The 600 Group PLC

Continued progress against strategy

Unaudited Interim Results for the six months ended 28 September 2019

The 600 Group PLC ("the Group"), the diversified industrial engineering company (AIM: SIXH), today announces its unaudited interim results for the six months ended 28 September 2019.

Summary financials

	H1 FY20	H1 FY19	Change
Revenue	$35.7m	$31.6m	+13%
Underlying* operating profit	$2.5m	$1.8m	+39%
Underlying* pre-tax profit	$1.7m	$1.3m	+28%
Interim dividend per share	0.25p	0.25p	

*from continuing operations, before adjusting items.

Strategic & operational highlights

Improved financial & operational performance and financial position

- Receipt of $5.2m (net of tax) pension scheme cash surplus improved financial flexibility
- Operating margin improvement across both divisions
- Disposal of non-profitable operations and assets of discontinued Gamet Bearings business further reducing UK bank debt

Investing for sustainable growth

- Acquisition of Control Micro Systems Inc., enhances laser capabilities and performing well
- Investment in high-caliber new people
- Continued new product development and improvement in customer offering across both divisions
- New European Technology Centre fully operational

Positive outlook

- Interim dividend of 0.25p per share reflecting the Board's confidence.

Paul Dupee, Executive Chairman of the Group, commented:

"This period has seen further progress in our strategy to build a global industrial business. The de-risking of the Group, both operationally and financially, has created a platform from which we are now beginning to leverage the strength of the Group's brands and grow the business into increasingly diversified niche markets worldwide both organically and by acquisition.

The Group has made headway despite certain macro-economic and political uncertainties across our end markets and although these may still create some short term disruption, the Board believes in the long term fundamentals of our businesses and the strategy they are now enacting and is optimistic for the long- term future."

"I am pleased to announce an interim divided of 0.25p per share, reflecting this good performance and the Board's continued confidence in our businesses".

Enquiries:

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About The 600 Group PLC

The 600 Group PLC is a distributor, designer and manufacturer of industrial products with three principle areas of activities:

Machine Tools

The business has a strong reputation in the market for metal turning machines. Products range from small conventional machines for education markets, CNC workshop machines and CNC production machines. Selected outsourcing partners support the manufacturing of these machines and they are marketed through the Group's wholly owned international sales organisation and a global distribution network.

Precision Engineered Components

Machine spares are distributed to customers globally to help maintain the installed base of group machines which number in excess of 100,000. Additionally, work holding products are sold via specialist distributors to OEMs, including other machine builders.

Industrial Laser Systems

Industrial laser systems cover laser marking and processing including cutting, drilling, ablation and a host of other niche applications in the marking and micro machining sectors. They require no consumables, can operate on a continuous high speed basis and can be integrated into customers' production lines. The businesses have their own technology and proprietary software. Customer applications are diverse and range from aerospace to medical and pharmaceuticals. The requirement for increased product and component traceability is one of the market drivers.

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

The 600 Group Plc

Executive Chairman’s Statement for the six months ended 28 September 2019

Overview

The six-month period ended 28 September 2019 has seen progress in our strategy .May saw the receipt of the $5.2m post tax pension scheme surplus refund to the Company and June the acquisition of Control Micro Systems Inc. (CMS) with the official opening of the new European Technology Centre in the UK in May. These milestones in the Group’s development have enabled it to become financially more stable and accelerate its growth strategy.

Testimony to the Group’s improved financial strength and strategic focus the results have shown improvement in both revenue and operational profitability during what has been a difficult trading period, dominated by Brexit issues, trade tariff wars and a global slowdown. Responding to these challenges the Group has invested in high-caliber new people and new product developments in both divisions to continue our strategic goal of leveraging the strength of the Group’s brands into increasingly diversified niche markets worldwide.

Results and dividend

Revenue was up 13% to $35.7m (FY 19 H1: $31.6m) with net underlying operating profit (excluding adjusting items) up 39% to $2.5m (FY19 H1: $1.8m).

After taking account of interest on bank borrowings, loan notes and lease liabilities, the underlying Group pre-tax profit before adjusting items was up 28% at $1.7m (FY19 H1: $1.3m) and $1.5m (FY 19 H1: $0.8m) after adjusting items.

The total profit attributable to shareholders of the Group for the financial period on continuing activities was $1.1m (FY19 H1: $1.0m), providing Basic earnings of 0.92 cents (equivalent to 0.72p) per share (FY19 H1: 0.88 cents (equivalent to 0.63p). The underlying continuing earnings per share (excluding adjusting items) were 1.31c (equivalent to 1.03p) (FY19 H1: 1.08c (equivalent to 0.77p).

The Board is pleased to be able to continue to improve returns for shareholders and has declared an interim dividend of 0.25p per share payable on 10 January 2020, to shareholders on the register at 13 December 2019.

Financial position

Net assets increased in the period to $30.9m with the net profit generation being largely offset by the reduction of $0.7m due to the retranslation of non US Dollar denominated assets and liabilities and most of the increase arising due to the shares issued with a value of $1m on the acquisition of CMS.

