The 600 Group PLC

Unaudited Interim Results for the six months ended 1 October 2016

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 1 October 2016.

Highlights:

- Revenues were £23.16m (FY16 H1: £23.35m) despite difficult trading environment
- Underlying* operating profit up 6% to £1.24m (FY16 H1: £1.17m)
- Underlying* profit before tax was £0.76m (FY16 H1: £0.75m)
- Margin improvement at Industrial laser systems continues
- Industrial laser systems operating profit increased 41% to £0.89m (FY16 H1: £0.63m)
- Australian machine tools business moves back into profit

*from continuing operations, beforespecial items.

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

“Although both of our Divisions have been operating in uncertain and challenging market conditions they have still been able to deliver acceptable financial results for the six month period ended 1 October 2016.

The overall Group order book continues to improve and has risen from 20% above the prior year’s level at the end of September 2016 to currently 30% above prior year and new quotation activity remains high.

The anticipated infrastructure spending programmes outlined in both the UK and the USA should improve the market for capital goods, and the products we supply in particular, and the medium term market outlook therefore appears to be brighter.

The actions taken to reduce overheads and become more efficient have yielded better margins and the Board remains of the view that the process of leveraging our industry recognised brands such as Colchester, Harrison, Clausing, TYKMA and Electrox through an increased worldwide distribution network will lead to revenue growth in the future.”

Reconciliation of underlying profit before taxation:

	26 Weeks ended 1 October 2016 £m	26 Weeks ended 26 September 2015 £m
Revenues	**23.16**	**23.35**
Cost of sales	**(15.07)**	**(15.42)**
Gross profit	**8.09**	**7.93**
Net operating costs	**(6.85)**	**(6.76)**
Underlying operating profit	**1.24**	**1.17**
Bank and loan note interest expense (net)	**(0.48)**	**(0.42)**
Underlying profit before tax	**0.76**	**0.75**
Other items:		
Pensions credit	**-**	**0.93**
Interest on pension surplus	**0.75**	**0.58**
Other Special items	**(0.05)**	**(0.58)**
Amortisation of shareholder loan costs	**(0.08)**	**(0.07)**
	0.62	**0.86**
Reported profit before tax	**1.38**	**1.61**

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

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The 600 Group Plc

Executive Chairman's Statement for the six months ended 1 October 2016

Overview

Although both of our Divisions have been operating in uncertain and challenging market conditions theyhave still been able to deliver acceptable financial results for the six month period ended 1 October 2016. Revenue was £23.16m against £23.35m in the previous half year but the improved operating margins in TYKMA Electrox helped improve Group underlying operating profit by 6% to £1.24m (FY16 H1: £1.17m).

Whilst the Group has seen some benefit from the retranslation of foreign earnings into Sterling following the weakness of the Pound after Brexit this has also increased input costs for the UK which are predominately Dollar based.

We have continued to invest in facilities and new product developments to maintain our strategic goal of leveraging the strength of the Group's brands into niche markets worldwide.

Results and dividend

Revenue was £23.16m (FY16 H1: £23.35m) generating a net underlying operating profit (excluding the effects of special items) up 6% at £1.24m (FY16 H1: £1.17m).

After taking account of interest on bank borrowings and loan notes, the underlying Group pre-tax profit before special items was £0.76m (FY16 H1: £0.75m) and £1.38m (FY16 H1: £1.61m including £0.93m of pensions credit) 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 items, are included in special items. The prior period included in addition to these regular items a large credit of £0.93m as a result of liability reduction exercises by the pension scheme trustees, reorganisation and redundancy costs as a result of the integration of the TYKMA and Electrox businesses, and the cost of the Board change in April 2015.

The total profit attributable to shareholders of the Group for the financial period was £1.09m (FY16 H1: £1.12m including £0.93m of pensions credit), providing earnings of 1.05 pence per share (FY16 H1: 1.21 pence). The underlying earnings per share (excluding the large pensions credit last year, pension interest and other special items) were 0.71p (FY16 H1: 0.85p).

