RENISHAW plc

11 06260

ANNUAL REPORT

1993

Contents

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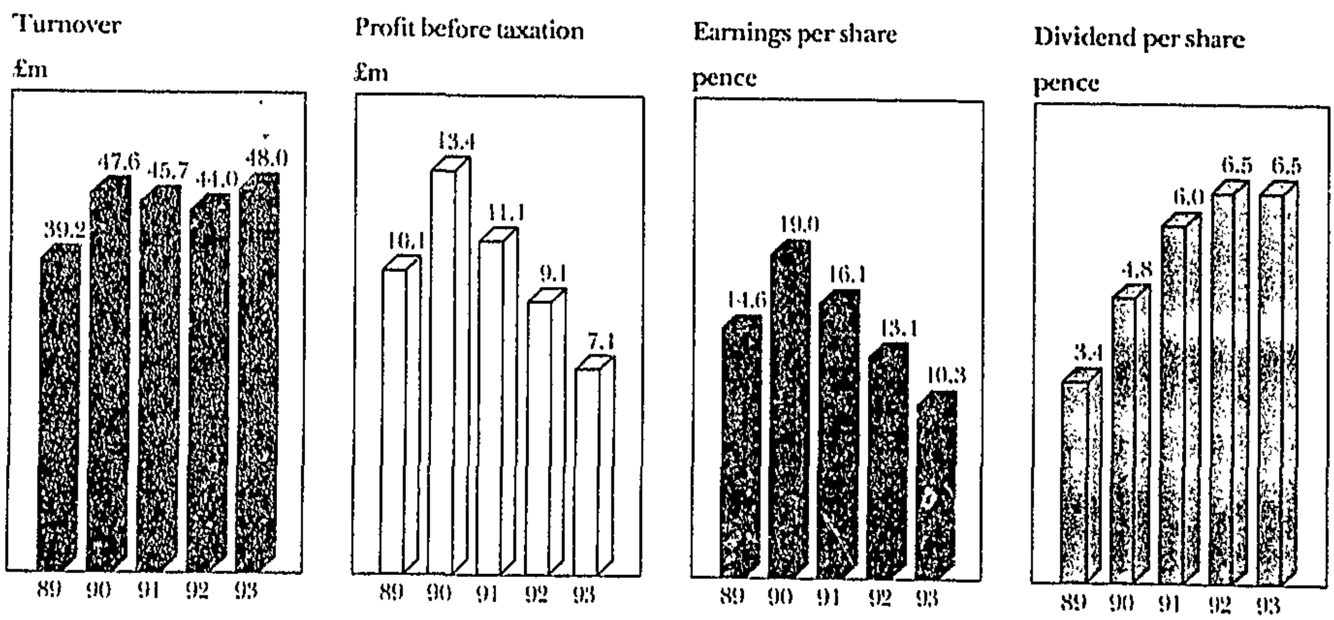
Results at a glance and financial highlights

	1993 £'000	1992 £'000
Turnover	48,000	44,047
Profit before taxation	7,142	9,087
Taxation	2,129	2,745
Profit after taxation	5,013	6,342
Earnings per share	10.3p	13.1p
Dividend per share	6.5p	6.5p



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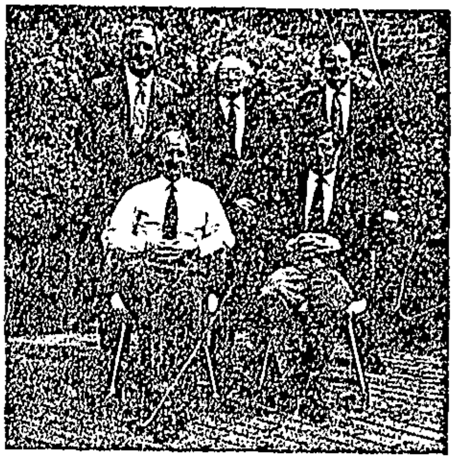
Directors and advisers



DIRECTORS (back left to right): A.C.G. Roberts, L. Brook, B.R. Taylor
(front left to right): D.R. McMurtry, D.J. Deer

D.R. McMURTRY, Chairman and Chief Executive, age 53, was employed by Rolls-Royce plc, Bristol, for 17 years, latterly holding the positions of Deputy Chief Designer and Assistant Chief of Engine Design of all Rolls-Royce engines manufactured at the Filton, Bristol, works. After inventing the original probe in the early 1970s, David McMurtry formed Renishaw in 1973 with John Deer and joined Renishaw full time in 1976. He is a member of a number of national and international technology committees. Along with his role as Chairman and Chief Executive, he also has responsibility for group technology.

D.J. DEER, Deputy Chairman, age 55, trained as a mechanical engineer and worked for Rolls-Royce plc, Bristol from 1960 until 1974, when he moved to Renishaw to become the first full time employee, responsible for the initial production and distribution of Renishaw products. He is responsible for manufacturing within the Group.

