wells and Peter Willis, by H.R.H. The Duke of Edinburgh, at Buckingham Palace.



The Machinery Awards, 1988

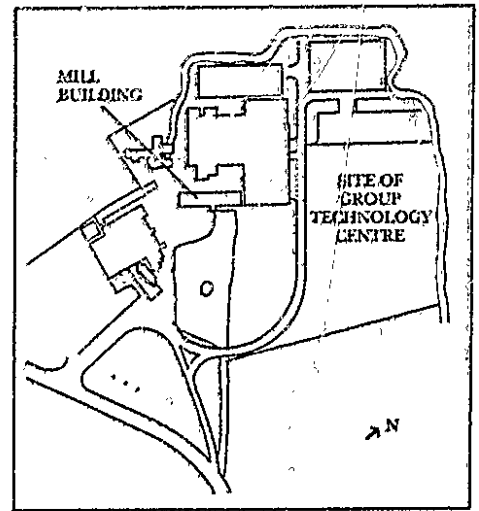


The 1987 MacRobert Award



GROUP TECHNOLOGY CENTRE

Work will commence, early next year, on the new GTC (Group Technology Centre) which will be located adjacent to the existing New Mills building. This will provide an additional 35,000 ft² of R & D facilities for the Group's expanding range of products. The design will be in brick, in keeping with the existing buildings and is due for completion during September 1989.



Site plan showing location of GTC

CWMBRAN

Delivery to Cwmbran of a number of CNC machine tools has now taken place and machining of parts for Group products has commenced. Cwmbran represents a significant enhancement of the Group's facilities in the U.K. The manufacturing operation occupies 17,000 ft² of the 150,000 ft² complex and the Machine Shop Manager, with New Mills site management, will be responsible for the continuing development of machining operations here.

So far, over 20 staff have been employed, with further expansion plans over the next few years. The operation, set in some 14 acres of land is just 45 minutes drive from Wotton-under-Edge.



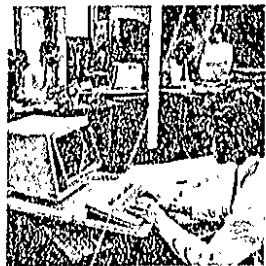
Cwmbran operations

RENISHAW METROLOGY

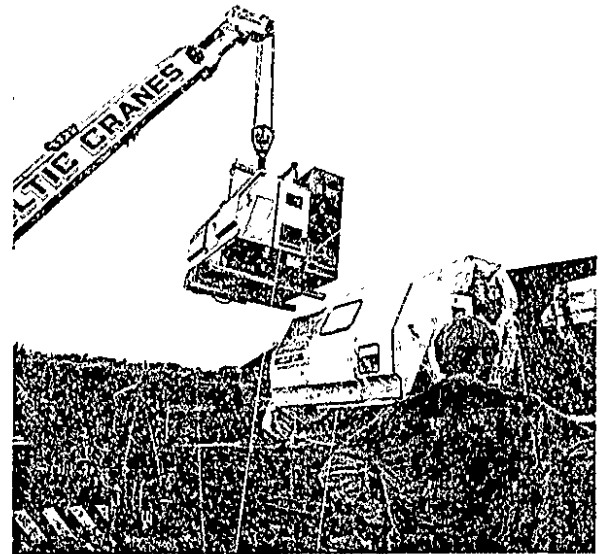
Renishaw Metrology, which is responsible for the Group's traditional probe related business, has continued to promote the benefits derived from probing systems both on machine tools and CMMs. Working closely with other companies in the Group to provide manufacturing solutions, they have assisted in demonstrating the facilities and capabilities of the Group's products in supporting fully automated production.

Taking advantage of additional computerisation in areas of strategic importance, together with re-organisation has enabled faster response to customers' enquiries for sales orders as well as for repair and service. Queries can be progressed on-screen and accurate information promptly relayed.

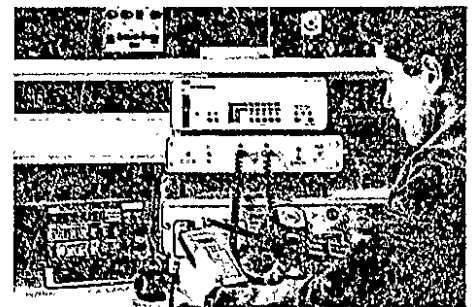
Marketing, Sales, Technical Support and Training functions have been further strengthened with additional personnel.



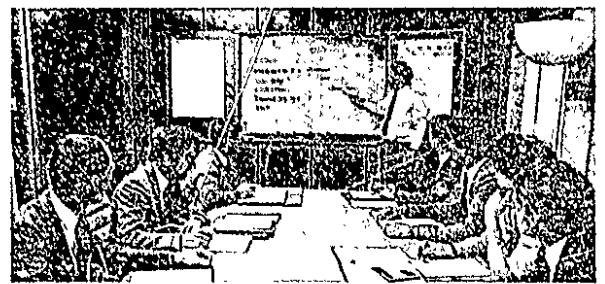
Sales Administration, computerised operation



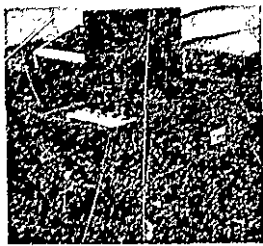
New CNC machine tools being delivered to Cwmbran



Service Centre, New Mills



Product Review meeting



Laser Interferometer, with optional display

RENISHAW TRANSDUCER SYSTEMS

Following the successful launch of the Laser Interferometer Calibration System last Autumn, at ZEMO Milan, initial sales within Europe and the USA have been made. The system can be used to determine the accuracy of CMMs and CNC machine tools and has been designed with service applications in mind. For ease of transport it is of light-weight, modular construction and incorporates manufacturing expertise from other Group companies. Interferometer units have been tested at the National Physics Laboratory and exhibit both high stability and good measurement accuracy.

The company comprises a multi-disciplined team with expertise in the fields of optical, electrical and mechanical engineering and software. Further system developments are in the pipeline with a number of projects being undertaken in collaboration with Universities.



