

Interim report 2005

Financial highlights

	Unaudited	Unaudited		Audited
	6 months to 31st December 2004	6 months to 31st December 2003	% change	Year ended 30th June 2004
	£'000	£'000	%	£'000
Turnover	72,453	58,576	+24%	127,701
Operating profit	10,821	5,613	+93%	18,053
Profit before taxation	12,162	6,646	+83%	20,146
Profit after taxation	9,730	5,516	+76%	16,123
Earnings per share	13.4p	7.6p	+76%	22.1p
Dividend per share	6.10p	5.61p	+9%	18.00p

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Chairman's statement

For the first six months of the current year I am pleased to report continued progress in all aspects of the Group's activities.

There was considerable growth in turnover during the period, which has increased by 24% to £72.5m (2003: £58.6m), despite adverse currency movements of £3.2m. Sales grew in all geographical market areas and in all product lines. The Group benefited during the period from strong manufacturing growth in our major markets, especially Japan, Germany and the USA and in our newer markets of Eastern Europe and Russia. The improvement by product lines was particularly marked in Digitising (including Dental), Machine Tools and Encoders.

Our worldwide marketing infrastructure continues to be strengthened, with new offices being established in India and Russia and our staff in Nagoya, Japan are due to move into larger offices in the next six months.

The Group has maintained its high level of research and development expenditure on products for the future and a number of new product launches are planned for this year. Total research and development expenditure, with associated engineering costs, amounted to £12.3m (2003: £11.0m).

Operating profit for the six months rose to £10.8m compared with £5.6m in the previous year. Profit before tax was £12.2m (2003: £6.6m) resulting in an increase of 76% in earnings per share to 13.4p (2003: 7.6p).

As reported at the Annual General Meeting last October, the Company has acquired for £5m a 100,000 sq feet factory and offices at Stonehouse, 15 miles from our New Mills site. This facility increases the Group's manufacturing capability and will accommodate a new anodising plant, the transfer of our manufacturing equipment from New Mills, the Company's raw material metal stores and the finishing processes for manufactured components. Substantial investment in additional manufacturing equipment, including machine tools, has also been made. Total capital expenditure during this period amounted to £10.4m (2003: £10.1m).

At 31st December 2004 net cash balances were £23.2m (2003: £29.1m).

The Group continues to depend on the introduction of new products and the growth of the markets in which we operate. At present, markets are buoyant and the outlook favourable. Although the Group only has short order book visibility, it has taken steps, including the build up of finished stock levels, to meet the increasing demand. We remain very confident of the Group's longer term future.

An interim dividend of 6.10p per share (2003: 5.61p per share) will be paid on 11th April 2005 to shareholders on the register on 11th March 2005.

Sir David R McMurtry CBE RDI CEng FIMechE FREng
Chairman & Chief Executive
25th January 2005

Consolidated profit and loss account

	Notes	Unaudited 6 months to 31st December 2004	Unaudited 6 months to 31st December 2003	Audited Year ended 30th June 2004
		£'000	£'000	£'000
Turnover	2	72,453	58,576	127,701
Cost of sales		<u>39,176</u>	<u>31,959</u>	<u>69,188</u>
Gross profit		33,277	26,617	58,513
Distribution costs		<u>13,411</u>	<u>12,611</u>	<u>25,201</u>
Administrative expenses		<u>9,045</u>	<u>8,393</u>	<u>15,259</u>
		<u>22,456</u>	<u>21,004</u>	<u>40,460</u>
Operating profit		10,821	5,613	18,053
Interest receivable less payable		1,121	953	2,043
Other finance income		<u>220</u>	<u>80</u>	<u>50</u>
Profit on ordinary activities before tax		12,162	6,646	20,146
Tax on profit on ordinary activities	3	<u>2,432</u>	<u>1,130</u>	<u>4,023</u>
Profit for the financial period		9,730	5,516	16,123
Dividends		<u>4,440</u>	<u>4,083</u>	<u>13,100</u>
Retained profit for the period		<u><u>5,290</u></u>	<u><u>1,433</u></u>	<u><u>3,023</u></u>
Earnings per share (basic and diluted)	4	<u><u>13.4p</u></u>	<u><u>7.6p</u></u>	<u><u>22.1p</u></u>
Dividend per share	5	<u><u>6.10p</u></u>	<u><u>5.61p</u></u>	<u><u>18.00p</u></u>