B.R. TAYLOR, Assistant Chief Executive, age 41, has been involved in the field of metrology all his working life after graduating in mechanical engineering and design from Pennsylvania State University. Prior to joining Renishaw Inc. as President in 1985, he was the Director of Engineering at Sheffield Measurement, USA. Ben Taylor was appointed to the Board of Renishaw plc in 1987 and is responsible for group marketing, international operations, group quality, strategy and planning and human resources. He chairs a US national metrology committee and also serves on a number of other metrology committees and associations.

A.C.G. ROBERTS, Finance Director, age 44, is a Fellow of the Institute of Chartered Accountants in England and Wales. Prior to joining the Company in 1979, he was employed for 11 years by Peat, Marwick, Mitchell & Co. He was appointed a director in 1980. Allen Roberts heads group finance, business systems and Wotton Travel and is the company secretary.

L. BROOK, an independent director, age 81, joined Renishaw in 1980. 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 Chairman of Associated Nuclear Services from 1977 to 1990.

Company secretary and
registered office
A.C.G. Roberts, F.C.A.
New Mills, Wotton-under-Edge
Gloucestershire, GL12 8JR
Registered number: 1106260
Telephone: (0453) 524524
Telex: 437120 RENMET G
Facsimile: (0453) 524001

Auditors
KPMG Peat Marwick

Solicitors
Norton Rose

Principal bankers
Lloyds Bank Plc
Société Générale

Stockbrokers
S.G. Warburg Securities Limited

Registrars and transfer office
Lloyds Bank Registrars
The Causeway, Worthing,
West Sussex, BN99 6DA
Telephone: (0903) 502541

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Chairman's statement

Trading results and dividend

The profit before tax for the year to 30th June 1993 amounted to £7.1m (1992 £9.1m) including net interest receivable of £2.2m (1992 £2.4m). After taxation of £2.1m (1992 £2.7m), earnings were £5.0m (1992 £6.3m) and earnings per ordinary share were 10.3p compared with 13.1p in 1992. A maintained final dividend of 4p is recommended giving a total for the year of 6.5p (1992 6.5p).

Turnover amounted to £48m (1992 £44m) of which 92.4% were sales to overseas customers. Whilst turnover was approximately 10% ahead in sterling terms of that for the previous year, the increase was almost entirely accounted for by the depreciation of sterling. The potential benefit from the turnover improvement in 1993 was however offset, partly by the fact that many of our costs are incurred overseas and partly by the effect of the forward sale of certain foreign currency receivables. The Company has a policy of hedging for some currency receivables through forward sale contracts and a number were sold in June 1992 prior to the devaluation of sterling in September 1992. Had these currencies been sold when received, the results would have benefited by some £1.3m.

New products

The Group has maintained its level of investment in new products and several are now completing their development stage. As previously announced, the markets for the Group's new products, especially scanning products – Cyclone and Retroscan – and Raman Microscope, are encouraging.

Facilities

In the UK, construction of a new improved manufacturing facility at New Mills, adjoining the Group Technology Centre, has begun and will be completed and occupied by the end of December 1993. The facility will enable the full benefits of our new manufacturing technology to be obtained, together with closer integration with Research and Design. A large proportion of our factory at Cwmbran has recently been leased, with further interest expressed in other parts of the site. Better located offices, with demonstration areas, will be opened in Italy and Spain. The group subsidiary in Hong Kong is now fully operational and is an additional base for our marketing and support operations in the Far East.

Reorganisation and structure

Core group companies in the UK were recently merged under the single name Renishaw plc. This should produce cost savings and give a unified image to the outside world. We continue to maintain pressure on costs and to seek to streamline the operations of the Group.

Our new worldwide communication network is now complete, enabling rapid electronic transmission of operational data and management information throughout the Group.

Directors

Following the resignation of Gianfranco Migliardi as a director in July 1993, John Deer, Deputy Chairman, now has primary responsibility for group manufacturing. Ben Taylor, Assistant Chief Executive, has primary responsibility for worldwide marketing and I am responsible for group technology.

Corporate governance

The Cadbury Committee has published its report on the financial aspects of corporate governance. Your Board agrees with the spirit of the code and its recommended code of conduct. Within the Board we have been conforming to many of the recommendations in the report and we are taking further steps to develop our practices. A statement regarding compliance with the code will be included in the Annual Report for the year ended 30th June 1994.

Personnel

The Group continues to refine its operating procedures and organisation and on behalf of the directors, I thank all employees for their co-operation and commitment over the last year.

Current trading and outlook

Although our turnover for the first quarter of our current trading year is ahead of that for last year, trading conditions remain particularly difficult and challenging. This applies both to our traditional machine tool products and in certain of our key overseas markets especially Germany and Japan where demand for our customers products has fallen in some cases by up to 50%.