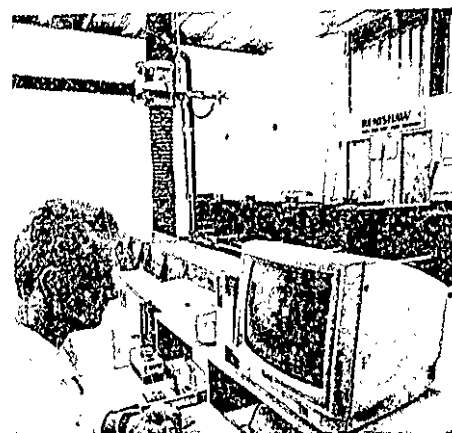
Progress meeting



Product Planning meeting

RENISHAW RESEARCH

Renishaw's CMM controller provides the foundation for a comprehensive system to support the advanced probing products for CMMs, being developed at Renishaw Metrology. This will allow a more rapid integration of increasingly sophisticated new products.



CMM controller in operation - Channel Tunnel

RENISHAW-MAE

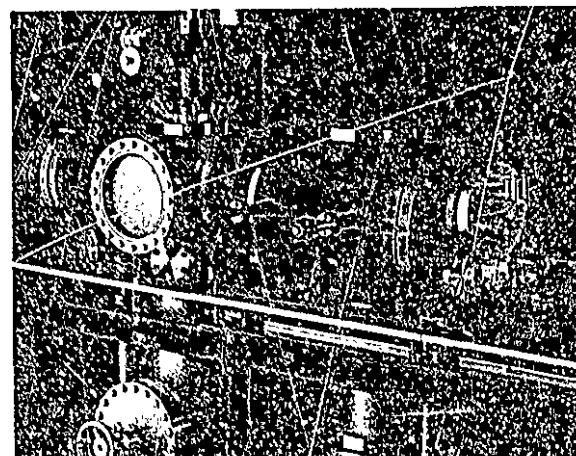
This year's emphasis has been in the development of the market for MAETRACE - digitising package for CNC machine tools, and MAEWEST - a new concept in Wire EDM machining. The company offers an integrated solution for 2D draughting, 3D design and manipulation facilities, together with MAECAM 4, a computer aided manufacturing system.



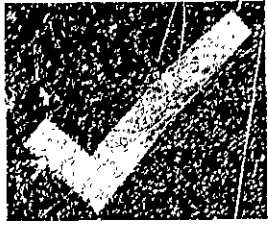
MAETRACE in operation

RENISHAW SCIENTIFIC

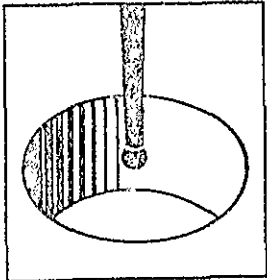
Development of the first commercially available reflection absorption infra-red spectrometer from the RS-210 prototype has been accomplished. The design incorporates several novel features and enables operation within stringent ultra-high vacuum environments. It also provides the possibility of fundamental and applied surface science studies in the areas of oxidation, heterogeneous catalysis and electrochemistry at high pressure or in liquid environments. The system is of special interest to the surface science community and research institutions either as a basic monochromator system or as a fully configured "stand alone" instrument.



RS-210 Reflection absorption infra-red spectrometer



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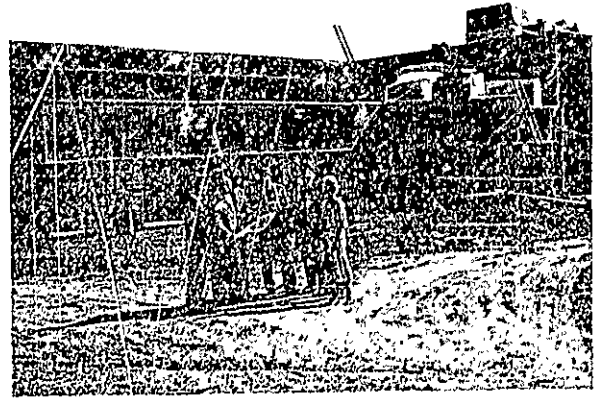


RENISHAW

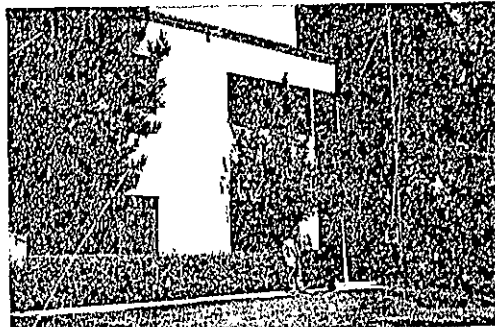
RENISHAW Inc

The new building, due for completion this Autumn will provide an additional 25,000 ft² of space at Schaumburg, Illinois. When completed, it will house a larger Service Centre with more comprehensive facilities together with more warehousing. In the existing building, an APC is planned so that the Group's products may be demonstrated in a working environment, as in the U.K.

Larger Premises have also been acquired to house our East Coast operation in Rhode Island and in California for our West Coast activities.



New building, Schaumburg - Illinois



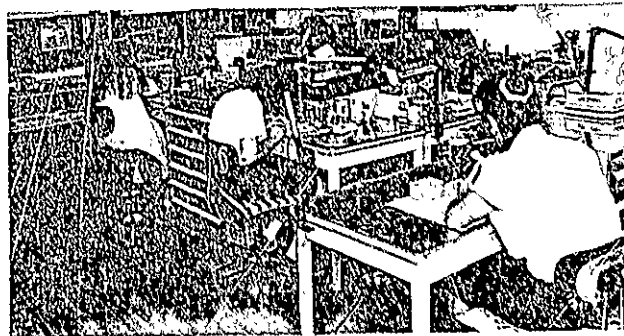
West Coast Regional Office, Irvine - California



East Coast Regional Office, Warwick - Rhode Island

RENISHAW KK

Renishaw KK have expanded their repair and technical support facilities into new premises, located just behind the existing building in Shinjuku, Tokyo. This move has given them much needed space in the main Han-ei No 2 building.



