RENISHAW

Interim report 2002

Financial highlights

	Unaudited	Unaudited		Audited
	6 months to 31st December 2001	6 months to 31st December 2000 (restated)	% change	Year ended 30th June 2001
	£'000	£'000	%	£'000
Turnover	**51,210**	60,206	-15%	125,348
Operating profit	**3,988**	12,495	-68%	27,943
Profit before taxation	**5,276**	13,913	-62%	30,795
Profit after taxation	**4,202**	10,425	-60%	24,713
Earnings per share	**5.8p**	14.3p	-60%	34.0p
Dividends per share	**5.08p**	4.84p	+5%	15.14p

Note on FRS 17 - Retirement benefits:
FRS 17 - Retirement benefits was adopted in the financial statements for the year ended 30th June 2001. The comparative figures for the six months to 31st December 2000 have been restated accordingly (see note 11).

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Chairman's statement

As announced in my statement at the annual general meeting, there has been a marked reduction in turnover for the 6 months to 31st December 2001, which has resulted in profit before tax of £5.3m (2000: £13.9m). This profit is after charging an exceptional amount of £1.3m in respect of the early retirement and voluntary redundancy programme introduced during the period. After taxation of £1.1m, earnings per share amounted to 5.8p (14.3p).

Turnover for the period was £51.2m - still the second highest first half turnover in the Company's history, but a 15% reduction compared with the previous year's £60.2m. Turnover was particularly affected by the downturn of over 25% of sales in the USA and Japan, two of our largest markets. On the other hand, turnover in local currency terms rose in several other of our markets, including the other Asean countries, South America, Switzerland and France. All product sectors have shown a reduction in sales, except our Spectroscopy Products Division which grew strongly during the period.

A new subsidiary has been established in the Czech Republic and suitable premises have been purchased. Further expansion in the growing Eastern Europe and Russian markets is being pursued. Additional office space has been acquired in Japan.

Total capital expenditure during the period was £4.8m (£4.3m) and includes expenditure on our new offices in Switzerland and the extension to our office in Germany. As part of our continuing drive to improve production efficiency, further refurbishment is taking place at our Woodchester site in preparation for the transfer to this site of more of our production facilities. Certain capital expenditure has been deferred, including the planned development at New Mills. Net cash balances at the end of the period were £30.2m.

We have continued to invest in research and development, with expenditure, including associated engineering expenses, of £9.3m during the period, up 7% on the £8.7m for the comparative period last year. Each of our seven products divisions will be introducing additional new products into their respective market sectors in 2002.

We do not know how long the current downturn will last, but we do not anticipate a significant rise in demand for the remainder of this financial year. We do, however, expect an increase in turnover in the second half compared to the first half.

The Group continues to invest in research and development and to develop new markets. This, coupled with a recovery by our customers in industries such as semi-conductor, telecoms, engineering and aerospace, gives your Board every confidence in returning to its historic performance levels in the longer term.

An interim dividend of 5.08p per share (4.84p) will be paid on 8th April 2002 to shareholders on the register on 8th March 2002.

Sir David R McMurtry CBE RDI CEng FIMechE FREng
Chairman & Chief Executive
23rd January 2002

Consolidated profit and loss account

	Notes	**Unaudited**	Unaudited	Audited
		6 months to 31st December 2001	6 months to 31st December 2000 (restated)	Year ended 30th June 2001
		£'000	£'000	£'000
Turnover	2	**51,210**	60,206	125,348
Cost of sales		**28,818**	29,986	60,416
Gross profit		**22,392**	30,220	64,932
Distribution costs		**10,873**	10,756	22,321
Administrative expenses - ongoing		**6,230**	6,969	14,668
- redundancy		**1,301**	-	-
		7,531	6,969	14,668
		18,404	17,725	36,989
Operating profit		**3,988**	12,495	27,943
Interest receivable less payable		**1,033**	1,118	2,252
Other finance income		**255**	300	600
Profit on ordinary activities before tax		**5,276**	13,913	30,795
Tax on profit on ordinary activities	3	**1,074**	3,488	6,082
Profit on ordinary activities after tax		**4,202**	10,425	24,713
Dividends		**3,698**	3,523	11,020
Retained profit for the period		**504**	6,902	13,693
Earnings per share	4	**5.8p**	14.3p	34.0p
Dividends per share	5	**5.08p**	4.84p	15.14p

