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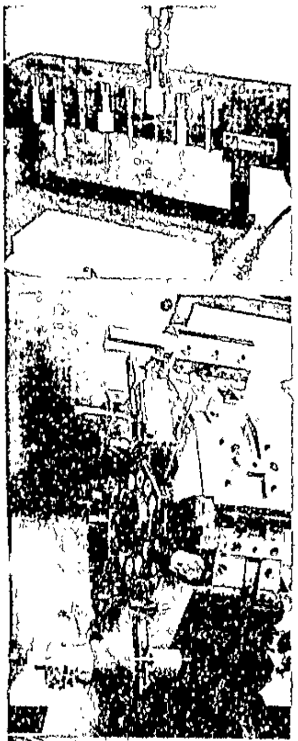
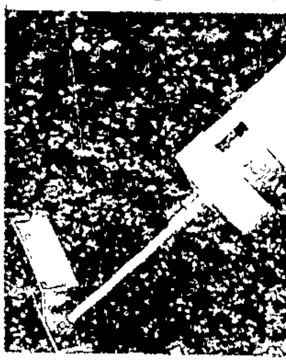


RENISHAW plc

1984 ANNUAL REPORT



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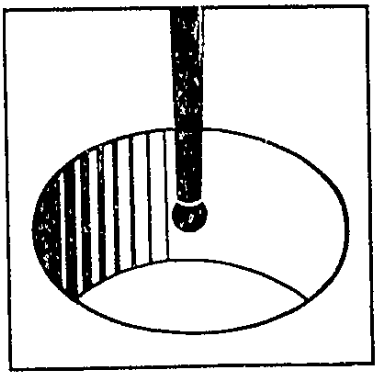
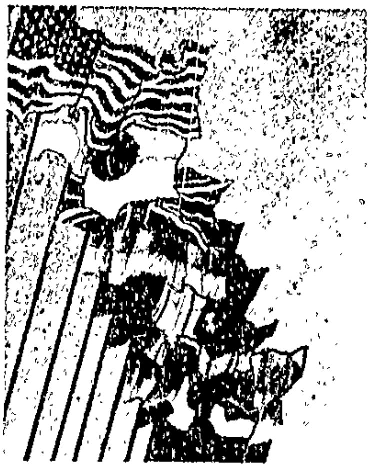


A worldwide leader in
advanced technology



Most of Renishaw's products are sold overseas, principally in the U.S.A. and Japan. This is coupled with an increasing demand for our products in Europe.

Contents

Results at a Glance

	1984 £'000	1983 £'000
Turnover	10,492	6,472
Profit before Taxation	3,744	1,722
Taxation	1,548	813
Profit after Taxation	2,196	909
Earnings per Share	7.84p	3.25p

An Introduction to RENISHAW

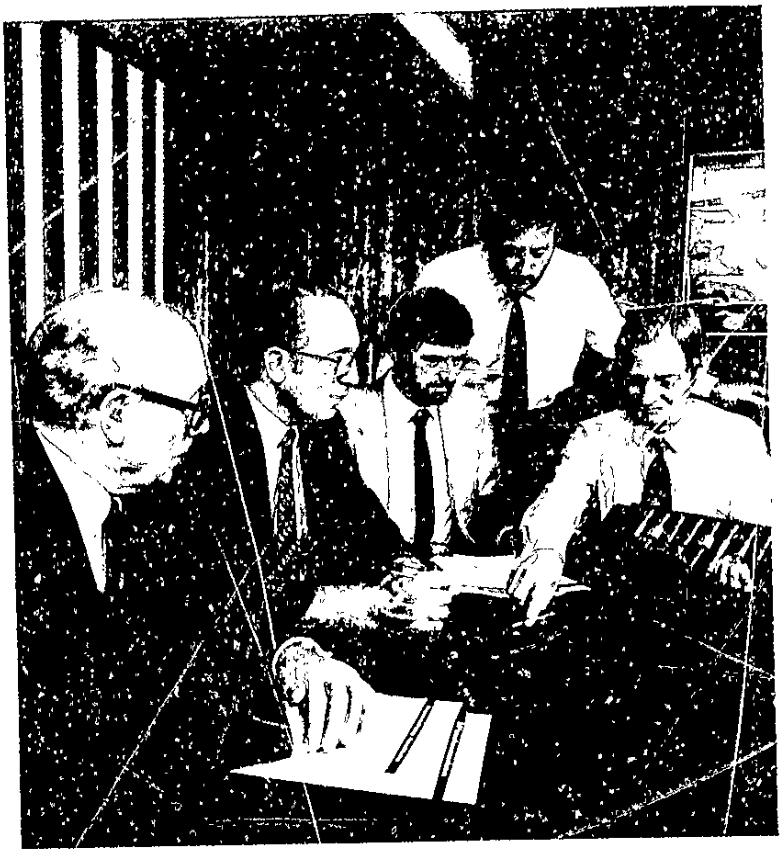
Metrology—the science of measurement—is the basis of Renishaw's business.

Innovation in this field led to the establishment of Renishaw in 1973 and consequent innovation has led to its growth over the past eleven years. Renishaw has consistently been committed to research and development to maintain its position as a worldwide leader in advanced technology.

From this base, it continues to be Renishaw's policy to control all aspects of development, manufacture and marketing of our products—including the in-house manufacture of most of the components we use in our own range.

Our products have become standards for manufacturers of original equipment throughout the world and, as automation advances and the increasing number of applications for our products is appreciated, so the demand for Renishaw's expertise grows. The achievements of Renishaw have already been recognised by 3 Queen's Awards to Industry:—

1979 for Export Achievement
1980 for Technological Achievement
1981 for Export Achievement



The Directors with a prototype of the new CMM probe Auto-Change just prior to its first showing at the International Machine Tool Show in Chicago. The Directors, from the left are, Leopold Brook, Michael Wilson, John Deer, Allen Roberts and David McMurtry.

Renishaw today is evolving into two main businesses: firstly, that concentrating on the ever-increasing applications for Renishaw's probes and probe systems in the Co-ordinate Measuring Machine ('CMM') and the Computer Numerically Controlled ('CNC') machine tool markets and secondly, that for the newly-emerging market in the related technologies of robotics, flexible manufacturing systems and electro-optic and laser technology.