Consolidated balance sheet

	Notes	Unaudited At 31st December 2004 £'000	Unaudited At 31st December 2003 £'000	Audited At 30th June 2004 £'000
Tangible fixed assets	6	65,478	57,343	58,496
Current assets				
Stocks		25,760	20,754	22,288
Debtors	7	32,611	27,770	32,820
Cash at bank		23,211	29,150	32,833
		81,582	77,674	87,941
Creditors				
Amounts falling due within one year	8	21,599	16,636	26,031
Net current assets		59,983	61,038	61,910
Total assets less current liabilities		125,461	118,381	120,406
Provisions for liabilities and charges	9	(4,271)	(3,563)	(4,306)
Net assets excluding pension liability		121,190	114,818	116,100
Pension liability		(7,980)	(8,120)	(8,390)
Net assets including pension liability		113,210	106,698	107,710
Capital and reserves				
Called up share capital	10	14,558	14,558	14,558
Share premium account		42	42	42
Profit and loss account	11	98,610	92,098	93,110
Shareholders' funds - equity		113,210	106,698	107,710

Consolidated cash flow statement

	Notes	Unaudited 6 months to 31st December 2004 £'000	Unaudited 6 months to 31st December 2003 £'000	Audited Year ended 30th June 2004 £'000
Net cash inflow from operating activities	12	11,101	9,519	22,159
Returns on investments and servicing of finance		1,164	989	2,066
Interest received		(22)	(20)	(40)
Interest paid		1,142	969	2,026
		(1,890)	(1,547)	(3,096)
Tax paid				
Capital expenditure		(10,716)	(9,441)	(14,899)
Purchase of tangible fixed assets		59	48	163
Sale of tangible fixed assets				
		(10,657)	(9,393)	(14,736)
		(9,019)	(8,269)	(12,351)
Equity dividends paid				
Cash outflow before management of liquid resources		(9,323)	(8,721)	(5,998)
Management of liquid resources		8,245	3,365	1,322
Decrease in bank deposits				
		(1,078)	(5,356)	(4,676)
Decrease in cash in the period				

Reconciliation of net cash flow to movement in net funds

	Unaudited 6 months to 31st December 2004 £'000	Unaudited 6 months to 31st December 2003 £'000	Audited Year ended 30th June 2003 £'000
Decrease in cash in the period	(1,078)	(5,356)	(4,676)
Cash inflow from movement in liquid resources	(8,245)	(3,365)	(1,322)
Currency differences	(299)	636	1,596
Movement in net funds in the period	(9,622)	(8,085)	(4,402)
Net funds at the beginning of the period	32,833	37,235	37,235
Net funds at the end of the period	23,211	29,150	32,833

Consolidated statement of total recognised gains and losses

	Unaudited	Unaudited	Audited
	6 months to 31st December 2004 £'000	6 months to 31st December 2003 £'000	Year ended 30th June 2004 £'000
Profit for the financial period	9,730	5,516	16,123
Currency translation differences on foreign currency net investments	210	39	(299)
Actuarial loss recognised in the pension schemes	-	-	(240)
Deferred tax thereon	-	-	-
	-	-	(240)
Total recognised gains for the period	9,940	5,555	15,584

Reconciliation of movements in shareholders' funds

	Unaudited	Unaudited	Audited
	6 months to 31st December 2004 £'000	6 months to 31st December 2003 £'000	Year ended 30th June 2004 £'000
Profit for the financial period	9,730	5,516	16,123
Dividends	(4,440)	(4,083)	(13,100)
Retained profit for the period	5,290	1,433	3,023
Currency translation differences	210	39	(299)
Actuarial loss net of deferred tax	-	-	(240)
Net addition to shareholders' funds	5,500	1,472	2,484
Shareholders' funds at the beginning of the period	107,710	105,226	105,226
Shareholders' funds at the end of the period	113,210	106,698	107,710

Notes

1. Basis of preparation

This Interim report has been prepared on a basis consistent with the audited financial statements for the year ended 30th June 2004. The Interim report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The comparative figures for the financial year ended 30th June 2004 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The Interim report was approved by the Board of directors on 25th January 2005. A copy has been sent to all shareholders and is available to the public from the registered office.

2. Turnover

An analysis of turnover by geographical market is:-

	6 months to 31st December 2004 £'000	6 months to 31st December 2003 £'000	Year ended 30th June 2004 £'000
Continental Europe	28,196	23,224	48,983
Far East, including Japan and Australia	18,931	14,774	34,099
North and South America	18,444	14,944	33,305
Other overseas regions	1,826	1,168	2,494
United Kingdom and Ireland	5,056	4,466	8,820
Total group turnover	<u>72,453</u>	<u>58,576</u>	<u>127,701</u>

3. Tax on profit on ordinary activities

	6 months to 31st December 2004 £'000	6 months to 31st December 2003 £'000	Year ended 30th June 2004 £'000
Deferred tax	17	4	899
Foreign tax	2,415	1,126	3,124
	<u>2,432</u>	<u>1,130</u>	<u>4,023</u>

Taxation has been estimated at the rate expected to be incurred for the full year.