New Service Centre, Tokyo

RENISHAW GmbH

Our company in Stuttgart, West Germany also plans an APC for later this year, and expanded repair and technical support activities. Having extended their sales activities in the past year, they welcomed the opportunity of participating in major International Exhibitions in CONTROL - Sindelfingen, METAV - Düsseldorf and AMB 30 - Stuttgart.



Computerized Sales Administration - Stuttgart



Periféric, Villiers-sur-Marne - France

PERIFERIC SARL

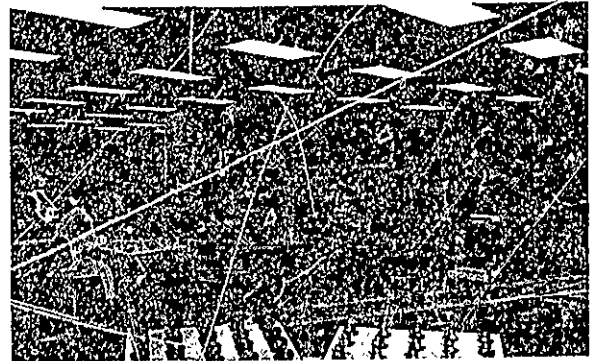
Périféric joined the Group in March, with an established infra-structure to promote Renishaw products in France. Further details appear on page 15.



Reception - Santry

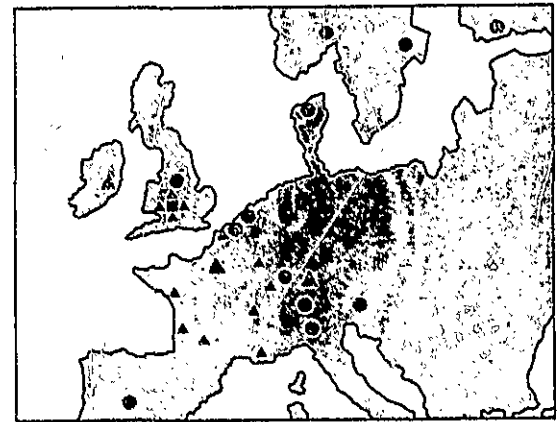
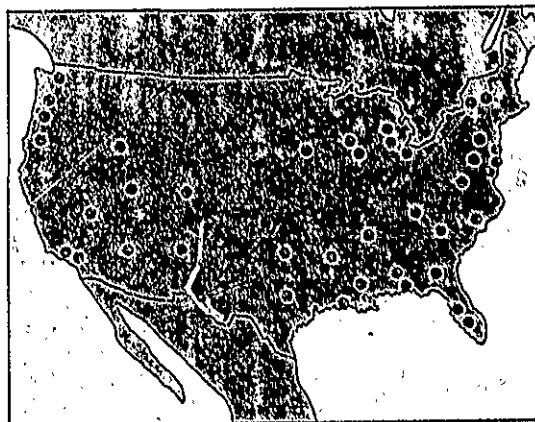
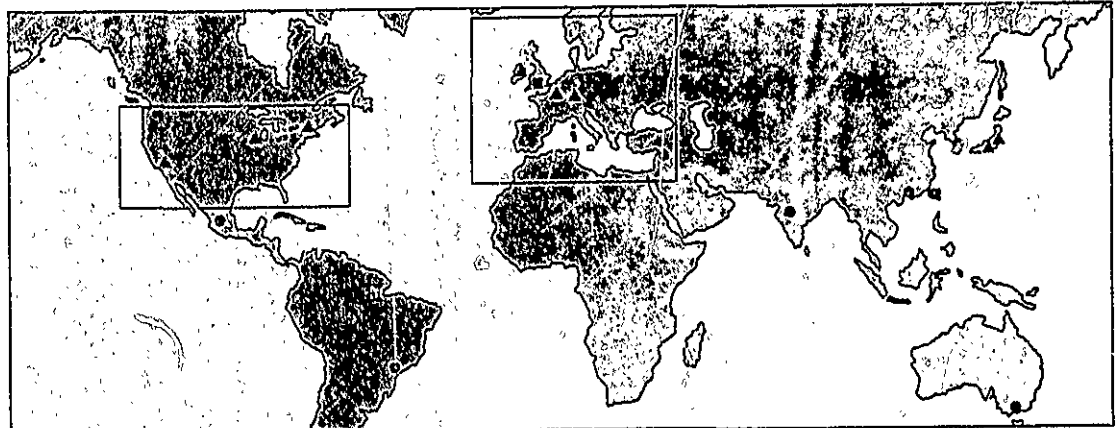
RENISHAW ELECTRONICS (IRELAND) LIMITED

The move into their new 10,000 ft² premises at Santry, Dublin has given much needed space to all areas of operation. These new premises have provided a greatly enhanced working environment for all employees, and the company has seen significantly increased production in the past year. Continued expansion is planned in terms of output, with additional personnel in the coming year.



Manufacturing and assembly area

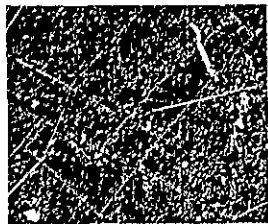
WORLDWIDE DISTRIBUTION



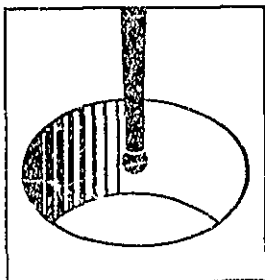
The Group has established subsidiary companies in the major markets overseas, USA, Japan, West Germany and France who provide marketing, sales and technical support for Renishaw's expanding range with stock held locally for prompt despatch of our customers' orders. Service Centres located here, are able to offer rapid repair facilities for additional customer support and convenience. Distributors have been appointed in other key countries throughout the world.

- Head Office
- ▲ Subsidiaries
- Distributors

GROUP SERVICES



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RENISHAW

Renishaw plc provides support for all companies in the Group with expertise in the fields of Finance, Communication, and Business Systems, Personnel, Patents, Legal and Commercial affairs, Publicity and Travel.

The Financial operation has recently been reorganised to consolidate the Groups accounting functions and Business Systems operations. Increased computing capacity has allowed the additional workloads to be accommodated and has improved reporting procedures.