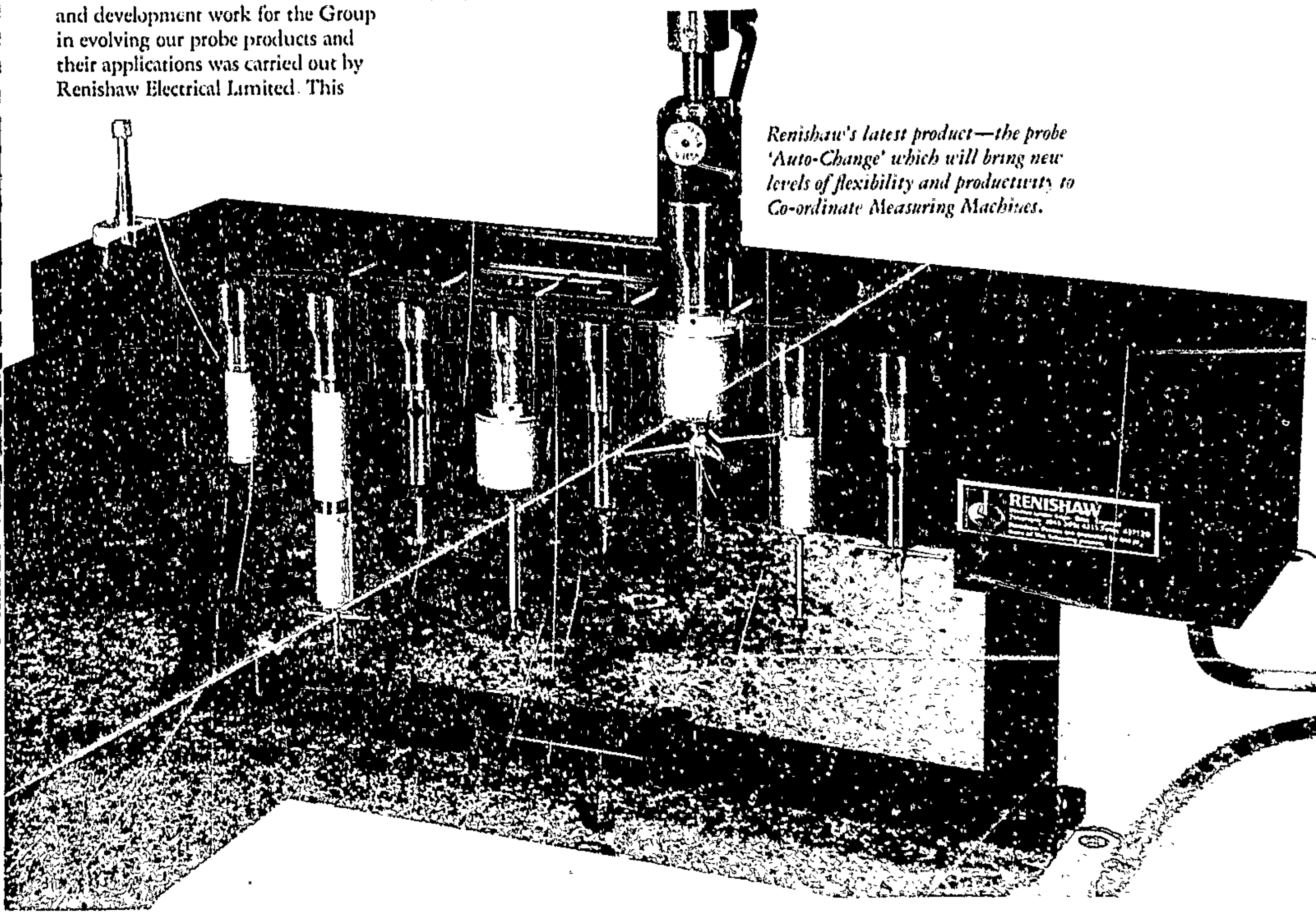
Research and Development

Since the invention of the original 3-dimensional touch-trigger probes in the early 1970s, Renishaw's highly-accurate probes and probing systems have become established as standard equipment for CMM original equipment manufacturers and, more recently, CNC machine tool manufacturers worldwide. The Group now has a product range of over 100 items, the most important of which are patented—some of the most recent described on pages 6 and 7. The success of Renishaw has resulted to a large degree from our commitment to research and development—both to develop existing products and to maintain the Company's technological lead.

Continual capital investment in research and development also ensures that we maintai[illegible]he very best available faci[illegible] underlines our concentration [illegible] product innovation, th[illegible] key to the Group's continuing success.

Until 1984 almost all research and development work for the Group in evolving our probe products and their applications was carried out by Renishaw Electrical Limited. This work, the mainspring of the Company's achievements to date, will continue and will grow as worldwide demand increases and new applications are devised for the products. This year we announced that a separate subsidiary, Renishaw Research Limited, is being expanded to concentrate specifically on the development of new but related products, associated with the rapidly-emerging technologies of robotics, flexible manufacturing systems and electro-optic and laser technology. Renishaw Research has a five year development programme the financing of which was the purpose of the recent rights issue.

David McMurtry, Chairman and Chief Executive



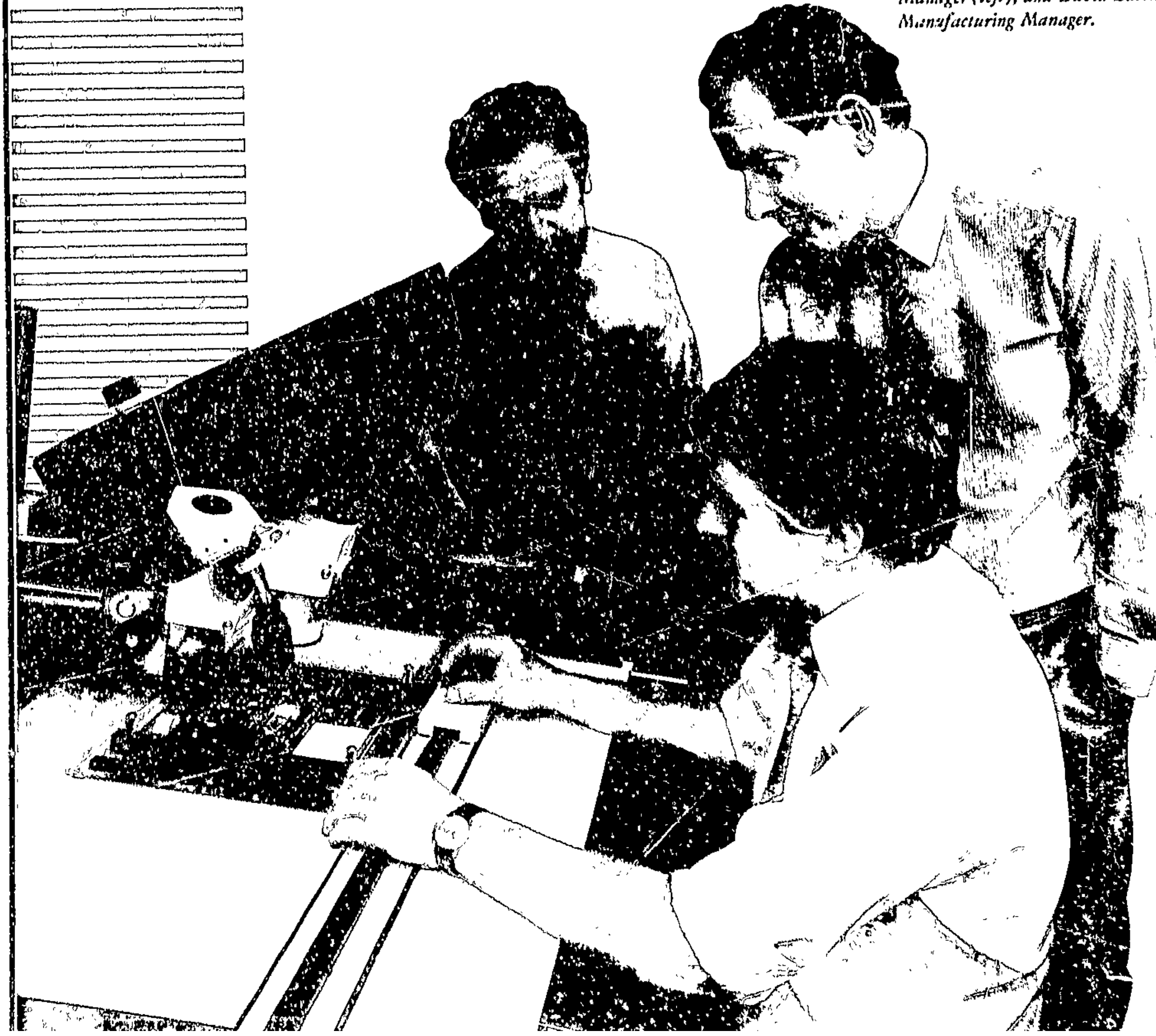
Renishaw's latest product—the probe 'Auto-Change' which will bring new levels of flexibility and productivity to Co-ordinate Measuring Machines.

Design and Production

To translate the results of our research and development into the final Renishaw product, there is a close working relationship between our design and production departments. This co-operation ensures that the high quality and reliability of Renishaw products are maintained as the range continues to expand. Production is controlled and monitored using our own probes to ensure precision to the highest specifications. In the assembly of the probe, complete cleanliness is crucial as the accuracy of the sensitive probes can be affected by even minute dust particles.