I am hopeful that the markets in the UK and the Far East, apart from Japan, will continue to improve but as yet it is difficult to foresee any recovery in the rest of Europe and Japan.

Your directors remain confident of the longer term outlook for the Group.

D.R. McMurtry
Chairman and Chief Executive
7th October 1993

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Notice of meeting

NOTICE IS HEREBY GIVEN that the 20th annual general meeting of the Company will be held at The Gables Inn, Falfield, Gloucestershire, GL12 8PL on Friday 19th November 1993 at noon to transact the following business:-

1. To receive and adopt the reports of the directors and auditors and the audited financial statements for the year ended 30th June 1993.
2. To declare a final dividend.
3. To re-elect as a director of the Company A.C.G. Roberts, who is retiring by rotation.
4. To re-appoint KPMG Peat Marwick as auditors of the Company and to authorise the directors to fix their remuneration.

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

5. THAT, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of ordinary shares of 20p each in the capital of the Company ("ordinary shares") provided that:
   (i) the maximum number of ordinary shares hereby authorised to be purchased is 4,878,867;
   (ii) the maximum price that may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the 10 business days immediately preceding the day on which the ordinary share is purchased;
   (iii) the minimum price which may be paid for an ordinary share shall be 20p;
   (iv) the authority hereby conferred shall expire at the earlier of the conclusion of the annual general meeting of the Company to be held in 1994 or 31st December 1994 unless such authority is renewed prior to such time; and
   (v) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.
6. To transact any other business of an annual general meeting.

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

New Mills, Wotton-under-Edge,
Gloucestershire, GL12 8JR
22nd October 1993

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 20th Annual Report, together with the audited financial statements for the year ended 30th June 1993 as set out on pages 10 to 20 and approved by the Board of directors on 7th October 1993.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period. In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Trading results

The group results for the year were:	1993 £'000	1992 £'000
Profit on ordinary activities before taxation	7,142	9,087
Taxation on profit on ordinary activities	2,129	2,745
Profit for the financial year	5,013	6,342
Dividends	3,152	3,157
Retained profit for the financial year	1,861	3,185

Review of the business and reorganisation

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.

Further details of group activities are incorporated in the Group Profile accompanying these financial statements. An analysis of turnover by geographical market is given in note 2 to the financial statements.

From 30th June 1993 the assets and liabilities and the business activities of Renishaw Metrology Limited, Renishaw International Limited and Renishaw Transducer Systems Limited have been transferred into Renishaw plc, with the exception of investments in subsidiaries in Renishaw International Limited. The businesses of these three companies are now operated as divisions of Renishaw plc.

Dividends

The directors propose a final dividend of £1,951,547 for the year, which is equivalent to 4.0p per share net and together with the interim dividend of 2.5p, makes a total of 6.5p for the year, the same as for the previous year. The dividend will be paid on 22nd November 1993 to shareholders on the register on 28th October 1993.

Financial reporting standard No. 3 "Reporting financial performance" – FRS 3

The financial statements for the year ended 30th June 1993 have been prepared in accordance with FRS 3.

During both the current and previous financial years, there have been no discontinued operations, material acquisitions, or items in the financial statements that might otherwise have been classified as extraordinary items.

A consolidated statement of total recognised gains and losses has been presented together with a reconciliation of movements in shareholders' funds. The 10 year financial record on page 22 has been restated as necessary.

Share capital

Under the terms of the 1984 share option scheme, options have been granted to employees of group undertakings. Details of options exercised and outstanding are given in note 15 to the financial statements. There has been no change in share capital between 30th June 1993 and 7th October 1993.

Substantial shareholdings

Apart from the shareholdings of Messrs McMurtry and Deer (53.5%), the directors are not aware of any shareholding which represents 3% or more of the issued share capital of the Company.

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Directors and their interests

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

	Ordinary shares of 20p each	
	30th June 1993	30th June 1992
D.R. McMurtry	17,756,771	17,756,771
D.J. Deer	8,333,071	8,333,071
B.R. Taylor	—	—
A.C.G. Roberts	23,681	23,681
L. Brook	11,456	11,456
G.F. Migliardi (resigned 6th July 1993)	10	—

All the above holdings were beneficially held with the exception of 1,562,500 shares which were non-beneficially held by D.J. Deer but in respect of which he has voting rights. There has been no change in the above holdings in the period 30th June 1993 to 7th October 1993. Under the terms of the 1984 employee share option scheme, options granted to directors outstanding at 7th October 1993, which are exercisable between 3 and 10 years after the date the options were granted, were:-

		Number of shares	
Date options granted	Option price	B. R. Taylor	A.C.G. Roberts
23rd September 1988	£1.17	11,719	11,719
6th September 1989	£1.90	9,375	9,375

In accordance with the Articles of Association A.C.G. Roberts, who does not have a service contract, retires by rotation and being eligible, offers himself for re-election.