The Group's expansion continues to make heavy demands on the Personnel Department in terms of recruitment and employee welfare. Liaison is maintained with industry and education, particularly for the training needs of both new and existing staff.

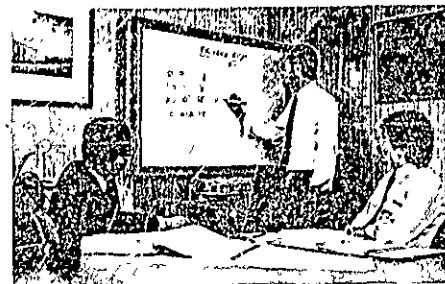
Much effort has been concentrated in establishing a corporate identity across the Group concerning literature, advertising, exhibitions and other promotions. Close links have been maintained with industrial, financial, national and local Press, in keeping them informed on the Group's many activities. A DTP (Desk Top Publishing) service has been introduced to further enhance the presentation of all literature and documentation. Contact with our employees is maintained through the monthly House Journal PROBITY.

Renishaw's Commercial Department plays a vital role in protecting the Group's business interests and patents, and provides expertise on legislation which affects our activities.

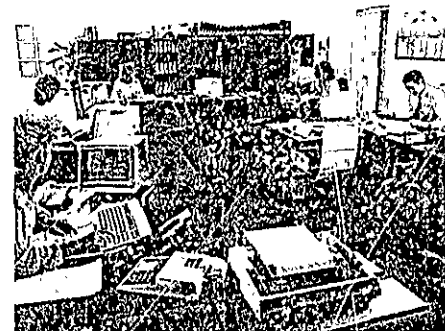
Wotton Travel offers facilities for the Group as well as providing the local community with a comprehensive service for their holiday and business requirements. Additional computerisation means that reservations can be confirmed immediately and tickets issued on the spot.



Group Finance - Gloucester Street



Treasury Meeting



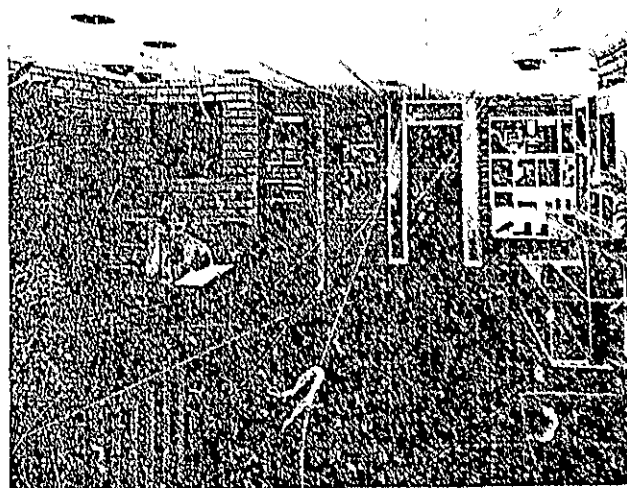
Group Finance - New Mills



DTP operation



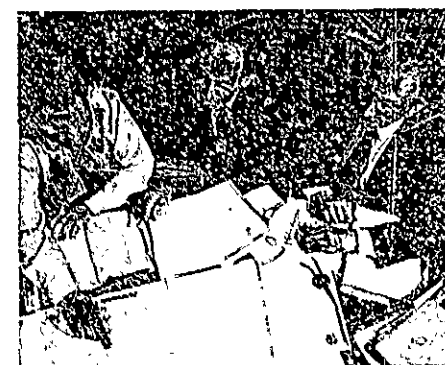
Wotton Travel



Reception - Gloucester Street



Personnel Department



Business meeting

NEW ACQUISITION



Regional operations - France



Earlier this year, PÉRIFÉRIC SARL joined the Renishaw Group. With the expanding range of products, the Group had been investigating ways of enhancing Renishaw's presence in the French market. PÉRIFÉRIC are located in Villiers-sur-Marne, some 15kms to the east of Paris. They specialise in the development and manufacture of industrial terminals for CNC machine tools and marketing a range of imported terminals, keyboard printers and graphics peripherals.

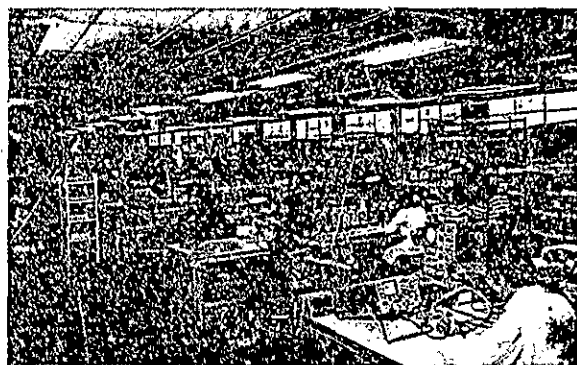
PÉRIFÉRIC were seen as a unique opportunity of acquiring an established infrastructure with knowledge of the CNC market and whose Sales and Support Team with training, could reinforce Renishaw's reputation in France. PÉRIFÉRIC were already involved in the NC market and were looking for an industrial group having a similar understanding of this market.

PÉRIFÉRIC have 10,000 ft² of manufacturing space equipped for assembly and testing of their current range of models, with just over 60 employees. Strategically situated around France are facilities which provide fast and efficient service for their customers who include Electricité de France, PTT, Thomson, Jeumont, Renault, Peugeot, Olivetti, UNISYS, Aérospatiale and SNECMA.

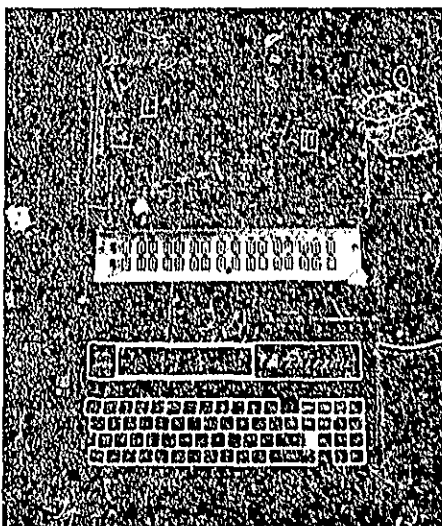
PÉRIFÉRIC have brought with them a sizeable market presence in the French machine tool industry and opportunities for them are in broadening their product base. They have also given Renishaw's overseas companies an opportunity of increasing their own sales, complementing existing markets.



