The 600 Group PLC
Annual Report and Accounts 2018

Company Number 00196730

Contents

Chairman's statement

The results for the 2018 fiscal year have been most satisfactory and in line with the Board's expectations. Revenues, operating earnings (before special items) and pre-tax income (before special items) all had double digit percentage increases. Our order books remained steady throughout the year and remain so today.

The period since we last reported annual results has seen a number of developments that will have a significant impact on the group now and in the future.

In the Machine Tool division, the decision has been made to further rationalise UK operations. We are very efficient at product development, engineering and distribution and will continue to focus on these core strengths. The sale of surplus assets resulting from our rationalisation decisions should produce more than sufficient funds to cover the costs of the re-organisation. The resulting lowering of our fixed cost base and reduced forward capital expenditure requirements will benefit both cash flow and operating margins.

In the Industrial Laser division, the integration of TYKMA Electrox has been completed and all manufacturing operations are now being performed at the expanded Chillicothe, Ohio facility. The UK and European support operations have been consolidated with the UK Machine Tool division which will result in reduced headcount, tighter inventory control and a more integrated sales force to capitalise on the inherent synergies in our customer base.

After reviewing our current results, the Board has determined to change our presentational currency to US dollars. Approximately two thirds of our revenues are in dollars and a great proportion of our expenditure is either in dollars or currency tied to the dollar. The fluctuation in Sterling in the last few years has made it difficult to accurately measure our performance when reporting in Sterling and this change will make it more efficient for the Board and shareholders in analysing our financial results going forward.

We have also significantly strengthened our financial team in the last year in both the UK and the US and as a result have seen better, more efficient and timely reporting and forecasting.

Certainly, the most profound change has been the recent development surrounding the buy-out of the scheme liabilities of our UK defined benefit Pension Scheme. Just a few years ago the Scheme was in deficit by all measures with a buyout deficit of some £51 million ($71million). At one point a prominent portfolio manager observed that the Scheme effectively controlled the company. In a sense he was correct as there were undertakings and security arrangements in place which severely limited our flexibility. I'm delighted to say that the Scheme Trustee, working in tandem with the Company, have agreed for the pension scheme liabilities with a 31 March 2017 value of $272 million (£194 million) covering some 2,000 pensioners and 800 deferred members to be entirely transferred to Pension Insurance Corporation Plc. Once the buy-out is completed and the scheme is wound up, expected later this year, all surplus funds remaining will be returned to the 600 Group less a statutory 35% tax charge. The total net amount payable to the Company is currently estimated to be between $4 million and $5 million (£3 million and £4 million).

Dividend

As a result of the good operational performance, the reasonable current commercial outlook and particularly the resolution of the Pension Scheme, the Board has determined to resume payment of a dividend and are recommending a pay-out of 0.5p per share payable on 28 September 2018, to shareholders on the register at 31 August 2018.

People

On behalf of the Board, I would like to thank all our employees for their ongoing support, commitment and dedication to The 600 Group which has been important in continuing the improvement in our businesses. I look forward to working with them again in the coming year.

Outlook

Trading and order intake in the period since the FY18 financial year end has remained stable. We continue to seek opportunities to leverage our industry-recognised brands and expand our worldwide distribution network. The introduction of new products to widen the customer base remains a clear focus for our management teams in both divisions. Industry forecasts of growth for both divisions have improved during the year but as always remain subject to uncertain international influences and world events. The Board continues to believe the strategy of brand promotion and investment in new products and new markets will lead to continued market share growth in the future.

Paul Dupee
Executive Chairman
19 July 2018

Our businesses

The 600 Group PLC ("the Group") is a leading engineering group with a world class reputation in the design and distribution of machine tools, precision engineered components and the design, manufacture and distribution of industrial laser systems. The Group operates these businesses from locations in North America, Europe and Australia selling into more than 100 countries worldwide.

During the 52 week period ended 31 March 2018 28% of revenues came from the sale of metal turning machine tools, with a further 19% from other machine tools and 11% from the sale of precision engineered components for machine tools. Sales of Industrial laser equipment amounted to 29% of revenues with the remaining 13% of revenues being from after sales support, spare parts and services from both divisions.

Group businesses serve customers across a broad range of industry sectors, from niche markets for technical education of young engineering apprentices through to high volume production of automotive, aerospace and defence equipment. A high proportion of revenue is derived from sales via third party distribution channels, in respect of which it is more difficult to track the industry dispersion of end-user customers.

The Group benefits from a high degree of loyalty and repeat business via a large number of established distributors in many countries and territories but with no major concentrations. In the year ended 31 March 2018 the top 20 customers, of which 17 were distributors, contributed less than 26% of revenues, the same percentage as the previous year.

Revenues

Revenues are generated across many diverse geographical territories:

Percentage of worldwide revenues (by destination)	2018 %	2017 %
United States of America	65	64
United Kingdom	15	15
Europe (excluding UK)	11	12
Rest of the World	9	9
Total	100	100

Macroeconomic and industry trends

Machine tools and precision engineered components

The worldwide machine tool industry was estimated by Oxford Economics at nearly $79bn in annual sales in its Spring 2018 report. The market continues to be driven by the investment intentions of manufacturers and is sensitive to changes in the economic and financial climate. Demand responds to economic trends and typically lags the main cycle of the economy.

The global market is dominated by China with consumption of $30bn but this is largely served domestically with China also being the largest producer. The USA is the second largest consumer of machine tools at $8.8bn followed by Germany at $6.8bn.

The report indicated growth of over 7% globally in 2017 and expects the market for machine tools to remain healthy during 2018 at over 6%. Within our main markets the expectations were for the USA to remain close to 8% growth with Europe at just over 8% for 2018.

Industrial laser systems

Industry use of industrial lasers for material processing has continued to expand worldwide. Laser systems have now become a mainstream manufacturing process covering the areas of laser machining, including cutting and drilling, marking, ablation and a host of other niche applications.

Industry spending for the entire global industrial laser market continues to increase and reached a new estimated high of $4.6bn in 2017. Growth in the overall market is estimated to rise by about 7% in 2018. The laser marking and micro-materials subset is smaller than the macro-materials processing but is still solidly producing mid-single digit growth. This growth is underpinned by enhanced performance in the speed, cost and quality of the systems being implemented compared to other techniques as well as by legislative changes driving a requirement for greater traceability.

Our main markets

The main markets we operate in are the USA, Europe and Australia and these have generally stabilised following the volatility of the prior year which contained both the Brexit vote result and the US presidential elections. Order books have now returned to more normal levels and are on a par with the previous year although we have seen a market trend in both divisions for shorter lead times for our standard equipment with the expectation it is delivered in four to six weeks or less.

Whilst there remains concerns associated with the UK leaving the EU, we believe The 600 Group has a relatively low exposure to these risks given only 11% of Group sales were to EU countries excluding the UK and US Dollar income the Group generates provides a natural currency hedge against the majority of our purchases which are in US Dollars.

In addition, over 13% of our total revenues are derived from the supply of spare parts and services and this revenue stream is not dependent on achieving new sales but on servicing our existing installed base of machines.

Activity in the 2017/18 financial year

Machine tools and precision engineered components

This division operates from sites in the UK, USA, and Australia and provides solutions for metal processing through the design and development of machine tools sold under the brand names Colchester, Harrison and Clausing and the design and supply of precision engineering components under the brand names Pratt Burnerd and Gamet. There are also spares, accessories and service operations which support the significant number of machines sold over the Group’s long history of supplying quality equipment. Sales are made worldwide, with direct sales operations and distribution in North America, Europe, and Australia and a network of distributors in all other key end-user markets.

The machine tools division produced double digit growth of 11.6%, which was despite an under performance in the first half of the financial year in the UK business. The second half of the financial year saw a significant improvement in the UK operation with a 27% increase in revenue over the prior year’s second half performance and operating profits in this six month period outperforming the prior full year.

The UK machine tools operation has undergone some restructuring during the year with further outsourcing of operations and some changes to the distribution network and management team. The consequent reduction in overheads will underpin further growth potential in the new financial year.

The UK business re-launch as “Colchester Machine Tool Solutions” has given fresh impetus to the revised management team and the business is developing new distributor relationships and expanding both its direct sales force in the UK and its spares and service operation.

The US machine tool business has recovered well from market uncertainty created by the presidential elections and increased revenues by over 10%. New product launches and the increased activity of the Kondia business, acquired in the previous year, have helped improve the top line and more new products are planned for the current financial year. The range of USA produced machines continues to expand and sales to Mexico and Canada continue to grow.

The Australian machine tools business, whilst relatively small, has shown a significant increase in activity and returned to profitable trading. A review of the business in Australia and the wider South east Asia, where the Group’s machine tool brands remain well know with a good installed base, is taking place with a view to improving this operation further.

The supply and distribution agreement with our Indian partners for the manufacture and supply of machine tools and their manufacture and distribution under licence is now in operation and provides a hedge against our dependency on Taiwanese produced machine tools. We continue to work with our partners on new products to increase market coverage of our brands.

The financial results of these activities, on an underlying basis excluding special items, were as follows:

	2018 $ 000	2017 $ 000
Revenues	45,222	40,530
Underlying operating profit*	2,904	2,574
Underlying operating margin*	6.4%	6.4%

*underlying figures before special items. See note 3 and note 34.

Industrial laser systems

The integration of our industrial laser systems manufacturing facilities into the expanded site in Ohio, USA has now been completed. The UK spares and service operation is being integrated into the machine tools operation in Heckmondwike with the closure of the Letchworth operation. The business remains committed to the UK and European markets and we believe these are better serviced from the more substantial machine tools UK operation with which it already shares some common customers and distributors.

The division is building upon its increased profile in the marketplace following the integration of TYKMA ELECTROX. Revenues increased 14% over the previous year and the division continues to develop new products and has launched a number of innovative new technologies with further planned product releases in the current financial year.

The joint TYKMA ELECTROX brand now provides laser solutions which includes marking, engraving and micro-material processing. Each end user or distributor is free to choose among our brands which combined creates an enhanced product portfolio for solving an expanded number of applications. These industrial laser systems are sold for a variety of applications to provide solutions to an ever increasing market diversification in the manufacturing industry among both small and large multi-national corporate customers.

The increased requirement for traceability of all production items underpins the growth of this industry and forecasters continue to predict growth in this activity as these products replace traditional stamping, ink and dot peen systems. Continued support from legislation mandating increased traceability continues to be a positive driver for individual component identification.