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Consolidated balance sheet

	Notes	Unaudited At 31st December 2001 £'000	Unaudited At 31st December 2000 (restated) £'000	Audited At 30th June 2001 £'000
Tangible fixed assets	6	**47,801**	42,208	46,075
Current assets				
Stock		**23,741**	18,208	22,130
Debtors	7	**25,676**	29,067	30,634
Cash at bank		**30,189**	36,302	39,295
		79,606	83,577	92,059
Creditors				
Amounts due within one year	8	**14,344**	18,461	25,540
Net current assets		**65,262**	65,116	66,519
Total assets less current liabilities		**113,063**	107,324	112,594
Provisions for liabilities and charges	9	**(3,119)**	(4,385)	(2,952)
Net assets excluding pension (liability)/asset		**109,944**	102,939	109,642
Pension (liability)/asset		**(155)**	700	(320)
Net assets		**109,789**	103,639	109,322
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	**95,189**	89,039	94,722
Shareholders' funds - equity		**109,789**	103,639	109,322

Consolidated cash flow statement

	Notes	**Unaudited 6 months to 31st December 2001 £'000**	Unaudited 6 months to 31st December 2000 £'000	Audited Year ended 30th June 2001 £'000
Net cash inflow from operating activities	12	**5,190**	9,862	24,471
Returns on investments and servicing of finance				
Interest received		**1,153**	1,179	2,232
Interest paid		**(81)**	(79)	(52)
		1,072	1,100	2,180
Tax paid		**(3,545)**	(3,391)	(6,407)
Capital expenditure				
Purchase of tangible fixed assets		**(4,901)**	(4,289)	(10,544)
Sale of tangible fixed assets		**127**	18	83
		(4,774)	(4,271)	(10,461)
Equity dividends paid		**(7,497)**	(6,515)	(10,038)
Net cash (outflow) before management of liquid resources and financing		**(9,554)**	(3,215)	(255)
Management of liquid resources				
Decrease/(increase) in bank deposits		**3,622**	2,512	(709)
(Decrease) in cash in the period		**(5,932)**	(703)	(964)

Reconciliation of net cash flow to movement in net funds

	Unaudited 6 months to 31st December 2001 £'000	Unaudited 6 months to 31st December 2000 £'000	Audited Year ended 30th June 2001 £'000
(Decrease) in cash in the period	**(5,932)**	(703)	(964)
Movement in liquid resources	**(3,622)**	(2,512)	709
Currency differences	**448**	(150)	(117)
Movement in net funds in the period	**(9,106)**	(3,365)	(372)
Net funds at 1st July 2001	**39,295**	39,667	39,667
Net funds at 31st December 2001	**30,189**	36,302	39,295

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Consolidated statement of total recognised gains and losses

	Unaudited	Unaudited	Audited
	6 months to 31st December 2001	6 months to 31st December 2000 (restated)	Year ended 30th June 2001
	£'000	£'000	£'000
Profit for the financial period	**4,202**	10,425	24,713
Currency translation differences on foreign currency net investments	**(17)**	(436)	(319)
Actuarial (loss)/gain recognised in the pension schemes	**(20)**	90	(1,650)
Deferred tax thereon	**---**	(15)	500
	(20)	75	(1,150)
Prior year adjustment (note 11)	**---**	410	410
Total gains recognised in the period	**4,165**	10,474	23,654

Reconciliation of movements in shareholders' funds

	Unaudited	Unaudited	Audited
	6 months to 31st December 2001	6 months to 31st December 2000 (restated)	Year ended 30th June 2001
	£'000	£'000	£'000
Profit for the financial period	**4,202**	10,425	24,713
Dividends	**(3,698)**	(3,523)	(11,020)
Retained profit for the period	**504**	6,902	13,693
Other recognised gains and losses	**(37)**	(361)	(1,469)
Net addition to shareholders' funds	**467**	6,541	12,224
Shareholders' funds brought forward (1st July 2000 restated)	**109,322**	97,098	97,098
Shareholders' funds carried forward	**109,789**	103,639	109,322

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 2001. 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 2001 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 23rd January 2002. A copy has been sent to all shareholders and is available to the public from the registered office.

2. Turnover

An analysis of sales by geographical market is:-

	6 months to 31st December 2001 £'000	6 months to 31st December 2000 £'000	Year ended 30th June 2001 £'000
USA	**14,898**	20,590	41,812
Germany	**8,213**	8,871	19,054
Japan	**5,848**	8,968	17,208
Italy	**3,896**	4,070	9,017
France	**2,408**	2,260	5,030
Other overseas countries	**10,704**	9,845	21,012
Total sales to overseas customers	**45,967**	54,604	113,133
United Kingdom	**5,243**	5,602	12,215
Total group turnover	**51,210**	60,206	125,348

3. Tax on profit on ordinary activities

	6 months to 31st December 2001 £'000	6 months to 31st December 2000 (restated) £'000	Year ended 30th June 2001 £'000
UK corporation tax at 30%	**(388)**	2,411	4,460
Deferred tax charge/(release)	**240**	(365)	(1,615)
Overseas tax	**1,222**	1,442	3,237
	1,074	3,488	6,082

Taxation has been estimated at the rate expected to be incurred for the full year. The adoption of FRS 19 - Deferred tax, in the current financial year, has not resulted in any prior year adjustment.