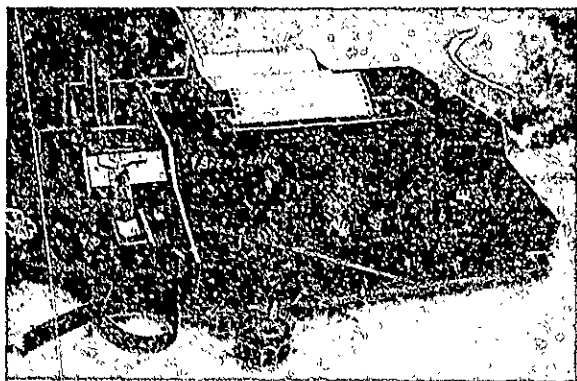
Management Team



Manufacturing and assembly area



ZHP 2000 terminal



ASR 30 tape printer terminal

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 15th Annual General Meeting of the Company will be held at the Post House Hotel, Thornbury Road, Alveston, nr. Thornbury, Avon on Friday 18th November 1988 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 1988.
2. To declare a final dividend.
3. To re-elect as a Director of the Company Mr. L. Brook, who is retiring by rotation.
4. To re-appoint Peat Marwick McLintock as Auditors to the Company and to authorise the Directors to fix their remuneration.
5. 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

19th October 1988.

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 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 15th Annual Report, together with the audited Accounts for the year ended 30th June 1988 as set out on pages 19 to 29 and approved by the Board of Directors on 28th September 1988.

Trading Results

The Group results for the year were as follows:

	1988 £'000	1987 £'000
Profit on Ordinary Activities before Taxation	8,029	7,511
Taxation on Profit on Ordinary Activities	2,337	2,149
Profit on Ordinary Activities after Taxation	5,692	5,362
Extraordinary Item	1,735	—
	3,957	5,362
Dividends	1,016	770
Retained Profit for the Year	2,941	4,592

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 page 29. 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 £708,398 for the year, which is equivalent to 2.3p per share net and together with the interim dividend of 1.0p makes a total of 3.3p for the year, compared with 2.5p for the previous year.

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
B. R. Taylor
L. Brook

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 1988	30th June 1987
D. R. McMurtry	12,020,334	12,000,334
D. J. Deer	5,909,166	5,899,166
A. C. G. Roberts	60,517	40,517
B. R. Taylor	—	—
L. Brook	7,332	7,332

There has been no change in the above holdings in the period 30th June 1988 to 28th September 1988. Under the terms of the Employee Share Option Scheme, the Directors have been granted options to purchase shares as follows:—

	Period option exercisable	Number of Shares	Option Price
A. C. G. Roberts	24th July 1988 to 1995	12,000	£2.53
	6th August 1989 to 1996	7,500	£2.83
	7th September 1990 to 1997	7,500	£2.19
	23rd September 1991 to 1998	7,500	£1.82
B. R. Taylor	24th July 1988 to 1995	7,000	£2.53
	6th August 1989 to 1996	3,500	£2.83
	7th September 1990 to 1997	7,500	£2.19
	23rd September 1991 to 1998	7,500	£1.82

In accordance with the Articles of Association L. Brook, who does not have a service contract, retires by rotation and being eligible, 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 Company's business.

Directors' Report

Share Capital

As stated in the Chairman's Statement, the Board is proposing to increase the nominal value of the shares from 5p each to 20p by capitalisation of reserves and consolidation, and is also proposing a one for four capitalisation issue. A Circular is being sent to all shareholders detailing these proposals and calling for an Extraordinary General Meeting on 18th November 1988 to obtain shareholders approval.

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 17 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 10 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 1988 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 £9,250 (1987 £4,720). No political donations were made.

Taxation

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1970.

Auditors

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

By Order of the Board
A. C. G. Roberts
Secretary
28th September 1988.

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.

Consolidated Profit and Loss Account

For the Year ended
30th June 1988

	Notes	1988 £'000	1987 £'000
TURNOVER	1	28,229	23,110
Cost of Sales		12,922	12,237
GROSS PROFIT		15,307	10,873
Distribution Costs		3,298	2,612
Administrative Expenses		4,992	3,936
		8,290	6,548
OPERATING PROFIT	2	7,017	4,325
Interest Receivable less Payable	3	1,012	797
PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEM		8,029	5,122
Exceptional Item		—	2,389
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,029	7,511
Taxation on Profit on Ordinary Activities	4	2,337	2,149
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,692	5,362
Extraordinary Item	5	1,735	—
PROFIT FOR THE FINANCIAL YEAR	6	3,957	5,362
Dividends	7	1,016	770
RETAINED PROFIT FOR THE YEAR		2,941	4,592
Earnings per Share	8	18.48p	17.41p

Balance Sheets

At 30th June 1988

		The Group		The Company	
		1988	1987	1988	1987
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible Asset	9	351	466	—	—
Tangible Assets	10	10,970	10,977	4,013	3,953
Investments in Group Companies	11	—	—	3,856	3,036
		<u>11,321</u>	<u>10,543</u>	<u>7,869</u>	<u>6,989</u>
CURRENT ASSETS					
Stocks	12	4,812	3,867	—	—
Debtors	13	7,484	7,196	9,953	9,228
Cash at Bank and in Hand		11,843	13,483	11,354	12,932
		<u>24,139</u>	<u>24,546</u>	<u>21,307</u>	<u>22,160</u>
CREDITORS					
Amounts falling due within one year	14	7,911	9,094	15,241	14,326
		<u>16,228</u>	<u>15,432</u>	<u>6,066</u>	<u>7,834</u>
NET CURRENT ASSETS					
		<u>27,549</u>	<u>25,995</u>	<u>13,929</u>	<u>14,823</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>27,549</u>	<u>25,995</u>	<u>13,929</u>	<u>14,823</u>
CREDITORS					
Amounts falling due after more than one year	15	1,896	2,126	494	791
		<u>25,653</u>	<u>23,869</u>	<u>13,435</u>	<u>14,032</u>
PROVISION FOR LIABILITIES AND CHARGES					
Deferred Taxation	16	2,189	2,765	773	1,028
		<u>23,464</u>	<u>21,104</u>	<u>12,662</u>	<u>13,004</u>
NET ASSETS					
		<u>23,464</u>	<u>21,104</u>	<u>12,662</u>	<u>13,004</u>
CAPITAL AND RESERVES					
Called Up Share Capital	17	1,540	1,540	1,540	1,540
Share Premium Account		5,770	5,770	5,770	5,770
Profit and Loss Account	18	16,154	13,794	5,352	5,694
		<u>23,464</u>	<u>21,104</u>	<u>12,662</u>	<u>13,004</u>
SHAREHOLDERS' FUNDS					
		<u>23,464</u>	<u>21,104</u>	<u>12,662</u>	<u>13,004</u>