Working capital levels excluding the effects of the CMS acquisition increased by $1m on the prior half year with a small increase in both inventories and trade receivables whilst trade payables fell slightly.

$0.4m was expended on capital expenditure including the final phase of the Industrial Laser software upgrade and the completion of the new European Technology Centre fit out and machine shop.

The $10m consideration for CMS was funded by $4m of the $5.2m of pension scheme refund along with the utilisation of existing credit lines and a new $3.25m 5-year term loan from Bank of America plus the issue of $1m of shares to the CMS founder, Tim Miller, who remains with the business.

As a consequence of these cashflows net debt at the end of September 2019 was $16.9m (March 2019 $14.5m) excluding the IFRS 16 lease liabilities.

UK annual working capital facilities were renewed in September 2019 with HSBC to support the UK machine tool business and Bank of America continue to be very supportive, providing part of the funding for CMS and renewing the annual working capital facilities for the USA businesses.

Adjusting items

Adjusting Items have been noted separately to provide a clearer picture of the Group’s underlying trading performance. In the current period a profit of $0.8m has been recorded as the final cash received on the pension scheme wind up was greater than anticipated. The evaluation of the intangible assets on the acquisition of CMS is still in progress but the amortisation of the initial assessed amounts has resulted in a charge of $0.3m in the period since acquisition and costs associated with the acquisition of $0.4m have also been included in adjusting items. The amortisation of the loan note discounting and costs of $0.3m are shown as adjusting items within finance costs. Taxation at 35% ($0.3m), in line with the punitive regulations on pension refunds, was deducted at source on the pension scheme refund and the Group was unable to mitigate this against its substantial brought forward tax losses in the UK.

In the prior half-year, a charge of $1.3m was included as a result of the actuarial effects of transfers by members out of the pension scheme and a profit of $0.3m was recorded on asset sales. Credit interest on the scheme surplus of $0.6m and amortization of $0.1m on the loan notes were recorded in finance costs.

Operating activities

Machine tools and precision engineered components

The UK business has continued to build on the restructured operation and re-launch as Colchester Machine Tool Solutions in the new European Technology Centre. The business saw increases in both revenue and operating profit for the first six months with continued momentum providing an order book currently up over 100% on the same time in the prior year. Given this is against a backdrop of uncertainty created by Brexit and declining industry statistics we believe that he business is gaining market share.

The USA business revenue was down 2% on the previous half year in a market which the USMTO is reporting a 17% decline in metal cutting since the start of 2019, with trade war concerns and tariffs weighing heavily on customer sentiment. As a result of efficiency savings, however, the business has been able to increase operating profits by 15% on the same period last year and again the statistics would indicate this business is more than holding its own against the competition.

The Australian business has seen a small decline in revenue against the previous year and is in the process of a period of restructuring in a market which remains affected by sluggish customer sentiment.

The business and asset sale of the discontinued Gamet Bearings operation was concluded on 9 October 2019 with the receipt of the $0.45m proceeds reducing UK bank debt. The sale of the Colchester property is expected to be concluded in the near future. The results of this operation are disclosed as a discontinued operation in the Consolidated Income Statement and the assets held for sale separately disclosed in the Statement of Financial Position.

The results of the division were as follows:

	FY20 H1 *$m*	**FY19 H1** **(Restated)** *$m*
Revenues	22.62	21.96
Operating profit*	1.66	1.37
Operating margin*	7.3%	6.2%

*from continuing operations, before adjusting items.

Industrial Laser systems

The TYKMA Electrox business has continued to see a change in the mix of its sales with a continuing increase in the commodity end of the market where it has a competitive product in the Lasergear range and a move into the higher end specialist solutions sector where its proprietary software and technical capabilities are proving successful and which has led to an overall improvement in margins.

The acquisition of CMS in June has enhanced the Group’s capabilities and added a number of new competencies, in vision and robotics in particular, which provide bespoke solutions to high end customers in the medical, pharmaceutical and aerospace sectors. The CMS business has performed well since acquisition (see note 11) and has a good pipeline of contracts.

The two businesses are benefitting from each other’s strengths with a strong sales and marketing team in TYKMA Electrox and an enhanced engineering expertise in CMS combining to give improved laser processing solutions to the market.

	FY20 H1 *$m*	**FY19 H1** *$m*
Revenues	13.04	9.68
Operating profit*	1.82	1.12
Operating margin*	14.0%	11.6%

*from continuing operations, before adjusting items.

Summary and outlook

This period has seen further progress in our strategy to build a global industrial business. The de-risking of the Group, both operationally and financially, has created a platform from which we are now beginning to leverage the strength of the Group's brands and grow the business into increasingly diversified niche markets worldwide both organically and by acquisition.

The Group has made headway despite certain macro-economic and political uncertainties across our end markets and although these may still create some short term disruption the Board believes in the long term fundamental of our businesses and the strategy they are now enacting and is optimistic for the long-term future.