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

	FY17 H1 ***£m***	**FY16 H1** ***£m***
Revenues	16.42	16.81
Operating profit	0.93	1.05
Operating margin	5.7%	6.2%

Revenues in our North American business were down 5% (19% at constant currency rates) against a backdrop of a declining market of around 17%. Gross margins improved by 1% and overheads were reduced by 11% to contain the fall in operating margin.

The Group believes the uncertainty of US exporters following Brexit and the effects of the US Presidential elections on domestic confidence were key factors in a difficult trading period. Actual quotation activity has been high, some 15 - 20% up on the prior year but the commitment of customers to place orders has, we believe, been affected by the uncertainty created by these two major events.

There has been a pick up in order activity since the election and the current order book is 37% higher in local currency (63% in Sterling terms) than at this time last year. The anticipated government infrastructure spending should also be positive for capital goods in general and our sector in particular in the medium term.

Product development has continued during the period with US built mills and saws being added to the range and work concluded on a CNC control for mills sold into the European market.

The machine tools business of Kondia, formerly Spain's largest manufacturer of milling machines, was acquired in early October 2016 for Euro 50,000. The Clausing operation had previously sold these products for over twenty years in the USA and has a good spares and service operation to support the existing population of machines. The popular FV milling machines will now be produced by the Group to complement the existing US built products and the worldwide spares supply will now be taken over by the Group.

Trading in the European market also proved to be difficult with revenue falling short of the corresponding prior period by 4%. Since Brexit, enquiries have improved by approximately 40% led by the UK, Middle East and Northern Europe, but conversion to orders remains weak and patchy.

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 into and are a natural extension to our existing product range in these markets. These types of product represent about 50% of the total machine tools sold by our North American operation against only about 4% currently for UK and Europe.

The first machines from our new Indian partners are due in the next few weeks and several quality and marketing visits have been made during this period by both parties.

The weakness of Sterling following Brexit has increased input costs which are predominately US Dollar based and in line with most of our competition a price increase has had to be implemented from 1 November on all products.

The Australian operation in contrast enjoyed a significant turnaround in both volumes and profitability during the period with both domestic Australian business and South East Asia improving. Volumes improved 73% over the same period last year and the business moved from a small loss into profit.

The development of new sales channels for our branded products in South East Asia including new distributorships in Thailand, Vietnam and Singapore has continued throughout this period.

Industrial Laser systems

	FY17 H1 ***£m***	**FY16 H1** ***£m***
Revenues	6.74	6.57
Operating profit	0.89	0.63
Operating margin	13.2%	9.6%

The consolidation of manufacturing onto one site in Ohio USA and revision of the supply chain was completed during this period and the improved margins seen towards the end of the last financial year have continued.
Top line progress has however, we believe, been affected by the uncertainty caused by Brexit in the UK and other issues within Europe and the presidential campaign in the USA. Although quotation activity in this Division has been strong recently, up over 30% from the levels in April and May this year, the conversion into orders has been held back by uncertainty.
Also unit volumes have improved by 11% against the same period last year, but the market has seen a degree of price deflation with unit prices falling particularly at the lower specification end of the market.

The combined TYKMA Electrox business now has worldwide credibility and in addition to securing initial sales to a number of new multi-national corporations in the period the business has recently been awarded a multiple unit repeat order for delivery in the second half of the year to a global operator with potential follow on business for sites in other countries.

A number of new products were launched in September at the IMTS trade show in Chicago providing an expanded range of products to support existing export areas and facilitate growth in these countries and Asia Pacific through a new international sales manager.

The divisional operating profit and margin have shown an increase over previous periods demonstrating the benefits of the businesses' integration and reflect an increase in overall manufacturing efficiencies.

Facilities

The industrial laser systems manufacturing operation was consolidated in Chillicothe, Ohio during the period and the reduced UK operation moved to smaller leasehold premises enabling the Letchworth long leasehold building to be sold for its book value of £2min early July 2016.