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

Special business – purchase of own shares

Your directors consider that the Company should have the flexibility to be able to make market purchases of its own ordinary shares, up to a total of 10% of the issued share capital. Shareholders are being asked to pass the necessary special resolution at the annual general meeting to give the required authority until the earlier of the conclusion of the 1994 annual general meeting or 31st December 1994. There is at present no intention to purchase shares and, if granted, the authority would only be exercised if an improvement in earnings per share were expected to result.

Fixed assets

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

During the year ended June 1991, the Group's land and buildings were revalued by professional valuers. The market value at that time of £12,436,000 on an existing use basis, exceeded the net book value of £8,277,000 by £4,159,000. The revaluation has not been incorporated in the financial statements.

Research and development

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

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. The Company always carefully considers an application for employment by any registered disabled person.

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 of £23,093 (1992 £19,683). No political donations were made.

Taxation

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

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick, as auditors of the Company, will be proposed at the forthcoming annual general meeting.

By order of the Board
A.C.G. Roberts
Secretary
7th October 1993

Report of the auditors

KPMG Peat Marwick

To the members of Renishaw plc

We have audited the financial statements on pages 10 to 20.

Respective responsibilities of directors and auditors

As described on page 7 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30th June 1993 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick
Chartered Accountants
Registered Auditors
Welsh Street,
Chepstow,
Gwent, NP6 5LN

KPMG Peat Marwick
7th October 1993

7th October 1993

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Consolidated profit and loss account

for the year ended 30th June 1993

	Notes	1993 £'000	1992 £'000
Turnover	2	48,000	44,047
Cost of sales		23,263	21,255
Gross profit		24,737	22,792
Distribution costs		8,649	7,430
Administrative expenses		11,149	8,675
		19,798	16,105
Operating profit	3	4,939	6,687
Interest receivable less payable	4	2,203	2,400
Profit on ordinary activities before taxation		7,142	9,087
Taxation on profit on ordinary activities	5	2,129	2,745
Profit for the financial year	6	5,013	6,342
Dividends paid and proposed	7	3,152	3,157
Retained profit for the financial year		1,861	3,185
Earnings per share	8	10.3p	13.1p

A statement of movements on reserves is set out in note 16.

Consolidated statement of total recognised gains and losses

for the year ended 30th June 1993

	1993 £'000	1992 £'000
Profit for the financial year	5,013	6,342
Currency translation differences on foreign currency net investments	(1,775)	(113)
Total gains recognised since last Annual Report	3,238	6,229

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Balance sheets

at 30th June 1993

	Notes	The Group 1993 £'000	The Group 1992 £'000	The Company 1993 £'000	The Company 1992 £'000
Fixed assets					
Tangible assets	9	16,483	16,452	11,814	4,840
Investments in subsidiaries	10	—	—	25	958
		16,483	16,452	11,839	5,798
Current assets					
Stocks	11	7,977	6,345	5,181	—
Debtors	12	14,731	11,472	35,666	34,049
Cash at bank		31,276	31,588	—	2,944
		53,984	49,405	40,847	36,993
Creditors					
Amounts falling due within one year	13	20,701	17,944	32,013	26,989
Net current assets		33,283	31,461	8,834	10,004
Total assets less current liabilities		49,766	47,913	20,673	15,802
Provision for liabilities and charges					
Deferred taxation	14	4,862	3,418	2,162	908
Net assets		44,904	44,495	18,511	14,894
Capital and reserves					
Called up share capital	15	9,758	9,717	9,758	9,717
Share premium account	15	923	641	923	641
Profit and loss account	16	34,223	34,137	7,830	4,536
Shareholders' funds	17	44,904	44,495	18,511	14,894

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

Directors

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Consolidated cash flow statement

for the year ended 30th June 1993

	Notes	1993 £'000	1992 £'000
Net cash inflow from operating activities	18	5,921	9,414
Returns on investments and servicing of finance			
Interest received		3,684	3,355
Interest paid		(843)	(885)
Dividends paid		(3,152)	(3,154)
		(311)	(684)
Net cash inflow from returns on investments and servicing of finance		5,610	8,730
Taxation			
UK corporation tax paid		(1,543)	(2,361)
Overseas tax paid		(1,243)	(1,771)
Tax paid		(2,786)	(4,132)
Investing activities			
Purchase of tangible fixed assets		(1,948)	(3,891)
Sale of tangible fixed assets		107	118
Purchase of subsidiary undertaking		—	(68)
Net cash outflow from investing activities		(1,841)	(3,841)
Net cash inflow before financing		983	757
Financing			
Issue of ordinary share capital under employee share option scheme		(323)	(139)
Increase in cash and cash equivalents		1,306	896
		983	757

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Notes

Notes (forming part of the financial statements)

1. Accounting policies

The principal accounting policies applied in the preparation of the financial statements of the Group are described below. The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries.