To ensure that its manufacturing processes incorporate the most modern techniques, the Company has undertaken substantial investment in improved manufacturing facilities, such as semi-automatic chip insertion and computer-controlled test equipment. A major recent addition has been the new assembly area equipped to very high standards of both current technology and cleanliness.

Renishaw Electrical Limited's Design and Production Management Team: Peter Davies, Chief Design Engineer (seated), Jack Parr, Production Manager (left), and David Baron, Manufacturing Manager.



Introduction to Products

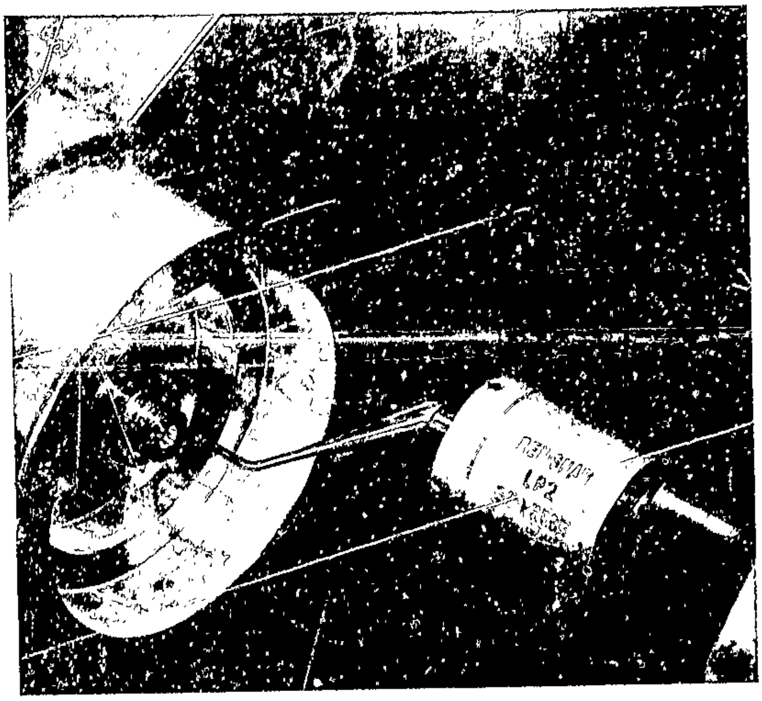
In little over a decade, Renishaw has emerged at the forefront of one of the world's fastest-growing technologies, setting the standards for the design, development and application of probes and probe systems to meet increasing world-wide demand.

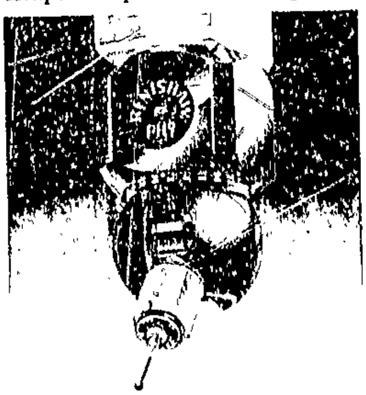
New models are continually being introduced to, and new applications found for, the CMM market, the original market for Renishaw's products, as technical specifications have evolved. By the mid-1970's nearly all manufacturers of CMMs incorporated our probes in their products.

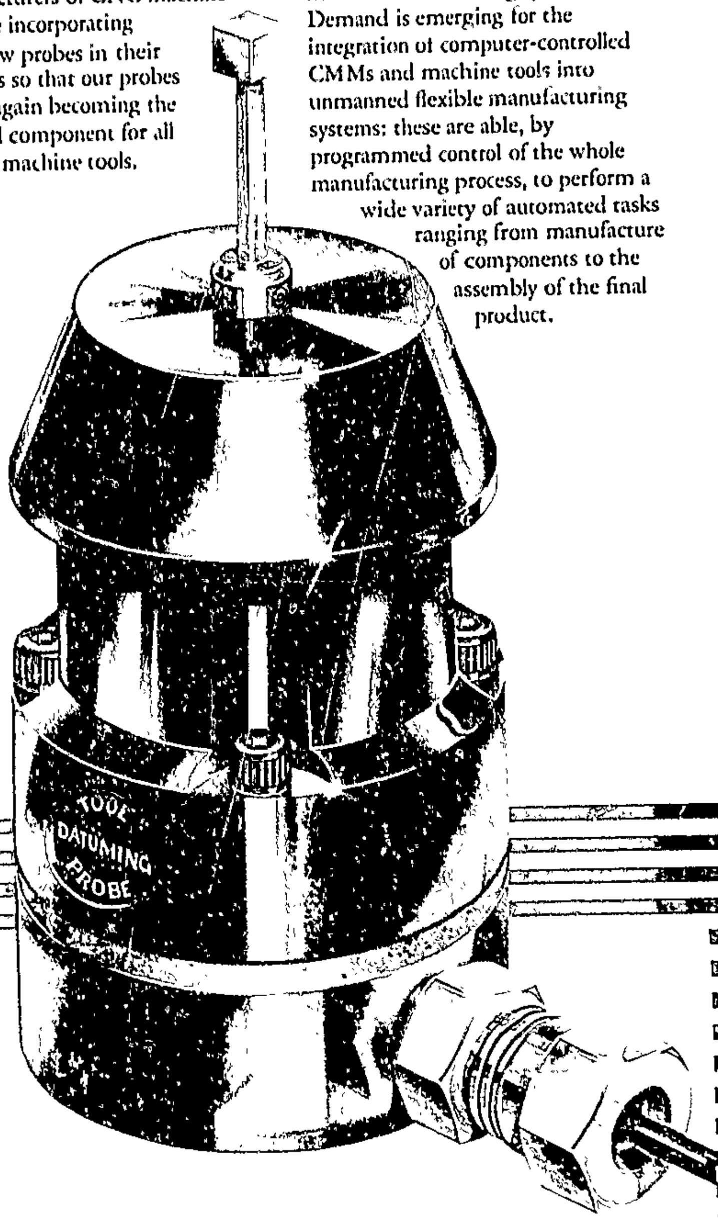
Over the past few years probe systems have also been designed and used for in-cycle measurement on CNC machine tools, producing parts automatically from pre-programmed instructions. The signals transmitted by the probes are used to set up components prior to machining and to adjust tooling to maintain component accuracy throughout the production process.

Increasingly, original equipment manufacturers of CNC machine tools are incorporating Renishaw probes in their products so that our probes are yet again becoming the essential component for all leading machine tools.

Renishaw's expertise in the CMM and CNC markets means that it is well placed to exploit opportunities developing in the fields of robotics and flexible manufacturing systems. Demand is emerging for the integration of computer-controlled CMMs and machine tools into unmanned flexible manufacturing systems: these are able, by programmed control of the whole manufacturing process, to perform a wide variety of automated tasks ranging from manufacture of components to the assembly of the final product.







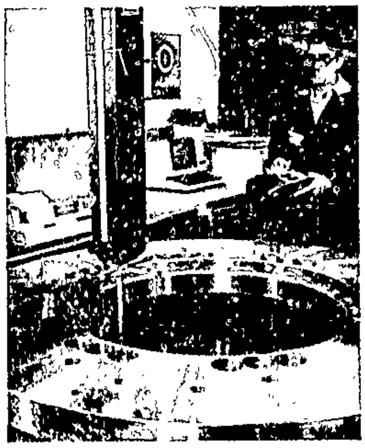
3-Dimensional Probes For CMMs

One of the principal applications for Renishaw probes is on co-ordinate measuring machines where they are used to inspect finished components accurately and reliably. Inspection productivity and versatility have been greatly improved with the launch of our more advanced and almost maintenance-free S-series probes; these are oil-filled, sealed probes which use special materials for long life, greater reliability and improved accuracy.