Results for the financial year, on an underlying basis excluding special items, were as follows:

	2018 $ 000	2017 $ 000
Revenues	20,792	18,260
Underlying operating profit*	2,867	2,491
Underlying operating margin*	13.8%	13.6%

*underlying figures before special items. See note 3 and 34.

Group Results

Revenue from continuing operations increased by 12.3% to $66m (2017: $58.8m) with double digit growth from both divisions.

Group profit before tax was $3.87m (2017: $4.04m) and the underlying profit (before special items) was up 15% to $3.05m (2017: $2.65m).

Special items

During the financial year, the Group undertook a number of transactions, which, in the opinion of the directors, 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 non GAAP measures are explained in note 34 alternative performance measures and set out in note 3. All special items are taken into account in the GAAP figures in the Income Statement

A credit of $1.74m (2017: credit of $1.89m) is recorded in financial income in respect of the final salary pension scheme. No cash was paid to or received from the scheme in respect of this transaction which arises as a pension accounting entry under the required standard due to the surplus in the scheme recorded in the balance sheet.

In addition, in 2017 a credit of $0.8m was included as a result of work by the Trustees of the UK pension scheme and the Group in reducing pension liabilities. As a result of the changes in the USA to the rates of taxation, a significant charge of $0.6m has been made to adjust the deferred taxation assets.

An additional credit of $1.26m is recorded this year as a result of the sale of the Group's holding in ProPhotonix Ltd at the end of August 2017. This generated $1.97m of cash which was used to pay down UK debt.

Redundancy and restructuring costs were incurred on the overhead and operating cost reduction in the UK machine tools business including the further outsourcing of operations and in industrial lasers on the closure of Letchworth and the move of the spares and service operation in the UK into the machine tools operation which amounted to $1.8m (2017 $0.83m).

In addition, share option costs, amortisation of intangible assets and amortisation of loan note costs all of which are non-cash costs to the Group in the year have been included in special items.

Taxation

The current year underlying trading resulted in a credit of $0.44m (2017: credit of $0.15m) for taxation. The UK businesses continue to benefit from substantial previous tax losses and no taxation is payable in the UK. There are substantial unrecorded deferred tax assets in the UK which are released onto the balance as existing recorded losses are utilised which will help maintain a lower tax charge. There remains an unrecognised deferred tax asset of over $3.6m in addition to the recognised asset of $2.96m in respect of UK tax losses at the year end. The US businesses are subject to taxation on their profits at the new rate of 21% (2017: 34%) although the rate applicable for the 2017/18 year was a composite rate of 31%.

Deferred taxation is provided on the UK pension credits at a rate of 35%, being the rate applicable to any refund from a pension scheme and is included in special items.

Following the changes in the USA to the rates of taxation, a significant charge of $0.6m has been made to adjust the deferred taxation assets. This charge has been shown in special items.

Net profit and earnings per share

The total profit attributable to equity holders of the parent for the current financial year amounted to $3.05m (2017: $2.57m) with underlying profit of $3.48m (2017: $2.80m).

Underlying earnings from continuing operations before special items and related taxation were 3.20cents (equivalent to 2.46p) per share (2017: 2.68cents, equivalent to 2.15p) and basic earnings per share were 2.80cents (equivalent to 2.16p) (2017: 2.46cents, equivalent to 1.97p) see note 9.

Financial position and utilisation of resources

Cash flow

Cash generated from operations before working capital movements was $4.0m (2017: $3.8m)

Stock levels have increased in line with the increased activity but also to support the new product launches and the increasing market demands for shorter lead time. The UK machine tool operation has taken advantage of the greater liquidity to obtain improved terms with overseas suppliers and reduce bank trade finance costs but this has added about $0.7m to stock in transit.

$0.86m was expended on redundancy and restructuring costs at Electrox, and UK machine tools with the balance of the cash cost falling into the 2018/19 financial year.

Interest paid was in line with previous years at $1.2m with the largest component being interest on the £8.5m ($11.9m) 8% loan notes.

Capital expenditure largely consisted of demonstration and showroom equipment for the new facility in Chillicothe and these machines generally turn over regularly.

The net proceeds of $1.97m from the ProPhotonix sale were received in September 2017 and were used to pay down UK bank debt.

Net borrowings

Group net debt at 31 March 2018 reduced to $15.6m (2017: $17.1m) and comprised net bank and finance lease indebtedness of $4.3m (2017: $7.2m) and the amount outstanding on the loan notes of $11.3m (2017: $9.8m). The amount outstanding on the loan notes has increased due to the exchange rate effect of re-translation into Dollars and a small movement due to the amortisation of costs. The loan notes are shown net of un-amortised costs and amounts disclosed in equity reserve which amount to $0.6m in the current financial year (2017: $0.8m).

Repayments of $0.85m were made on term facilities in the period reducing these to $1.68m.

Working capital facilities were renewed with both HSBC and Bank of America during the year and the Group maintains a mixture of term loans and revolving working capital facilities with maturities between 1 and 3 years. Headroom on bank facilities was $8m at the year-end (2017: $4m) and all financial covenants in place were met during the year.

The £8.5m ($11.9m) 8% loan notes with a maturity of February 2020 also entitle holders to warrants of equal value to subscribe for new ordinary shares at 20p.

Gearing amounted to 27% of aggregate net assets (2017: 27%)

Going concern

The Board has assessed the Group's funding and liquidity position. The Directors confirm that, after having made appropriate enquiries, they have a reasonable expectation that the Group and the Company have adequate resources to continue operations for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparation of the financial statements.

Retirement benefits

The accounting surplus on the UK scheme at 31 March 2018 was $54.3m (2017: $65.7m). This surplus has been calculated in accordance with the scheme rules and recognised accounting requirements.

The accounting figures are calculated using prescribed methods and in particular use corporate bond rates to value the scheme liabilities whereas the trustees use a much more prudent gilts only basis of valuation when considering the Actuarial valuation.

On 17 July 2018 a contract was signed securing the buy-out of the schemes liabilities (see note 36).
The buy-out of the scheme involves securing individual annuity contracts for each member with an insurance company and passes all future risks to the insurance company. The cost of achieving this is usually higher than either the accounting basis or the schemes funding basis reflecting the insurer's capital requirements to meet inherent risks of investment returns and life expectancy over the lifetime of the members. The scheme actuary estimated a deficit of over £51m ($71m) on this buy-out basis even as late as the actuarial valuation of 2013.

The buy out of the scheme has been possible due to improvements in insurers pricing, the trustees hedging strategy, good investment returns and the hard work of the Trustees and Company in reducing scheme liabilities and costs whilst providing members with greater flexibility in the way in which they can take their benefits. The final agreement was secured after a long period of negotiation and an open market tender process with the market leaders in the industry.

The effect of the completion of this transaction on the Group balance sheet will be to eliminate the accounting surplus and associated deferred taxation liabilities and recognise the net (after tax) cash, currently estimated at between $4m and $5m (£3m and 4m), to be received from the scheme on closure (the final sum will remain uncertain until the scheme is finally wound up, which is expected towards the end of 2018). It should be noted that the scheme is held on the subsidiary company 600 UK limited balance sheet and as such the transaction will not affect the holding company reserves.

In accordance with the current legislation on taxation of pension surplus returns to a company, deferred taxation has been provided for on the pension entries at 35% as opposed to the normal 19% rate in the accounting entries. 35% tax will be deducted from the gross refund before the Trustees pay funds to the Company.

The US retiree health scheme and pension fund deficits reduced slightly during the year due to changes in actuarial assumptions to $1.2m (2017: $1.3m). The only funding of these benefits during the year was the payment of an insurance premium in respect of the retiree health scheme.

Key performance indicators (KPI's)

The Group monitors performance against key financial objectives that the Directors judge to be effective in measuring the delivery of strategic aims and managing and controlling the business. These focus at Group level on underlying profit, together with its associated earnings per share and forward order book.

At individual business unit level, KPI's also include working capital control, and customer- related performance measures such as on-time delivery, minimisation of warranty concerns, and measured levels of overall customer satisfaction.

These key performance indicators are measured and reviewed against budget projections and prior year on a regular basis and this enables the business to set and communicate its performance targets and monitor its performance against these targets.

The Group's recent performance on these financial KPI's is set out as follows:

KPI	2018	2017
Revenue (annual growth rate)	12.3%	3.9%
Order book (months)	1.6	1.6
Gross margin (%of revenue)	34.9%	34.9%
EBIT margin (% of revenue)	6.4%	6.5%

All figures are pre special items

These KPI's are used to assess performance and manage the business and have been discussed in the strategic report and divisional commentary on pages 2 to 4.

Key business risks

The Board of Directors has identified the main categories of business risk in relation to the implementation of the Group's strategic aims and objectives, and has considered reasonable steps to prevent, mitigate or manage these risks.

The principal areas noted during this review are summarised as follows:

Macro-economic – the Group's businesses are active in markets which can be cyclical in nature as the overall level of market demand is dependent upon capital investment intentions. Economic or financial market conditions determine global demand and could adversely affect our customers, distributors, operations, suppliers, and other parties with whom we transact. Such factors as the Brexit vote and the presidential elections in the USA during the prior financial year are examples of factors which have resulted in changes in demand. The Directors seek to ensure that our overall risk is mitigated by avoiding excessive concentration of exposure to any given geographical or industry segment, or to any individual customer. Market conditions, lead indicators and industry forecasts are monitored for any early warning signs of changes in overall market demand, and measures to exploit opportunities or manage elevated risks are taken as appropriate.

Production and supply chain – the continuity of the Group's business activities is dependent upon the cost effective supply of products for sale from our own facilities, and those of our key vendors. Supply can be disrupted by a variety of factors including raw material shortages, labour disputes and unplanned machine down time. In particular, the Directors are mindful that a small number of key manufacturing outsource partners are located in relatively close proximity to each other in Taiwan.
Taiwan is ranked by Gardner Research as the seventh largest producer nation of machine tools, with global production valued at almost US$4 billion. Taiwanese suppliers represent approximately one third of the total cost of sales for the Group. Group businesses mitigate against such risk by carefully selecting high quality vendors and maintaining long term constructive and open relationships. The effectiveness of such mitigation would be limited, however, in certain catastrophic circumstances (for example, extreme weather or seismic activity in the vicinity), against which the Group carries appropriate insurance. Additional, supply sources in India have been developed as a consequence and an increasing amount of product is now made in the USA as well.