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

Directors

[Handwritten signatures of D. R. McMurtry, D. J. Deer, and A. C. G. Roberts]

Consolidated Statement of Source and Application of Funds

For the Year ended
30th June 1988

Profit before Taxation and
Extraordinary Item

Extraordinary Item

Adjustments for Items not involving the
Movement of Funds:—

Amortisation of Intangible Asset

Depreciation of Tangible Assets

Profit on Sale of Tangible Assets

Currency movements

TOTAL GENERATED FROM
OPERATIONS

FUNDS FROM OTHER SOURCES

Hire Purchase

Sale of Tangible Assets

TOTAL SOURCES OF FUNDS

APPLICATION OF FUNDS

Purchase of Tangible Assets

Secured Loan repaid

Purchase of Goodwill on acquisition of
subsidiary

Hire Purchase Repaid

Taxation Paid

Dividends Paid

Deferred Liability Paid

(DECREASE)/INCREASE IN
WORKING CAPITAL

Arising from Movements in:—

Stocks

Debtors

Creditors

Net Liquid Funds

1988
£'000

1987
£'000

8,029

7,511

(2,670)

—

5,359

7,511

88

77

1,587

1,135

(22)

(2)

(122)

110

1,531

1,320

6,890

8,831

730

521

89

157

819

678

7,709

9,509

2,600

2,050

220

220

406

—

411

383

3,913

1,428

892

708

88

78

8,470

4,867

(761)

4,642

945

(328)

288

(251)

(1,598)

475

(365)

(104)

(396)

4,746

(761)

4,642

Notes to the Accounts

For the Year ended 30th June 1988

1. Turnover

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

	1988 £'000	1987 £'000
USA	10,200	9,426
Japan	5,168	4,256
West Germany	3,667	2,631
France	1,982	1,013
Other Overseas Countries	4,036	2,772
Total Sales to Overseas Customers	25,053	20,098
United Kingdom	3,176	3,012
Total Group Sales	28,229	23,110

2. Operating Profit

a) The Operating Profit is stated after charging:—

	1988 £'000	1987 £'000
Depreciation	1,587	1,135
Amortisation of intangible asset	88	77
Directors' emoluments	334	278
Auditors' remuneration	43	39

b) Emoluments of Directors

The emoluments of the Chairman and highest paid Director for the year, excluding pension contributions, were £108,000 (1987 £101,887). The emoluments of the other Directors, excluding pension contributions, whose duties were performed mainly in the UK, fell within the following ranges:—

	1988 Number	1987 Number
£ 5,001—£10,000	1	1
£45,001—£50,000	—	1
£55,001—£60,000	1	1
£85,001—£90,000	1	—

c) Staff Numbers and Costs

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

	1988 Number	1987 Number
Office and Management	98	87
Research, Manufacturing, Marketing	545	489
	643	576

The aggregate payroll cost of the above was:—

	1988 £'000	1987 £'000
Wages and Salaries	7,708	6,650
Social Security Costs	636	458
Other Pension Costs	319	251
	8,663	7,359

d) Emoluments of Higher Paid Employees

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

	1988 Number	1987 Number
£30,001—£35,000	2	—
£35,001—£40,000	—	1
£40,001—£45,000	2	1

3. Interest Receivable Less Payable		1988 £'000	1987 £'000
	Receivable Bank	1,422	1,404
	Payable		
	Hire Purchase	466	708
	Bank and other short term interest	286	43
		752	1,171
	Less Attributable to leasing activity	342	564
		410	607
		<u>1,012</u>	<u>797</u>

4. Taxation on Profit on Ordinary Activities	Based on Group Profit on Ordinary Activities for the Year:—	1988 £'000	1987 £'000
	Corporation Tax at 35%	2,600	2,719
	Deferred Tax at 35%	(534)	(570)
	Overseas Tax	271	—
		<u>2,337</u>	<u>2,149</u>
	A further liability to taxation would arise if the retained profits of overseas subsidiaries were distributed.		

5. Extraordinary Item	The Extraordinary Item comprises the following:—	Gross £'000	Tax Credit £'000	Net £'000
	Purchase of patent rights from Rolls-Royce plc	1,350	473	877
	Costs of discontinuation of the business of Renishaw Controls Limited	1,320	462	858
		<u>2,670</u>	<u>935</u>	<u>1,735</u>

6. 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 profit for the financial year, excluding dividends receivable, dealt with in the accounts of the Company is—loss £827,000 (1987 profit £1,663,000)
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7. Dividends		1988 £'000	1987 £'000
	Interim dividend paid of 1.0p (1987 0.8p)	308	246
	Proposed final dividend of 2.3p (1987 1.7p)	708	524
		<u>1,016</u>	<u>770</u>

8. Earnings per Share	Earnings per Share are calculated on earnings of £5,692,000 (1987 £5,362,000) and on the 30,799,917 shares in issue during the year.
--------------------------	--

9. Intangible Asset	The Group	1988 £'000	1987 £'000
	At 1st July 1987	466	572
	Amortisation for the year	(88)	(77)
	Currency	(27)	(29)
		<u>351</u>	<u>466</u>
	At 30th June 1988		