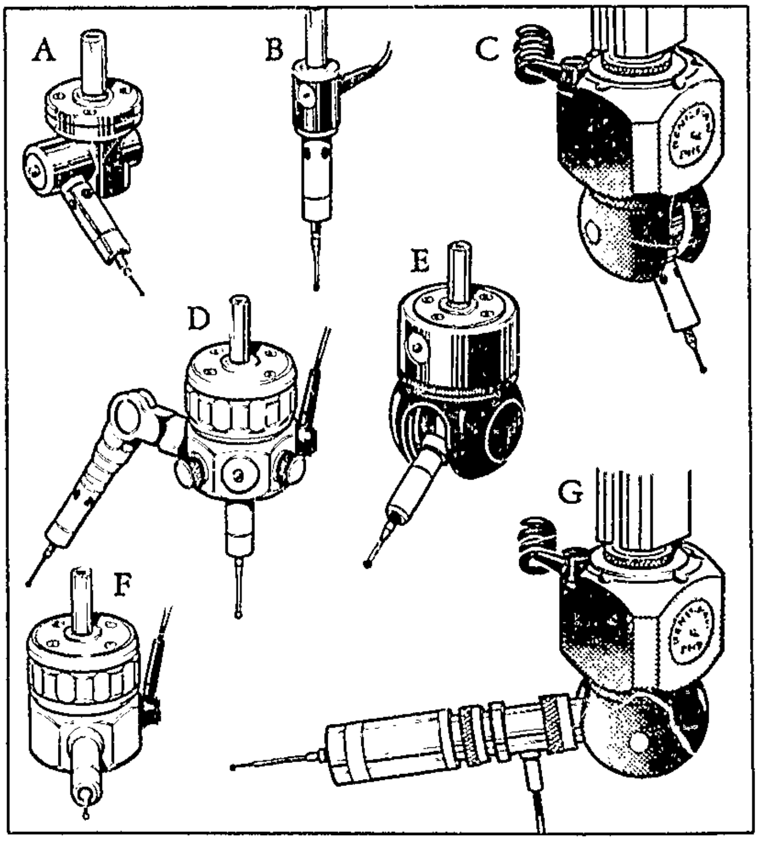
The most accurate of the new family of CMM probes is the TP5 which is capable of repeating movements to an accuracy of one-tenth of a micron.

The Company has also developed a probe Auto-Change (illustrated on page 3) which can be used on all CMMs. This facility, storing up to eight probes in a compact rack, allows the machine to exchange probes within seconds to effect its particular task. 'Auto-Change' can also accommodate other sensors such as laser probes, surface finish sensors, crack detection systems and hardness testers. We foresee this facility as converting the present CMM machine into the 'flexible inspection centre' of the future.

With its comprehensive range of CMM products Renishaw provides the complete package of probing technology to meet the requirements of every CMM user.



A complex component being inspected by a Renishaw Probe System fitted to an LK Co-ordinate Measuring Machine. The component is part of a sub-sea well-head destined for use in the North Sea.
Photography by kind permission of McEvoy Division of Smith International (North Sea) Ltd.



A PH1 A small swivel head, with two axes of adjustment.

B PH6 Compact fixed head for single probe.

C PH9 Motorised head, fitted with a TP2 6-way probe.

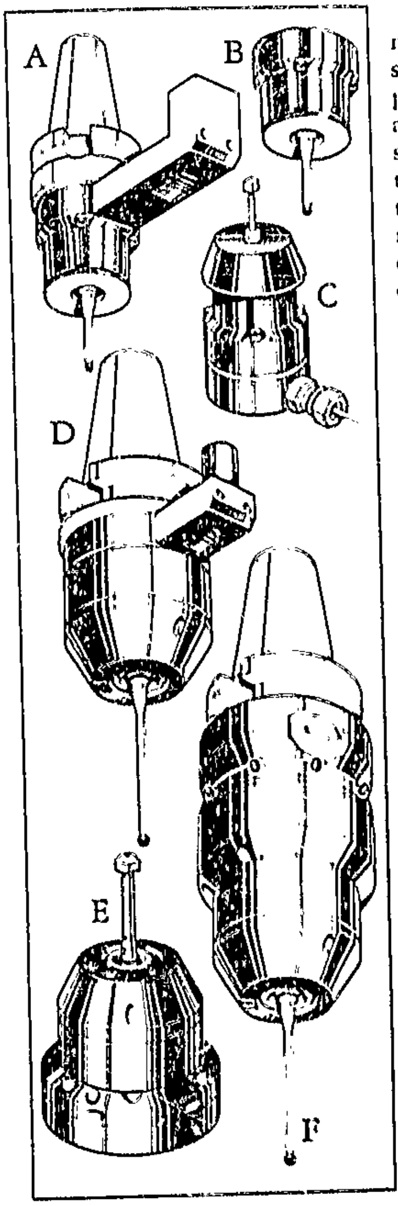
D PH5/1 5-way head, incorporating positive indexing in the horizontal plane and limited probe over-travel protection.

E PH8P Medium-size, swivel head with two axes of adjustment.

F PH7/1 Head for either horizontal or vertical probe mounting with positive indexing in the horizontal plane and limited probe over-travel protection.

G PH9 Motorised head, fitted with the new, super-repeatable TP5 probe.

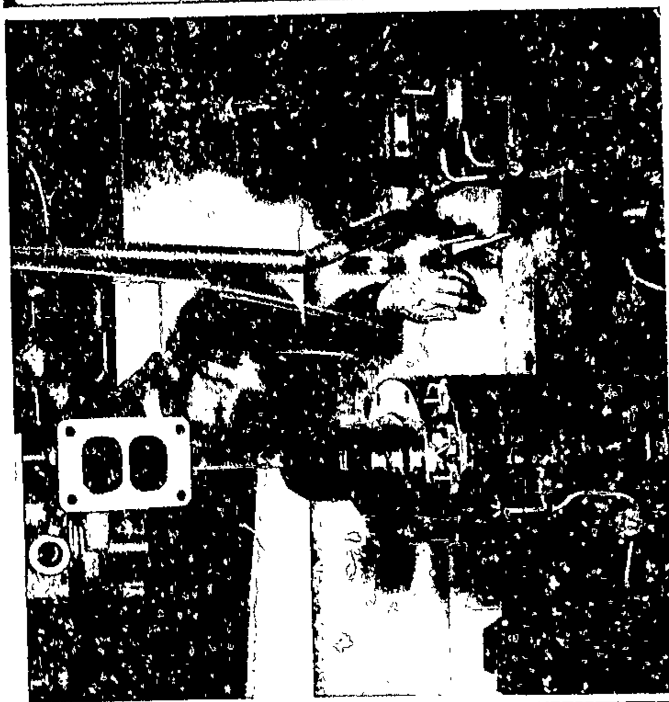
3-Dimensional Probes For CNC Machine Tools



Modern CNC lathes and machining centres represent a substantial capital investment for their purchasers. Renishaw has designed, and continues to develop, probe systems for in-cycle gauging in order to maximise useful production from these expensive assets. Renishaw's maintenance-free probes allow continuous production, around the clock, reducing both set-up time and minimising losses from scrap.

Renishaw was the first to introduce the patented system of 'inductive transmission' of power to, and signals from, the probe giving a maintenance-free probe system which enables machine productivity to be optimised. Thus, in many machine tool applications, Renishaw's inductive transmission probe can be treated simply as another tool to be selected from the magazine as required.