Laws and regulations – Group businesses may unknowingly fail to comply with all relevant laws and regulations in the countries in which they operate and contract business. There is a risk of breach of legal, safety, environmental or ethical standards which can be more difficult to identify, comprehend, or monitor in certain territories than others. The Directors believe that they have taken all reasonable steps to ensure that operations are conducted to high ethical, environmental and health and safety standards. Controls are in place to keep regulatory and other requirements under careful review, and scrutinise any identified instances of elevated risk.

Information Technology ("IT") – Group IT systems and the information they contain are subject to security risks including the unexpected loss of continuity from virus or other issues, and the deliberate breach of security controls for commercial gain or mischief. Any such occurrences could have a significant detrimental effect on the Group's business activities. These risks are mitigated by the utilisation of physical and embedded security systems, regular back-ups and comprehensive disaster recovery plans.

Treasury and risk management

Financial risks

The main financial risks faced by the Group are credit risk, foreign currency risk, interest rate risk and liquidity risk. The Directors regularly review and agree policies for managing these risks.

Credit risk is managed by monitoring limits and payment performance of counterparties. The Directors consider the level of general credit risk in current market conditions to be normal. Where a customer is deemed to represent an unacceptable level of credit risk, terms of trade are modified to limit the Group's exposure. Insurance cover is also taken where appropriate.

Foreign currency risk is managed by matching payments and receipts in foreign currency to minimise exposure. Foreign currency is bought to match liabilities as they fall due where currency receipts are insufficient to match the liability. Whilst the Group results are now reported in US Dollars the functional currency of 600 UK, 600 Inc., Clausing Industrial Inc., TYKMA Inc. and 600 Machine Tools Pty Limited remain in their local currency respectively and the result in the Group's Statement of Financial Position and trading results can be affected by movements in these currencies. Part of this exposure is naturally hedged by entering into borrowing facilities denominated in local currencies.

Liquidity risk is managed by the Group maintaining undrawn trade finance facilities in addition to a number of longer term loans and loan notes in order to provide short term flexibility.

Interest rate risk is managed by holding a mixture of cash and borrowings in Sterling, US dollars and Australian dollars at floating rates of interest and holding loan notes with a fixed interest rate until maturity.

Market risks

The Group's main exposure to market risk arises from increases in input costs in so far as it is unable to pass them on to customers through price increases. The Group does not undertake any hedging activity in this area and all materials and utilities are purchased in spot markets. The Group seeks to mitigate increases in input costs through a combination of continuous improvement activities to minimise increases in input costs and passing cost increases on to customers, where this is commercially viable.

The Group is also aware of market risk in relation to the dependence upon a relatively small number of key vendors in its supply chain. This risk could be manifest in the event of a commercial or natural event leading to reduced or curtailed supply. The Group seeks to mitigate these risks by maintaining transparent and constructive relationships with key vendors, sharing long term plans and forecasts, and encouraging effective disaster recovery planning. Alternative sources of supply in different geographic regions have also been put in place.

The Group is also exposed to the risk of a downturn in its customers' end markets leading to reduced levels of activity for the Group. The Directors seek to ensure that the Group's activities are not significantly concentrated in sales to either one individual customer or into a single market sector in order to mitigate the exposure to a downturn in activity levels. The Directors consider that the current level of market risk is normal.

Other principal risks and uncertainties

Pension funding risk was a significant risk to the Group but this has largely been eliminated by the buy-out of the UK final salary scheme. There remains a small closed pension arrangement in the USA and a requirement to provide health insurance cover to a limited extent to a number of retired people. The Directors regularly review the performance of the pension scheme and any recovery plan. Proactive steps are taken to identify and implement cost effective activities to mitigate the pension scheme liabilities and insurance premium of the retiree health scheme.

The remaining main risks faced by the Group are to its reputation as a consequence of a significant failure to comply with accepted standards of ethical and environmental behaviour.
The Directors have taken steps to ensure that all of the Group's global operations are conducted to the highest ethical and environmental standards. Regulatory requirements are kept under review, and key suppliers are vetted in order to minimise the risk of the Group being associated with a company that commits a significant breach of applicable regulations.

Neil Carrick
Finance Director
19 July 2018

Corporate governance

High standards of corporate governance are a key priority for the Board and provide the framework on which it seeks to deliver long term improvement in shareholder value.

AIM companies will be required to report on corporate governance from 28 September 2018. The Company is small and has limited resources and therefore has formulated a corporate governance policy around the principles contained in the QCA (Quoted Companies Alliance) corporate governance code which is more appropriate for smaller companies.

The QCA code was revised at the end of April 2018 and the Board will set out on the Company's website how it addresses the ten principles of the new code in time for the new reporting requirements.

The Board

The Board is chaired by the Executive Chairman Paul Dupee who by virtue of being the managing partner of Haddeo Partners LLP is also a major shareholder.

The other executive Director is Neil Carrick the Group Finance Director who also acts as the Company Secretary.

The senior non-executive Director, Derek Zissman assisted by the two other non-executive Directors, Stephen Rutherford and Stephen Fiamma provide an adequate counterbalance and challenge to the two executive Directors and ensure no one view dominates decisions.

Whilst Stephen Rutherford has been on the Board over 9 years, he continues to provide a valuable input into Board discussion with his engineering and manufacturing background and significant experience in the Far East and remains independent of thought.

The Directors met nine times during the year under review including two visits to each of the USA business facilities which provided an opportunity to interact with the local management teams on current and future business projects. All Directors attended all meetings apart from Mr. Rutherford who was absent from one meeting.

The Board is served by an Audit Committee headed by Derek Zissman and consisting of the non-executive Directors which met three times during the year. In addition, Mr. Zissman met with the audit partner to review audit independence and planning.

The Remuneration Committee is headed by Stephen Fiamma and consists of the non-executive directors and met three times during the year.

The Board as a whole operates as the Nominations Committee as and when required.

Directors

Paul Dupee
Appointed to the Board as a non-executive Director on 2 February 2011, appointed Chairman on 14 September 2011 and appointed Executive Chairman on 30 April 2015. A private investor and currently Managing Partner of Haddeo Partners LLP. He has been involved in the management of both public and private companies in the USA and UK over many years and has extensive experience in corporate transactions.

Neil Carrick
Appointed to the Board as Group Finance Director on 3 October 2011. Previously Group Finance Director and Company Secretary of Cosalt plc. He has over 29 years' experience at board level in a finance role in public companies with overseas operations and has substantial experience in corporate transactions.

Derek Zissman*
Appointed to the Board as a non-executive Director on 2 February 2011 and currently the senior non-executive director. He is a non-executive director of a number of companies including Amiad Water Solutions Ltd (AIM Listed), Lakehouse plc (AIM listed) and HelloFresh SE (listed on the Frankfurt SE). He was a previous Vice Chairman of KPMG LLP and has considerable experience in both public and private companies throughout the World and extensive City and private equity experience.

Stephen Fiamma*
Appointed to the Board as a non-executive Director on 13 May 2015. Until 2014 he was a partner in the tax practice of Allen & Overy LLP and has significant experience of multinational tax planning, particularly involving the USA.

Stephen Rutherford*
A non-executive Director since 1 October 2007. Managing Director of Neofil Limited and Cares UK Limited. He is a Chartered engineer by background and has managed several multinational engineering and manufacturing companies and has extensive experience in the Far East, where a substantial proportion of the Group's suppliers are based.

* Non-executive Director and member of the Audit Committee and member of the Remuneration Committee.

Relations with shareholders

Regular contact is maintained with major shareholders and loan note holders, who also hold warrants to subscribe for shares. Individual shareholders attending the AGM engage directly with the Board in an open question and answer session before voting on the various resolutions. The Company updates its website for all RNS announcements and has commissioned analyst research which is made available to all shareholders through the website.

Social responsibility

The Board is aware that good relations with the wider group of stakeholders such as employees, suppliers and customers contribute to the Group's success. Regular presentations are made to staff to keep them updated and visits are made to major suppliers and customers to ensure any issues are addressed in a timely manner. Representation on trade bodies and feedback from trade and training agencies helps identify changing trends or market requirements and allows the Group to plan and adapt for upcoming changes.

Risk management

The Audit Committee has overall responsibility for the monitoring of internal controls, approving accounting policies and agreeing the treatment of significant accounting issues. The consideration and documentation of risks and opportunities is undertaken on an annual basis as part of the budgeting process which the full Board take part in. These matters are then monitored and adapted as required throughout the year by the means of regular management meetings and scheduled conference calls between the Executive Directors and the divisional management teams around the World. The annual insurance renewal provides a further opportunity to asses risks and provide cover in areas where risk mitigation is not possible or levels of risk significant.
The Board reviews monthly financial performance against budgets and forecasts and monitors bank facilities and other treasury functions with any policy changes approved by the Board.
The Audit Committee receives feedback from the external auditors on areas of risk and accounting procedures which are used in adapting internal control processes as required.

The Directors present their report to the members, together with the audited financial statements for the 52 week period ended 31 March 2018, which should be read in conjunction with the Chairman's Statement on the affairs of the Group (page 1), and the Strategic Report (pages 2 to 9). The Consolidated Financial Statements incorporate financial statements, prepared to the Saturday nearest to the Group's accounting reference date of 31 March, of the Company and all subsidiary undertakings (the Group). The results for 2018 are for the 52-week period ended 31 March 2018. The results for 2017 are for the 52-week period ended 1 April 2017

Activities of the Group
The Group is principally engaged in the in the design and distribution of machine tools and precision engineered components and the design, manufacture and distribution of industrial laser systems. The Group has subsidiary companies in overseas locations but does not have any overseas branches.

Result
The result for the period is shown in the Consolidated Income Statement on page 23.

Business review
A balanced and comprehensive analysis of development and performance of the Group is contained in the Chairman's Statement and the Strategic Report on pages 1 to 9. This analysis includes comments on the position of the Group at the end of the financial period, consideration of the principal risks and uncertainties facing the business and the key performance indicators which are monitored in relation to the achievement of the strategy of the business.

Research and development
Group policy is to design and develop products that will enable it to retain and improve its market position.