Financial position

Net assets decreased in the six month period by £2.7m to £38.1m largely as a result of the pension asset decrease. Net assets excluding the effect of pension schemes (and associated taxation) increased by £2m to £16.2m as a result of net profit generation, the increase of £0.6m in the value of the ProPhotonix investment and the currency movements on the retranslation into Sterling of our overseas assets.

Cash used in operations was negative at £1.35m with £1.46m of funds from operating activity absorbed in restructuring costs, paydown of creditors and working capital increases in the UK, as a result of the seasonal sales to educational establishments, and in the USA to support the move of laser manufacture from the UK to the USA.
The net proceeds of £2m from the sale of the Letchworth site were received in July 2016 and used to reduce UK borrowings. The exchange effect of the retranslation of our US borrowings at 1 October 2016 compared to the rates ruling at 2 April 2016 has increased the stated borrowings by £0.4m.
Net debt as a consequence of these movements increased by £0.45m to £14.34m resulting in gearing of 37.6% (March 2016: 34.8%).

New increased UK bank facilities were put in place in August 2016 with HSBC to support the UK machine tool business and Bank of America renewed and increased their working capital facilities for Clausing and TYKMA in the USA in September 2016.

UK pension scheme

The accounting surplus on the UK pension scheme decreased during the period from £42m at 2 April 2016 to £35m as a result of changes in underlying assumptions, most notably the yield on corporate bonds upon which the valuation is based.

The funding position of the scheme using the much more prudent technical provisions basis for valuationin the latest draft tri-ennial valuation at 31 March 2016 was a surplus of £2.2m compared to the tri-ennial valuation deficit at 31 March 2013 of £25.4m. Consequently it is expected that an agreement will be reached to ensure that there will continue to be no requirement for any cash funding from the Company.

The scheme continues to benefit from active management of the investment portfolio with the overall aim of securing members' benefits without reliance on future contributions from the Group. The Directors and Trustees continue to work in close co-operation, and liability reduction exercises are ongoing.

Outlook

Market conditions generally remain unpredicatable and although current enquiry levels are at a relatively high level, customer confidence to commit to purchase is, we believe, still affected by the uncertainties of Europe and policies which have been suggested will be implemented by the new US President. Underlying order activity is currently giving us less than two month's visibility and therefore trading results are subject to uncertainty and potential monthly volatility.

Despite these factors the overall Group order book continues to improve and has risen from 20% above the prior year's level at the end of September 2016 to currently 30% above prior year and new quotation activity remains high.

The anticipated infrastructure spending programmes outlined in both the UK and the USA should improve the market for capital goods and the products we supply in particular and the medium term market outlook therefore appears to be brighter.

Resource continues to be directed into sales and marketing across all businesses and new products and new markets are being developed.

The actions taken to reduce overheads and become more efficient have yielded better margins and the Board remains of the view that the process of leveraging our industry recognized brands such as Colchester, Harrison, Clausing, TYKMA and Electrox through an increased worldwide distribution network willlead to revenue growth in the future.

Paul Dupee
Executive Chairman
6 December 2016

Condensed Consolidated income statement (unaudited)

For the 26 week period ended
1 October 2016

	26 weeks Ended 1 October 2016	26 weeks ended 26 September 2015	53 weeks Ended 2 April 2016
	£'000	£'000	£'000
Continuing			
Revenue	**23,163**	23,346	45,269
Cost of sales	**(15,074)**	(15,409)	(29,899)
Gross profit	**8,089**	7,937	15,370
Net operating expenses	**(6,855)**	(6,789)	(13,014)
Pensions credit	**-**	934	940
Other special items	**(49)**	(582)	(4,460)
Total Net operating expenses	**(6,904)**	(6,437)	(16,534)
Operating profit	**1,185**	1,520	(1,164)
Bank and other interest	**1**	9	10
Contingent consideration settlement	**-**	-	2,032
Interest on pension surplus	**750**	580	1,171
Financial income	**751**	589	3,213
Bank and other interest	**(479)**	(426)	(890)
Amortisation of shareholder loan costs	**(82)**	(70)	(150)
Financial expense	**(561)**	(496)	(1,040)
Profitbefore tax	**1,375**	1,613	1,009
Income tax(charge)/credit	**(284)**	(497)	137
Profit for the period from continuing operations	**1,091**	1,116	1,146
Attributable to equity holders of the parent	**1,091**	1,101	1,157
Attributable to non controlling interests	**-**	15	(11)
	1,091	1,116	1,146
Basic earnings per share	**1.05p**	1.21p	1.26p
Diluted earnings per share	**1.05p**	1.20p	1.25p