Inductive transmission requires a small air gap between the probe and machine-mounted module and therefore is not suitable for the Moving Quill type machine tool applications. Renishaw pioneered the 'optical transmission' system for these applications and for the retrofit market for machine tools. The use of battery-powered probes and transmission of infra-red signals has improved the versatility of movement by the probe. The new MP7 miniaturised optical transmission probe allows both rotation and translation of the probe whilst monitoring signal transmission. Battery life has been increased to give one year of normal usage, thus minimising the maintenance required. This transmission system combines with the industry standard 5-way probe giving repeatability to one micron.



An MP3 fitted to a KTM Machining Centre. The probe enables the machine tool to perform in-situ gauging operations and maintains quality control without manual intervention. Photography by kind permission of Kearney and Trecker, Marwin Co. Ltd.

A MP1/S A probe developed for use on smaller machining centres with shanks of ISO 45 or less.

B MP1/R For special applications allowing direct attachment via a rear-mounted socket to special holders without external wiring.

C MP4 Tool-setting probe for use on small lathes and machining centres.

D MP3 A rugged and robust probe for use on large machining centres with ISO 50 or larger shanks.

E MP6 Tool-setting probe for use on large vertical lathes.

F 360° Optical Transmission Probe System Pioneered by Renishaw and developed to cater for machines with translating spindles. The 360° transmission system allows probe rotation between gauging moves.

Marketing and Distribution

In order to maintain and develop customer awareness of Renishaw products, their potential and applications, Renishaw will have, during this calendar year, exhibited its products at major international exhibitions in Milan, Birmingham, Chicago, Los Angeles, Zurich and Tokyo. The Company also continues to undertake extensive advertising in trade and technical journals worldwide.

The vast majority of Renishaw's output is sold overseas and close relationships have been developed with original equipment manufacturers and end-users of machine tools throughout the world. We have a worldwide distribution network through our own subsidiaries and also through distributors and original equipment manufacturers— the international distribution agreement with the Swedish-based group, Sandvik, is such example. Renishaw also offers support to all its customers through training, service and the availability of specialist teams to solve any technical problems encountered and to advise on how best to apply Renishaw's products and any appropriate computer software.

Particular attention is devoted to the USA, where the biggest market for Renishaw's products lies—a factor underlined by the growing sales achievements of our USA subsidiary, Renishaw Inc.— and to Japan, our second largest market, where our products are sold through Renishaw Kabushiki Kaisha.

We are conscious of the potential available in the applications of our growing product range and thus considerable effort is devoted to market research in order to reveal additional opportunities for Renishaw.

Renishaw Electrical Limited's Marketing Management team discussing advertisement layouts for a proposed international advertising campaign. The Marketing Management team are John Roe, Marketing Manager, Machine Tool Products (foreground); Brenda Laurence, Sales Manager and Peter Wells, Marketing Manager, Co-ordinate Measuring Machine Products.

Notice of Meeting

RENISHAW

NOTICE IS HEREBY GIVEN that the 11th Annual General Meeting of the Company will be held at the Post House Hotel, Thornbury Road, Alveston, nr. Thornbury, Avon on Friday, 16th November, 1984 at 12 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, 1984.

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, Mitchell & Co., as Auditors to the Company and to authorise the Directors to fix their remuneration.

To consider as special business and, if thought fit, to pass the following resolutions which will be proposed as to Resolutions 5, 6 and 8 as Ordinary Resolutions and as to Resolution 7 as a Special Resolution:—

5. That the authorised share capital of the Company be increased from £1,750,000 to £2,100,000 by the creation of 7,000,000 new Ordinary Shares of 5p each which shares shall rank *pari passu* with the existing Ordinary Shares.

6. That (subject to the passing of Resolution No. 5 above):—

(A) the Directors be and they are hereby generally and unconditionally authorised in accordance with section 14 of the Companies Act 1980 ("the Act") to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £560,004 during the period commencing on the date of the passing of this Resolution and expiring on 15th November, 1989 (both dates inclusive) but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry;

(B) words and expressions defined in or for the purposes of Part II of the Act (as modified by the Companies Act 1981) shall bear the same meanings in this Resolution; and

(C) this authority shall replace all former authorities given to the Directors in accordance with section 14 of the Act to the extent that such authorities have not been exercised.

7. That (subject to the passing of Resolution No. 6 above):—

(A) the Directors be and they are hereby empowered, pursuant to section 18 of the Companies Act 1980 ("the Act"), to allot equity securities pursuant to the authority given in accordance with section 14 of the Act by the said Resolution No. 6 as if section 17(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 1985 but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power;

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

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

(B) words and expressions defined in or for the purposes of the Companies Act 1948 or Part II of the Act (as modified by the Companies Act 1981) shall bear the same meanings in this Resolution.

8. That:—

(A) the Renishaw Employee Share Option Scheme ("the Scheme"), set out in the appendix to the letter from the Chairman of the Company to the members dated 23rd October, 1984 which accompanied the Notice convening this Meeting, be and it is hereby approved and adopted and the Directors be and they are hereby authorised to give effect to the Scheme and to make such amendments thereto as may be necessary for the purpose of obtaining the approval of the Board of Inland Revenue under Schedule 10 to the Finance Act 1984; and

(B) a Director may be counted in the quorum and may vote on any matter concerning the Scheme (except a matter relating solely to such Director's own participation in the Scheme) notwithstanding that he may be personally interested therein and the provisions of Article 79 of the Articles of Association of the Company shall accordingly be relaxed to that extent.

9. 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
23rd October, 1984

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 together with copies of Directors' service contracts 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

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

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

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

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

M. A. Wilson, C.Eng., M.I.Mech.E. *(Non-Executive)*

Company Secretary and Registered Office

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

Auditors

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

Solicitors

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

Principal Bankers

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

Registrars and Transfer Office

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

Stockbrokers

Rowe & Pitman,
City-Gate House,
39-45 Finsbury Square,
London EC2A 1JA.

Merchant Bankers

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

Chairman's Statement

The Company's first full year on the Unlisted Securities Market has provided another milestone in its development, with annual turnover exceeding £10 million for the first time.

Listing

Over 30 per cent. of the issued share capital of the Company is now in public hands and we are considering an application to the Council of The Stock Exchange for the share capital to be admitted to the Official List.

Results

The turnover for the year of £10,492,000 compares with turnover of £6,472,000 for the year ended 30th June 1983. Profit before taxation amounted to £3,744,000 compared with £1,722,000 and profit after taxation amounted to £2,196,000 (1983 £909,000), giving earnings per share of 7.84p (3.25p).

Overseas

The vast majority of Renishaw's output has again been exported, with 89 per cent. of turnover being sold overseas. Sales increased in all overseas markets; particular mention must be made of our major market, the USA, where sales almost doubled to £4.2 million, i.e., 40 per cent. of total Group turnover. With the growth of our USA business, our subsidiary, Renishaw Inc., is now planning to move into larger premises in Chicago and it is hoped that these will be ready for occupation next Spring.

Dividends

As indicated in the Interim Statement, your Directors recommend the payment of a final dividend of 1.0p net per Share, making a total for the year of 1.5p net, compared with 1.12p which was the minimum level indicated at the time of Renishaw's flotation in May 1983.

Product Development

Renishaw's continued successful development reflects its consistent policy of developing and enlarging its range of products (originating with the touch-trigger probes), with close control over manufacture, assembly, distribution and marketing.

We have continued to add to our range with several new products being developed; these include the compact optical system for the computer numerically controlled market and the TP5 and 'Auto-Change' (which stores up to eight probes) for the co-ordinate measuring machine market.

Arising from the on-going development programme and the commitment to research and development, Renishaw Research Limited has been expanded to concentrate on the Group's programme for robotics and flexible manufacturing systems, controlling the whole manufacturing process to a very exact level of precision and accuracy. Renishaw Research has its own research and development team and budget. New factory premises in Wotton-under-Edge have been acquired during the year for this company. The purpose of the rights issue which was announced on 4th October 1984 is to provide the finance for the Renishaw Research programme.

