# The 600 Group PLC

Unaudited Interim Results for the six months ended 30 September 2017

The 600 Group PLC ("the Group"), the AIM listed distributor, designer and manufacturer of industrial products (AIM: SIXH), today announces its unaudited interim results for the six months ended 30 September 2017.

**Highlights:**

- Revenues were up 7% to £24.8m (FY 17 H1 : £23.2m)
- Underlying* operating profit up to £1.3m (FY17 H1 : £1.2m)
- Profit before tax up to £2.1m (FY 17 : £1.4m)
- Order books up 36% on the same time last year
- Industrial laser division contribution increased to 59% of profits* from operations
- ProPhotonix sale realised £1.5m and £1m profit
- Equity raise of £1.12m before costs to eliminate working capital bank debt in the UK
- Pension scheme in £12.2m technical provisions surplus

*from continuing operations, before special items.

Commenting today, Paul Dupee, Executive Chairman of the Group said:

"Market conditions have improved generally over the previous year and both our divisions have been able to increase revenues and have much improved order books. These factors give us greater confidence going into the second half of our financial year and will be complemented by new product launches and an increasing focus on new sales activity in other geographical areas.

Whilst there remain a number of uncertain world events beyond our control which could affect our markets, the Board continues to believe that the process of leveraging our industry recognised brands such as Colchester, Harrison, Clausing, TYKMA and Electrox through new product developments and an increased worldwide distribution network will lead to continued revenue growth in the future."

**Reconciliation of underlying profit before taxation:**

| | 26 Weeks ended 30 September 2017 £m | 26 Weeks ended 1 October 2016 £m |
|---|---|---|
| Revenues | **24.84** | **23.16** |
| Cost of sales | **(16.28)** | **(15.07)** |
| Gross profit | **8.56** | **8.09** |
| Net operating costs | **(7.29)** | **(6.86)** |
| Underlying operating profit | **1.27** | **1.23** |
| Bank and loan note interest expense (net) | **(0.44)** | **(0.48)** |
| Underlying profit before tax | **0.83** | **0.75** |
| Other items: | | |
| Interest on pension surplus | **0.66** | **0.75** |
| ProPhotonix sale | **0.97** | **-** |
| Other Special items | **(0.31)** | **(0.05)** |
| Amortisation of shareholder loan costs | **(0.09)** | **(0.08)** |
| | **1.23** | **0.62** |
| **Reported profit before tax** | **2.06** | **1.37** |

More Information on the group can be viewed at: www.600group.com

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|---|---|
| Enquiries: | |
| **The 600 Group PLC** | Tel: 01924 415000 |
| Paul Dupee, Executive Chairman | |
| Neil Carrick, Finance Director | |
| **Cadogan PR Limited** | Tel: 020 7930 7006 |
| Alex Walters | Tel: 07771 713608 |
| **FinnCap** | Tel: 020 7600 1658 |
| Tony Quirke/Mia Gardiner (Sales/Broking) | |
| **SPARK Advisory Partners Limited (NOMAD)** | |
| Matt Davis / Miriam Greenwood | Tel: 020 3368 3553 |

**The 600 Group Plc**

**Executive Chairman's Statement for the six months ended 30 September 2017**

**Overview**

I am pleased to report that both of our Divisions have made progress in increasing revenues during the six month period ended 30 September 2017. Enquiry levels remain good and order books are up 36% overall on this time last year.
Revenue was up 7% at £24.8m against £23.2m in the previous half year and Group underlying operating profit increased to £1.3m (FY17 H1 : £1.2m).

We have continued to invest in new people and new product developments to maintain our strategic goal of leveraging the strength of the Group's brands into niche markets worldwide and several new products are being launched for the second half of the financial year.

**Results and dividend**

Revenue was £24.8m (FY 17 H1: £23.2m) with net underlying operating profit (excluding special items) of £1.3m (FY17 H1: £1.2m).

After taking account of interest on bank borrowings and loan notes, the underlying Group pre-tax profit before special items was £0.8m (FY17 H1: £0.8m) and £2.1m (FY 17 H1: £1.4m ) after special items.

Special Items have been noted separately so that the underlying trading performance can be better understood. In the current period share option costs, the amortisation of intangible assets acquired, amortisation of loan note expenses and the pensions credit interest on the scheme surplus, which are non-cash costs, are included in special items.

In addition to these items a credit of £0.97m is included as a result of the sale of the Group's holding in ProPhotonix Ltd at the end of August. Reorganisation and redundancy costs as a result of the finalisation of the integration of the TYKMA and Electrox businesses and costs incurred in restructuring the UK machine tools business are also included.

The total profit attributable to shareholders of the Group for the financial period was £1.8m (FY17 H1: £1.1m), providing earnings of 1.75 pence per share (FY17 H1: 1.05 pence). The underlying earnings per share (excluding the pension interest and other special items) were 0.79p (FY17 H1: 0.71p).