Paul Dupee
Executive Chairman
2 December 2019
The 600 Group Plc

Condensed consolidated income statement (unaudited)

For the 26 week period ended 28 September 2019

	Before Adjusting Items 26 weeks ended 28 September 2019 $000	Adjusting Items 26 weeks ended 28 September 2019 $000	After Adjusting Items 26 weeks ended 28 September 2019 $000	Restated Before Adjusting Items 26 weeks ended 29 September 2018 $000	Restated Adjusting Items 26 weeks ended 29 September 2018 $000	Restated After Adjusting Items 26 weeks ended 29 September 2018 $000	52 weeks ended 30 March 2019 $000
Continuing							
Revenue	**35,657**	**-**	**35,657**	31,641	-	31,641	65,167
Cost of sales	**(22,922)**	**-**	**(22,922)**	(20,095)	-	(20,095)	(41,641)
Gross profit	**12,735**	**-**	**12,735**	11,546	-	11,546	23,526
Net operating expenses	**(10,209)**	**-**	**(10,209)**	(9,724)	-	(9,724)	(18,269)
Adjusting Items in operating expenses	**-**	**(713)**	**(713)**	-	(964)	(964)	(1,786)
Operating profit/(loss)	**2,526**	**(713)**	**1,813**	1,822	(964)	858	3,471
Profit on disposal of pension scheme	**-**	**809**	**809**	-	-	-	-
Bank interest	**-**	**-**	**-**	-	-	-	35
Interest on pension surplus	**-**	**-**	**-**	-	649	649	1255
Loan note adjustment	**-**	**-**	**-**	-	-	-	822
Financial income	**-**	**-**	**-**	-	649	649	2,112
Bank and other interest	**(662)**	**-**	**(662)**	(523)	-	(523)	(1,236)
Interest on lease liabilities	**(201)**	**-**	**(201)**	-	-	-	-
Loan note amortisation		**(259)**	**(259)**	-	(138)	(138)	-
Financial expense	**(863)**	**(259)**	**(1,122)**	(523)	(138)	(661)	(1,236)
Profit before tax	**1,663**	**(163)**	**1,500**	1,299	(453)	846	4,347
Income tax charge	**(155)**	**(283)**	**(438)**	(74)	231	157	(114)
Profit for the period on continuing activities attributable to equity holders of the parent	**1,508**	**(446)**	**1,062**	1,225	(222)	1,003	4,233
(Loss)/profit on discontinued activity	**(73)**	**(93)**	**(166)**	(13)	-	(13)	(1,107)
Profit for the period attributable to equity holders of the parent	**1,435**	**(539)**	**896**	1,212	(222)	990	3,126
Basic EPS	**1.31c**	**(0.39c)**	**0.92c**	1.08c	(0.20c)	0.88c	3.75c
Diluted EPS	**1.27c**	**(0.38c)**	**0.89c**	1.07c	(0.19c)	0.88c	3.71c
Basic EPS after discontinued	**1.24c**	**(0.47c)**	**0.77c**	1.07c	(0.20c)	0.87c	2.77c
Diluted EPS after discontinued	**1.21c**	**(0.46c)**	**0.75c**	1.06c	(0.19c)	0.87c	2.74c

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The comparative figures have been adjusted for the result of Gamet Bearings which is shown as a discontinued operation and the effects of the adoption of IFRS 15 and IFRS 9.

Condensed consolidated statement of comprehensive income (unaudited)

For the 26 week period ended 28 September 2019

		Restated	
	26 weeks	26 weeks	52 weeks
	Ended	Ended	Ended
	28 September	29 September	30 March
	2019	2018	2019
	$000	$000	$000
Profit for the period	**896**	990	3,126
Other comprehensive (expense)/income:			
Items that will not be reclassified to the Income Statement:			
Re-measurement of the net defined benefit asset	**-**	(43,476)	(43,083)
Deferred taxation	**-**	15,217	15,071
Total items that will not be reclassified to the Income Statement:	**-**	(28,259)	(28,012)
Items that are or may in the future be reclassified to the Income Statement:			
Foreign exchange translation differences	**(673)**	(1,202)	(3,005)
Total items that are or may be reclassified subsequently to the Income Statement:	**(673)**	(1,202)	(3,005)
Other comprehensive income/(expense) for the period, net of income tax	**223**	(29,461)	(31,017)
Total comprehensive income/(expense) for the period	**223**	(28,471)	(27,891)

Condensed consolidated statement of financial position (unaudited)