Interests in share capital
At 2 July 2018, the Directors had been informed of the following interests in shares of 3% or more of the issued ordinary share capital of the Company:

	Number	Percentage of issued ordinary share capital
Haddeo Partners LLP	23,492,535	20.79
Mr D Grimes	7,500,000	6.64
Mr A Perloff and the Maland Pension Fund Trustees	6,550,000	5.80
Miton UK MicroCap Trust plc	3,846,154	3.40

The Directors have not been notified that any other person had a declarable interest in the nominal value of the ordinary share capital amounting to 3% or more.
Haddeo Partners LLP, in addition to their shareholding above, currently hold 5,050,000 warrants to subscribe for shares at 20p.

Purchase of own shares
Authority granting the Company the option to purchase 10,435,795 of its own ordinary shares in accordance with the Companies Act 2006 was given by shareholders at the Annual General Meeting of the Company on 20 September 2017. This authority remains valid until the conclusion of the next Annual General Meeting.

Directors
Details of the current Directors of the Company are shown on page 10.
The beneficial interests of the directors in the share capital of the Company at 31 March 2018 are shown in the Remuneration Report on pages 15 to 17.
No Director has a beneficial interest in the shares or debentures of any other Group undertaking.

Environmental policy
It is the Group's policy to seek continually to eliminate and, where this is not practicable, to minimise negative environmental impacts from the pursuit of its various business interests whilst continuing to produce high quality products to its customers' requirements.
It is the Group's policy to comply with all statutory environmental legislation as a minimum and to aim to improve upon the standards set by the local regulatory authorities.

Dividend
The directors are recommending the payment of a dividend of 0.5p (0.7c) per ordinary share (2017: zero).

Financial instruments
An indication of the financial risk management objectives and policies and the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk is provided in Note 26 to the financial statements.

Provision of information to auditor
All of the current Directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

Qualifying third party indemnity
The Company has provided an indemnity for the benefit of certain of its current Directors which is a qualifying third party indemnity provision for the purpose of the Companies Act 2006.

Post balance sheet events
Other than the pension transaction, noted in the Strategic review on pages 6 and 7 and in note 36, there are no other post balance sheet events to report.

On behalf of the Board

Neil Carrick
DIRECTOR
19 July 2018

Statement of Directors’ responsibilities in respect of the strategic report, the Directors’ report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Neil Carrick
DIRECTOR
19 July 2018

As an AIM listed company The 600 Group plc is not required to prepare a remuneration report in accordance with Directors Report Regulations of the Companies Act 2006, however the Directors recognise the importance and support the principles of the Regulations. The Auditor is not required to report to the shareholders on the remuneration report, but the table of Directors' emoluments on page 16 and the table of Directors' share options on page 17 do form part of the audited accounts.

The Remuneration Committee

The Remuneration Committee (the Committee) is responsible for determining the salary and benefits of Executive Directors. It currently consists of three Non-executive Directors. The members of the Committee during the year have been:

S E Fiamma (Committee Chairman)
S J Rutherford
D Zissman

The Committee held three meetings during the year. The most significant matters discussed by the Committee at its formal meetings this year were:

- the review of a revised contract of employment for Mr. Dupee.
- the review of bonus arrangements for the current year; and
- a review of Directors' salaries.

No Director was present when his own remuneration arrangements were being discussed.

Executive Directors' remuneration

Policy
The Company aims to attract, motivate and retain the most able executives in the industry by ensuring that the Executive Directors are fairly rewarded for their individual contributions to the Group's overall performance, to the interests of the shareholders and to the ongoing financial and commercial health of the Group. The Committee feels that including equity incentives in the total remuneration package encourages alignment of the interests of the Executive Directors and senior management with those of the shareholders. The Company's strategy is to reward Executive Directors and key senior employees on both a long-term and short-term basis.

Salaries
Salaries are established on the basis of market comparisons with positions of similar responsibility and scope in companies of a similar size in comparable industries. Individual salaries of Directors are reviewed annually by the Committee and adjusted by reference to individual performance and market factors. With the approval of the Chairman, Executive Directors may take up appointments as Non-executive Directors and retain payments from sources outside the Group, provided that there is no conflict of interest with their duties and responsibilities with the Group.

Bonus scheme
A new bonus scheme was implemented from the start of the financial year based on financial targets around the achievement of budgets for Executive Directors.

Long-term incentive plans

The 600 Group PLC 2012 deferred Share Plan (the DSP)

A new scheme was introduced on 18 January 2012 which provided for deferred shares to be issued to directors and senior executives. Options were granted on 19 November 2012 which are exercisable at 10p between three and ten years after grant date and further options exercisable at 17p were issued on 7 April 2014 and at 18p on 18 August 2015. 500,000 nil cost options were issued under this scheme on 1 September 2016.

Benefits in kind
Executive Directors' benefits include a car allowance and medical insurance for self and family.

Service contracts
Mr N R Carrick has a service contract dated 27 May 2016 with a notice period of twelve months. In the case of early termination, the Company would negotiate compensation on an individual basis taking into account salary and other benefits as set out in the audited part of this report and the twelve months notice period. In the event of a change of control the notice period will be extended to 24 months, reducing back to 12 months over a 12 month period.

Mr P Dupee has a service contract dated 14 February 2018 for a fixed term to 13 February 2020. The executive can terminate this contract on 3 months written notice.

Non-Executive Directors' remuneration
Fees for Non-executive Directors are determined by the Board on the basis of market comparisons with positions of similar responsibilities and scope in companies of a similar size in comparable industries.
Non-executive Directors have contracts of service terminable on 3 months' notice and are not eligible for pension benefits.

Directors' interests in shares
The interests of Directors holding office at 31 March 2018 in the ordinary shares of the Company were as follows:

	At 31 March 2018 Number	At 1 April 2017 Number
P R Dupee	**23,492,535**	23,492,535
S J Rutherford	**20,000**	20,000
N R Carrick	**113,404**	113,404
D Zissman	**400,000**	400,000

P R Dupee's interest in the 23.5m shares arises from his position as Managing Partner of Haddeo Partners LLP, which owns these shares.
In addition, Haddeo Partners LLP holds 5,050,000 warrants and N R Carrick's wife 250,000 warrants which can be used to either convert their loan notes into shares or to purchase shares for a cash consideration.

Directors' emoluments

	Salary $	Fees $	Pension $	Bonus $	All benefits in kind $	**Total 2018 $**	Total 2017 $
P R Dupee	**357,225**	**—**	**–**	**–**	**–**	**357,225**	312,500
N R Carrick	**227,325**	**—**	**20,459**	**49,962**	**23,765**	**321,511**	261,289
D Zissman	**–**	**42,867**	**–**	**–**	**–**	**42,867**	41,250
S J Rutherford	**–**	**42,867**	**–**	**–**	**–**	**42,867**	41,250
S E Fiamma	**–**	**42,867**	**–**	**–**	**–**	**42,867**	41,250
Total	**584,550**	**128,601**	**20,459**	**49,962**	**23,765**	**807,337**	697,539

The aggregate employers NIC relating to directors was $47,788 (2017: $39,375)

Directors' share options

Details of share options at 31 March 2018 and 1 April 2017 for each Director who held office during the year are as follows:

	Number of options at 1 April 2017	Granted	Exercised	Lapsed/ forfeited	**Number of options at 31 March 2018**
N Carrick	3,150,000	—	—	—	**3,150,000**
P Dupee	1,000,000	—	—	—	**1,000,000**
S Rutherford	500,000	—	—	—	**500,000**
D Zissman	500,000	—	—	—	**500,000**
S Fiamma	500,000	—	—	—	**500,000**

Options were all granted under the 600 Group PLC Deferred Share Plan and are exercisable between 3 and 10 years from date of grant.
1,750,000 options with an exercise price of 10p were granted on 19 November 2012
3,400,000 options with an exercise price of 17p were granted on 7 April 2014,
500,000 options with an exercise price of 18p were granted on 6 August 2015

No options were granted during the year.

The charge to the Income Statement in respect of share based payments was $39,000 (2017: $85,000).

The share price at 31 March 2018 was 16.25p (22.77c) and the highest and lowest prices during the period were 17.15p (22.28c) and 12.125p (15.75c) respectively.

On behalf of the Board

Neil Carrick
DIRECTOR
19 July 2018

SECRETARY
Neil Carrick

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AUDITOR
BDO LLP

BANKERS
Bank of America
HSBC Bank plc

Broker
W H Ireland

NOMINATED Advisors
Spark Advisory Partners Limited

Independent auditor's report
To the members of The 600 Group PLC

Independent auditor's report to the members of The 600 Group Plc

Opinion

We have audited the financial statements of The 600 Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated cash flow statement and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 *Reduced Disclosure Framework*.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying amount of goodwill and intangibles

Key audit matter	***Response***
As set out in note 12, the group recognises goodwill with indefinite useful life, and other intangible assets comprising of trademarks and development expenditure with definitive useful lives as determined by the directors. The Directors perform an impairment review of goodwill and other intangibles in accordance with IAS 36, *Impairment of assets*, to determine whether the carrying amount exceeds the estimated recoverable amount at the balance sheet date. We consider the carrying amount of goodwill and other intangibles to represent a key audit matter due to the level of judgement applied in the preparation of the discounted cash flow impairment models, including the future forecast cash flows, discount rate and growth rate.	Notwithstanding the IAS 36 requirement for an annual impairment review on intangible assets with indefinite useful life, we first considered the existence of any indicators of impairment within the business. Giving consideration to the current performance and future trading outlook we did not identify any such indicators. In respect of the annual impairment review, we considered the appropriateness of the discount rate through verifying or otherwise benchmarking the inputs to this calculation. We also assessed the growth rate against long-term inflation forecasts and found this to be reasonable. In considering the input assumptions we also assessed the sensitivity of the model to these by testing the change in judgement required to produce an impairment. All inputs were found to be within an appropriate range when considering the headroom resulting from this sensitivity analysis. We also considered the forecasts used against performance in the year and post year-end, budgets and the historical accuracy of previous forecasts. In doing this we challenged management on any key judgements applied, by verifying the basis of the forecast change.