The Board continues to believe the retention of earnings to grow the businesses is the most appropriate use of available finance and accordingly do not recommend the payment of an interim dividend.

**Operating activities**

***Machine tools and precision engineered components***

| | **FY18 H1**<br>*£m* | **FY17 H1**<br>*£m* |
|---|---|---|
| Revenues | 16.96 | 16.42 |
| Operating profit* | 0.76 | 0.93 |
| Operating margin* | 4.5% | 5.7% |

*from continuing operations, before special items.

Revenues in our North American business grew strongly by 6% as did those in Australia, up 11%.The UK business, however, failed to make headway against the previous year's first six months revenue but was up 7% on the second half trading in the year to March 2017, which bore the brunt of the uncertainty following the Brexit vote.

The combination of weaker sales, particularly in the higher margin spares and service activities and higher import prices held the UK operation to break even trading during the period. A number of operational cost reduction initiatives are taking place led by the new UK managing director, Terry Allison, to improve net margins in the second half of the financial year together with the launch of new products to further stimulate sales growth. This weak performance held back the divisional operating profit despite the improvement in the US business during the period.

Quotation activity has remained good and all businesses are reporting stronger order books, with the division as a whole 70% up on the order books at this time last year. This continued improved activity gives us confidence going into the second half of the financial year and is in contrast to the previous year where the uncertainty following the Brexit vote and the effects of the US Presidential elections on US domestic confidence were key factors in a difficult trading period.

Product development has continued during the period with work on a US built lathe and the launch at the EMO trade show in Hannover in September of the Clausing CNC Millpwr. Work is also underway on the construction of the US built Kondia milling machine following the acquisition last year of the machine tools business of Kondia, formerly Spain's largest manufacturer of milling machines. The Group also acquired the worldwide supply of Kondia spares.

The introduction of the Clausing product range of saws, drills, mills and grinders into the UK, and European markets has proved successful and is a growing part of the product portfolio. These products are very often found alongside our Colchester and Harrison lathes in the many facilities we sell to and are a natural extension to our existing product range in these markets. These products represent about 40% of the total machine tools sold by our North American operation against only about 5% currently for UK and Europe.

Supply of machines from our new Indian partners has begun and additional product ranges are being developed together with their technical engineers.

The Australian operation has continued its recovery in both volumes and profitability and in addition has met with some success with sales to Thailand through our new distribution partner during the period.

***Industrial Laser systems***

| | **FY18 H1**<br>*£m* | **FY17 H1**<br>*£m* |
|---|---|---|
| Revenues | 7.88 | 6.74 |
| Operating profit* | 1.11 | 0.89 |
| Operating margin* | 14.1% | 13.2% |

*from continuing operations, before special items.

Top line progress has been good during the period, up 17% on the same period last year and the consolidation of manufacturing onto one site in Ohio USA and revision of the supply chain during the previous year has ensured margins remain acceptable. This division now accounts for almost 60% of the trading profits generated by our businesses.

Quotation activity in this Division has also been strong and the order book at the end of September was up 18% on the same time last year.

We have invested in strengthening the management team during the period to provide greater depth and a strong base to support the future growth in the business.

The combined TYKMA Electrox business now has worldwide credibility and has secured repeat orders from a number of multi-national corporations in the period.

New products launched last year have become significant contributors to this businesses success and further new product developments are being launched over the coming months. Progress is also being made in export areas in Asia Pacific through a new international sales manager.

**ProPhotonix**

The Group disposed of its entire holding in ProPhotonix Ltd, the AIM listed laser diode and LED systems manufacturer and distributor, for £1.5m at the end of August 2017 realising a profit of £1m which is shown in special items. The proceeds were used to pay down UK senior debt with HSBC.

**Equity issue**

8.6m shares were issued to a number of institutional investors, which raised £1.12m before costs on 20 September 2017. The proceeds were used to pay down the remaining UK working capital borrowings. Our facilities have been maintained with HSBC to provide headroom for future growth.

**Financial position**

Net assets decreased in the six month period by £3.3m to £47.0m largely as a result of the pension asset decrease. Net assets excluding the effect of pension schemes (and associated taxation) increased by £1.1m to £17.9m as a result of net profit generation and the equity issue less the reduction of 7% in the value of our foreign net assets on their re-translation into Sterling due to exchange rate movements.

Stock levels have increased due to the increased activity levels. In addition in order to provide customers with shorter lead times and to support the new product launches additional stockholding has been required which has increased working capital levels.

Despite this, net debt decreased significantly to £12.1m (March 2017 £13.7m) resulting in gearing of 26% (March 2017: 27%) as result of profitable trading, the sale of the ProPhotonix holding and the issue of equity.

UK annual working capital facilities were renewed in September 2017 with HSBC to support the UK machine tool business and Bank of America renewed their annual working capital facilities for Clausing and TYKMA in the USA in November.