As at 28 September 2019

	As at 28 September 2019 $000	Restated As at 29 September 2018 $000	As at 30 March 2019 $000
Non-current assets			
Property, plant and equipment	**4,109**	3,914	3,435
Goodwill	**15,112**	10,329	10,329
Other Intangible assets	**1,260**	864	1,110
Employee benefits	**-**	6,889	-
Deferred tax assets	**4,603**	4,836	4,578
Right of use assets	**10,260**	-	-
	35,344	26,832	19,452
Current assets			
Inventories	**22,698**	19,727	19,030
Trade and other receivables	**10,379**	8,954	9,163
Employee benefits	**-**	-	7,459
Taxation	**189**	62	294
Assets classified as held for sale	**949**	-	1,108
Cash and cash equivalents	**2,534**	754	948
	36,749	29,497	38,002
Total assets	**72,093**	56,329	57,454
Non-current liabilities			
Employee benefits	**(1,274)**	(1,309)	(1,239)
Loans and other borrowings	**(12,160)**	(11,381)	(10,173)
Lease Liabilities	**(8,861)**	-	-
Deferred tax liability	**(249)**	(2,489)	-
	(22,544)	(15,179)	(11,412)
Current liabilities			
Trade and other payables	**(9,059)**	(6,371)	(8,095)
Deferred tax liability	**-**	-	(2,541)
Lease Liabilities	**(1,482)**	-	-
Provisions	**(827)**	(302)	(447)
Loans and other borrowings	**(7,271)**	(6,474)	(5,316)
	(18,639)	(13,147)	(16,399)
Total liabilities	**(41,183)**	(28,326)	(27,811)
Net assets	**30,910**	28,003	29,643
Shareholders' equity			
Called-up share capital	**1,803**	1,746	1,746
Share premium account	**3,828**	2,885	2,885
Revaluation reserve	**1,149**	1,149	1,149
Equity reserve	**201**	201	201
Translation reserve	**(7,197)**	(6,130)	(6,524)
Retained earnings	**31,126**	28,152	30,186
Total equity	**30,910**	28,003	29,643

The comparative figures have been adjusted for the effects of the adoption of IFRS 15 and IFRS 9.

Consolidated statement of changes in equity (unaudited)

As at 28 September 2019

	Ordinary share capital $000	Share premium account $000	Revaluation reserve $000	Translation reserve $000	Equity reserve $000	Retained Earnings $000	Total $000
At 31 March 2018	1,746	2,885	1,149	(3,519)	201	56,131	58,593
Profit for the period	-	-	-	-	-	990	990
Other comprehensive income:							
Foreign currency translation	-	-	-	(2,611)	-	-	(2,611)
Net defined benefit asset mvmt	-	-	-	-	-	(43,476)	(43,476)
Deferred tax	-	-	-	-	-	15,217	15,217
Total comprehensive income	-	-	-	(2,611)	-	(27,269)	(29,880)
Transactions with owners:							
Dividends	-	-	-	-	-	(738)	(738)
Credit for share-based payments	-	-	-	-	-	28	28
Total transactions with owners	-	-	-	-	-	(710)	(710)
At 29 September 2018	1,746	2,885	1,149	(6,130)	201	28,152	28,003
Profit for the period	-	-	-	-	-	2,136	2,136
Other comprehensive income:							
Foreign currency translation	-	-	-	(394)	-	-	(394)
Net defined benefit asset mvmt	-	-	-	-	-	393	393
Deferred tax	-	-	-	-	-	(146)	(146)
Total comprehensive income	-	-	-	(394)	-	2,383	1,989
Transactions with owners:							
Dividends	-	-	-	-	-	(366)	(366)
Credit for share-based payments	-	-	-	-	-	17	17
Total transactions with owners	-	-	-	-	-	(349)	(349)
At 30 March 2019	**1,746**	**2,885**	**1,149**	**(6,524)**	**201**	**30,186**	**29,643**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**896**	**896**
Other comprehensive income:							
Foreign currency translation	**-**	**-**	**-**	**(673)**	**-**	**-**	**(673)**
Net defined benefit asset mvmt	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**(673)**	**-**	**896**	**223**
Transactions with owners:							
Share capital subscribed for	**57**	**943**	**-**	**-**	**-**	**-**	**1,000**
Credit for share-based payments	**-**	**-**	**-**	**-**	**-**	**44**	**44**
Total transactions with owners	**57**	**943**	**-**	**-**	**-**	**44**	**1,044**
At 28 September 2019	**1,803**	**3,828**	**1,149**	**(7,197)**	**201**	**31,126**	**30,910**

Condensed consolidated cash flow statement (unaudited)
For the 26 week period ended 28 September 2019