Turnover

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

Tangible assets and depreciation

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

Freehold buildings – 50 years
Plant and machinery – 5 to 10 years
Motor vehicles – 3 to 4 years

No depreciation is provided on freehold land.

Stocks

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

Research and development

Research and development expenditure is charged to profit and loss account in the year in which it is incurred.

Taxation

The charge for taxation is based on the group profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax on all these timing differences at the rate expected to be applicable when the liability crystallises.

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 and losses 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 and are reported in the consolidated statement of total recognised gains and losses.

Government grants

Government grants relating to the purchase of tangible assets are released to profit and loss account over the estimated useful lives of the relevant assets. Grants relating to revenue expenditure are credited to profit and loss account as receivable.

Pension costs

The Group operates a contributory pension scheme, of the defined benefit type, for UK based employees. The scheme is administered by trustees and is independent of the group finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service. The Group's contributions are charged to profit and loss account in accordance with SSAP 24. An independent actuarial valuation has been carried out on the scheme in July 1992 and the scheme is adequately funded.

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

Goodwill

Goodwill relating to a business purchased by the Group is written off immediately against reserves.

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2. Turnover

Turnover is defined under the accounting policies in note 1 and relates to the principal trade. An analysis by geographical market is:–

	1993 £'000	1992 £'000
USA	**17,158**	14,370
Germany	**8,444**	7,622
Japan	**6,207**	6,716
Italy	**3,985**	3,766
France	**3,818**	4,314
Other overseas countries	**4,731**	3,909
Total sales to overseas customers	**44,343**	40,697
United Kingdom	**3,657**	3,350
Total group sales	**48,000**	44,047

A geographical analysis of profit before taxation and net assets is not shown because, in the opinion of the directors, disclosure of such information would be seriously prejudicial to the interests of the Group.

3. Operating profit

a) Operating profit is stated after charging:–

	1993 £'000	1992 £'000
Research and development	**4,036**	3,707
Depreciation	**2,459**	2,531
Foreign exchange losses/(gains)	**1,368**	(337)
Auditors' remuneration – audit	**118**	99
– other services	**96**	136

	1993 £'000	1992 £'000
b) Directors' emoluments	**992**	942

The emoluments of the Chairman, excluding pension contributions, were £197,228 (1992 £184,625). The emoluments, excluding pension contributions, of the directors whose duties were performed mainly in the UK, fell within the following ranges:–

	1993 Number	1992 Number
£ 10,001—£ 15,000	**1**	1
£105,001—£110,000	**—**	1
£110,001—£115,000	**1**	1
£115,001—£120,000	**1**	—
£175,001—£180,000	**—**	1
£180,001—£185,000	**—**	1
£195,001—£200,000	**2**	—

c) Staff numbers and costs

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

	1993 Number	1992 Number
Office and management	**120**	114
Research, manufacturing and marketing	**627**	652
	747	766

The aggregate payroll cost of the above was:–	1993 £'000	1992 £'000
Wages and salaries	**15,478**	14,396
Social security costs	**1,958**	1,563
Other pension costs	**887**	683
	18,323	16,642

4. Interest receivable less payable

	1993 £'000	1992 £'000
Receivable		
Bank	3,068	3,350
Payable		
Bank and other short term interest	865	950
	2,203	2,400

5. Taxation on profit on ordinary activities

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

	1993 £'000	1992 £'000
UK corporation tax (credit)/charge at 33%	(335)	429
Deferred tax at 33%	1,444	1,125
Overseas tax	1,020	1,191
	2,129	2,745

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

6. Profit for the financial year

As provided by section 230(3) 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, including dividends receivable, dealt with in the financial statements of the Company is £6,446,000 (1992 £5,036,000).

7. Dividends

	1993 £'000	1992 £'000
Interim dividend paid of 2.5p per share (1992 2.5p)	1,200	1,214
Proposed final dividend of 4p per share (1992 4p)	1,952	1,943
	3,152	3,157

During the year, D.R. McMurtry waived an interim dividend entitlement of £17,500.

8. Earnings per share

Earnings per share are calculated on earnings of £5,013,000 (1992 £6,342,000) and on 48,681,996 shares (1992 48,539,729), being the weighted average number of shares in issue during the year.

A fully diluted earnings per share figure, based on share options outstanding, is not provided as the effect on the earnings per share is not material.