**UK pension scheme**

The accounting surplus on the UK pension scheme decreased during the period from £52.5m at 1 April 2017 to £45.7m as a result of changes in underlying assumptions and, most notably, the value of the schemes assets. Scheme assets are invested to largely match the scheme liabilities which are valued on gilt yields, as opposed to the yield on corporate bonds upon which the accounts valuation is based.

The funding position of the scheme using the much more prudent technical provisions basis for valuation in the latest tri-ennial valuation at 31 March 2016 was a surplus of £2.2m. The actuarial valuation was formally signed off in October 2017 when the surplus had increased to £12.2m on a technical provisions basis. There continues to be no requirement for any cash funding from the Company and various options for the scheme are being investigated.

**Outlook**

Market conditions have improved generally over the previous year and both our divisions have been able to increase revenues and have much improved order books. These factors give us greater confidence going into the second half of our financial year and will be complemented by new product launches and an increasing focus on new sales activity in other geographical areas.

Whilst there remain a number of uncertain world events beyond our control which could affect our markets, the Board continues to believe that the process of leveraging our industry recognised brands such as Colchester, Harrison, Clausing, TYKMA and Electrox through new product developments and an increased worldwide distribution network will lead to continued revenue growth in the future.

**Paul Dupee**
**Executive Chairman**
**20 November 2017**

## Condensed consolidated income statement (unaudited)

For the 26 week period ended
30 September 2017

| | **Before Special Items 26 weeks ended 30 September 2017 £000** | **Special Items 26 weeks ended 30 September 2017 £000** | **After Special Items 26 weeks ended 30 September 2017 £000** | Before Special Items 26 weeks ended 1 October 2016 £000 | Special Items 26 weeks ended 1 October 2016 £000 | After Special Items 26 weeks ended 1 October 2016 £000 | After Special Items 52 weeks ended 1 April 2017 £000 |
|---|---|---|---|---|---|---|---|
| **Continuing** | | | | | | | |
| **Revenue** | **24,837** | - | **24,837** | 23,163 | - | 23,163 | 47,032 |
| Cost of sales | **(16,277)** | **-** | **(16,277)** | (15,074) | - | (15,074) | (30,602) |
| Special Items in cost of sales | **-** | **-** | **-** | - | - | - | (118) |
| **Gross profit** | **8,560** | **-** | **8,560** | 8,089 | - | 8,089 | 16,312 |
| Net operating expenses | **(7,290)** | **-** | **(7,290)** | (6,855) | - | (6,855) | (13,365) |
| Special Items in operating expenses | **-** | **(307)** | **(307)** | - | (49) | (49) | (53) |
| **Operating profit/(loss)** | **1,270** | **(307)** | **963** | 1,234 | (49) | 1,185 | 2,894 |
| **Profit on ProPhotonix disposal** | - | **970** | **970** | - | - | - | - |
| Bank and other interest | **-** | **-** | **-** | 1 | - | 1 | 3 |
| Interest on pension surplus | **-** | **665** | **665** | - | 750 | 750 | 1,445 |
| **Financial income** | **-** | **665** | **665** | 1 | 750 | 751 | 1,448 |
| Bank and other interest | **(442)** | **-** | **(442)** | (479) | - | (479) | (946) |
| Special Items | **-** | **(91)** | **(91)** | - | (82) | (82) | (168) |
| **Financial expense** | **(442)** | **(91)** | **(533)** | (479) | (82) | (561) | (1,114) |
| **Profit before tax** | **828** | **1,237** | **2,065** | 756 | 619 | 1,375 | 3,228 |
| **Income tax charge** | **-** | **(233)** | **(233)** | (20) | (264) | (284) | (1,169) |
| **Profit for the period attributable to equity holders of the parent** | **828** | **1,004** | **1,832** | 736 | 355 | 1,091 | 2,059 |
| Basic earnings per share | **0.79p** | **0.96p** | **1.75p** | 0.71p | 0.34p | 1.05p | 1.97p |
| Diluted earnings per share | **0.79p** | **0.95p** | **1.74p** | 0.71p | 0.34p | 1.05p | 1.96p |