Mill Refurbishment

Construction and redevelopment work on the New Mills site is proceeding and, in particular, work is nearly finished on the complete refurbishment of the old Mill which will become the research and development centre for Renishaw Electrical Limited, the subsidiary responsible for the organic growth of Renishaw's metrology products.

Staff

The Company's achievements would not be possible without the support and commitment of the employees at Wotton-under-Edge and throughout the world. On the shareholders' behalf, I take this opportunity of thanking them all for their enthusiasm and enormous contribution.

The Company has introduced a Sandwich Student Sponsorship Scheme to help provide the vital future intake of the necessary skills.

The Company is also proposing to introduce a Share Option Scheme, available to all full-time employees. Details of this Scheme are set out in the separate letter enclosed with this document and a Resolution for adoption will be proposed at the Annual General Meeting.

Current Trading and Prospects

I am pleased to report that turnover to date is substantially ahead of that for the comparable period of last year and look forward with confidence to a full year of continuing progress.

D. R. McMurtry
Chairman and Chief Executive

Directors' Report

The Directors have pleasure in presenting their eleventh Annual Report, together with the Audited Accounts for the year ended 30th June 1984 as set out on pages 14 to 23 and approved by the Board of Directors on 4th October 1984.

Trading Results

The Group results for the year were as follows:—

	1984 £'000	1983 £'000
Profit on Ordinary Activities before Taxation	3,744	1,722
Taxation on Profit on Ordinary Activities	1,548	813
Profit on Ordinary Activities after Taxation	2,196	909
Extraordinary Item	260	(272)
Profit for the Financial Year	2,456	637
Dividends	128	71
Retained Profit for the Year	2,328	566

Dividends

The Directors propose a final dividend of £85,005 for the year, which is equivalent to 1.0p per Share net and 1.4p per Share gross. This payment, together with an interim dividend paid of £42,503, results in total dividends for the year of £127,508.

Messrs. McMurtry and Deer have waived their dividend entitlement in respect of 19,499,500 Ordinary Shares of 5p each for the year.

The final dividend, if approved at the Annual General Meeting, will be paid on 19th November 1984 to shareholders whose names are recorded in the register at close of business on 25th October 1984.

Review of the Business

The principal activities of the Group during the year were the design, manufacture and sale of advanced Precision Metrology and Inspection Equipment.

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

The principal activities of the subsidiaries are set out in Note 19 to the Accounts.

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.

Research and Development

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

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

Share Capital

Following the rights issue of 2,799,917 Ordinary Shares of 5p each which was announced on 4th October, 1984, the unissued share capital of the Company is £210,004. Your Directors consider it appropriate to ask shareholders by Resolution 5 to be proposed at the Annual General Meeting to approve an increase in the authorised share capital from £1,750,000 to £2,100,000 by the creation of a further 7,000,000 Ordinary Shares of 5p each, thus creating a margin of authorised but unissued share capital of approximately £560,004. Under the Rules of the Renishaw Employee Share Option Scheme, which are set out in the Circular Letter accompanying this document, the maximum number of shares available for subscription under the Scheme is limited to 1,539,995, being 5 per cent. of the issued share capital.

Under Section 14 of the Companies Act 1980, the Directors will, with certain exceptions, be unable to allot or issue shares without express authorisation, which may be given by the Company in General Meeting but can last for not more than 5 years. Section 17 of the Act imposes further restrictions on the issue of equity securities for cash and the existing Directors' authority to allot shares as if Section 17 of the Act did not apply expired on 30th September, 1984. The Directors consider it to be in the interests of the Company for them to have a general but limited authority to allot and issue shares. Resolution 6 to be proposed at the Annual General Meeting would authorise the Directors for the purpose of Section 14 Companies Act 1980 to allot relevant securities of up to an aggregate nominal amount of £560,004 (being the proposed authorised but unissued share capital of the Company). Notwithstanding such authority, no issue of such share capital which would effectively alter the control of the Company will be made without the prior approval of the Company in General Meeting and the Directors have no present intention of issuing any additional shares other than pursuant to the Renishaw Employee Share Option Scheme. Resolution 7 to be proposed at the Annual General Meeting authorises share allotments for cash subject to the limitations stated, which are similar to those applying to the previous authority. The new authority will expire at the Annual General Meeting in 1985 and will need to be renewed annually.

Option Scheme

As explained in the Circular Letter from the Chairman dated 23rd October, 1984, which accompanies this document, your Directors are proposing to introduce an Employee Share Option Scheme. Resolution 8 is being proposed at the Annual General Meeting to seek the approval of shareholders.

Directors and their Interests

The Directors who served during the year were:—

D. R. McMurtry
(Chairman and Chief Executive)

D. J. Deer

A. C. G. Roberts

L. Brook

M. A. Wilson

In accordance with the Articles of Association L. Brook retires by rotation and being eligible offers himself for re-election.

M. A. Wilson is no longer a full time director but remains as a non-executive director.

The interests of the Directors in the Share Capital of the Company at the beginning and end of the year were as follows:—

	Ordinary Shares of 5p each		
	30th June 1984	30th June 1983	
	Beneficial	Beneficial	Non-Beneficial
D. R. McMurtry	13,000,334	13,000,334	—
D. J. Deer	6,499,166	6,499,166	—
A. C. G. Roberts	36,834	36,834	—
L. Brook	6,666	6,766	—
M. A. Wilson	67,250	3,333	67,000

There has been no change in the above holdings in the period 30th June 1984 to 4th October 1984.

Substantial Shareholders

Apart from the shareholdings of Messrs. McMurtry and Deer (69.6 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.

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

Taxation

The Company is a close company within the provisions of the Income and Corporation Taxes Act 1970.

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.

Current Cost Accounts

The Statement of Standard Accounting Practice No. 16 which deals with Current Cost Accounting is currently under review. The Directors have decided therefore that until a new directive on this subject has been issued and duly considered by the Board, they will not incur the additional expense of producing such accounts.

Auditors

A resolution in accordance with Section 14, Companies Act 1976, for the re-appointment of Peat, Marwick, Mitchell & Co. as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board
A. C. G. Roberts
Secretary
4th October 1984

ACG Roberts

Consolidated Profit and Loss Account

For the Year ended 30th June 1984

	Notes	1984 £'000	1983 £'000
TURNOVER	1	10,492	6,472
Cost of Sales		5,133	3,364
GROSS PROFIT		5,359	3,108
Distribution Costs		642	510
Administrative Expenses		861	773
		1,503	1,283
OPERATING PROFIT	2	3,856	1,825
Interest Payable less Receivable	3	112	103
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,744	1,722
Taxation on Profit on Ordinary Activities	4	1,548	813
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,196	909
Extraordinary Item	5	260	(272)
PROFIT FOR THE FINANCIAL YEAR		2,456	637
Dividends	6	128	71
RETAINED PROFIT FOR THE YEAR		2,328	566
Earnings per Share	7	7.84p	3.25p
PROFIT FOR THE FINANCIAL YEAR Dealt with in the accounts of:			
The Company		342	543
Subsidiaries		2,114	94
		2,456	637