4. Earnings per share

Earnings per share are calculated on earnings of 9,730,000 (December 2003 £5,516,000) and on 72,788,543 shares, being the number of shares in issue during the period.

5. Dividends

The interim dividend of 6.10p per share will be paid on 11th April 2005 to shareholders on the register on 11th March 2005, with an ex-dividend date of 9th March 2005.

6. Fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1st July 2004	45,041	48,682	4,080	97,803
Additions	5,942	4,107	362	10,411
Disposals	-	(347)	(126)	(473)
Currency adjustment	395	187	56	638
At 31st December 2004	<u>51,378</u>	<u>52,629</u>	<u>4,372</u>	<u>108,379</u>
Depreciation				
At 1st July 2004	6,052	30,729	2,526	39,307
Charge for the period	588	2,724	456	3,768
Released on disposals	-	(321)	(101)	(422)
Currency adjustment	99	123	26	248
At 31st December 2004	<u>6,739</u>	<u>33,255</u>	<u>2,907</u>	<u>42,901</u>
Net book value				
At 31st December 2004	<u>44,639</u>	<u>19,374</u>	<u>1,465</u>	<u>65,478</u>
At 30th June 2004	<u>38,989</u>	<u>17,953</u>	<u>1,554</u>	<u>58,496</u>

7. Debtors

	At 31st December 2004 £'000	At 31st December 2003 £'000	At 30th June 2004 £'000
Trade debtors	29,450	25,414	30,298
Prepayments	3,161	2,356	2,522
	<u>32,611</u>	<u>27,770</u>	<u>32,820</u>

8. Creditors
Amounts falling due within one year

	At 31st December 2004 £'000	At 31st December 2003 £'000	At 30th June 2004 £'000
Trade creditors	8,640	6,473	8,755
Corporation tax	1,968	994	1,427
Proposed dividend payable	4,440	4,083	9,019
Other creditors	6,551	5,086	6,830
	<u>21,599</u>	<u>16,636</u>	<u>26,031</u>

9. Provisions for liabilities and charges

	At 31st December 2004 £'000	At 31st December 2003 £'000	At 30th June 2004 £'000
Deferred taxation	3,647	3,075	3,760
Warranty provisions	624	488	546
	<u>4,271</u>	<u>3,563</u>	<u>4,306</u>

10. Share capital

	At 31st December 2004 £'000	At 30th June 2004 £'000
Ordinary shares of 20p each		
Authorised		
75,000,000 shares	<u>15,000</u>	<u>15,000</u>
Allotted, called up and fully paid		
72,788,543 shares	<u>14,558</u>	<u>14,558</u>

11. Profit and loss account

	6 months to 31st December 2004 £'000	6 months to 31st December 2003 £'000	Year ended 30th June 2004 £'000
At the beginning of the period	93,110	90,626	90,626
Retained profit for the period	5,290	1,433	3,023
Currency translation differences	210	39	(299)
Actuarial loss recognised	-	-	(240)
Deferred tax thereon	-	-	-
	-	-	(240)
At the end of the period	<u>98,610</u>	<u>92,098</u>	<u>93,110</u>

12. Notes to the consolidated cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities:-

	6 months to 31st December 2004 £'000	6 months to 31st December 2003 £'000	Year ended 30th June 2004 £'000
Operating profit	10,821	5,613	18,053
Depreciation charges	3,768	3,267	6,779
(Profit)/loss on sale of tangible fixed assets	(8)	29	(10)
Increase in stocks	(3,472)	(583)	(2,117)
Pension contributions in excess of service cost	(320)	(420)	(630)
Decrease/(increase) in debtors	428	1,479	(4,273)
(Decrease)/increase in creditors	(194)	78	4,243
Increase in provisions	78	56	114
Net cash inflow from operating activities	<u>11,101</u>	<u>9,519</u>	<u>22,159</u>

Financial calendar

Record date for interim dividend	11th March 2005
Interim dividend payment	11th April 2005
Announcement of full year results	28th July 2005
Mailing of Annual report	Mid August 2005
Annual general meeting	14th October 2005
Final dividend payment	17th October 2005