## Condensed consolidated statement of comprehensive income (unaudited)

For the 26 week period ended 30 September 2017

| | **26 weeks Ended 30 September 2017 £000** | 26 weeks Ended 1 October 2016 £000 | 52 weeks Ended 1 April 2017 £000 |
|---|---|---|---|
| **Profit for the period** | **1,832** | 1,091 | 2,059 |
| **Other comprehensive (expense)/income:** | | | |
| *Items that will not be reclassified to the Income Statement:* | | | |
| Re-measurement of the net defined benefit asset | **(7,528)** | (7,816) | 8,367 |
| Deferred taxation | **2,635** | 2,736 | (2,928) |
| **Total items that will not be reclassified to the Income Statement:** | **(4,893)** | (5,080) | 5.439 |
| *Items that are or may in the future be reclassified to the Income Statement:* | | | |
| Fair value adjustment of ProPhotonix investment | **-** | 606 | 1,157 |
| Release of available for sale reserve on ProPhotonix disposal | **(1,128)** | - | - |
| Revaluation of property | **154** | - | - |
| Foreign exchange translation differences | **(356)** | 629 | 705 |
| **Total items that are or may be reclassified subsequently to the Income Statement:** | **(1,330)** | 1,235 | 1,862 |
| **Other comprehensive (expense)/income for the period, net of income tax** | **(6,223)** | (3,845) | 7,301 |
| **Total comprehensive (expense)/income for the period** | **(4,391)** | (2,754) | 9,360 |

## Condensed consolidated statement of financial position (unaudited)

As at 30 September 2017

| | **As at 30 September 2017 £000** | As at 1 October 2016 £000 | As at 1 April 2017 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | **3,283** | 3,430 | 3,732 |
| Goodwill | **7,144** | 7,144 | 7,144 |
| Other Intangible assets | **271** | 325 | 305 |
| Investments | **-** | 1,102 | 1,653 |
| Employee benefits | **44,665** | 33,743 | 51,469 |
| Deferred tax assets | **3,789** | 4,008 | 3,486 |
| | **59,152** | 49,752 | 67,789 |
| **Current assets** | | | |
| Inventories | **13,604** | 12,471 | 12,737 |
| Trade and other receivables | **7,206** | 8,014 | 7,444 |
| Cash and cash equivalents | **495** | 945 | 1,081 |
| | **21,305** | 21,430 | 21,262 |
| **Total assets** | **80,457** | 71,182 | 89,051 |
| **Non-current liabilities** | | | |
| Loans and other borrowings | **(8,972)** | (9,430) | (9,234) |
| Deferred tax liability | **(15,901)** | (12,074) | (18,216) |
| | **(24,873)** | (21,504) | (27,450) |
| **Current liabilities** | | | |
| Trade and other payables | **(4,795)** | (5,221) | (5,436) |
| Income tax payable | **-** | (61) | - |
| Provisions | **(201)** | (428) | (389) |
| Loans and other borrowings | **(3,633)** | (5,853) | (5,508) |
| | **(8,629)** | (11,563) | (11,333) |
| **Total liabilities** | **(33,502)** | (33,067) | (38,783) |
| **Net assets** | **46,955** | 38,115 | 50,268 |
| | | | |
| **Shareholders' equity** | | | |
| Called-up share capital | **1,130** | 1,044 | 1,044 |
| Share premium account | **1,990** | 1,013 | 1,013 |
| Revaluation reserve | **791** | 1,273 | 637 |
| Available for sale reserve | **-** | (45) | 506 |
| Equity reserve | **139** | 139 | 139 |
| Translation reserve | **2,099** | 2,343 | 2,466 |
| Retained earnings | **40,806** | 32,348 | 44,463 |
| **Total equity** | **46,955** | 38,115 | 50,268 |