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9. Tangible assets

a) The Group	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1st July 1992	11,026	15,334	1,407	27,767
Additions	18	1,657	273	1,948
Disposals	—	(1,260)	(260)	(1,520)
Currency adjustment	344	670	55	1,069
At 30th June 1993	11,388	16,401	1,475	29,264
Depreciation				
At 1st July 1992	1,023	9,408	884	11,315
Charge for the year	292	1,897	270	2,459
Released on disposals	—	(1,238)	(230)	(1,468)
Currency adjustment	19	420	36	475
At 30th June 1993	1,334	10,487	960	12,781
Net book value				
At 30th June 1993	10,054	5,914	515	16,483
At 30th June 1992	10,003	5,926	523	16,452

b) The Company	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1st July 1992	4,130	2,470	980	7,580
Additions	—	191	187	378
Transfers from subsidiaries	3,710	9,829	—	13,539
Disposals	—	(6)	(168)	(174)
At 30th June 1993	7,840	12,484	999	21,323
Depreciation				
At 1st July 1992	597	1,517	626	2,740
Charge for the year	100	346	184	630
Transfers from subsidiaries	267	6,046	—	6,313
Released on disposals	—	(6)	(168)	(174)
At 30th June 1993	964	7,903	642	9,509
Net book value				
At 30th June 1993	6,876	4,581	357	11,814
At 30th June 1992	3,533	953	354	4,840

c) Outstanding capital expenditure not provided for in these financial statements was:–

	The Group 1993 £'000	The Group 1992 £'000	The Company 1993 £'000	The Company 1992 £'000
Authorised but not committed	1,881	286	1,766	17
Authorised and committed	452	89	452	14

10. Investments in subsidiaries

The Company

	Shares £'000	Loans £'000	Total £'000
Cost			
At 1st July 1992	25	2,667	2,692
Repayments	—	608	608
At 30th June 1993	25	2,059	2,084
Provisions			
At 1st July 1992	—	1,734	1,734
Amounts provided in the year	—	325	325
At 30th June 1993	—	2,059	2,059
Net book value			
At 30th June 1993	25	—	25
At 30th June 1992	25	933	958

Details of subsidiary undertakings are shown in note 20.

11. Stocks

	The Group		The Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Raw materials	3,295	2,679	2,913	—
Work in progress	904	679	842	—
Finished goods	3,778	2,987	1,426	—
	7,977	6,345	5,181	—

12. Debtors

	The Group		The Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Trade debtors	10,130	8,725	1,939	—
Amounts owed by subsidiaries	—	—	30,238	32,880
Corporation tax	2,116	—	2,411	838
Prepayments	2,485	2,747	1,078	331
	14,731	11,472	35,666	34,049

Included in prepayments for the Group are amounts totalling £595,000 (1992 £400,000) which represent deposits on leased premises paid by a subsidiary undertaking. These amounts are recoverable on expiry of the leases, which will not be within one year.

13. Creditors

Amounts falling due within one year

	The Group		The Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Bank overdrafts	11,858	10,096	11,858	10,224
Trade creditors	4,799	4,327	3,583	222
Amounts owed to subsidiaries	—	—	13,781	14,060
Corporation tax	—	19	—	—
Other taxes and social security	983	672	347	74
Other creditors	1,109	887	492	466
Proposed dividend payable	1,952	1,943	1,952	1,943
	20,701	17,944	32,013	26,989

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14. Deferred taxation

a) Movements during the year were:–

	The Group		The Company	
	1993	1992	**1993**	1992
	£'000	£'000	**£'000**	£'000
At 1st July 1992	**3,418**	1,647	**908**	96
Charge/(release) for the year	**1,444**	1,125	**(44)**	166
Transfers from subsidiaries	**—**	—	**1,298**	—
ACT movement	**—**	646	**—**	646
At 30th June 1993	**4,862**	3,418	**2,162**	908

b) Represented by:–

	The Group		The Company	
	1993	1992	**1993**	1992
	£'000	£'000	**£'000**	£'000
Accelerated capital allowances	**2,126**	2,411	**2,040**	606
Other timing differences	**2,736**	1,007	**122**	302
	4,862	3,418	**2,162**	908

15. Share capital

	1993	1992
	£'000	£'000
Authorised 50,000,000 ordinary shares of 20p each	**10,000**	10,000
Allotted, called up and fully paid 48,788,676 (1992 48,580,261) ordinary shares of 20p each	**9,758**	9,717

Movements in share capital and share premium accounts during the year were:–

	Share capital		Share premium
	Number of shares	£'000	£'000
At 1st July 1992	48,580,261	9,717	641
Employee share options exercised	208,415	41	282
At 30th June 1993	48,788,676	9,758	923

Under the terms of the 1984 employee share option scheme, options outstanding at 7th October 1993, 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	£1.62	5,438
6th August 1986	£1.81	3,430
7th September 1987	£1.40	18,766
23rd September 1988	£1.17	88,914
6th September 1989	£1.90	120,913

16. Profit and loss account

Movements during the year were:–

	The Group		The Company	
	1993	1992	**1993**	1992
	£'000	£'000	**£'000**	£'000
At 1st July 1992	**34,137**	31,200	**4,536**	2,657
Retained profit for the year	**1,861**	3,185	**3,294**	1,879
Movement in currency reserve	**(1,775)**	(113)	**—**	—
Goodwill on consolidation	**—**	(135)	**—**	—
At 30th June 1993	**34,223**	34,137	**7,830**	4,536

The cumulative amount of goodwill, resulting from acquisitions in earlier financial years, which has been written off is £1,913,000 (1992 £1,913,000).

