

Interim report 2004

Financial highlights

	Unaudited 6 months to 31st December 2003	Unaudited 6 months to 31st December 2002	% change	Audited Year ended 30th June 2003
	£'000	£'000	%	£'000
Turnover	58,576	51,518	+14%	110,640
Operating profit	5,613	5,387	+4%	15,644
Profit before taxation	6,646	6,493	+2%	17,799
Profit after taxation	5,516	5,390	+2%	14,345
Earnings per share	7.58p	7.41p	+2%	19.71p
Dividend per share	5.61p	5.34p	+5%	16.70p

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Chairman's statement

I am pleased to report the results for the first six months which show an encouraging start to the full year.

Turnover rose to £58.6m, an increase of 13.7% over the £51.5m in 2002. There was significant growth in a number of our overseas markets, notably the Far East, Japan and South America as well as in our more recently established subsidiaries in Eastern Europe and Russia. Sales grew in nearly all product sectors and, in particular, in scanning, encoders and calibration.

Continuing investment in research and development with associated engineering costs, amounted to £11.0m (2002: £9.9m). This period saw the introduction of further new products, in particular the NC4 non-contact tool setting probe, the RMP 60 radio probe, a range of rotary magnetic encoder products and additional software products.

Operating profit for the first six months ended 31st December 2003 amounted to £5.6m compared with £5.4m in the previous first half, which included a currency profit of £1.2m. Profit before tax was £6.6m (2002: £6.5m) providing earnings per share of 7.6p (2002: 7.4p).

Capital expenditure rose during the period to £10.1m (2002: £3.2m). The increase was principally accounted for by the purchase in July of our new freehold office building in Tokyo costing £5.1m, which was occupied in November, replacing two rented offices.

Investment continues in the development of our marketing infrastructure, with recruitment in the Far East, particularly China, and the strengthening of our subsidiaries in Eastern Europe and Russia. The new subsidiary in Canada commenced trading this month. In the UK, Phase II development is well on course to enable the transfer of the machine shop to Woodchester from New Mills later this year.

Due to the increased capital expenditure, cash balances at 31st December 2003 reduced to £29.2m (2002: £33.2m).

We have seen an encouraging increase in the level of activity in recent months, particularly from new products and emerging markets, with increased order levels and turnover. However, original equipment manufacturers traditionally provide little visibility of their future requirements and, with the business profile biased towards the second half, the outcome for the full year is always difficult to assess.

The continuing expansion of our subsidiary network throughout the world ensures our marketing, sales and service activities are able to maximise the increasing opportunities. Together with our substantial research and development programme, we remain confident of future progress.

An interim dividend of 5.61p per share (2002: 5.34p per share) will be paid on 6th April 2004 to shareholders on the register on 5th March 2004.



Sir David R McMurtry CBE RDI CEng FIMechE FREng
Chairman & Chief Executive
21st January 2004

Consolidated profit and loss account

	Notes	Unaudited 6 months to 31st December 2003	Unaudited 6 months to 31st December 2002	Audited Year ended 30th June 2003
		£'000	£'000	£'000
Turnover	2	58,576	51,518	110,640
Cost of sales		<u>31,959</u>	<u>28,592</u>	<u>59,941</u>
Gross profit		26,617	22,926	50,699
Distribution costs		12,611	11,044	22,880
Administrative expenses		8,393	6,495	12,175
		<u>21,004</u>	<u>17,539</u>	<u>35,055</u>
Operating profit		5,613	5,387	15,644
Interest receivable less payable		953	986	1,925
Other finance income		80	120	230
Profit on ordinary activities before tax		6,646	6,493	17,799
Tax on profit on ordinary activities	3	1,130	1,103	3,454
Profit on ordinary activities after tax		5,516	5,390	14,345
Dividends		4,083	3,887	12,156
Retained profit for the period		1,433	1,503	2,189
		<u><u>1,433</u></u>	<u><u>1,503</u></u>	<u><u>2,189</u></u>
Earnings per share (basic and diluted)	4	7.58p	7.41p	19.71p
Dividend per share	5	5.61p	5.34p	16.70p
		<u><u>5.61p</u></u>	<u><u>5.34p</u></u>	<u><u>16.70p</u></u>