# Condensed consolidated statement of changes in equity (unaudited)

As at 30 September 2017

| | Called up share capital £000 | Share premium account £000 | Revaluation reserve £000 | Available for sale reserve £000 | Translation reserve £000 | Equity reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| **At 2 April 2016** | **1,044** | **1,013** | **1,273** | **(651)** | **1,714** | **139** | **36,308** | **40,840** |
| Profit for the period | — | — | — | — | — | — | 1,091 | 1,091 |
| Other comprehensive income: | | | | | | | | |
| Foreign currency translation | — | — | — | — | 629 | — | — | 629 |
| Re-measurement of the net defined benefit assets | — | — | — | — | — | — | (7,816) | (7,816) |
| Fair value adjustment of investments | — | — | — | 606 | — | — | — | 606 |
| Deferred tax | — | — | — | — | — | — | 2,736 | 2,736 |
| Total comprehensive income | — | — | — | 606 | 629 | — | (3,989) | (2,754) |
| Transactions with owners: | | | | | | | | |
| Credit for share-based payments | — | — | — | — | — | — | 29 | 29 |
| Total transactions with owners | — | — | — | — | — | — | 29 | 29 |
| **At 1 October 2016** | **1,044** | **1,013** | **1,273** | **(45)** | **2,343** | **139** | **32,348** | **38,115** |
| Profit for the period | — | — | — | — | — | — | 968 | 968 |
| Other comprehensive income: | | | | | | | | |
| Foreign currency translation | — | — | 75 | — | 123 | — | (122) | 76 |
| Re-measurement of the net defined benefit assets | — | — | — | — | — | — | 16,183 | 16,183 |
| Fair value adjustment of investments | — | — | — | 551 | — | — | — | 551 |
| Transfer on revalued properties | — | — | (711) | — | — | — | 711 | — |
| Deferred tax | — | — | — | — | — | — | (5,664) | (5,664) |
| Total comprehensive income | — | — | (636) | 551 | 123 | — | 12,076 | 12,114 |
| Transactions with owners: | | | | | | | | |
| Credit for share-based payments | — | — | — | — | — | — | 39 | 39 |
| Total transactions with owners | — | — | — | — | — | — | 39 | 39 |
| **At 1 April 2017** | **1,044** | **1,013** | **637** | **506** | **2,466** | **139** | **44,463** | **50,268** |
| Profit for the period | — | — | — | — | — | — | 1,832 | 1,832 |
| Other comprehensive income: | | | | | | | | |
| Foreign currency translation | — | — | — | — | (367) | — | 11 | (356) |
| Re-measurement of the net defined benefit assets | — | — | — | — | — | — | (7,528) | (7,528) |
| Revaluation of property | — | — | 154 | — | — | — | — | 154 |
| ProPhotonix adjustment | — | — | — | 622 | — | — | (622) | — |
| ProPhotonix disposal | — | — | — | (1,128) | — | — | — | (1,128) |
| Deferred tax | — | — | — | — | — | — | 2,635 | 2,635 |
| Total comprehensive income | — | — | 154 | (506) | (367) | — | (3,672) | (4,391) |
| Transactions with owners: | | | | | | | | |
| Share capital subscribed for | 86 | 977 | — | — | — | — | — | 1,063 |
| Credit for share-based payments | — | — | — | — | — | — | 15 | 15 |
| Total transactions with owners | 86 | 997 | — | — | — | — | 15 | 1,078 |
| **At 30 September 2017** | **1,130** | **1,990** | **791** | **—** | **2,099** | **139** | **40,806** | **46,955** |

## Condensed consolidated cash flow statement (unaudited)

For the 26 week period ended 30 September 2017

| | **26 weeks ended 30 September 2017 £000** | 26 weeks ended 1 October 2016 £000 | 52 weeks ended 1 April 2017 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | **1,832** | 1,091 | 2,059 |
| **Adjustments for:** | | | |
| Amortisation | **26** | 28 | 58 |
| Depreciation | **226** | 220 | 452 |
| Pension credit | **—** | — | (647) |
| Net financial income | **(132)** | (190) | (334) |
| Other special items | **292** | — | 750 |
| ProPhotonix profit | **(970)** | — | — |
| Equity share option expense | **15** | 29 | 68 |
| Income tax expense | **233** | 284 | 1,169 |
| **Operating cash flow before changes in working capital and provisions** | **1,522** | 1,462 | 3,575 |
| (Increase) /decrease in trade and other receivables | **(93)** | (884) | (150) |
| (increase)/decrease in inventories | **(1,454)** | (516) | (1,404) |
| (Decrease) in trade and other payables | **(426)** | (1,681) | (1,260) |
| Employee benefit contributions | **(60)** | — | (120) |
| Restructuring and redundancy expenditure | **(50)** | — | (541) |
| **Cash generated from/(used in) operations** | **(561)** | (1,619) | 100 |
| Interest paid | **(442)** | (479) | (946) |
| Income tax paid | **—** | — | 88 |
| **Net cash flows from operating activities** | **(1,003)** | (2,098) | (758) |
| **Cash flows from investing activities** | | | |
| Interest received | — | 1 | 3 |
| Proceeds from sale of property, plant and equipment | — | 2,100 | 2,090 |
| Proceeds from sale of ProPhotonix | **1,518** | — | — |
| Purchase of property, plant and equipment | **(198)** | (298) | (490) |
| Development expenditure capitalised | **(6)** | (4) | (22) |
| **Net cash from investing activities** | **1,314** | 1,799 | 1,581 |
| **Cash flows from financing activities** | | | |
| Net proceeds from issue of ordinary shares | **1,064** | — | **—** |
| Proceeds from/(Net repayment of) external borrowing | **(1,882)** | 184 | (439) |
| Net finance lease expenditure | **(29)** | (43) | (93) |
| **Net cash flows from financing activities** | **(847)** | 141 | (532) |
| Net increase/(decrease) in cash and cash equivalents | **(536)** | 108 | 291 |
| Cash and cash equivalents at the beginning of the period | **1,081** | 765 | 765 |
| Effect of exchange rate fluctuations on cash held | **(50)** | 72 | 25 |
| **Cash and cash equivalents at the end of the period** | **495** | 945 | 1,081 |

## Notes relating to the condensed consolidated financial statements

For the 26-week period ended 30 September 2017

### 1. BASIS OF PREPARATION

The 600 Group PLC (the "Company") is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the AIM Market of the London Stock Exchange. The Consolidated Interim Financial Statements of the Company for the 26 week period ended 30 September 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

This half yearly financial report is the condensed consolidated financial information of the Group for the 26 week period ended 30 September 2017. The Condensed Consolidated Half-yearly Financial Statements do not constitute statutory financial statements and do not include all the information and disclosures required for full annual financial statements. The Condensed Consolidated Half-yearly Financial Statements were approved by the Board on 20 November 2017.