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4. Earnings per share

Earnings per share are calculated on earnings of £4,202,000 (December 2000 restated £10,425,000) and on 72,788,543 shares, being the number of shares in issue during the period.

5. Dividends per share

The interim dividend of 5.08p per share will be paid on 8th April 2002 to shareholders on the register on 8th March 2002, with an ex-dividend date of 6th March 2002.

6. Fixed assets

	Freehold land and buildings £'000	**Plant and machinery £'000**	**Motor vehicles £'000**	**Total £'000**
Cost				
At 1st July 2001	**33,600**	**36,213**	**3,757**	**73,570**
Additions	**1,740**	**2,599**	**413**	**4,752**
Disposals	**---**	**(168)**	**(151)**	**(319)**
Currency adjustment	**(74)**	**(59)**	**(15)**	**(148)**
At 31st December 2001	**35,266**	**38,585**	**4,004**	**77,855**
Depreciation				
At 1st July 2001	**3,613**	**21,749**	**2,133**	**27,495**
Charge for the period	**343**	**2,107**	**341**	**2,791**
Released on disposals	**---**	**(86)**	**(113)**	**(199)**
Currency adjustment	**12**	**(37)**	**(8)**	**(33)**
At 31st December 2001	**3,968**	**23,733**	**2,353**	**30,054**
Net book value				
At 31st December 2001	**31,298**	**14,852**	**1,651**	**47,801**
At 30th June 2001	29,987	14,464	1,624	46,075

7. Debtors

	At 31st December 2001 £'000	At 31st December 2000 £'000	At 30th June 2001 £'000
Trade debtors	**22,791**	26,638	28,199
Prepayments	**2,885**	2,429	2,435
	25,676	29,067	30,634

8. Creditors
Amounts due within one year

	At 31st December 2001 £'000	At 31st December 2000 £'000	At 30th June 2001 £'000
Trade creditors	**3,721**	5,460	6,029
Corporation tax	**2,515**	4,438	5,190
Proposed dividend payable	**3,698**	3,523	7,497
Other creditors	**4,410**	5,040	6,824
	14,344	18,461	25,540

9. Provisions for liabilities and charges

	At 31st December 2001 £'000	At 31st December 2000 £'000	At 30th June 2001 £'000
Deferred taxation	**2,551**	3,725	2,380
Warranty provisions	**502**	470	466
Other	**66**	190	106
	3,119	4,385	2,952

10. Share capital

Ordinary shares of 20p each	At 31st December 2001 £'000	At 30th June 2001 £'000
Authorised		
75,000,000 shares	**15,000**	15,000
Allotted, called up and fully paid		
72,788,543 shares	**14,558**	14,558

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11. Profit and loss account

	6 months to 31st December 2001 £'000	6 months to 31st December 2000 restated £'000	Year ended 30th June 2001 £'000
At 1st July 2001 (1st July 2000 as previously reported)	**94,722**	82,088	82,088
Prior year adjustment	**--**	410	410
	94,722	82,498	82,498
Retained profit for the period	**504**	6,902	13,693
Movement in currency reserve	**(17)**	(436)	(319)
Actuarial (loss)/gain recognised (net)	**(20)**	75	(1,150)
At 31st December 2001	**95,189**	89,039	94,722

The prior year adjustment relates to the implementation of FRS 17 - Retirement benefits. The adoption of FRS 17 has resulted in an increase in the reported profit before taxation for the six months to 31st December 2000 of £300,000.

The profit and loss reserve at 31st December 2000 includes a surplus of £700,000, net of a deferred tax provision of £190,000.

12. Consolidated cash flow statement

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

	6 months to 31st December 2001 £'000	6 months to 31st December 2000 £'000	Year ended 30th June 2001 £'000
Operating profit	**3,988**	12,495	27,943
Depreciation charges	**2,791**	2,507	5,073
(Profit) on sale of tangible fixed assets	**(7)**	---	(27)
(Increase) in stocks	**(1,611)**	(2,899)	(6,821)
Decrease/(increase) in debtors	**4,550**	(1,757)	(3,382)
(Decrease)/increase in creditors	**(4,517)**	(374)	1,883
(Decrease) in provisions	**(4)**	(110)	(198)
Net cash inflow from operating activities	**5,190**	9,862	24,471

Financial calendar

Record date for interim dividend	8th March 2002
Interim dividend payment	8th April 2002
Announcement of full year results	25th July 2002
Mailing of Annual report	Mid August 2002
Annual general meeting	18th October 2002
Final dividend payment	21st October 2002