	26 weeks ended 28 September 2019 $000	Restated 26 weeks ended 29 September 2018 $000	52 weeks Ended 30 March 2019 $000
Cash flows from operating activities			
Profit for the period	**896**	990	3,126
Adjustments for:			
Amortisation of development expenditure	**13**	5	73
Depreciation	**375**	295	540
Amortisation of IFRS16 Right of use assets	**610**		
Amortisation of acquisition intangibles	**322**	-	-
Net financial expense/(income)	**1,122**	12	(876)
Non-cash adjusting items	**-**	294	2,238
Net pension charge	**-**	1,308	-
Profit on disposal of pension	**(809)**	-	-
(Profit)/loss on disposal of fixed assets	**8**	(343)	(461)
Equity share option expense	**44**	28	45
Income tax expense/(credit)	**438**	(157)	114
Operating cash flow before changes in working capital and provisions	**3,019**	2,432	4,799
(Increase) /decrease in trade and other receivables	**(577)**	308	(451)
(increase)/decrease in inventories	**(3,176)**	(194)	(730)
Increase/(Decrease) in trade and other payables	**400**	(2,531)	(352)
Employee benefit contributions	**-**	(13)	(13)
Cash generated from/(used in) operations	**(334)**	2	3,253
Interest paid	**(451)**	(523)	(1,236)
Income tax paid	**(14)**	(382)	(125)
Net cash flows from operating activities	**(799)**	(903)	1,892
Cash flows from investing activities			
Interest received	**-**	**-**	1
Payment for acquisition of subsidiary, net of cash acquired	**(6,062)**	**-**	-
Proceeds from pension scheme disposal	**5,213**	**-**	-
Proceeds from sale of property, plant and equipment	**-**	344	514
Purchase of property, plant and equipment	**(253)**	(404)	(1,245)
Development expenditure capitalised	**(107)**	(497)	(1,399)
Proceeds from sale of development expenditure	**-**	-	639
Net cash from investing activities	**(1,209)**	(557)	(1,490)
Cash flows from financing activities			
Dividends paid	**-**	(736)	(1,104)
Proceeds from external borrowing	**4,388**	1,328	2
IFRS 16 Lease payments	**(716)**	-	-
Net finance lease expenditure	**(30)**	(21)	59
Net cash flows from financing activities	**3,642**	571	(1,043)
Net increase/(decrease) in cash and cash equivalents	**1,634**	(889)	(641)
Cash and cash equivalents at the beginning of the period	**948**	1,676	1,676
Effect of exchange rate fluctuations on cash held	**(48)**	(33)	(87)
Cash and cash equivalents at the end of the period	**2,534**	754	948

Notes relating to the condensed consolidated financial statements
For the 26-week period ended 28 September 2019

1. Basis of preparation and accounting policies
These interim consolidated financial statements have been prepared using accounting policies based on International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board ("IASB") as adopted for use in the EU. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 30 March 2019 Annual Report. The financial information for the half years ended 28 September 2019 and 29 September 2018 does not constitute statutory accounts within the meaning of Section 434 (3) of the Companies Act 2006 and both periods are unaudited.

The annual financial statements of The 600 Group plc ('the Group') are prepared in accordance with IFRS as adopted by the European Union. The comparative financial information for the year ended 30 March 2019 included within this report does not constitute the full statutory Annual Report for that period. The statutory Annual Report and Financial Statements for 2019 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 30 March 2019 was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) - (3) of the Companies Act 2006.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2019 annual financial statements, except for the adoption of IFRS 16 Leases from 31 March 2019

IFRS 16 - Leases

The Group has initially adopted IFRS 16 *Leases* from 31 March 2019. The effect of initially applying this standard is to increase both the assets and liabilities of the Group through the recognition on the balance sheet of the operating leases in respect of rented properties, plant and vehicles.

The group has adopted IFRS 16 using the modified retrospective approach from 31 March 2019 and therefore has not restated comparatives for the previous reporting periods, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 31 March 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 31 March 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 March 2019 was 4.05%.

	\$000
Operating lease commitments disclosed as at 30 March 2019	**11,248**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**(1,865)**
Lease liability recognised as at 31 March 2019	**9,383**
Of which are:	
Current lease liabilities	**408**
Non-current lease liabilities	**8,975**
Lease liability recognised as at 31 March 2019	**9,383**

At the date of acquisition CMS held \$1.476m of right of use assets, all of which related to building leases.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 March 2019.

The right of use assets relate to the following asset types:

	28 September 2019	31 March 2019
	\$000	\$000
Properties	**10,106**	9,221
Plant & Machinery	**54**	64
Vehicles	**100**	98
Total right of use assets	**10,260**	9,383

The undiscounted payments under the leases fall due as follows:

	28 September 2019 $000
Up to one year	**1,482**
One to five years	**5,635**
Over five years	**5,275**
Total undiscounted payments due under leases	**12,392**

The change in accounting policy affected the following items in the balance sheet on 31 March 2019:

	31 March 2019 $000
Right of use assets	**9,383**
Lease liabilities	**(9,383)**
Net impact upon retained earnings	**-**

The introduction of IFRS16 did not have an impact upon the Group's recognised deferred tax balances.

Impact on segment disclosures and earnings per share

Adjusted EBITDA, segment assets and segment liabilities for September 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The impact on the segments affected by the change in policy are:

	Adjusted EBITDA $000	Segment assets $000	Segment liabilities $000
Machine Tools & Precision Engineered Components	437	7,485	(7,544)
Industrial Laser Systems	187	2,100	(2,119)
Head Office & unallocated	92	675	(680)
Total	716	10,260	(10,343)

Profit for the period was reduced by $0.08m and Basic Earnings per share was reduced by 0.08c for the six months to 28 September 2019 as a result of the adoption of IFRS 16.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 31 March 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application: and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Group's leasing activities and how these are accounted for.