The comparative figures for the financial year ended 1 April 2017 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The half yearly results for the current and comparative period are neither audited nor reviewed by the Company's auditors.

As noted in the Basis of preparation accounting policy in the Group's Financial Statements for 1 April 2017 the Group refinanced in August 2016 with HSBC PLC who provided a package of facilities to support the working capital of the UK machine tools division and a term loan secured on the remaining UK freehold site totaling £4.95m. These facilities have been maintained although as a result of the sale of the ProPhotonix holding and the equity raise during the period are largely undrawn. Overseas bank finance in place is a mixture of term and revolving facilities with the earliest review in August 2018. The Group has issued £8.5m of 8% loan notes with maturity in February 2020.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of these facilities.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in the preparation of this half yearly financial report.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The Condensed Consolidated Financial Statements in this half yearly financial report for the 26 week period ended 30 September 2017 have been prepared using accounting policies and methods of computation consistent with those set out in The 600 Group PLC's Annual Report and Financial Statements for the 52 week period ended 1 April 2017.

In preparing the condensed financial statements, management is required to make accounting assumptions and estimates. The assumptions and estimation methods were consistent with those applied to the Annual Report and Financial Statements for the 52 week period ended 1 April 2017.

### 3. SEGMENT ANALYSIS

IFRS 8 – "Operating Segments" requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources.

The Executive Directors consider there to be two continuing operating segments being machine tools and precision engineered Components and industrial laser systems.

The Executive Directors assess the performance of the operating segments based on a measure of operating profit/(loss). This measurement basis excludes the effects of Special Items from the operating segments. Head Office and unallocated represent central functions and costs.

The following is an analysis of the Group's revenue and results by reportable segment:

| | Continuing | | | |
|---|---|---|---|---|
| **26 Weeks ended 30 September 2017** | **Machine Tools & Precision Engineered Components** | **Industrial Laser Systems** | **Head Office & unallocated** | **Total** |
| **Segmental analysis of revenue** | **£000** | **£000** | **£000** | **£000** |
| **Total revenue** | **16,961** | **7,876** | **-** | **24,837** |
| | | | | |
| **Operating profit/(loss) pre special items** | **760** | **1,110** | **(600)** | **1,270** |
| Special items | **(111)** | **(162)** | **(34)** | **(307)** |
| **Operating profit/(loss)** | **649** | **948** | **(634)** | **963** |
| | | | | |
| **Other segmental information:** | | | | |
| Reportable segment assets | **26,474** | **7,501** | **46,482** | **80,457** |
| Reportable segment liabilities | **(21,576)** | **(3,619)** | **(8,307)** | **(33,502)** |
| Intangible & Property, plant and equipment additions | **39** | **165** | **-** | **204** |
| Depreciation and amortisation | **136** | **97** | **19** | **252** |

**3. SEGMENT ANALYSIS (continued)**

| 26 Weeks ended 1 October 2016 | Continuing | | | |
|---|---|---|---|---|
| | Machine Tools & Precision Engineered Components | Industrial Laser Systems | Head Office & unallocated | Total |
| Segmental analysis of revenue | £000 | £000 | £000 | £000 |
| Total revenue | 16,423 | 6,740 | - | 23,163 |
| Operating profit/(loss) pre- special items | 923 | 893 | (582) | 1,234 |
| Special items | - | - | (49) | (49) |
| Operating profit/(loss) | 923 | 893 | (631) | 1,185 |
| Other segmental information: | | | | |
| Reportable segment assets | 28,547 | 8,403 | 34,232 | 71,182 |
| Reportable segment liabilities | (20,494) | (4,129) | (8,444) | (33,067) |
| Intangible & Property, plant and equipment additions | 34 | 267 | - | 301 |
| Depreciation and amortisation | 155 | 93 | - | 248 |

| 52-weeks ended 1 April 2017 | Continuing | | | |
|---|---|---|---|---|
| | Machine Tools & Precision Engineered Components | Industrial Laser Systems | Head Office & unallocated | Total |
| Segmental analysis of revenue | £000 | £000 | £000 | £000 |
| Total revenue per statutory accounts | 32,424 | 14,608 | — | 47,032 |
| Operating Profit/(loss) before special Items | 2,059 | 1,993 | (987) | 3,065 |
| Special Items | 691 | (671) | (191) | (171) |
| Group profit/(loss) from operations | 2,750 | 1,322 | (1,178) | 2,894 |
| Other segmental information: | | | | |
| Reportable segment assets | 29,120 | 7,638 | 52,293 | 89,051 |
| Reportable segment liabilities | (26,538) | (3,772) | (8,473) | (38,783) |
| Intangible & Property, plant and equipment additions | 115 | 397 | - | 512 |
| Depreciation and amortisation | 295 | 215 | - | 510 |

### 4. SPECIAL ITEMS

In order for users of the financial statements to better understand the underlying performance of the Group the Board have separately disclosed transactions which by virtue of their size or incidence, are considered to be one off in nature. In addition the charge for share based payments, amortisation of intangible assets acquired and non cash pension transactions have also been separately identified.