Revenue recognition

Key audit matter	***Response***
As set out in note 1, the group recognises revenue at the point at which goods are supplied or title otherwise passes to customers, or when services have been completed in full. Included within revenue are a number of items which are recognised under bill and hold arrangements, meaning that entitlement to revenue occurs prior to physical despatch of goods, through passing of title. This adds judgement to the recognition of revenue as the Directors are required to make an assessment as to whether the recognition requirements of IFRSs have been satisfied in respect of these transactions. At 31 March 2018 the value of bill and hold arrangements in place across the group totaled $712k, representing 1.1% of group revenue. Revenue recognition forms a key risk area and this was reflected in our allocation of resources within the audit. Further to this there are specific judgements as set out above concerning bill and hold arrangements. We therefore identified this area as a key audit matter	Our approach to revenue included testing of revenue recognised throughout the year, on a sample basis, upon transfer of title or completion of the associated service. Specific additional procedures focused on revenue recognised under bill and hold arrangements. This involved reviewing signed customer confirmations of acceptance of goods pre year-end, evidencing fulfilment of the obligations of the group in recognising this revenue in the absence of physical despatch. We also agreed these sales to invoice to confirm accuracy of the revenue recognised under bill and hold arrangements. Cut-off testing was performed around the year-end, and reviewed credit notes raised subsequent to the year-end.

UK pension scheme surplus

Key audit matter	***Response***
The group recognises a defined benefit UK pension scheme asset at 31 March 2018 of $54.3m (2017: $65.7m), as stated before deduction of the associated deferred tax liability. This valuation has been performed by independent actuaries appointed by the Directors using the guidance included in IAS19 "Employee Benefits". The scale of the assets and liabilities held in the scheme means that the actuarial assumptions on which the liability calculation is determined is a key judgment. As set out in note 30, the overall pension asset is also recognised in full, as any surplus after all liabilities have been settled is to be repaid to the company. The Directors have negotiated with a third party to sell their obligations under this pension scheme. As set out in note 36 this has resulted, post year-end, in a contractual arrangement to settle the liabilities and wind up the scheme. This subsequent transaction does not adjust any of the 31 March 2018 figures presented under IAS19.	Our approach to pension work involved assessing IAS19 assumptions and workings provided by the Company's actuary. We consulted with a third party specialist actuary to assist our audit work in this area. We also satisfied ourselves that the pension asset could be recognised in full at 31 March 2018, paying particular attention to accounting guidance linked to IAS19 surplus recognition. In assessing the post balance sheet event we considered the nature of the transaction and the clarity of the disclosure given.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the group financial statements as a whole was set at $260,000 (£200,000). This was determined with reference to statutory profit before tax excluding the impact of year-end redundancy and reorganisation costs, of which this represents 5%. This materiality approach was applied consistently across the group audit, and set having considered relative component significance.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Performance materiality has been set at 60% of the above materiality. This was assessed on criteria such as complexity and the control environment of the group.

We agreed with the Audit Committee that we would report all individual audit differences in excess of $5,000 (£4,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level. This includes certain risks that arise in subsidiaries but have a potentially material impact at a group level.

Financial information relating to the parent company, UK trading companies and the consolidation process was subject to full scope audit by the group audit team.

As the majority of the group's activity is situated in the USA, the group audit team involved the use of member firms in these locations as component auditors. Full scope audits were conducted on these significant components, with a high level of involvement by the group audit team. This included, most notably, risk identification, setting of materiality and audit response. The group audit team was involved in these audits through engagement with both component management and auditors at various meetings and performance of on-site review of component audit files.

Assurance was obtained over insignificant components that were not subject to full scope audit by performing desktop review procedures applying the group materiality level.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds
United Kingdom
Date: 19 July 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement
For the 52-week period ended 31 March 2018

	Notes	Before Special Items 52 weeks ended 31 Mar 2018 $000	Special Items 52 weeks ended 31 Mar 2018 $000	After Special Items 52 weeks ended 31 Mar 2018 $000	Before Special Items 52 weeks ended 1 April 2017 $000	Special Items 52 weeks ended 1 April 2017 $000	After Special Items 52 weeks ended 1 April 2017 $000
Continuing							
Revenue	1	**66,014**	**-**	**66,014**	58,790	-	58,790
Cost of sales		**(42,972)**	**(764)**	**(43,736)**	(38,252)	(147)	(38,399)
Gross profit/(loss)		**23,042**	**(764)**	**22,278**	20,538	(147)	20,391
Net operating expenses	2,3	**(18,812)**	**(1,126)**	**(19,938)**	(16,706)	(66)	(16,772)
Operating profit/(loss)	3,4	**4,230**	**(1,890)**	**2,340**	3,832	(213)	3,619
Financial income	6	**-**	**1,741**	**1,741**	4	1,891	1,895
Financial expense	6	**(1,182)**	**(290)**	**(1,472)**	(1,183)	(295)	(1,478)
Profit on ProPhotonix disposal	3	**-**	**1,256**	**1,256**	-	-	-
Profit/(loss) before tax		**3,048**	**817**	**3,865**	2,653	1,383	4,036
Income tax (charge)/credit	7	**436**	**(1,252)**	**(816)**	147	(1,609)	(1,462)
Profit/(loss) for the period from continuing operations attributable to the equity holders of the parent		**3,484**	**(435)**	**3,049**	2,800	(226)	2,574
Basic earnings per share	9	**3.20c**	**(0.40)c**	**2.80c**	2.68c	(0.22)c	2.46c
Diluted earnings per share	9	**3.18c**	**(0.40)c**	**2.78c**	2.68c	(0.22)c	2.46c

Company Number 00196730

The accompanying accounting policies and notes on pages 28 to 66 form part of these Financial Statements.

Consolidated statement of comprehensive income
For the 52-week period ended 31 March 2018

	Notes	52-week period ended 31 March 2018 $000	52-week period ended 1 April 2017 $000
Profit for the period		**3,049**	2,574
Other comprehensive income/(expense)			
Items that will not be reclassified to the Income Statement:			
Release of available for sale reserve on ProPhotonix disposal		**(1,465)**	-
Remeasurement of defined benefit asset	30	**(19,659)**	10,495
Deferred taxation	14	**6,852**	(3,673)
Total items that will not be reclassified to the Income Statement:		**(14,272)**	6,822
Items that are or may in the future be reclassified to the Income Statement:			
Foreign exchange translation differences		**4,109**	(4,779)
Fair valuation of investments		**-**	1,446
Total items that are or may in the future be reclassified to the Income Statement:		**4,109**	(3,333)
Other comprehensive income / (costs) for the period, net of income tax		**(10,163)**	3,489
Total comprehensive income for the period		**(7,114)**	6,063
Attributable to:			
Equity holders of the Parent Company		**(7,114)**	6,063

The accompanying accounting policies and notes on pages 28 to 66 form part of these Financial Statements.

Consolidated statement of financial position

Company Number 00196730

As at 31 March 2018

	Notes	**As at 31 March 2018 $000**	As at 1 April 2017 $000	As at 2 April 2016 $000
Non-current assets				
Property, plant and equipment	11	**4,111**	4,668	4,590
Goodwill	12	**10,329**	10,329	10,329
Other Intangible assets	12	**407**	382	457
Investments	13	**-**	2,068	704
Deferred tax assets	14	**5,102**	4,359	5,438
Employee benefits	30	**54,319**	65,677	59,559
		74,268	87,483	81,077
Current assets				
Inventories	15	**19,597**	15,935	15,994
Trade and other receivables	16	**10,266**	9,312	9,608
Assets classified as held for sale	17	**-**	-	2,837
Cash and cash equivalents	18	**1,676**	1,352	1,086
		31,539	26,599	29,525
Total assets		**105,807**	114,082	110,602
Non-current liabilities				
Employee benefits	30	**(1,225)**	(1,289)	(1,469)
Loans and other borrowings	19	**(12,251)**	(11,552)	(16,143)
Deferred tax liabilities	14	**(19,020)**	(22,770)	(20,629)
		(32,496)	(35,611)	(38,241)
Current liabilities				
Trade and other payables	20	**(9,205)**	(6,801)	(8,965)
Taxation	20	**(291)**	-	-
Provisions	21	**(53)**	(486)	(603)
Loans and other borrowings	19	**(5,025)**	(6,890)	(4,647)
		(14,574)	(14,177)	(14,215)
Total liabilities		**(47,070)**	(49,788)	(52,456)
Net assets		**58,737**	64,294	58,146
Shareholders' equity				
Called-up share capital	23	**1,746**	1,629	1,629
Share premium account		**2,885**	1,484	1,484
Revaluation reserve		**759**	797	1,806
Available for sale reserve		**-**	1,446	-
Equity reserve		**201**	201	201
Translation reserve		**(4,565)**	(6,724)	(2,830)
Retained earnings		**57,711**	65,461	55,856
Total equity		**58,737**	64,294	58,146

The financial statements on pages 23 to 66 were approved by the Board of Directors on 19 July 2018 and were signed on its behalf by:

NEIL CARRICK
GROUP FINANCE DIRECTOR
19 July 2018

Consolidated statement of changes in equity

Company Number 00196730

As at 31 March 2018

	Ordinary 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	**1,629**	**1,484**	**1,806**	**(924)**	**(2,830)**	**201**	**56,780**	**57,952**
At 2 April 2016 as restated*	**1,629**	**1,484**	**1,806**	**—**	**(2,830)**	**201**	**55,856**	**58,146**
Profit for the period	—	—	—	—	—	—	2,574	2,574
Other comprehensive income:								
Foreign currency translation	—	—	(120)	-	(3,894)	—	(765)	(4,779)
Net defined benefit asset mvmt	—	—	—	—	—	—	10,495	10,495
Fair valuation of Investments	—	—	—	1,446	—	—	—	1,446
Transfer on revalued properties	—	—	(889)	—	—	—	889	—
Deferred tax	—	—	—	—	—	—	(3,673)	(3,673)
Total comprehensive income	—	—	(1,009)	1,446	(3,894)	—	9,520	6,063
Transactions with owners:								
Credit for share-based payments	—	—	—	—	—	—	85	85
Total transactions with owners	—	—	—	—	—	—	85	85
At 1 April 2017	**1,629**	**1,484**	**797**	**1,446**	**(6,724)**	**201**	**65,461**	**64,294**
Profit for the period	—	—	—		—	—	3,049	3,049
Other comprehensive income:								
Foreign currency translation	—	—	(38)	19	2,159	—	1,969	4,109
Net defined benefit asset mvmt	—	—	—	—	—	—	(19,659)	(19,659)
ProPhotonix disposal	—	—	—	(1,465)	—	—	—	(1,465)
Deferred tax	—	—	—	—	—	—	6,852	6,852
Total comprehensive income	—	—	(38)	(1,446)	2,159	—	(7,789)	(7,114)
Transactions with owners:								
Share capital subscribed for	117	1,401	—	—	—	—	—	1,518
Credit for share-based payments	—	—	—	—	—	—	39	39
Total transactions with owners	117	1,401	—	—	—	—	39	1,557
At 31 March 2018	**1,746**	**2,885**	**759**	**—**	**(4,565)**	**201**	**57,711**	**58,737**

***see note 35 ProPhotonix disposal**

The accompanying accounting policies and notes on pages 28 to 66 form part of these Financial Statements.