Balance Sheets

At 30th June 1984

	Notes	The Group 1984 £'000	The Group 1983 £'000	The Company 1984 £'000	The Company 1983 £'000
FIXED ASSETS					
Intangible Asset	8	778	—	—	—
Tangible Assets	9	3,957	2,466	2,038	2,273
Investments					
Shares in Group Companies		—	—	15	15
		4,735	2,466	2,053	2,288
CURRENT ASSETS					
Stocks	10	1,532	1,285	—	1,062
Debtors	11	3,512	2,165	1,524	2,868
Investments	12	1,054	563	—	275
Cash at Bank and in Hand		383	102	—	39
		6,481	4,115	1,524	4,244
CREDITORS					
Amounts falling due within one year					
Creditors	13	2,876	1,796	571	2,347
Bank Loans and Overdrafts	14	—	822	84	809
		2,876	2,618	655	3,156
NET CURRENT ASSETS		3,605	1,497	869	1,088
TOTAL ASSETS LESS CURRENT LIABILITIES		8,340	3,963	2,922	3,376
CREDITORS					
Amounts falling due after more than one year	15	1,294	295	280	295
		7,046	3,668	2,642	3,081
PROVISION FOR LIABILITIES AND CHARGES					
Deferred Taxation	16	2,595	1,592	526	1,179
NET ASSETS		4,451	2,076	2,116	1,902
CAPITAL AND RESERVES					
Called Up Share Capital	17	1,400	1,400	1,400	1,400
Other Reserves—Currency		64	17	—	—
Profit and Loss Account	18	2,987	659	716	502
		4,451	2,076	2,116	1,902

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

Consolidated Statement of Source and Application of Funds

For the Year ended 30th June 1984

	1984 £'000	1983 £'000
SOURCE OF FUNDS		
Profit on Ordinary Activities before Taxation	3,744	1,722
Extraordinary Item	—	272
	3,744	1,450
Adjustment for Items not involving the Movement of Funds:—		
Amortisation of Intangible Asset	37	—
Depreciation on Tangible Assets	308	203
Loss/(Profit) on Sale of Tangible Assets	1	(3)
Currency	28	7
	374	207
TOTAL GENERATED FROM OPERATIONS	4,118	1,657
FUNDS FROM OTHER SOURCES		
Deferred Liability	648	—
Hire Purchase	514	141
Sale of Tangible Assets	66	5
	1,228	146
TOTAL SOURCES OF FUNDS	5,346	1,803
APPLICATION OF FUNDS		
Intangible Asset Aquired	815	—
Purchase of Tangible Assets	1,847	675
Hire Purchase Repaid	152	49
Taxation Paid	234	79
Dividends Paid	103	34
	3,151	837
INCREASE IN WORKING CAPITAL	2,195	966
Arising from Movements in:—		
Stocks	247	318
Debtors	1,347	1,008
Investments	491	121
Creditors	(993)	(528)
	1,092	919
Net Liquid Funds	1,103	47
	2,195	966

1985
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(528)
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966

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 of its subsidiaries.

A separate Profit and Loss Account dealing with the results of the Company alone has not been presented.

Turnover

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

Intangible Asset and Amortisation

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

Tangible Assets and Depreciation

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

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

Finance Leases

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

Stocks

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

Research and Development

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

Hire Purchase

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

Deferred Taxation

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

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

Foreign Currency

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

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

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

Notes to the Accounts

For the Year ended 30th June 1984

1. Turnover

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

	1984 £'000	1983 £'000
USA	4,233	2,192
Japan	2,210	1,668
West Germany	1,608	877
France	449	387
Other Overseas Countries	847	441
Total Sales to Overseas Customers	9,347	5,565
United Kingdom	1,145	907
Total Group Sales	10,492	6,472

2. Operating Profit

a) The Operating Profit is stated after charging

	1984 £'000	1983 £'000
Depreciation	308	203
Directors' Emoluments	259	233
Auditors' Remuneration	22	17

b) Emoluments of Directors and Higher Paid Employees

The emoluments of the Chairman and highest paid Director for the year, excluding pension contributions, were £85,764 (1983 £77,967). The emoluments of the other Directors, excluding pension contributions, fell within the following ranges:—

	Number of Directors 1984	1983
£ NIL—£ 5,000	—	1
£ 5,001—£10,000	1	—
£25,001—£30,000	—	1
£30,001—£35,000	1	1
£35,001—£40,000	1	—
£40,001—£45,000	—	1
£45,001—£50,000	1	—

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

c) Staff Numbers and Costs

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

	1984 No.	1983 No.
Office and Management	41	31
Research, Manufacturing, Marketing	234	210
	275	241

The aggregate payroll cost of the above was as follows:—	1984 £'000	1983 £'000
Wages and Salaries	2,341	1,724
Social Security Costs	230	182
Other Pension Costs	53	48
	2,624	1,954

3. Interest Payable Less Receivable

	1984 £'000	1983 £'000
Payable		
Hire Purchase	230	139
Bank and other short term interest	126	70
	356	209
Receivable		
Bank	(83)	(3)
	273	206
Attributable to leasing activity	161	103
	112	103

4. Taxation on Profit on Ordinary Activities

	1984 £'000	1983 £'000
Based on Group Profit on Ordinary Activities for the Year:—		
Corporation Tax at 48.75% (1983: 52%)	196	225
Deferred Taxation at 43.75% (1983: 52%)	1,259	560
Overseas Tax	93	28
	1,548	813

The charge for the year has been reduced by the retention of profit overseas and stock appreciation relief.

5. Extraordinary Item

	1984 £'000	1983 £'000
Release of Deferred Taxation arising from the changes introduced in the 1984 UK Budget	260	—
Costs of Offer for Sale	—	(272)

6. Dividends

	1984 £'000	1983 £'000
Interim dividend paid of 0.5p per share (net)	43	11
Proposed final dividend of 1.0p per share (net)	85	60
	128	71

Messrs. McMurtry and Deer have waived their dividend entitlements amounting to £292,492 (1983: £136,496).

7. Earnings per Share

Earnings per Share have been calculated on the profit on ordinary activities after taxation but before the extraordinary item and as if the 28,000,000 Ordinary Shares of 5p each had been in issue throughout the two years.

8. Intangible Asset

Represents the value of the agreement whereby Brown & Sharpe ceased to be the authorised distributor in North America of certain Renishaw products. The asset is stated at cost of £815,000 less amortisation of £37,000. The consideration is payable over a period of years and the balance outstanding is shown in Note 15 as a deferred liability.

9. Tangible Assets

a) The Group

	Freehold Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1st July 1983	986	1,858	142	2,986
Additions	849	919	79	1,847
Disposals	(41)	(44)	(18)	(103)
Currency Adjustment	11	6	2	19
At 30th June 1984	1,805	2,739	205	4,749
Depreciation				
At 1st July 1983	11	424	85	520
Charged for Year	33	244	31	308
Released on Disposals	—	(26)	(10)	(36)
At 30th June 1984	44	642	106	792
Net Book Value				
At 30th June 1984	1,761	2,097	99	3,957
At 30th June 1983	975	1,434	57	2,466

b) The Company

	Freehold Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1st July 1983	938	1,708	122	2,768
Additions	740	314	45	1,099
Disposals	(36)	—	(11)	(47)
Transfers on Group reorganisation	—	(1,598)	(53)	(1,651)
At 30th June 1984	1,642	424	103	2,169
Depreciation				
At 1st July 1983	11	403	81	495
Charged for Year	24	27	23	74
Released on Disposals	—	—	(11)	(11)
Transfers on Group reorganisation	—	(393)	(34)	(427)
At 30th June 1984	35	37	59	131
Net Book Value				
At 30th June 1984	1,607	387	44	2,038
At 30th June 1983	927	1,305	41	2,273

c) Outstanding Capital Expenditure not provided for in these Accounts

	The Group 1984 £'000	The Group 1983 £'000	The Company 1984 £'000	The Company 1983 £'000
Authorised but not Committed	55	10	—	10
Authorised and Committed	662	292	491	292

10. Stocks

	The Group 1984 £'000	The Group 1983 £'000	The Company 1984 £'000	The Company 1983 £'000
Raw Materials	582	555	—	519
Work in Progress	623	394	—	373
Finished Goods	327	336	—	170
	1,532	1,285	—	1,062

11. Debtors

	The Group 1984 £'000	The Group 1983 £'000	The Company 1984 £'000	The Company 1983 £'000
Trade Debtors	2,861	1,771	—	1,555
Amounts owed by Group Companies	—	—	1,370	1,241
Prepayments and Accrued Income	651	394	154	72
	3,512	2,165	1,524	2,868

12. Investments

This item represents the net investment in Finance Leases as follows:—	The Group 1984 £'000	The Group 1983 £'000	The Company 1984 £'000	The Company 1983 £'000
Net Amounts Receivable from Lessees				
a) Within one year	1,010	502	—	299
b) After more than one year	2,656	1,481	—	629
	3,666	1,983	—	928
Less Related Hire Purchase Liabilities				
a) Within one year	825	451	—	288
b) After more than one year	1,787	969	—	365
	2,612	1,420	—	653
	1,054	563	—	275

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

Certain finance companies have taken security by means of charges on specific leasing agreements with third parties.