Condensed Consolidated statement of comprehensive income (unaudited)

For the 26 week period ended 1 October 2016

	26 weeks Ended 1 October 2016 £000	26 weeks Ended 26 September 2015 £000	53 weeks Ended 2 April 2016 £000
Profit for the period	**1,091**	1,116	1,146
Other comprehensive (expense)/income:			
Items that will not be reclassified to the Income Statement:			
Remeasurement of the net defined benefit asset	**(7,816)**	(342)	4,436
Deferred taxation	**2,736**	120	(515)
Total items that will not be reclassified to the Income Statement:	**(5,080)**	(222)	3,921
Items that are or may in the future be reclassified to the Income Statement:			
Fair value adjustment of ProPhotonix investment	**606**	(167)	(29)
Fair valuation of assets held for sale	**-**	-	(450)
Foreign exchange translation differences	**629**	6	286
Total items that are or may be reclassified subsequently to the Income Statement:	**1,235**	6	(193)
Other comprehensive (expense)/income for the period, net of income tax	**(3,845)**	(383)	3,728
Total comprehensive (expense)/income for the period	**(2,754)**	733	4,874
Attributable to:			
Equity holders of the Parent	**(2,754)**	718	4,885
Non controlling interests	**-**	15	(11)
Total recognised (expense)/income	**(2,754)**	733	4,874

Condensed Consolidated statement of financial position (unaudited)

As at 1 October 2016

	As at 1 October 2016 £000	As at 26 September 2015 £000	As at 2 April 2016 £000
Non-current assets			
Property, plant and equipment	**3,430**	5,499	3,235
Goodwill	**7,144**	7,144	7,144
Other Intangible assets	**325**	2,379	322
Investments	**1,102**	358	496
Employee benefits	**33,743**	35,441	40,937
Deferred tax assets	**4,008**	2,997	3,832
	49,752	53,818	55,966
Current assets			
Inventories	**12,471**	11,293	11,271
Trade and other receivables	**8,014**	7,203	6,771
Assets held for sale	**-**	-	1,999
Cash and cash equivalents	**945**	1,383	765
	21,430	19,879	20,806
Total assets	**71,182**	73,697	76,772
Non-current liabilities			
Loans and other borrowings	**(9,430)**	(10,203)	(11,376)
Trade and other payables	**-**	(4,092)	-
Deferred tax liability	**(12,074)**	(13,546)	(14,538)
	(21,504)	(27,841)	(25,914)
Current liabilities			
Trade and other payables	**(5,221)**	(6,252)	(6,318)
Income tax payable	**(61)**	(244)	-
Provisions	**(428)**	(531)	(425)
Loans and other borrowings	**(5,853)**	(3,323)	(3,275)
	(11,563)	(10,350)	(10,018)
Total liabilities	**(33,067)**	(38,191)	(35,932)
Net assets	**38,115**	35,506	40,840
Shareholders' equity			
Called-up share capital	**1,044**	924	1,044
Share premium account	**1,013**	248	1,013
Revaluation reserve	**1,273**	1,494	1,273
Available for sale reserve	**(45)**	-	(651)
Equity reserve	**139**	139	139
Translation reserve	**2,343**	1,152	1,714
Retained earnings	**32,348**	31,404	36,308
	38,115	35,361	40,840
Non- controlling interests	**-**	145	-
Total equity	**38,115**	35,506	40,840