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17. Reconciliation of movements in shareholders' funds

	The Group		The Company	
	1993	1992	1993	1992
	£'000	£'000	£'000	£'000
Profit for the financial year	5,013	6,342	6,446	5,036
Dividends	(3,152)	(3,157)	(3,152)	(3,157)
Retained profit for the financial year	1,861	3,185	3,294	1,879
New share capital issued	41	20	41	20
Premium on new share capital issued	282	119	282	119
Movement in currency reserve	(1,775)	(113)	—	—
Goodwill written off	—	(135)	—	—
Net addition to shareholders' funds	409	3,076	3,617	2,018
Shareholders' funds at 1st July 1992	44,495	41,419	14,894	12,876
Shareholders' funds at 30th June 1993	44,904	44,495	18,511	14,894

18. Notes to the consolidated cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities:–

	1993	1992
	£'000	£'000
Operating profit	4,939	6,687
Depreciation charges	2,459	2,531
(Profit) on sale of tangible fixed assets	(55)	(28)
(Increase)/decrease in stocks	(1,632)	466
(Increase)/decrease in debtors	(472)	548
Increase/(decrease) in creditors	682	(790)
Net cash inflow from operating activities	5,921	9,414

b) Analysis of changes in cash and cash equivalents during the year:–

	1993	1992
	£'000	£'000
At 1st July 1992	21,492	20,225
Net cash inflow before adjustments for the effect of foreign exchange rate changes	1,306	896
Effect of foreign exchange rate changes	(3,380)	371
At 30th June 1993	19,418	21,492

c) Analysis of the balances of cash and cash equivalents as shown in the consolidated balance sheet:-

	1993	1992	Change in year
	£'000	£'000	£'000
Cash at bank and in hand	31,276	31,588	(312)
Bank overdrafts	(11,858)	(10,096)	(1,762)
	19,418	21,492	(2,074)

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19. Pension scheme

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

The total pension cost of the Group was £887,000 (1992 £683,000) of which £322,000 (1992 £258,000) relates to overseas schemes. The pension cost relating to the UK scheme is assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial assessment of that scheme was as at July 1992. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries and pensions. It was assumed that the investment return would be 2.5% per annum in excess of salary increases and that future pensions would increase at the rate of 4.5% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the UK scheme was £3,423,000 and the actuarial value of the assets was sufficient to cover 92% of the benefits that had accrued to members after allowing for expected future increases in earnings. This deficiency was not considered by the actuary to be material.

20. Subsidiary undertakings

The following are the principal subsidiary undertakings of Renishaw plc, all of which are wholly owned unless otherwise stated. The country of incorporation is Great Britain and the country of registration is England and Wales unless otherwise stated. The country of incorporation is also the country of operation.

Company	Principal activities
Renishaw International Limited	Overseas holding and investment company.
Wotton Travel Limited	Travel agency.
Renishaw (Ireland) Limited *(Republic of Ireland)*	Manufacture and sale of advanced precision metrology and inspection equipment.
Renishaw Investments Limited *(Guernsey)*	Investment company.
Renishaw International B.V. *(The Netherlands)*	Overseas holding and investment company.
Renishaw Inc. *(USA)*	Service and distribution of group products.
Renishaw Kabushiki Kaisha *(Japan)*	Service and distribution of group products.
Renishaw GmbH *(Germany)*	Service and distribution of group products.
Renishaw S.A. *(France)*	Service and distribution of group products.
Simci S.A. *(France) (91.7%)*	Service and distribution of group products.
Renishaw S.p.A. *(Italy)*	Service and distribution of group products.
Renishaw Iberica S.A. *(Spain)*	Service and distribution of group products.
Renishaw A.G. *(Switzerland)*	Service and distribution of group products.
Renishaw (Hong Kong) Limited *(Hong Kong)*	Service and distribution of group products.