The Group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 5 years for cars and equipment and 5-15 years for properties. These may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 31 March 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (where they exist within a lease):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of workshop equipment, office furniture and machines.

2. 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 28 September 2019	**Machine Tools & Precision Engineered Components**	**Industrial Laser Systems**	**Head Office & unallocated**	**Total**	**Discontinued**	**Group Total**
Segmental analysis of revenue	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**
Total revenue	**22,621**	**13,036**	**-**	**35,657**	**867**	**36,524**
Operating profit/(loss) pre adjusting items	**1,661**	**1,825**	**(960)**	**2,526**	**(73)**	**2,453**
Adjusting items	**-**	**-**	**(713)**	**(713)**	**(93)**	**(806)**
Operating profit/(loss)	**1,661**	**1,825**	**(1,673)**	**1,813**	**(166)**	**1,647**
Other segmental information:						
Reportable segment assets	**51,381**	**18,359**	**1,404**	**71,144**	**949**	**72,093**
Reportable segment liabilities	**(23,969)**	**(6,222)**	**(10,992)**	**(41,183)**	**-**	**(41,183)**
Intangible & Property, plant and equipment additions	**204**	**155**	**1**	**360**	**-**	**360**
Depreciation and amortisation	**494**	**416**	**410**	**1,320**	**-**	**1,320**

2. SEGMENT ANALYSIS (continued)

Restated	Continuing					
26 Weeks ended 29 September 2018	Machine Tools & Precision Engineered Components	Industrial Laser Systems	Head Office & unallocated	Total	Discontinued	Group Total
Segmental analysis of revenue	$000	$000	$000	$000	$000	$000
Total revenue	21,956	9,685	-	31,641	739	32,380
Operating profit/(loss) pre adjusting items	1,367	1,121	(666)	1,822	(13)	1,809
Adjusting items	344	-	(1308)	(964)	-	(964)
Operating profit/(loss)	1,711	1,121	(1,974)	858	(13)	845
Other segmental information:						
Reportable segment assets	38,105	9,274	8,950	56,329	-	56,329
Reportable segment liabilities	(10,529)	(5,017)	(12,780)	(28,326)	-	(28,326)
Intangible & Property, plant and equipment additions	264	637	-	901	-	901
Depreciation and amortisation	153	146	1	300	-	300

	Continuing					
52 Weeks ended 30 March 2019	Machine tools & precision engineered components	Industrial laser systems	Head Office & unallocated	Total	Discontinued	Group Total
Segmental analysis of revenue	$000	$000	$000	$000	$000	$000
Total revenue	44,575	20,592		65,167	1,572	66,739
Segmental analysis of operating profit/(loss) before Adjusting Items	3,610	2,563	(916)	5,257	(146)	5,111
Adjusting Items	(1,355)		(431)	(1,786)	(961)	(2,747)
Group operating profit/(loss)	2,255	2,563	(1,347)	3,471	(1,107)	2,364
Other segmental information:						
Reportable segment assets	38,666	9,492	8,188	56,346	1,108	57,454
Reportable segment liabilities	(11,560)	(4,496)	(11,755)	(27,811)	-	(27,811)
Fixed asset additions	686	559	-	1,245	-	1,245
Depreciation and amortisation	275	292	46	613	-	613

3. ADJUSTING ITEMS

The directors have highlighted transactions which are material and unrelated to the normal trading activity of the Group.

In the opinion of the directors the disclosure of these transactions should be reported separately for a better understanding of the underlying trading performance of the Group. These underlying figures are used by the Board to monitor business performance, form the basis of bonus incentives and are used for the purposes of the bank covenants.

These consist of the entries in relation to the UK final salary scheme in all periods and the profit on the disposal of the Pension scheme. In addition, the adjustment to the carrying value of the amortised loan notes in the prior full year, as a result of the extension of these instruments by a further two years, and the current and prior half-year's amortisation have been included as adjusting items. The items below correspond to the table below;

a) The wind up of the Group pension scheme was completed in May 2019 but during the year ended March 2019 the trustees undertook a number of exercises to reduce the liabilities of the scheme which had an actuarial cost. Given these had a beneficial effect on the ultimate buy out cost of the scheme they were supported by the Group. A charge of $1.3m was included as a result of work by the Trustees of the UK pension scheme and the Group in reducing pension liabilities. In the current period a profit on the final scheme wind up of $0.8m was reported.
b) In the prior year as a result of the outsourcing of manufacturing in the UK, the existing premises were vacated, and a sublet is in the process of completion. An onerous lease provision of $0.4m was provided as a result of this and shown in adjusting items.
c) In the prior periods, credits of $1.26m and $0.65m were recorded in financial income in respect of credit interest on the surplus in the final salary pension scheme. No cash was paid to or received from the scheme in respect of these transactions which arise as a pension accounting entry under the required standard.
d) In the prior year an adjustment to the carrying value of the amortised loan notes was shown as a credit of $0.8m in financial income with the corresponding charge for amotisation shown in the FY2019 and FY2020 half-years as a financial expense.
e) In the prior year an amount of $0.96m was recorded against the value of the Gamet Bearings assets available for sale to bring their carrying value into line with the expected proceeds of sale, less costs to sell which was further adjusted in the current period.
f) Cost associated with the acquisition of CMS amounted to $0.38m and amortisation of the acquired intangibles was $0.32m.