10. Tangible Assets

a) The Group

	Freehold Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1st July 1987	4,891	7,562	634	13,087
Additions	612	1,769	139	2,520
Additions from Acquisition	—	744	—	744
Disposals	—	(171)	(57)	(228)
Currency Adjustment	(53)	(36)	(12)	(101)
At 30th June 1988	5,450	9,868	704	16,022
Depreciation				
At 1st July 1987	204	2,464	342	3,010
Charged for Year	102	1,339	146	1,587
Depreciation on Acquisition	—	664	—	664
Released on Disposals	—	(109)	(52)	(161)
Currency Adjustment	—	(39)	(9)	(48)
At 30th June 1988	306	4,319	427	5,052
Net Book Value				
At 30th June 1988	5,144	5,549	277	10,970
At 30th June 1987	4,687	5,096	292	10,077

b) The Company

	Freehold Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1st July 1987	3,300	1,009	209	4,518
Additions	182	136	9	327
Disposals	—	(25)	(27)	(52)
At 30th June 1988	3,482	1,120	191	4,793
Depreciation				
At 1st July 1987	181	283	101	565
Charged for Year	62	132	48	242
Released on Disposal	—	(3)	(24)	(27)
At 30th June 1988	243	412	125	780
Net Book Value				
At 30th June 1988	3,239	708	66	4,013
At 30th June 1987	3,119	726	108	3,953

c) Outstanding Capital Expenditure not provided for in these Accounts was:—

	The Group		The Company	
	1988 £'000	1987 £'000	1988 £'000	1987 £'000
Authorised but not Committed	2,634	736	2,250	15
Authorised and Committed	1,119	327	—	50

11. Investments in Group Companies

The Company	Shares £'000	Loans £'000	Total £'000
Cost			
At 1st July 1987	869	6,625	7,494
Additions	28	3,000	3,028
At 30th June 1988	897	9,625	10,522
Provisions			
At 1st July 1987	829	3,629	4,458
Amounts written off in year	28	2,186	2,214
At 30th June 1988	857	5,815	6,672
Net Book Value			
At 30th June 1988	40	3,810	3,850
At 30th June 1987	40	2,996	3,036

12. Stocks

	The Group	
	1988 £'000	1987 £'000
Raw Materials	1,435	1,060
Work in Progress	1,140	945
Finished Goods	2,237	1,862
	4,812	3,867

13. Debtors

	The Group		The Company	
	1988 £'000	1987 £'000	1988 £'000	1987 £'000
Trade Debtors	6,228	5,580	—	—
Amounts owed by Subsidiaries	—	—	9,230	8,180
Prepayments	1,256	1,616	723	1,048
	7,484	7,196	9,953	9,228

14. Creditors

Amounts falling due within one year

	The Group		The Company	
	1988 £'000	1987 £'000	1988 £'000	1987 £'000
Bank Loans and Overdrafts	259	1,503	220	220
Trade Creditors	2,898	2,053	199	288
Amounts owed to Subsidiaries	—	—	12,925	10,518
Taxation	1,945	3,880	923	2,547
Other Taxes	649	306	15	91
Other Creditors	948	438	165	52
Hire Purchase	504	390	86	86
Proposed Dividend Payable	708	524	708	524
	7,911	9,094	15,241	14,326

15. Creditors

Amounts falling due after more than one year

	The Group		The Company	
	1988 £'000	1987 £'000	1988 £'000	1987 £'000
Total Obligations under Hire Purchase Agreements	2,925	4,116	140	217
Relating to Finance Leases	1,216	2,726	—	—
	<u>1,709</u>	<u>1,390</u>	<u>140</u>	<u>217</u>
Current Obligations (Note 14)	504	390	86	86
Non-Current Obligations	1,205	1,000	54	131
Deferred Liability	251	466	—	—
Secured Loan				
Due between one and two years	220	220	220	220
Due between two and five years	220	440	220	440
	<u>1,896</u>	<u>2,126</u>	<u>494</u>	<u>791</u>

The Company's Secured Loan is secured by a fixed charge on one of the Group's freehold properties and is repayable by equal annual instalments which commenced in March 1987. Interest is charged at rates varying with the London Inter Bank Offered Rate.

The Deferred Liability is payable between one and three years.

16. Deferred Taxation

a) Movements during the year were:—

	The Group		The Company	
	1988 £'000	1987 £'000	1988 £'000	1987 £'000
At 1st July 1987	2,765	3,340	1,028	899
(Release)/Provision for the year	(534)	(570)	(213)	134
ACT Movement	(42)	(5)	(42)	(5)
	<u>2,189</u>	<u>2,765</u>	<u>773</u>	<u>1,028</u>

b) Represented by:—

	The Group		The Company	
	1988 £'000	1987 £'000	1988 £'000	1987 £'000
Accelerated Capital Allowances	2,293	2,715	877	882
Other Timing Differences	132	244	132	340
	<u>2,425</u>	<u>2,959</u>	<u>1,009</u>	<u>1,222</u>
ACT Recoverable	(236)	(194)	(236)	(194)
	<u>2,189</u>	<u>2,765</u>	<u>773</u>	<u>1,028</u>

17. Share Capital

	1988 £'000	1987 £'000
Authorised		
42,000,000 Ordinary Shares of 5p each	<u>2,100</u>	<u>2,100</u>
Allotted, Called Up and Fully Paid		
30,799,917 Ordinary Shares of 5p each	<u>1,540</u>	<u>1,540</u>

Under the terms of the Employee Share Option Scheme, options outstanding at 28th September 1988, 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	£2.53	205,820
6th August 1986	£2.83	94,420
7th September 1987	£2.19	152,260
23rd September 1988	£1.82	131,130

18. Profit and Loss Account

Movements during the year were:—

	The Group		The Company	
	1988 £'000	1987 £'000	1988 £'000	1987 £'000
At 1st July 1987	13,794	9,227	5,694	801
Goodwill (note 19)	(406)	—	—	—
Movement in Currency Reserve	(175)	(25)	—	—
Retained Profit/(Loss) for the year	2,941	4,592	(342)	4,893
At 30th June 1988	<u>16,154</u>	<u>13,794</u>	<u>5,352</u>	<u>5,694</u>

19. Acquisition and Goodwill

The effects of the acquisition of Périféric SARL on the assets and liabilities of the Group were:—

	£'000
Fixed Assets	80
Stock	763
Debtors	634
Creditors	(1,451)
Bank	(15)
Net Assets	<u>11</u>
Cost of Acquisition	<u>389</u>
Goodwill	<u>378</u>

The Goodwill of £406,000 in note 18 above also includes £28,000 in respect of the purchase of the remaining 10% of the share capital of Renishaw-MAE Limited, which is now wholly owned by Renishaw plc.