Condensed Consolidated statement of changes in equity (unaudited)

As at 1 October 2016

	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	Non controlling interest £000	Total £000
At 28 March 2015	**896**	**—**	**1,494**	**(622)**	**1,428**	**124**	**31,270**	**136**	**34,726**
Profit for the period	—	—	—	—	—	—	1,101	15	1,116
Other comprehensive income:									
Foreign currency translation	—	—	—	—	(179)	—	6	—	(173)
Re-measurement of net defined benefit assets	—	—	—	—	—	—	(342)	—	(342)
Fair value adjustment of investments	—	—	—	(97)	—	—	(167)	—	(264)
Deferred tax	—	—	—	—	—	—	120	—	120
Total comprehensive income	—	—	—	(97)	(179)	—	718	15	457
Transactions with owners:									
Share capital subscribed for	28	248	—	—	—	—	—	—	276
Equity element of shareholder loan issued	—	—	—	—	—	15	—	—	15
Credit for share-based payments	—	—	—	—	—	—	38	—	38
Total transactions with owners	28	248	—	—	—	15	38	—	329
Non controlling interest	—	—	—	—	—	—	—	(6)	(6)
At 26 September 2015	**924**	**248**	**1,494**	**(719)**	**1,249**	**139**	**32,026**	**145**	**35,506**
Profit for the period	—	—	—	—	—	—	56	(26)	30
Other comprehensive income:									
Foreign currency translation	—	—	—	—	465	—	(6)	—	459
Re-measurement of net defined benefit assets	—	—	—	—	—	—	4,778	—	4,778
Fair value adjustment of investments	—	—	—	68	—	—	167	—	235
Transfer on revalued properties	—	—	(221)	—	—	—	(229)	—	(450)
Deferred tax	—	—	—	—	—	—	(635)	—	(635)
Total comprehensive income	—	—	(221)	68	465	—	4,131	(26)	4,417
Transactions with owners:									
Share capital subscribed for	120	765	—	—	—	—	—	—	885
Acquisition of NCI	—	—	—	—	—	—	125	(125)	—
Credit for share-based payments	—	—	—	—	—	—	26	—	26
Total transactions with owners	120	765	—	—	—	—	151	(125)	911
Non controlling interest	—	—	—	—	—	—	—	6	6
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 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**

Condensed Consolidated cash flow statement (unaudited)

For the 26 week period ended1 October 2016

	26 weeks ended 1 October 2016 £000	26 weeks ended 26 September 2015 £000	53 weeks To 2 April 2016 £000
Cash flows from operating activities			
Profit for the period	**1,091**	1,116	1,146
Adjustments for:			
Amortisation	**28**	118	122
Depreciation	**220**	253	548
Pension credit	**—**	(934)	(940)
Net financial income	**(190)**	(94)	(141)
Other special items	**—**	487	2,363
Equity share option expense	**29**	38	64
Income tax expense	**284**	497	(137)
Operating cash flow before changes in working capital and provisions	**1,462**	1,481	3,025
(Increase) /decrease in trade and other receivables	**(884)**	(209)	463
(Increase)/decrease in inventories	**(516)**	(470)	106
(Decrease) in trade and other payables	**(1,209)**	(643)	(1,682)
Employee benefit contributions	**(206)**	—	(130)
Restructuring and redundancy expenditure	**—**	(310)	(807)
Cash (used in)/generated from operations	**(1,353)**	(151)	975
Interest paid	**(479)**	(424)	(964)
Income tax paid	**—**	(89)	(3)
Net cash flows from operating activities	**(1,832)**	(664)	8
Cash flows from investing activities			
Interest received	**1**	9	10
Purchase of Tykma	**—**	(118)	(1,378)
Proceeds from sale of property, plant and equipment	**2,100**	—	—
Purchase of property, plant and equipment	**(298)**	(688)	(1,522)
Development expenditure capitalized	**(4)**	(158)	(297)
Refinancing expenditure	**—**	(24)	—
Net cash from investing activities	**1,799**	(979)	(3,187)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	**—**	275	275
Proceeds from Loan Note issue	**—**	806	806
Proceeds from/(Net repayment of) external borrowing	**184**	942	1,883
Net finance lease expenditure	**(43)**	120	67
Net cash flows from financing activities	**141**	2,143	3,031
Net increase/(decrease) in cash and cash equivalents	**108**	500	(148)
Cash and cash equivalents at the beginning of the period	**765**	902	902
Effect of exchange rate fluctuations on cash held	**72**	(19)	11
Cash and cash equivalents at the end of the period	**945**	1,383	765