	28 September 2019	29 September 2018	30 March 2019
	$000	$000	$000
Items included in operating profit:			
Pensions charge (a)	**-**	(1,308)	(1,277)
Profit on sale of assets	**-**	344	-
Acquisition costs (f)	**(384)**		
Amortisation of acquisition intangibles (f)	**(322)**		
Pensions legal costs (a)	**(7)**	-	(78)
Onerous lease charges (b)	**-**	-	(431)
	(713)	(964)	(1,786)
Items included in financial income/(expense):			
Pensions interest on surplus (c)	**-**	649	1,255
Adjustment to loan notes (d)	**-**	-	822
Financial income	**-**	649	2,077
Amortisation of loan note expenses (d)	**(259)**	(138)	-
Profit on disposal of pension scheme (a)	**809**	-	-
Total adjusting items before tax	**(163)**	(453)	291
Income tax on adjusting items	**(283)**	231	(48)
Total adjusting items after tax	**(446)**	(222)	243
Loss on discontinued activity (e)	**(93)**	-	(961)
	(539)	(222)	(718)

4. FINANCIAL INCOME AND EXPENSE

	28 September 2019	29 September 2018	30 March 2019
	$000	$000	$000
Bank and other interest	**-**	-	35
Loan note adjustment	**-**	-	822
Interest on Pension surplus	**-**	649	1,255
Financial income	**-**	649	2,112
Bank overdraft and loan interest	**(206)**	(26)	(236)
Loan note interest	**(451)**	(496)	(948)
Other finance charges	**-**	-	(1)
Finance charges on finance leases	**(5)**	(1)	(6)
Pensions interest on deficit	**-**	-	(45)
IFRS 16 - Lease interest	**(201)**		
Amortisation of loan note costs	**(259)**	(138)	-
Financial expense	**(1,122)**	(661)	(1,236)

5. TAXATION

	28 September 2019	29 September 2018	30 March 2019
	$000	$000	$000
Current tax:			
Corporation tax at 19% (2018: 19%):	**-**	-	-
Overseas taxation:			
– current period	**(155)**	(50)	77
Total current tax charge	**(155)**	(50)	77
Deferred taxation:			
– current period	**(283)**	231	92
– prior period	**-**	-	(283)
Total deferred taxation charge	**(283)**	231	(191)
Taxation charged to the income statement	**(438)**	181	(114)

6. EARNINGS PER SHARE

The calculation of the basic earnings per share of 0.92c (2018: 0.88c) is based on the earnings for the financial period attributable to the Parent Company's shareholders of a profit of $1,062,000 (2018 $1,003,000) and on the weighted average number of shares in issue during the period of 115,421,143 (2018 112,973,341). At 28 September 2019, there were 8,400,000 (2018: 6,650,000) potentially dilutive shares on option and 43,950,000 (2018: 43,950,000) share warrants exercisable at 20p. The weighted average effect of these as at 28 September 2019 was 2,969,376 shares (2018: 1,187,462) giving a diluted earnings per share of 0.89c (2018: 0.88c).

	28 September 2019	29 September 2018	30 March 2019
Weighted average number of shares	**Shares**	Shares	Shares
Issued shares at start of period	**112,973,341**	112,973,341	112,973,341
Effect of shares issued in the period (4,500,000 on 21 June 2019)	**2,447,802**	-	-
Weighted average number of shares at end of period	**115,421,143**	112,973,341	112,973,341
Weighted average number of potentially dilutive shares 8,400,000 (2018: 6,650,000)	**2,969,376**	1,187,462	1,191,415
Total Weighted average diluted shares	**118,390,519**	114,160,803	114,164,756

	28 September 2019	29 September 2018	30 March 2018
	$000	$000	$000
Underlying earnings			
Total post tax earnings	**1,062**	1,003	4,233
Profit on sale of assets	**-**	(344)	-
Pensions Interest on surplus/deficit	**-**	(649)	(1,255)
Profit on sale of pension scheme	**(809)**		
Onerous lease charges	**-**	-	431
Amortisation of Shareholder loan expenses	**259**	138	-
Adjustments to amortisation of loan notes	**-**	-	(822)
Pensions charge	**-**	1,308	1,277
Pensions legal costs	**7**	-	78
Acquisition costs	**384**	-	-
Amortisation of intangible assets acquired	**322**	-	-
Associated taxation on adjusting items	**283**	(231)	48
Underlying earnings after tax	**1,508**	1,225	3,990
Underlying Earnings Per Share	**1.31c**	1.08c	3.53c
Underlying diluted EPS	**1.27c**	1.07c	3.50c