Consolidated cash flow statement

For the 52-week period ended 31 March 2018

	Notes	**52-week period ended 31 March 2018 $000**	52-week period ended 1 April 2017 $000
Cash flows from operating activities			
Profit for the period		**3,049**	2,574
Adjustments for:			
Amortisation of development expenditure		**71**	73
Depreciation		**596**	566
Net financial income		**(269)**	(417)
Net pension credit		**-**	(809)
Non-cash special Items		**991**	262
Profit on disposal of Prophotonix	35	**(1,256)**	-
Equity share option expense		**39**	85
Income tax expense/(credit)		**816**	1,462
Operating cash flow before changes in working capital and provisions		**4,037**	3,796
(Increase) in trade and other receivables		**(445)**	(188)
(Increase) in inventories		**(2,970)**	(1,755)
Decrease/(increase) in trade and other payables		**1,169**	(1,576)
Employee benefits contributions		**(143)**	(150)
Cash generated in operations		**1,648**	127
Interest paid		**(1,183)**	(1,183)
Income tax received/(paid)		**-**	110
Net cash flows from operating activities		**465**	(946)
Cash flows from investing activities			
Interest received		**-**	4
Proceeds from sale of property, plant and equipment		**285**	2,613
Sale of investment in Prophotonix		**1,972**	—
Purchase of property, plant and equipment		**(694)**	(612)
Development and trademarks expenditure capitalised		**(87)**	(28)
Net cash flows from investing activities		**1,476**	1,977
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**1,517**	—
Repayment of external borrowing		**(2,985)**	(3,141)
Proceeds from external borrowing		**-**	2,593
Net finance lease income/(expenditure)		**(56)**	(116)
Net cash flows from financing activities		**(1,524)**	(664)
Net increase in cash and cash equivalents	24	**417**	367
Cash and cash equivalents at the beginning of the period		**1,352**	1,086
Effect of exchange rate fluctuations on cash held		**(93)**	(101)
Cash and cash equivalents at the end of the period	18	**1,676**	1,352

The accompanying accounting policies and notes on pages 28 to 66 form part of these Financial Statements.

Group accounting policies

BASIS OF PREPARATION

The 600 Group PLC is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange.

After reviewing our current results, the Board has determined to change our presentational currency to US dollars. Approximately two thirds of our revenues are in dollars and a great proportion of our expenditure is either in dollars or currency tied to the dollar. The fluctuation in Sterling in the last few years has made it difficult to accurately measure our performance when reporting in Sterling and this change will make it more efficient for the Board and shareholders in analysing our financial results going forward.

The Group Consolidated Financial Statements incorporate accounts, prepared to the Saturday nearest to the Group's accounting reference date of 31 March of the Company and its subsidiary undertakings (together referred to as the Group). The results for 2018 are for the 52-week period ended 31 March 2018. The results for 2017 are for the 52-week period ended 1 April 2017.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 67 to 77.

IFRS and IFRIC are issued by the International Accounting Standards Board (the IASB) and must be adopted into European Union law, referred to as endorsement, before they become mandatory under the IAS Regulation.

There have been no alterations made to the accounting policies as a result of considering all amendments to IFRS and IFRIC interpretations that became effective during the accounting period as these were considered to be immaterial to the Group's operations or were not relevant. A change to the Deed and Rules was agreed with the Trustees of the UK 600 Group Pension Scheme on 28 September 2012 allowing the accounting surplus on the scheme to be included on the Group balance sheet under IFRIC 14.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):
IAS 7 (amendments) Disclosure initiative (effective from 1 January 2017)
IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses (effective from 1 January 2017)
IFRS 12 (amendments) Annual Improvements to IFRSs 2015-2017 Cycle (effective from 1 January 2019)
IFRS 9 Financial Instruments (effective from 1 January 2018)
IFRS 15 Revenue from contracts with customers (effective from 1 January 2018)
IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions (effective from 1 January 2018)
IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective from 1 January 2018)
IFRS 16 Leases (effective from 1 January 2019)
IFRS 23 (amendments) Uncertainty over Income Tax Treatment (effective from 1 January 2019)

The Group is currently reviewing the potential impact of the above standards.

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the Group financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 31.

The consolidated financial statements are presented in US Dollars rounded to the nearest thousand.

The following principal accounting policies have been applied consistently to all periods presented in these Group financial statements.

The financial statements are prepared under the historical cost convention except that properties are recognised initially at cost and are subject to regular revaluations.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 1 and the Strategic Report on pages 2 to 9.

The Group has a mixture of term loans and revolving working capital facilities with maturities between 1 and 3 years with HSBC in the UK and Bank of America in the USA. Headroom on bank facilities was $8m at the year-end (2017: $4m) and all financial covenants in place were met during the year. It is expected that the short term facilities in place at the year-end will be extended on similar terms.

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 continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Group accounting policies

BASIS OF CONSOLIDATION

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings. Subsidiary undertakings are those entities that are controlled by the Group. The results of any subsidiaries sold or acquired are included in the Group's income statement up to, or from, the date control passes. All intra-Group balances and transactions, including unrealised profits arising from intra-Group transactions, are eliminated fully on consolidation.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities are translated into US Dollars at the rate of exchange ruling at the balance sheet dates. Equity and reserves are translated into US Dollars as the historical rate ruling when the transaction occurred. Earnings of operations in currencies other than US Dollar are translated at the average exchange rate for the period as an approximation to actual transaction date rates. Exchange differences arising from the re-translation of assets and liabilities in currencies other than US Dollar are recorded as a movement on reserves. All other exchange differences are dealt with through the income statement.

On transition to adopted IFRS, the Group took the exemption under IFRS 1 to reset the translation reserve to $nil. The balance on this reserve only relates to post transition.

REVENUE

Revenue represents the total of the amounts invoiced to customers outside the Group for goods supplied and services rendered, excluding VAT, and after deducting discounts allowed and credit notes issued. Revenue is recognised at the point at which goods are supplied or title passes to customers, depending on the respective terms of sale or when services have been completed in full. Revenue is recognised on transactions under bill and hold arrangements at the point that unconditional rights to the goods passes irrespective of physical shipment. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated completion costs, the possible return of goods or continuing management involvement with the goods other than in respect of storage for customers' goods.

13% of the Group's revenues arise from after sales support, spare parts and services.

SEGMENT ANALYSIS

The Group has adopted IFRS 8 "Operating segments" which 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 Executive Directors consider there to be two continuing operating segments being Machine Tools and Precision Engineered Components and Industrial Laser Systems. The machine tools division consists of sale of metal turning and other machine tools and precision component parts for these tools. They are aggregated in segmental reporting due to the uniformity of the customer base and geographical location of these sales and for consistency with internal reporting to the chief operating decision maker.

The Executive Directors assess the performance of the operating segments based on a measure of underlying 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.

OPERATING PROFIT, SPECIAL ITEMS AND DISCONTINUED OPERATIONS

In order for users of the financial statements to better understand the underlying performance of the Group, the Board have separately disclosed transactions which, whilst falling within the ordinary activities of the Group are significant costs associated with the ongoing restructure of the Group including associated redundancy costs or are non cash transactions such as share based payments and amortisation of intangible assets acquired and non cash pension transactions are separately identified as special items (see note 3 and note 34 Alternative performance measures).

Special items include acquisition costs, gains and losses on the sale of properties and assets, exceptional costs relating to reorganisation, redundancy and restructuring, refinancing costs, legal disputes and inventory, asset and intangibles impairments. The effect of the tax rate change in the USA on the deferred tax assets in the USA has also been included in special items.

PENSIONS AND POST-RETIREMENT HEALTH BENEFITS

The Group operates both defined benefit and defined contribution pension schemes. It also operates a retirement healthcare benefit scheme for certain of its employees in the US. The Group's net obligation in respect of the defined benefit schemes and the retirement healthcare benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any scheme assets is deducted. The discount rate for the UK schemes is based on the annualised yield on AA credit rated corporate bonds. The discount rate for the retirement healthcare benefit scheme is based on a similar measure which is appropriate for the US market. The calculations are performed by a qualified actuary using the projected unit method. Remeasurements are recognised immediately through the statement of comprehensive income. The extent to which the schemes' assets exceed the liabilities is shown as a surplus in the balance sheet to the extent that the surplus is recoverable by the Group. Further provision is made to the extent that the Group has any additional obligation under a minimum funding requirement. The UK defined benefit scheme was closed to future accrual on 31 March 2013 after a period of consultation with employees and the agreement of the scheme trustees.

Items recognised in the income statement and statement of comprehensive income are as follows:

WITHIN PROFIT FROM OPERATIONS

• current service cost – representing the increase in the present value of the defined benefit obligation resulting from employee service in the current period;

• past service cost – representing the increase in the present value of the defined benefit obligation resulting from employee service in prior periods, which arises from changes made to the benefits under the scheme in the current period. To the extent that the changes to benefits vest immediately, past service costs are recognised immediately, on the income statement; and

• gains and losses arising on settlements and curtailments – where the item that gave rise to the settlement or curtailment is recognised within operating profit.

• obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

BELOW PROFIT FROM OPERATIONS

• interest cost on the net asset or liability of the scheme – calculated by reference to the net scheme asset or liability and discount rate at the beginning of the period..

WITHIN THE STATEMENT OF COMPREHENSIVE INCOME

• remeasurements arising on the assets and liabilities of the scheme.

GOODWILL

Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset and represents the excess of the fair value of the consideration given over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired.