Report of the Auditors

Report of the Auditors to the Members of Renishaw plc

We have audited the Accounts on pages 19 to 29 in accordance with approved 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 1988 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

28th September 1988

Subsidiary Companies

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 842593	Design, Manufacture and Sale of Advanced Precision Metrology and Inspection Equipment
Renishaw Research Limited	Old Town, Wotton-under-Edge, Glos. GL12 7DN Tel 0453 844302 Telex 437258 REN WOT G Fax 0453 845447	New Product Research and Development
Renishaw Overseas Limited	Gloucester Street, Wotton-under-Edge, Glos. GL12 7DN Tel 0453 844755 Telex 437258 REN WOT G Fax 0453 843689	Overseas Holding and Investment Company
Renishaw Leasing Limited	Gloucester Street, Wotton-under-Edge, Glos. GL12 7DN Tel 0453 842533 Telex 437258 REN WOT G Fax 0453 843689	Leasing Equipment to third parties
Renishaw Scientific Limited	Old Town, Wotton-under-Edge, Glos. GL12 7DN Tel 0453 844302 Telex 437258 REN WOT G Fax 0453 845447	Design, Manufacture and Sale of Scientific Instruments
Renishaw Transducer Systems Limited	Gloucester Street, Wotton-under-Edge, Glos. GL12 7DN Tel 0453 842533/844360 Telex 437258 REN WOT G Fax 0453 843689	Design 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 842893	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

ii) Subsidiaries of Renishaw Overseas Limited

Renishaw Inc. (USA)	623 Cooper Court, Schaumburg, Illinois 60173, USA Tel 312 843 3666 Fax 312 843 1744 (East Coast Offices) 109 Airport Road, Suite 7, Warwick, Rhode Island 02889, USA Tel 401 757 4473 Fax 401 738 2858 (West Coast Offices) 17744 Skypark Boulevard, Suite 240, Irvine, California 92714, USA Tel 714 250 9191 Fax 714 250 8944	Service and Distribution of Group Products
Renishaw Electronics (Ireland) Limited (Republic of Ireland)	A1 Santry Avenue Industrial Estate, Santry, Dublin 9, Ireland Tel 429373 Fax 429353	Manufacture and Sale of Precision Metrology and Inspection Equipment
Renishaw Kabushiki Kaisha (Japan)	19F, Han-ei No. 2 Building, 10-1 Shinjuku-ku, Tokyo 160, Japan Tel 3 350 6234 Fax 3 350 6308 6F, Ikko Imai Central Building, 10-17 Uchiyama 3-chome, Chikusa-ku, Nagoya 464, Japan Tel 52 733 1321	Service and Distribution of Group Products
Renishaw GmbH (West Germany)	Fabrikstrasse 17, D-7024 Filderstadt 4, West Germany Tel 711-774038 Fax 711-7775850	Service and Distribution of Group Products
Périférie SA/RL (France)	26-28 rue Jean-Jaurès, F 94350 Villiers-sur-Marne, France Tel 1 43 04 96 35 Telex 230 264F Fax 1 43 04 26 27	Service and Distribution of Group Products and the Manufacture and Sale of Industrial Terminals

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

Financial Record (10 years) Results

	1988 £'000	1987 £'000	1986 £'000	1985 £'000	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000	1979 £'000
Overseas Sales	25,053	20,038	17,869	13,878	9,347	5,565	2,790	2,146	1,578	982
UK Sales	3,176	3,012	3,518	1,667	1,145	907	626	708	422	170
Total Sales	28,229	23,110	21,367	15,545	10,492	6,472	3,416	2,854	2,000	1,152
Profit on Ordinary Activities before Taxation	8,029	7,511	7,019	5,627	3,744	1,722	636	1,003	732	509
Taxation	2,337	2,149	2,022	1,813	1,548	813	257	397	383	265
Profit on Ordinary Activities after Taxation	5,692	5,362	4,997	3,814	2,196	909	379	606	349	244
Extraordinary Item	1,735	—	—	—	(260)	272	—	—	—	—
Profit for the Financial Year	3,957	5,362	4,997	3,814	2,456	637	379	606	349	244
Dividends	1,016	770	678	586	128	71	23	110	70	—
Retained Profits	2,941	4,592	4,319	3,228	2,328	566	356	496	279	244

Capital Employed

	1988 £'000	1987 £'000	1986 £'000	1985 £'000	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000	1979 £'000
Share Capital	1,540	1,540	1,510	1,540	1,400	1,400	14	14	14	7
Share Premium	5,770	5,770	5,770	5,770	—	—	—	—	—	—
Reserves	16,154	13,794	9,227	6,209	3,051	676	1,479	1,123	627	355
Shareholders' Funds	23,464	21,104	16,537	13,519	4,451	2,076	1,493	1,137	641	362
Deferred Taxation	2,189	2,765	3,340	3,993	2,595	1,592	1,062	765	704	351
Capital Employed	25,653	23,869	19,877	17,512	7,046	3,668	2,555	1,902	1,345	713

Statistics

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
Earnings per Share	18.48p	17.41p	16.22p	12.71p	7.72p	3.20p	1.33p	2.13p	1.23p	0.86p
Profit before taxation as a percentage of average Shareholders' Funds	36.0%	39.9%	46.7%	62.6%	114.7%	96.5%	48.4%	112.8%	146.0%	212.1%
Overseas Sales as a percentage of Total Sales	88.7%	87.0%	83.6%	89.3%	89.1%	86.0%	81.7%	75.2%	78.9%	84.6%

TEN YEARS OF CONTINUOUS GROWTH