Special items include acquisition costs, gains and losses on the sale of properties, investments and assets, exceptional costs relating to reorganisation, redundancy and restructuring, legal disputes and inventory, asset and intangibles.

| | **30 September 2017** | 1 October 2016 | 1 April 2017 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| Items included in operating profit: | | | |
| Stock write-offs | - | - | (118) |
| Pension credit | - | - | 647 |
| Refinancing costs | - | - | (54) |
| Reorganisation ,restructuring and redundancy costs | **(273)** | - | (622) |
| Profit on sale of property | **-** | - | 114 |
| Acquisition costs | **-** | - | (29) |
| Share option costs | **(15)** | (29) | (68) |
| Amortisation of intangible assets acquired | **(19)** | (20) | (41) |
| | **(307)** | (49) | (171) |
| Items included in financial (income)/expense: | | | |
| Pensions interest on surplus | **665** | 750 | 1,445 |
| Amortisation of loan note expenses | **(91)** | (82) | (168) |
| | **574** | 668 | 1,277 |
| Profit on ProPhotonix sale | **970** | - | - |

### 5. FINANCIAL INCOME AND EXPENSE

| | **30 September 2017** | 1 October 2016 | 1 April 2017 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| Interest income | **-** | 1 | 3 |
| Interest on Pension surplus | **665** | 750 | 1,445 |
| **Financial income** | **665** | 751 | 1,448 |
| Bank overdraft and loan interest | **(98)** | (133) | (173) |
| Loan note interest | **(340)** | (340) | (761) |
| Finance charges on finance leases | **(4)** | (6) | (12) |
| Amortisation of loan note costs | **(91)** | (82) | (168) |
| **Financial expense** | **(533)** | (561) | (1,114) |

## 6. TAXATION

| | 30 September 2017 £000 | 1 October 2016 £000 | 1 April 2016 £000 |
|---|---|---|---|
| Current tax: | | | |
| Corporation tax at 19% (2016: 20%): | **-** | - | - |
| Overseas taxation: | | | |
| – current period | **-** | (20) | - |
| Total current tax charge | **-** | (20) | - |
| Deferred taxation: | | | |
| – current period | **(233)** | (264) | (695) |
| – prior period | **-** | - | (474) |
| Total deferred taxation charge | **(233)** | (264) | (1,169) |
| Taxation charged to the income statement | **(233)** | (284) | (1,169) |

## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share of 1.75p (2016: 1.05p) is based on the earnings for the financial period attributable to the Parent Company's shareholders of a profit of £1,832,000 (2016 £1,091,000) and on the weighted average number of shares in issue during the period of 104,831,330 (2016: 104,357,957). At 30 September 2017, there were 6,650,000 (2016: 6,650,000) potentially dilutive shares on option and 43,950,000 (2016: 43,950,000) share warrants exercisable at 20p. The weighted average effect of these as at 30 September 2017 was 716,915 shares (2016: nil) giving a diluted earnings per share of 1.74p (2016: 1.05p).

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| | 30 September 2017 | 1 October 2016 | 1 April 2017 |
|---|---|---|---|
| **Weighted average number of shares** | **Shares** | Shares | Shares |
| Issued shares at start of period | **104, 357,957** | 104, 357,957 | 104, 357,957 |
| Effect of shares issued in the period | **473,373** | - | - |
| Weighted average number of shares at end of period | **104,831,330** | 104,357,957 | 104,357,957 |

| | 30 September 2017 £000 | 1 October 2016 £000 | 1 April 2017 £000 |
|---|---|---|---|
| **Underlying earnings** | | | |
| Total post tax earnings | **1,832** | 1,091 | 2,059 |
| Share option costs | **15** | 29 | 68 |
| Pensions Interest | **(665)** | (750) | (1,445) |
| Amortisation of Shareholder loan expenses | **91** | 82 | 168 |
| Pensions credit | **-** | - | (647) |
| Amortisation of intangible assets acquired | **19** | 20 | 41 |
| Other special items | **273** | - | 709 |
| Profit on sale of ProPhotonix | **(970)** | - | - |
| Associated taxation on special items | **233** | 264 | 1,287 |
| Underlying earnings before tax | **828** | 756 | 2,240 |
| Underlying earnings after tax | **828** | 736 | 2,122 |
| | | | |
| Underlying Earnings Per Share | **0.79p** | 0.71p | 2.15p |