7. RECONCILIATION OF NET CASH FLOW TO NET DEBT

	28 September 2019	**29 September 2018**	30 March 2019
	$000	$000	$000
Increase/(decrease) in cash and cash equivalents	**1,634**	(889)	(641)
(decrease)/Increase in debt and finance leases	**(4,358)**	(1,307)	(61)
(decrease)/Increase in net debt from cash flows	**(2,724)**	(2,196)	(702)
Net debt at beginning of period	**(14,541)**	(15,600)	(15,600)
Loan costs amortisation and adjustments	**(177)**	(138)	982
Exchange effects on net funds	**545**	833	779
Net debt at end of period	**(16,897)**	(17,101)	(14,541)

8. ANALYSIS OF NET DEBT

	At 30 March 2019 $000	Exchange/ Reserve movement $000	Other $000	Cash flows $000	At 28 September 2019 $000
Cash at bank and in hand	818	(41)	-	1,595	**2,372**
Short term deposits (included within cash and cash equivalents on the balance sheet)	130	(7)	-	39	**162**
	948	(48)	-	1,634	**2,534**
Debt due within one year	(5,189)	43	-	(2,014)	**(7,160)**
Debt due after one year	(572)	18	-	(2,374)	**(2,928)**
Loan Notes due after one year	(9,517)	526	(177)	-	**(9,168)**
Finance leases	(211)	6	-	30	**(175)**
Total	(14,541)	545	(177)	(2,724)	**(16,897)**

9. 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

10. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the Group remain those set out in the 2019 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.

11. ACQUISITION OF CONTROL MICRO SYSTEMS INC (CMS)

On 21 June 2019 600 Group PLC acquired the entire issued share capital of Control Micro Systems Inc ("CMS"), a provider of turnkey, custom-designed and fully-automated laser process machines and systems to a diverse base of US and international blue-chip customers across a range of industries, including industry-leading positions in the high-growth precision medical equipment, pharmaceutical and aerospace sectors, for a consideration of $10m, comprising of $9m in cash and $1m of 600 Group plc shares. It is expected that the acquisition will enhance the Groups laser business and marks a further step forward in the strategy of building a global business across increasingly diversified niche markets worldwide.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	$000
Purchase consideration	
Cash paid	**9,000**
600 Group plc shares	**1,000**
Total purchase consideration	**10,000**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Provisional Fair value $000
Cash and cash equivalents	2,938
Plant and equipment	690
Customer lists and relationships	766
Inventories	1,486
Receivables	779
Payables	(1,442)
Total	5,217
Add: goodwill	4,783
Fair value of consideration paid	10,000

The fair values of all of the acquired assets, including the value of the acquired customer relationships and know-how of $0.8m, are provisional pending final valuations for those assets.

The goodwill is attributable to CMS's assembled workforce and its strong position and profitability in the pharmaceutical, healthcare and aerospace sectors. None of the goodwill is expected to be deductible for tax purposes.

Acquisition-related costs
Acquisition-related costs of $0.4m are included in adjusting items in net operating expenses in the income statement.

Revenue and profit contribution
The acquired business contributed revenues of $4.14m and net profit of $0.71m to the group for the period from 21 June 2019 to 28 September 2019. If the acquisition had occurred on 31 March 2019, it is estimated that consolidated revenue and consolidated profit after tax, on continuing activity, for the half-year ended 28 September 2019 would have been $37.4m and $1.2m respectively.

12. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED ACTIVITIES

The Gamet Bearings business is a separate operation within the UK, manufacturing precision bearings. As part of the strategy to reduce the Group's exposure to manufacturing and the requirement for ongoing capital expenditure the business was in the process of being sold to another bearing manufacturer in the UK at the March 2019 year end.

The operations of this business are shown as discontinued in both the current and comparative period and all revenue and costs have been removed from the Consolidated Income Statement and replaced by the after-tax profit or loss from the discontinued operation shown after the results of continuing operations.

The Gamet Bearings business and assets sale was completed on 9 October 2019 and the $0.45m proceeds used to reduce the UK bank debt. The sale of the Colchester property is expected to be concluded in the near future.

The assets for sale have been classified as held for sale in the consolidated statement of financial position at 28 September 2019 and 30 March 2019 and consist of inventory, freehold property and plant equipment.
An impairment loss of $961,000 on the measurement of the disposal group to fair value less cost to sell was recognised and is included in adjusting items in loss attributable to discontinued activity in the consolidated income statement for the year to March 2019. The fair value of net assets are categorised as level 3 non-recurring fair value measurement. The valuation techniques and unobservable inputs used in determining the fair value of assets held for sale are market pricing data for similar assets