Notes relating to the condensed consolidated financial statements
For the 26-week period ended 1 October 2016

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 1 October 2016 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 1 October 2016. 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 Boardon 5 December 2016.

The comparative figures for the financial year ended 2 April 2016 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 2 April 2016 the Group refinanced in August 2016 with HSBC PLC who provided a Term Loan facility of £350k with scheduled repayments through to November 2020 and a mixture of working capital facilities upto £4.6m. Overseas bank finance in place is a mixture of term and revolving facilities with the earliest review in August 2017. 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 1 October 2016 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 53 week period ended 2 April 2016.

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 53 week period ended 2 April 2016.

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 1 October 2016	**Machine Tools & Precision Engineered Components**	**Industrial Laser Systems**	**Head Office &unallocated**	**Total**
Segmental analysis of revenue	**£000**	**£000**	**£000**	**£000**
Revenue from external customers	**16,423**	**6,740**	**-**	**23,163**
Inter-segment revenue	**-**	**-**	**-**	**-**
Total segment revenue	**16,423**	**6,740**	**-**	**23,163**
Less: inter-segment revenue	**-**	**-**	**-**	**-**
Total revenue	**16,423**	**6,740**	**-**	**23,163**
Operating Profit/(loss) pre special items	**923**	**893**	**(582)**	**1,234**
special items	**-**	**-**	**(49)**	**(49)**
Operation Profit/(loss)	**923**	**893**	**(631)**	**1,185**
Other segmental information:				
Reportable segment assets	**62,290**	**8,403**	**489**	**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**

3. SEGMENT ANALYSIS (continued)

26 Weeks ended 26 September 2015	Continuing			
	Machine Tools & Precision Engineered Components	**Industrial Laser Systems**	**Head Office &unallocated**	**Total**
Segmental analysis of revenue	£000	£000	£000	£000
Revenue from external customers	16,809	6,537	-	23,346
Inter-segment revenue	-	37	-	37
Total segment revenue	16,809	6,574	-	23,383
Less: inter-segment revenue	-	(37)	-	(37)
Total revenue	16,809	6,537	-	23,346
Operating Profit/(loss) pre-pensions credit and special items	1,049	629	(510)	1,168
Pensions credit	934	-	-	934
Other special items	-	(176)	(406)	(582)
Operation Profit/(loss)	1,983	453	(916)	1,520
Other segmental information:				
Reportable segment assets	64,142	8,150	1,405	73,697
Reportable segment liabilities	(22,712)	(5,647)	(9,832)	(38,191)
Intangible & Property, plant and equipment additions	389	497	-	886
Depreciation and amortisation	147	140	84	371

3. SEGMENT ANALYSIS (continued)

53-weeks ended 2 April 2016	Continuing			
	Machine Tools & Precision Engineered Components	**Industrial Laser Systems**	**Head Office &unallocated**	**Total**
Segmental analysis of revenue	£000	£000	£000	£000
Revenue from external customers	32,127	13,142	—	45,269
Inter-segment revenue	—	—	—	—
Total segment revenue	32,127	13,142	—	45,269
Less: inter-segment revenue		—	—	—
Total revenue per statutory accounts	32,127	13,142	—	45,269
Operating Profit/(loss) before special Items	2,073	1,179	(896)	2,356
Special Items	282	(3,217)	(590)	(3,520)
Group profit/(loss) from operations	2,355	(2,033)	(1,486)	(1,164)
Other segmental information:				
Reportable segment assets	26,630	5,970	44,172	76,772
Reportable segment liabilities	(22,078)	(3,048)	(10,806)	(35,932)
Intangible & Property, plant and equipment additions	605	1,214	-	1,819
Depreciation and amortisation	293	457	-	750