In accordance with IFRS 1 "First-time Adoption of IFRS", goodwill has been frozen at its net book value as at the date of transition and will not be amortised. Instead it will be subject to an annual impairment review with any impairment losses being recognised immediately in the income statement. Goodwill written off in prior years under previous UK GAAP is not reinstated.

RESEARCH AND DEVELOPMENT

Research expenditure undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes direct labour and an appropriate proportion of overheads. Amortisation is charged to the income statement on a straight-line basis over the useful economic life of the activity. Currently the annual rate used is 20%.

INVESTMENTS

Investments in quoted shares are classified as Available for sale and measured at fair value. Movements in fair value are recorded in the Available for sale reserve until the shares are sold, in which case the Available for sale reserve is recycled to other comprehensive income.

Group accounting policies

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are held at cost, subject to property revaluations every three to five years, or indications of changes in fair value of properties. During March 2015 the Group's properties were revalued. The valuations were performed by independent valuers, Sanderson Weatherall, and the valuations were determined by market rate for sale with vacant possession. Revalued amounts are reflected in the balance sheet with resulting credits taken to revaluation reserve and debits, after reversing previous credits, taken to the consolidated income statement. Profits or losses on disposals are calculated using the carrying value in the balance sheet.

Depreciation is calculated to write off the cost (or amount of the valuation) of property, plant and equipment less the estimated residual value on a straight-line basis over the expected useful economic life of the assets concerned. The annual rates used are generally:

- freehold buildings – 2 to 4%
- leasehold improvements – over residual terms of the leases
- plant and machinery – 10 to 20%
- fixtures, fittings, tools and equipment – 10 to 33.3%
- Land – nil

INVENTORIES

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

• raw materials - purchase cost on a first in, first out basis

• finished goods and work in progress – cost of direct materials on a first in, first out basis and labour and a proportion of manufacturing overheads based on normal operating capacity

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

TRADE AND OTHER RECEIVABLES

Trade receivables are initially measured on the basis of their fair value and are subsequently reduced by appropriate provisions for estimated unrecoverable amounts. Trade receivables are subsequently measured at amortised cost. Bad debts are written off when identified.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet comprise cash at bank,on deposit and in hand.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of cash management.

COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and gains and losses related to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

SHARE-BASED PAYMENTS

The grant-date fair value of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors of the Group and based on the best available estimates at that date, will ultimately vest. The charge is trued-up only for service and non-market conditions. The income statement charge or credit for a period represents the movement in cumulative expenses recognised as at the beginning and end of that period.

Charges for employee services received in exchange for share-based payment have been made for all options granted after 7 November 2002 in accordance with IFRS 2 "Share-based payment". The fair value of such options has been calculated using a binomial or Black Scholes option-pricing model, based upon publicly available market data at the point of grant.

Group accounting policies

TAXATION
Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the statement of comprehensive income. Income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which an asset can be utilised.

LEASES
Assets financed by leasing arrangements, which give rights approximating to ownership, are treated as if they had been purchased outright and are capitalised and depreciated over the shorter of the estimated useful life of the assets and the period of the leases. The capital element of future rentals is treated as a liability and the interest element is charged against profits in proportion to the balances outstanding. Leases where the risk and reward of ownership remain with the lessor are treated as operating leases and the rental costs are charged against profits on a straight-line basis.

DERIVATIVE FINANCIAL INSTRUMENTS
The Group does not hedge account but uses on occasion derivative financial instruments to hedge its commercial exposure to foreign exchange arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are accounted for as trading instruments and are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value based on market valuations obtained. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

The fair value of any forward exchange contracts is their quoted market price at the balance sheet date, which is based on the quoted forward price.

INTEREST-BEARING BORROWINGS
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

PROVISIONS
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, although there remains uncertainty over timing or the amount of the obligation, and a reliable estimate can be made of the amount of the obligation.

IMPAIRMENT
The carrying amount of the Group's assets, other than inventories and deferred tax assets (see accounting policies above), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement. Those relating to revalued property are treated in accordance with IAS 16.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets of the unit (group of units) on a pro rata basis.

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE
Assets and liabilities held for sale are those which are being actively marketed for sale at the period-end and which management believes will be disposed of within 12 months of the balance sheet date. These assets are stated at fair value with any gain or loss resulting from the changes in fair value recognised within the consolidated income statement as a special item. Where the asset is an investment in a subsidiary undertaking then any corresponding liabilities are disclosed in liabilities held for sale.

Group accounting policies

BUSINESS COMBINATIONS

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2010:

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:
the fair value of the consideration transferred; plus
the recognised amount of any non-controlling interests in the acquiree; plus
the fair value of the existing equity interest in the acquiree; less
the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.
When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.
Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.
Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.
On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Acquisitions prior to 1 January 2010:

For acquisitions prior to 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.
Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

ACQUISTIONS AND DISPOSALS OF NON-CONTROLLING INTERESTS

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.
Prior to the adoption of IAS 27 (2008), goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

NON-CONTROLLING INTERESTS

Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders. As a result, no gain or loss on such changes is recognised in profit or loss but rather in equity.

DIVIDENDS

Dividends on non-equity shares are recognised as a liability and accounted for on an accruals basis. Equity dividends are recognised as a liability in the period in which they are declared (appropriately authorised and no longer at the discretion of the Company).

RESERVES

A consolidated statement of changes in equity is shown on page 26.

Share premium account

The share premium reserve comprises the premium paid over the nominal value of shares for shares issued.

Revaluation reserve

The Group's properties are valued periodically and the difference between the valuation and the carrying value of the property is taken to revaluation reserve. Any impairments in property valuation in excess of credits made to the revaluation reserve for that property are charged to the consolidation income statement.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities reporting in currencies other than the US Dollar.

Equity reserve

The equity reserve was created on the issue of the loan notes which include convertible warrants, the value of which is recognised in equity.

Available for sale reserve

The available for sale reserve was created for movements in the carrying value of the Group's investment in ProPhotonix Ltd.

Retained earnings

Retained earnings brought forward from prior periods along with current year result.

Notes relating to consolidated financial statements
As at 31 March 2018

1. SEGMENT INFORMATION

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 underlying 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			
52 Weeks ended 31 March 2018	**Machine tools & precision engineered components**	**Industrial laser systems**	**Head Office & unallocated**	**Total**
Segmental analysis of revenue	**\$000**	**\$000**	**\$000**	**\$000**
Total revenue	**45,222**	**20,792**	**-**	**66,014**
Segmental analysis of operating profit/(loss) before Special Items	**2,904**	**2,867**	**(1,541)**	**4,230**
Special Items	**(883)**	**(767)**	**(240)**	**(1,890)**
Group operating profit/(loss)	**2,021**	**2,100**	**(1,781)**	**2,340**
Other segmental information:				
Reportable segment assets	**40,320**	**9,867**	**55,620**	**105,807**
Reportable segment liabilities	**(28,153)**	**(5,826)**	**(13,091)**	**(47,070)**
Fixed asset additions	**146**	**544**	**4**	**694**
Depreciation and amortisation	**362**	**294**	**-**	**656**

1. SEGMENT INFORMATION (CONTINUED)

52 Weeks ended 1 April 2017 Segmental analysis of revenue	Machine tools & precision engineered components $000	Industrial laser systems $000	Head Office & unallocated $000	Total $000
Total revenue	40,530	18,260	-	58,790

Segmental analysis of operating profit/(loss) before Special Items	2,574	2,491	(1,233)	3,832
Special Items	864	(839)	(238)	(213)
Group operating profit/(loss)	3,438	1,652	(1,471)	3,619

Other segmental information:				
Reportable segment assets	36,429	9,555	68,098	114,082
Reportable segment liabilities	(33,199)	(4,719)	(11,870)	(49,788)
Fixed asset additions	144	496	-	640
Depreciation and amortisation	370	269	-	639

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Geographical segmental analysis of revenue is shown by origin and destination in the following two tables:

Segmental analysis by origin	**2018**		2017	
	$000	**%**	$000	%
Gross sales revenue:				
UK	**15,500**	**23.5**	14,631	24.9
North America	**47,262**	**71.6**	41,693	70.9
Australasia	**3,252**	**4.9**	2,466	4.2
Total Revenue	**66,014**	**100.0**	58,790	100.0

Notes relating to consolidated financial statements
As at 31 March 2018

1. SEGMENT INFORMATION (CONTINUED)

Segmental analysis by destination:

	2018		2017	
	$000	%	$000	%
Gross sales revenue:				
UK	**10,035**	**15.2**	8,991	15.3
Other European	**7,411**	**11.2**	7,229	12.3
North America (USA)	**42,768**	**64.9**	37,165	63.3
Africa	**738**	**1.1**	176	0.3
Australasia	**3,136**	**4.8**	2,255	3.8
Central America	**26**	**0.0**	175	0.3
Middle East	**97**	**0.1**	539	0.9
Far East	**1,803**	**2.7**	2,260	3.8
	66,014	**100.0**	58,790	100.0

There are no customers that represent 10% or more of the Group's revenues.

2. NET OPERATING EXPENSES

	2018	2017
	$000	$000
– other operating income	**12**	6
Total other operating income	**12**	6

	2018	2017
	$000	$000
– administration expenses	**15,282**	13,276
– distribution costs	**3,542**	3,436
– special items	**1,126**	66
Total operating expenses	**19,950**	16,778
Total net operating expenses	**19,938**	16,772

3. SPECIAL ITEMS

In order for users of the financial statements to better understand the underlying performance of the Group the Board have separately disclosed significant costs associated with the ongoing restructuring of the Group and associated redundancy costs incurred in the year. In addition, the non-cash charges for share based payments, amortisation of intangible assets acquired and amortisation of loan note costs have been included. The impact of the USA tax rate change and the non-cash pension transactions have also been separately identified.

Special items

	2018	2017
	$000	$000
Items included in cost of sales:		
Reorganisation and redundancy	**(764)**	(147)
	(764)	(147)
Items included in operating profit:		
Pensions credit	**—**	809
Refinancing costs	**—**	(68)
Redundancy and reorganisation	**(1,036)**	(778)
Profit on sale of property	**—**	143
Acquisition costs	**—**	(36)
Share option charge	**(39)**	(85)
Amortisation of intangible assets acquired	**(51)**	(51)
	(1,126)	(66)
Items included in financial income/(expense):		
Pensions interest on surplus	**1,741**	1,891
Amortisation of loan note expenses	**(243)**	(210)
Interest on pensions deficit	**(47)**	(85)
	(290)	(295)
Profit on disposal of ProPhotonix Ltd	**1,256**	—
Total special items before tax	**817**	1,383
Taxation effect of rate range in the USA	**(630)**	—
Income tax on special items	**(622)**	(1,609)
Total special items after tax	**(435)**	(226)

During the year the Group incurred further costs with regard to the reorganisation of TYKMA Inc and the integration of the Electrox Laser marking division spares and service into the UK machine tools operation. In addition redundancy exercises were carried out in the UK machine tools operation during the year.