### 8. RECONCILIATION OF NET CASH FLOW TO NET DEBT

| | **30 September 2017 £000** | 1 October 2016 £000 | 1 April 2017 £000 |
|---|---|---|---|
| Increase/(decrease) in cash and cash equivalents | **(536)** | 233 | 291 |
| (decrease)/Increase in debt and finance leases | **1,911** | 168 | 532 |
| (decrease)/Increase in net debt from cash flows | **1,375** | 401 | 823 |
| Net debt at beginning of period | **(13,661)** | (13,886) | (13,886) |
| Loan costs amortisation and adjustments | **(91)** | (82) | (168) |
| Exchange effects on net funds | **267** | (771) | (430) |
| Net debt at end of period | **(12,110)** | (14,338) | (13,661) |

### 9. ANALYSIS OF NET DEBT

| | At 1 April 2017 £000 | Exchange/ Reserve movement £000 | Other £000 | Cash flows £000 | **At 30 September 2017 £000** |
|---|---|---|---|---|---|
| Cash at bank and in hand | 981 | (50) | — | (536) | **395** |
| Short term deposits (included within cash and cash equivalents on the balance sheet) | 100 | — | — | — | **100** |
| | 1,081 | (50) | — | (536) | **495** |
| Debt due within one year | (5,427) | 243 | — | 1,603 | **(3,581)** |
| Debt due after one year | (1,277) | 67 | — | 279 | **(931)** |
| Loan Notes due after one year | (7,867) | — | (91) | — | **(7,958)** |
| Finance leases | (171) | 7 | — | 29 | **(135)** |
| Total | (13,661) | 267 | (91) | 1,375 | **(12,110)** |

### 10. EMPLOYEE BENEFITS

The Group has defined benefit pension schemes in the UK and USA. The assets of these schemes are held in separate trustee-administered funds. In addition, the Group operates a retirement healthcare benefit scheme for certain of its retired employees in the USA, which is also treated as a defined benefit scheme. The principal scheme is the UK defined benefit pension plan.

The UK scheme was closed to future accrual of benefits at 31 March 2013. The latest actuarial valuation of the UK scheme to 31 March 2016 was signed in October 2017 at which time there was an estimated surplus of £12.2m based on the prudent Technical Provisions basis of valuation. Consequently there continues to be no requirement for any cash funding from the Company and various options for the scheme are being investigated.

| **Value of UK and USA scheme assets and liabilities for the purposes of IAS 19** | **30 September 2017 £000** | 1 October 2016 £000 | 1 April 2017 £000 |
|---|---|---|---|
| Opening Fair value of schemes assets | **245,367** | 220,208 | 220,208 |
| Experience adjustments in the period | **(12,991)** | 30,900 | 25,159 |
| Closing Fair value of schemes assets | **232,376** | 251,108 | 245,367 |
| | | | |
| Opening present value of schemes liabilities | **193,898** | 179,271 | 179,271 |
| Experience adjustments in the period | **(6,187)** | 37,906 | 14,627 |
| Closing present value of schemes liabilities | **187,711** | 217,177 | 193,898 |
| | | | |
| Surplus recognised under IAS 19 | **44,665** | 33,931 | 51,469 |

The principal assumptions used for the purpose of the IAS 19 valuation for the UK scheme compared to the 2017 year end were as follows:

| | **30 September 2017 UK scheme % p.a.** | 1 April 2017 UK scheme % p.a. |
|---|---|---|
| Inflation under RPI | **3.25** | 3.25 |
| Inflation under CPI | **2.15** | 2.15 |
| Rate of increase to pensions in payment – LPI 5% | **3.15** | 3.15 |
| Discount rate for scheme liabilities and return on assets | **2.65** | 2.55 |

**11. FAIR VALUE**

The group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

Trade and other receivables
Cash and cash equivalents
Trade and other payables
Loans and other borrowings

**12. DISPOSAL OF PROPHOTONIX**

The Group disposed of its entire holding in ProPhotonix Limited on 31 August 2017. The shareholding was originally acquired in a share swap with institutional investors in August 2014 when 4.925m shares were issued in exchange for 26.3% of ProPhotonix. Proceeds of £1.5m gross were received which was used to reduce the UK senior debt with HSBC.
On disposal management identified that a write down of the carrying amount of the investment that occurred in 2015 should have been recognised in the consolidated income statement rather than the available for sale reserve. As a result an amount of £622,000 has been transferred from retained earnings to the available for sale reserve. The revised available for sale carrying amount has then been recycled as part of the profit on disposal of £970,000.

**13. PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties affecting the Group remain those set out in the 2017 Annual Report. Those which are most likely to impact the performance of the Group in the remaining period of the current financial year are the exposure to increased input costs, the dependence on a relatively small number of key vendors in the supply chain and a downturn in its customers' end markets particularly in North America and Europe.