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 and assets, exceptional costs relating to reorganisation, redundancy and restructuring, legal disputes and inventory, asset and intangibles.

	1 October 2016	26 September 2015	2 April 2016
	£000	£000	£000
Items included in operating profit:			
Pension credit	-	(934)	(940)
Reorganisation ,restructuring and redundancy costs	**-**	487	1,729
Impairment of intangible assets	**-**	-	2,390
Acquisition costs	**-**	-	197
Share option costs	**29**	38	64
Amortisation of intangible assets acquired	**20**	57	80
	49	(352)	1,389
Items included in financial income/(expense):			
Pensions interest on surplus	**(750)**	(580)	(1,171)
Amortisation of loan note expenses	**82**	70	150
	(668)	(510)	(1,021)
Included in contingent consideration settlement:			
TYKMA deferred consideration settlement	-	-	(2,032)

5. FINANCIAL INCOME AND EXPENSE

	1 October 2016 £000	26 September 2015 £000	2 April 2016 £000
Interest income	**1**	9	10
Interest on Pension surplus	**750**	580	1,171
Financial income	**751**	589	1,181
Bank overdraft and loan interest	**(133)**	(98)	(155)
Loan note interest	**(340)**	(322)	(721)
Finance charges on finance leases	**(6)**	(6)	(14)
Amortisation of loan note costs	**(82)**	(70)	(150)
Financial expense	**(561)**	(496)	(1,040)

6. TAXATION

	1 October 2016 £000	**26 September 2015 £000**	2 April 2016 £000
Current tax:			
Corporation tax at 19% (2015: 20%):	**-**	**-**	-
Overseas taxation:			
– current period	**(20)**	**(13)**	53
Total current tax charge	**(20)**	**(13)**	53
Deferred taxation:			
– current period	**(264)**	**(484)**	79
– prior period	**-**	**-**	5
Total deferred taxation charge	**(264)**	**(484)**	84
Taxation chargedto the income statement	**(284)**	**(497)**	137

7. EARNINGS PER SHARE

The calculation of the basic earnings per share of 1.05p (2014:2.49p) is based on the earnings for the financial period attributable to the Parent Company's shareholders of a profit of £1,091,000 (2014 £1,101,000) and on the weighted average number of shares in issue during the period of 104,357,957 (2015: 90,801,638). At 1 October 2016, there were 6,650,000 (2015: 6,150,000) potentially dilutive shares on option and 43,950,000 (2015: 43,950,000)sharewarrants exercisable at 20p. The weighted average effect of these as at 1 October 2016 was nil (2015: 791,000) giving a dilutedearnings per share of 1.05p (2015: 1.20p).

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	1 October 2016	26 September 2015	2 April 2016
Weighted average number of shares	**Shares**	Shares	Shares
Issued shares at start of period	**104, 357,957**	89,607,957	89,607,957
Effect of shares issued in the period	**-**	1,193,681	2,076,146
Weighted average number of shares at end of period	**104,357,957**	90,801,638	91,684,103

	1October 2016 £000	26 September 2015 £000	2 April 2016 £000
Underlying earnings			
Total post tax earnings	**1,091**	1,116	1,146
Share option costs	**29**	38	64
Pensions Interest	**(750)**	(580)	(1,171)
Amortisation of Shareholder loan expenses	**82**	70	150
Pensions credit		(934)	(940)
Credit on settling deferred consideration			(2,032)
Impairment of intangible assets			2,390
Amortisation of intangible assets acquired	**20**	57	80
Other special items		487	1,729
Acquisition costs			197
Associated Taxation on special items	**264**	530	(72)
Underlying Earnings before tax	**756**	751	1,476
Underlying earnings after tax	**736**	784	1,541
Underlying Earnings Per Share	**0.71p**	0.85p	1.69p