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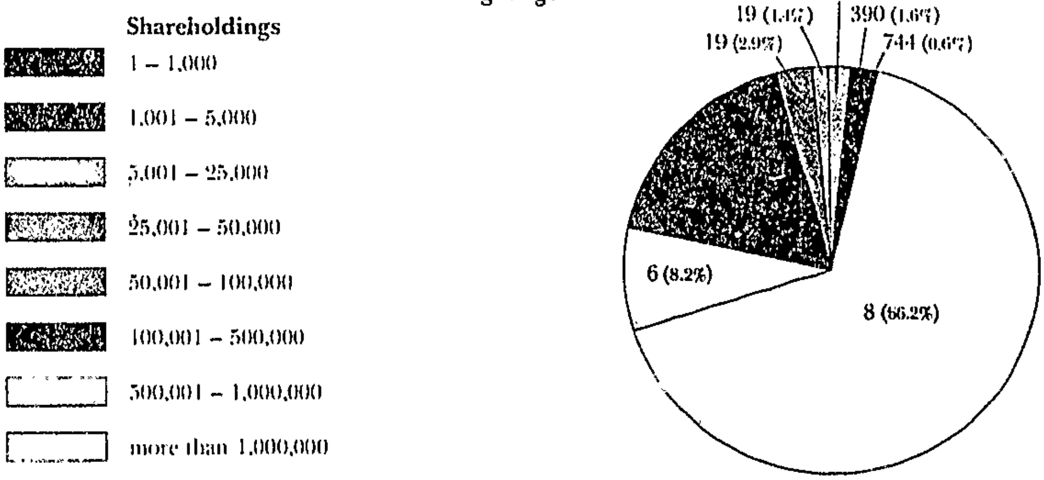
Shareholders' profile

		Number of shareholders		Number of shares	
		Number	%	Number	%
1.	**Range of shareholdings**				
	1-500	472	36.6	109,762	0.2
	501-1,000	272	21.1	207,986	0.4
	1,001-5,000	390	30.3	794,770	1.6
	5,001-10,000	38	2.9	271,501	0.6
	10,001-25,000	29	2.3	509,352	1.1
	25,001-50,000	19	1.5	675,221	1.4
	50,001-100,000	19	1.5	1,415,941	2.9
	100,001-500,000	35	2.7	8,504,904	17.4
	500,001-1,000,000	6	0.5	4,012,637	8.2
	more than 1,000,000	8	0.6	32,286,602	66.2
		1,288	100.0	48,788,676	100.0
2.	**Categories of shareholders**				
	Directors	4	0.3	26,124,979	53.5
	Banks, insurance companies, nominee companies, pension funds and other corporate bodies	256	19.9	21,533,102	44.2
	Individuals	1,028	79.8	1,130,595	2.3
		1,288	100.0	48,788,676	100.0

Number of shareholders in each shareholding range



The above information was compiled from the register as at 23rd September 1993.

Financial calendar

Annual general meeting
19th November 1993

Dividends
Interim – paid April
Final – paid November

Announcement of results
Annual results – October
Half year results – March

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10 year financial record

Results

	1993 £'000	1992 £'000	1991 £'000	1990 £'000	1989 £'000	1988 £'000	1987 £'000	1986 £'000	1985 £'000	1984 £'000
Overseas sales	**44,343**	40,697	41,455	43,087	35,244	25,053	20,098	17,869	13,878	9,347
UK sales	**3,657**	3,350	4,207	4,474	3,953	3,176	3,012	3,518	1,667	1,145
Total sales	**48,000**	44,047	45,662	47,561	39,197	28,229	23,110	21,387	15,545	10,492
Profit on ordinary activities before taxation	**7,142**	9,087	11,103	13,423	10,088	5,359	7,511	7,019	5,627	3,744
Taxation	**2,129**	2,745	3,335	4,253	3,069	1,402	2,149	2,022	1,813	1,288
Profit for the financial year	**5,013**	6,342	7,768	9,170	7,019	3,957	5,362	4,997	3,814	2,456
Dividends	**3,152**	3,157	2,910	2,314	1,617	1,016	770	678	586	128
Retained profits	**1,861**	3,185	4,858	6,856	5,402	2,941	4,592	4,319	3,228	2,328

Capital employed

	1993 £'000	1992 £'000	1991 £'000	1990 £'000	1989 £'000	1988 £'000	1987 £'000	1986 £'000	1985 £'000	1984 £'000
Share capital	**9.758**	9,717	9,697	7,722	7,700	1,540	1,540	1,540	1,540	1,400
Share premium	**923**	641	522	206	—	5,770	5,770	5,770	5,770	—
Reserves	**34,223**	34,137	31,200	28,180	21,485	16,154	13,794	9,227	6,209	3,051
Shareholders' funds	**44,904**	44,495	41,419	36,108	29,185	23,464	21,104	16,537	13,519	4,451
Deferred taxation	**4,862**	3,418	1,647	2,341	1,566	2,189	2,765	3,340	3,993	2,595
Capital employed	**49,766**	47,913	43,066	38,449	30,751	25,653	23,869	19,877	17,512	7,046

Statistics

	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
Overseas sales as a percentage of total sales	**92.4%**	92.4%	90.8%	90.6%	89.9%	88.7%	87.0%	83.6%	89.3%	89.1%
Adjusted earnings per share	**10.3p**	13.1p	16.1p	19.0p	14.6p	8.2p	11.1p	10.4p	8.1p	5.5p
Adjusted dividend per share	**6.5p**	6.5p	6.0p	4.8p	3.4p	2.1p	1.6p	1.4p	1.2p	0.9p

The restated figures comply with the requirements of FRS 3.

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Bar chart – 10 year financial record