Consolidated balance sheet

	Notes	Unaudited At 31st December 2003 £'000	Unaudited At 31st December 2002 £'000	Audited At 30th June 2003 £'000
Tangible fixed assets	6	57,343	48,935	50,877
Current assets				
Stocks		20,754	21,214	20,171
Debtors	7	27,770	25,989	29,600
Cash at bank		29,150	33,202	37,235
		77,674	80,405	87,006
Creditors				
Amounts falling due within one year	8	16,636	12,563	20,534
Net current assets		61,038	67,842	66,472
Total assets less current liabilities		118,381	116,777	117,349
Provisions for liabilities and charges	9	(3,563)	(2,861)	(3,503)
Net assets excluding pension liability		114,818	113,916	113,846
Pension liability		(8,120)	(4,660)	(8,620)
Net assets including pension liability		106,698	109,256	105,226
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	92,098	94,656	90,626
Shareholders' funds - equity		106,698	109,256	105,226

Consolidated cash flow statement

	Notes	Unaudited 6 months to 31st December 2003 £'000	Unaudited 6 months to 31st December 2002 £'000	Audited Year ended 30th June 2003 £'000
Net cash inflow from operating activities	12	9,519	7,567	20,481
Returns on investments and servicing of finance				
Interest received		989	947	1,954
Interest paid		(20)	(25)	(48)
		969	922	1,906
Tax paid		(1,547)	(1,073)	(1,380)
Capital expenditure				
Purchase of tangible fixed assets		(9,441)	(3,274)	(8,184)
Sale of tangible fixed assets		48	48	158
		(9,393)	(3,226)	(8,026)
Equity dividends paid		(8,269)	(7,876)	(11,763)
Cash (outflow)/inflow before management of liquid resources		(8,721)	(3,686)	1,218
Management of liquid resources				
Decrease in bank deposits		3,365	2,064	7,628
(Decrease)/increase in cash in the period		(5,356)	(1,622)	8,846

Reconciliation of net cash flow to movement in net funds

	Unaudited 6 months to 31st December 2003 £'000	Unaudited 6 months to 31st December 2002 £'000	Audited Year ended 30th June 2003 £'000
(Decrease)/increase in cash in the period	(5,356)	(1,622)	8,846
Cash inflow from movement in liquid resources	(3,365)	(2,064)	(7,628)
Currency differences	636	1,232	361
Movement in net funds in the period	(8,085)	(2,454)	1,579
Net funds at the beginning of the period	37,235	35,656	35,656
Net funds at the end of the period	29,150	33,202	37,235

Consolidated statement of total recognised gains and losses

	Unaudited	Unaudited	Audited
	6 months to 31st December 2003	6 months to 31st December 2002	Year ended 30th June 2003
	£'000	£'000	£'000
Profit for the financial period	5,516	5,390	14,345
Currency translation differences on foreign currency net investments	39	328	52
Actuarial loss recognised in the pension schemes	-	(410)	(6,680)
Deferred tax thereon	-	150	1,980
	-	(260)	(4,700)
Total recognised gains in the period	5,555	5,458	9,697

Reconciliation of movements in shareholders' funds

	Unaudited	Unaudited	Audited
	6 months to 31st December 2003	6 months to 31st December 2002	Year ended 30th June 2003
	£'000	£'000	£'000
Profit for the financial period	5,516	5,390	14,345
Dividends	(4,083)	(3,887)	(12,156)
Retained profit for the period	1,433	1,503	2,189
Currency translation differences	39	328	52
Actuarial loss net of deferred tax	-	(260)	(4,700)
Net addition to/(reduction in) shareholders' funds	1,472	1,571	(2,459)
Shareholders' funds at the beginning of the period	105,226	107,685	107,685
Shareholders' funds at the end of the period	106,698	109,256	105,226