8. RECONCILIATION OF NET CASH FLOW TO NET DEBT

	1 October 2016 £000	26 September 2015 £000	2 April 2016 £000
Increase/(decrease) in cash and cash equivalents	**108**	500	(148)
Increase in debt and finance leases	**(184)**	(1,835)	(2,757)
Increase in net debt from cash flows	**(76)**	(1,335)	(2,905)
Net debt at beginning of period	**(13,886)**	(10,798)	(10,798)
Loan costs amortisation and adjustments	**(82)**	(33)	(110)
Exchange effects on net funds	**(294)**	23	(73)
Net debt at end of period	**(14,338)**	(12,143)	(13,886)

9. ANALYSIS OF NET DEBT

	At 2 April 2016 £000	Exchange/ Reserve movement £000	Other £000	Cash flows £000	At 1 October 2016 £000
Cash at bank and in hand	665	72		108	**845**
Short term deposits (included within cash and cash equivalents on the balance sheet)	100	—	—	—	**100**
	765	72	—	108	**945**
Debt due within one year	(3,114)	(219)	—	(2,388)	**(5,721)**
Debt due after one year	(3,596)	(133)	—	2,161	**(1,568)**
Loan Notes due after one year	(7,699)	—	(82)	—	**(7,781)**
Finance leases	(242)	(14)	—	43	**(213)**
Total	(13,886)	(294)	(82)	(76)	**(14,338)**

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. The principal scheme is the UK defined benefit plan.

The UK scheme was closed to future accrual of benefits at 31 March 2013. Any deficit contributions required are determined by independent qualified actuaries based upon triennial actuarial valuations in the UK and on annual valuations in the US. There have been no deficit contributions made to the schemes during the reported periods and the latest draft actuarial valuation of the UK scheme to 31 March 2016shows the scheme to be in a surplus of £2.2m based on the Technical Provisions basis of valuation.Consequently it is expected that agreement will be reached that there will continue to be no requirement for any cash funding from the Company.

Value of UK and USA scheme assets and liabilities for the purposes of IAS 19	**1 October 2016**	26 September 2015	2 April 2016
	£000	£000	£000
Opening Fair value of schemes assets	**220,208**	230,046	230,046
Experience adjustments in the period	**30,900**	(17,600)	(9,838)
Closing Fair value of schemes assets	**251,108**	212,446	220,208
Opening present value of schemes liabilities	**179,271**	195,754	195,754
Experience adjustments in the period	**38,094**	(18,749)	(16,483)
Closing present value of schemes liabilities	**217,365**	177,005	179,271
Surplus recognised under IAS 19	**33,743**	35,441	40,937

10. EMPLOYEE BENEFITS (continued)

The principal assumptions used for the purpose of the IAS 19 valuation for the UK scheme compared to the 2016 year end were as follows:

	1 October 2016 UK scheme % p.a.	2 April 2016 UK scheme % p.a.
Inflation under RPI	**3.05**	2.85
Inflation under CPI	**2.05**	1.85
Rate of increase to pensions in payment – LPI 5%	**2.95**	2.80
Discount rate for scheme liabilities and return on assets	**2.25**	3.60

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

The investment in ProPhotonix Limited has been fair value adjusted as detailed below:

Investments	**1 October 2016 £000**	26 September 2015 £000	2 April 2016 £000
Opening cost of investment in ProPhotonix Limited	**496**	525	525
Fair value adjustment	**606**	(167)	(29)
Fair value of investment in ProPhotonix Limited	**1,102**	358	496

Fair value is based on the quoted market price at 1 October 2016.

12. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the Group remain those set out in the 2016 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.