13. Creditors

	The Group		The Company	
	1984	1983	1984	1983
Amounts falling due within one year	£'000	£'000	£'000	£'000
Trade Creditors	835	682	44	438
Amounts owed to Group Companies	—	—	131	868
Taxation	337	286	36	260
Other Taxes	79	89	9	71
Other Creditors	1,371	521	227	492
Hire Purchase	169	158	39	158
Proposed Dividend Payable	85	60	85	60
	2,876	1,796	571	2,347

14. Bank Overdrafts

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

15. Creditors

	The Group		The Company	
	1984	1983	1984	1983
Amounts falling due after more than one year	£'000	£'000	£'000	£'000
Total Obligations under Hire Purchase Agreements	3,427	1,873	319	1,106
Relating to Finance Leases (Note 12)	2,612	1,420	—	653
	815	453	319	453
Current Obligations (Note 13)	169	158	39	158
Non-Current Obligations	646	295	280	295
Deferred Liability (Note 8)	648	—	—	—
	1,294	295	280	295

16. Deferred Taxation

	The Group		The Company	
	1984	1983	1984	1983
a) Movements during the year	£'000	£'000	£'000	£'000
At 1st July 1983	1,592	1,062	1,179	1,140
Transfer on reorganisation	—	—	(1,001)	—
Provision for the year	1,259	560	379	69
Extraordinary release (Note 5)	(260)	—	(35)	—
Advance Corporation Tax Adjustment	4	(30)	4	(30)
At 30th June 1984	2,595	1,592	526	1,179

	The Group		The Company	
b) Represented by:—	1984	1983	1984	1983
	£'000	£'000	£'000	£'000
Accelerated Capital Allowances	2,558	1,798	593	1,232
Other Timing Differences	73	(166)	(31)	(13)
	2,631	1,632	562	1,219
Advance Corporation Tax Recoverable	(36)	(40)	(36)	(40)
	2,595	1,592	526	1,179

The above figures represent the full potential liability.

17. Called Up Share Capital

	1984 £'000	1983 £'000
Authorised		
35,000,000 Ordinary Shares of 5p each	1,750	1,750
Allotted, Called Up and Fully Paid		
28,000,000 Ordinary Shares of 5p each	1,400	1,400

18. Profit and Loss Account

Movements during the year	The Group 1984 £'000	The Group 1983 £'000	The Company 1984 £'000	The Company 1983 £'000
At 1st July 1983	659	1,479	502	1,416
Retained Profit for the year	2,328	566	214	472
	2,987	2,045	716	1,888
Less Capitalisation	—	(1,386)	—	(1,386)
At 30th June 1984	2,987	659	716	502

19. Subsidiary Companies

The following are the subsidiary companies of Renishaw plc, all of which are wholly owned, and reflect the new group structure effective from 1st July 1983.

		Country of Incorporation	Principal Activities
i)	Subsidiaries of Renishaw plc		
	Renishaw Electrical Limited	Great Britain	Design, Manufacture and Sale of Advanced Precision Metrology and Inspection Equipment
	Renishaw Research Limited	Great Britain	New Product Research and Development
	Renishaw Overseas Limited	Great Britain	Overseas Holding and Investment Company
	Renishaw Leasing Limited	Great Britain	Leasing Equipment to third parties
ii)	Subsidiaries of Renishaw Overseas Limited		
	Renishaw Inc.	U.S.A.	Service, Repair and Sale of Precision Metrology and Inspection Equipment
	Renishaw Electronics (Ireland) Limited	Republic of Ireland	Manufacture and Sale of Precision Metrology and Inspection Equipment
	Renishaw Kabushiki Kaisha	Japan	Service, Repair and Sale of Precision Metrology and Inspection Equipment

Report of the Auditors to the Members of Renishaw plc

We have audited the Accounts on pages 14 to 23 in accordance with approved Auditing Standards.

In our opinion the Accounts, which have been prepared on the basis of the accounting policies set out on page 17, give a true and fair view of the state of affairs of the Company and of the Group at 30th June 1984 and of the Profit and Source and Application of Funds of the Group for the year to that date and comply with the Companies Acts 1948 to 1981.

The Accounts do not contain the Current Cost Accounts required by Statement of Standard Accounting Practice No. 16.

Peat Marwick Mitchell & Co.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

4th October 1984
Chepstow
Gwent

Financial Calendar

Annual General Meeting

Friday 16th November, 1984

Results

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

Dividends

Interim	payable April
Final	payable November

Financial Record

Results

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

Capital Employed

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

Statistics

	1984	1983	1982	1981	1980	1979	1978
Earnings per Share (Based on 28,000,000 Ordinary Shares of 5p each)	7.84p	3.25p	1.35p	2.16p	1.25p	0.87p	0.31p
Profit before taxation as a percentage of average Shareholders' Funds	114.7%	96.5%	48.4%	112.8%	146.0%	212.1%	241.9%
Overseas Sales as a percentage of Total Sales	89.1%	86.0%	81.7%	75.2%	78.9%	84.6%	84.2%

Distributors: These are located in the following countries:— Australia, Belgium, Brazil, Finland, Fra
Mexico, Norway, Spain, Sweden, Switzerland, Taiwan and the United Kingdom

Renishaw Inc., 543 West Golf Road, Arlington Heights, Illinois 60005, U.S.A.
Telephone: (312) 228 1450 Telex: 910 687 0427 Facsimile: (312) 228 5186

Renishaw Inc., 2907 Post Road, Warwick, Rhode Island 02886, U.S.A.
Telephone: (401) 737 4473 Facsimile: (401) 738 2858

Renishaw Electronics (Ireland) Limited, Unit B4, Ballymun Industrial Estate, Dublin 11, Ireland.
Telephone: 429373 Telex: 32217

Renishaw Kabushiki Kaisha, Room 202/203, Stork Nishishinjuku Fukusei Building, 22-37, Nish
Telephone: (03) 371-7501 Telex: J 32960 Facsimile: (03) 371-7505

For further information contact Renishaw Electrical Limited, New Mills, Wotton-under -Edge, Glou
Telephone: (0453) 844211 Telex: 437120 Facsimile: (0453) 842893

ries:— Australia, Belgium, Brazil, Finland, France, Germany, Holland, India, Israel, Italy, Japan, Korea,
m and the United Kingdom

ghts, Illinois 60005, U.S.A.
acsimile: (312) 228 5186

sland 02886, U.S.A.
358

llymun Industrial Estate, Dublin 11, Ireland.

Nishishinjuku Fukusei Building, 22-37, Nishishinjuku, 7-chome, Shinjuku-ku, Tokyo 160, Japan
: (03) 371-7505

mited, New Mills, Wotton-under-Edge, Gloucestershire, GL12 8JR, England.
: (0453) 842893

Financial Record

7 years of continued growth

all figures shown are ×£000