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 2003. 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 2003 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 21st January 2004. 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 2003 £'000	6 months to 31st December 2002 £'000	Year ended 30th June 2003 £'000
USA and Canada	14,133	14,026	29,633
Germany	9,235	8,272	17,484
Japan	7,588	6,599	14,120
Far East (excluding Japan)	6,813	5,303	11,778
Italy	4,226	3,972	8,786
France	2,656	2,300	4,924
Other overseas countries	9,459	6,170	14,244
Total sales to overseas customers	54,110	46,642	100,969
United Kingdom	4,466	4,876	9,671
Total group turnover	58,576	51,518	110,640

3. Tax on profit on ordinary activities

	6 months to 31st December 2003 £'000	6 months to 31st December 2002 £'000	Year ended 30th June 2003 £'000
UK corporation tax at 30%	-	-	-
Deferred tax	4	(143)	1,023
Foreign tax	1,126	1,246	2,431
	1,130	1,103	3,454

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 £5,516,000 (December 2002 £5,390,000) and on 72,788,543 shares, being the number of shares in issue during the period.

5. Dividends

The interim dividend of 5.61p per share will be paid on 6th April 2004 to shareholders on the register on 5th March 2004, with an ex-dividend date of 3rd March 2004.

6. Fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1st July 2003	39,520	42,140	3,748	85,408
Additions	5,194	4,348	536	10,078
Disposals	-	(148)	(142)	(290)
Currency adjustment	(244)	(116)	(23)	(383)
At 31st December 2003	44,470	46,224	4,119	94,813
Depreciation				
At 1st July 2003	5,218	27,052	2,261	34,531
Charge for the period	447	2,428	392	3,267
Released on disposals	-	(98)	(116)	(214)
Currency adjustment	(12)	(90)	(12)	(114)
At 31st December 2003	5,653	29,292	2,525	37,470
Net book value				
At 31st December 2003	38,817	16,932	1,594	57,343
At 30th June 2003	34,302	15,088	1,487	50,877

7. Debtors

	At 31st December 2003 £'000	At 31st December 2002 £'000	At 30th June 2003 £'000
Trade debtors	25,414	23,728	27,200
Prepayments	2,356	2,261	2,400
	27,770	25,989	29,600

8. Creditors
Amounts falling due within one year

	At 31st December 2003 £'000	At 31st December 2002 £'000	At 30th June 2003 £'000
Trade creditors	6,473	3,633	4,845
Corporation tax	994	186	1,415
Proposed dividend payable	4,083	3,887	8,269
Other creditors	5,086	4,857	6,005
	<u>16,636</u>	<u>12,563</u>	<u>20,534</u>

9. Provisions for liabilities and charges

	At 31st December 2003 £'000	At 31st December 2002 £'000	At 30th June 2003 £'000
Deferred taxation	3,075	2,405	3,071
Warranty provisions	488	456	432
	<u>3,563</u>	<u>2,861</u>	<u>3,503</u>

10. Share capital

	At 31st December 2003 £'000	At 30th June 2003 £'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 2003 £'000	6 months to 31st December 2002 £'000	Year ended 30th June 2003 £'000
At the beginning of the period	90,626	93,085	93,085
Retained profit for the period	1,433	1,503	2,189
Movement in currency reserve	39	328	52
Actuarial loss recognised	-	(410)	(6,680)
Deferred tax thereon	-	150	1,980
	-	(260)	(4,700)
At the end of the period	92,098	94,656	90,626

12. Notes to the consolidated cash flow statement

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

	6 months to 31st December 2003 £'000	6 months to 31st December 2002 £'000	Year ended 30th June 2003 £'000
Operating profit	5,613	5,387	15,644
Depreciation charges	3,267	2,960	6,295
Loss/(profit) on sale of tangible fixed assets	29	(2)	(36)
(Increase)/decrease in stocks	(583)	862	1,905
Pension contributions in excess of service cost	(420)	(920)	(1,480)
Decrease/(increase) in debtors	1,479	678	(2,672)
Increase/(decrease) in creditors	78	(1,367)	770
Increase/(decrease) in provisions	56	(31)	55
Net cash inflow from operating activities	9,519	7,567	20,481

Financial calendar

Record date for interim dividend	5th March 2004
Interim dividend payment	6th April 2004
Announcement of full year results	22nd July 2004
Mailing of Annual report	Mid August 2004
Annual general meeting	15th October 2004
Final dividend payment	18th October 2004