The Group also realised a profit on the disposal of its entire holding in ProPhotonix Ltd.

Costs were also incurred with regard to the granting of share options and amortisation.

Notes relating to consolidated financial statements
As at 31 March 2018

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is after charging/(crediting) :	2018	2017
	$000	$000
– depreciation of assets, including those held under finance leases	**596**	566
– amortisation of development expenditure and trademarks	**71**	73
– hire of plant	**6**	20
– other operating lease rentals	**42**	440
– (loss) / profit on sale of property, plant and equipment	**(29)**	143
Special Items		
– Acquisition costs, reorganisation and restructuring, inventory and asset impairments, property disposals and refinancing costs (note 3)	**(1,890)**	(213)
Auditor's remuneration:		
– audit of these financial statements	**65**	88
– amounts receivable by auditor and its associates in respect of:		
– auditing of accounts of subsidiaries of the company pursuant to legislation (including that of countries and territories outside of Great Britain)	**120**	98
– other services relating to tax compliance	**66**	49
– other services relating to tax advisory	**25**	6

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

5. PERSONNEL EXPENSES

	2018	2017
	$000	$000
Staff costs:		
– wages and salaries	**12,614**	10,832
– social security costs	**1,453**	1,399
– pension charges relating to defined contribution schemes	**473**	465
– pension charges relating to defined benefit schemes	**29**	25
– equity share options expense (included in Special Items)	**39**	85
	14,608	12,806

In addition to the above staff costs, redundancy costs of $1,121,000 were incurred during the year (2017: $733,000). Directors' emoluments including disclosure of the highest paid director are included in the Directors' Emoluments table and table of Directors' share options contained within the Remuneration report (pages 15-17).

5. PERSONNEL EXPENSES (CONTINUED)

The average number of employees of the Group (including Executive Directors) during the period was as follows:

	2018 Number	2017 Number
Management and administration	**67**	61
Production	**79**	79
Sales	**71**	66
Total	**217**	206

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6. FINANCIAL INCOME AND EXPENSE

	2018 $000	2017 $000
Bank and other interest	**-**	4
Interest on employee benefit surplus	**1,741**	1,891
Financial income	**1,741**	1,895
Bank overdraft and loan interest	**(234)**	(216)
Other loan interest	**(925)**	(951)
Other finance charges	**(8)**	-
Finance charges on finance leases	**(15)**	(16)
Interest on employee benefit liabilities	**(47)**	(85)
Amortisation of shareholder loan expenses	**(243)**	(210)
Financial expense	**(1,472)**	(1,478)

Notes relating to consolidated financial statements
As at 31 March 2018

7. TAXATION

	2018	2017
	$000	$000
Current tax:		
Corporation tax at 19% (2017: 20%):		
– current period	**—**	—
Overseas taxation:		
– current period	**(340)**	—
Total current tax charge	**(340)**	—
Deferred taxation:		
– current period	**252**	(869)
– effect of rate change in USA	**(630)**	—
– prior period (adjustments to the capital allowance pools in the UK and overseas)	**(98)**	(593)
Total deferred taxation credit/(charge) (Note 14)	**(476)**	(1,462)
Taxation charged to the income statement	**(816)**	(1,462)

The rate for tax in the USA was changed from 34% to 21% during the year requiring a remeasurement of deferred tax assets in the USA.

TAX RECONCILIATION
The tax charge assessed for the period is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018		2017	
	$000	**%**	$000	%
Profit before tax	**3,865**		4,036	
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	**734**	**19.0**	807	20.0
Effects of:				
–income not taxable and/or expenses not deductible	**338**	**8.7**	(527)	(13.1)
– overseas tax rates	**58**	**1.5**	21	0.5
– pension fund surplus taxed at higher rate	**97**	**2.5**	161	4.0
– state taxes	**52**	**1.4**	21	0.5
– deferred tax prior period adjustment	**98**	**2.5**	593	14.7
– tax not recognised on losses	**—**	**—**	386	9.6
– Recognition of tax losses not previously recognised	**(864)**	**(22.4)**	—	—
– Utilisation of tax losses	**(327)**	**(8.4)**	—	—
– impact of rate change in the USA	**630**	**16.3**	—	—
Taxation charged to the income statement	**816**	**21.1**	1,462	36.2

Deferred taxation balances are analysed in note 14.

8. DIVIDENDS
No dividend was declared or paid in the period (2017: no dividend paid).

A final dividend of 0.5p has been proposed, payable on 28 September 2018 to holders on the register at 31 August 2018.

Notes relating to consolidated financial statements
As at 31 March 2018

9. EARNINGS PER SHARE

The calculation of the basic earnings per share of 2.80c (2017: 2.46c) is based on the earnings for the financial period attributable to the Parent Company's shareholders of a profit of $3,049,000 (2017: $2,574,000) and on the weighted average number of shares in issue during the period of 108,902,335 (2017: 104,357,957). At 31 March 2018, there were 6,650,000 (2017: 6,650,000) potentially dilutive shares on option with a weighted average effect of 790,601 (2017: 303,255) shares giving a diluted earnings per share of 2.78c (2017: 2.46c)

	2018	2017
Weighted average number of shares		
Issued shares at start of period	**104,357,957**	104,357,957
Effect of shares issued in the year	**4,544,378**	—
Weighted average number of shares at end of period	**108,902,335**	104,357,957
Weighted average number of the 6,650,000 (2017: 6,650,000) potentially dilutive shares	**790,601**	303,255
Total Weighted average diluted shares	**109,692,936**	104,661,212

Total post tax earnings	**3,049**	2,574
Basic EPS	**2.80c**	2.46c
Diluted basic EPS	**2.78c**	2.46c

Underlying earnings	$000	$000
Total post tax earnings	**3,049**	2,574
Share Option Costs	**39**	85
Pensions Interest	**(1,694)**	(1,806)
Amortisation of Shareholder loan expenses	**243**	210
Pensions credit	**—**	(809)
Amortisation of intangible assets acquired	**51**	51
Profit on disposal of ProPhotonix Ltd	**(1,256)**	—
Other special items	**1,800**	850
Acquisition costs	**—**	36
Tax effect of rate change in USA	**630**	–
Tax on special items	**622**	1,609
Underlying Earnings after tax	**3,484**	2,800
Underlying EPS	**3.20c**	2.68c
Underlying diluted EPS	**3.18c**	2.68c

10. EMPLOYEE SHARE OPTION SCHEMES

The Group has granted share options to employees under The 600 Group PLC Deferred Share Plan 2011.

Options under the DSP were granted to senior executives and directors on 19 November 2012 at 10p per share, on 7 April 2014 at 17p per share, on 6 August 2015 at 18p per share and finally additional nil cost options on 1 September 2016. These options are exercisable between 3 and 10 years from the grant date. The schemes are equity-settled.

SHARE-BASED EXPENSE

The Group recognised a total charge of $39,000 (2017: $85,000) in relation to equity-settled share-based payment transactions.

	2018	2017
	DSP	DSP
The number and weighted average exercise prices of share options		
Number of options outstanding at beginning of period	**6,650,000**	6,150,000
Number of options granted in period	**—**	500,000
Number of options forfeited/lapsed in period	**—**	—
Number of options exercised in period	**—**	—
Number of options outstanding at end of period	**6,650,000**	6,650,000
Number of options exercisable at end of period	**5,150,000**	1,750,000

On 19 November 2012 1,750,000 options with an exercise price of 10p were granted, and on 7 April 2014 3,400,000 options with an exercise price of 17p were granted. On 6 August 2015 1,000,000 shares with an exercise price of 18p were granted, and on 1 September 2016 500,000 nil cost options were granted. All options are exercisable between 3 and 10 years from the date of grant.

During the current and prior period, the Group has not granted equity as consideration for goods or services received.

FAIR VALUE ASSUMPTIONS OF SHARE-BASED PAYMENTS

THE 600 GROUP PLC 2011 DEFERRED SHARE PLAN (DSP)

The fair value of awards granted under these Share Plans are determined using the Black Scholes valuation model. The fair value of share options and assumptions are shown in the table below:

	2016 Grant	2015 Grant	2014 Grant	2012 Grant
Fair value	10p	4p	4p	4p
Share price at grant	10p	18p	17p	10p
Exercise price	0p	18p	17p	10p
Dividend yield	0%	0%	0%	0%
Expected volatility	50%	50%	25%	50%
Expected life	3.0 years	3.0 years	3.0 years	3.0 years
Risk-free interest rate	1.36%	1.36%	4.08%	4.08%
Number of shares under option	500,000	1,000,000	3,400,000	1,750,000

Notes relating to consolidated financial statements
As at 31 March 2018

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Freehold $000	Leasehold improvements $000	Plant and machinery $000	Fixtures, fittings, tools and equipment $000	Total $000
Cost or valuation					
At 1 April 2017	1,629	631	13,562	3,653	19,475
Exchange differences	84	5	1,402	38	1,529
Transfers from/(to) inventory	-	-	(503)	(5)	(508)
Additions during period	-	67	185	442	694
Disposals during period	-	-	(159)	(237)	(396)
At 31 March 2018	**1,713**	**703**	**14,487**	**3,891**	**20,794**
Depreciation					
At 1 April 2017	68	40	12,118	2,581	14,807
Exchange differences	8	2	1,327	25	1,362
Charge for period	28	38	296	234	596
Disposals during period	-	-	(31)	(51)	(82)
At 31 March 2018	**104**	**80**	**13,710**	**2,789**	**16,683**
Net book value					
At 31 March 2018	**1,609**	**623**	**777**	**1,102**	**4,111**
At 1 April 2017	1,561	591	1,444	1,072	4,668

During March 2015 the Group's properties were revalued. The valuations were performed by independent valuers and the valuations were determined by market rate for sale with vacant possession.

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of property, plant and equipment includes $241,000 (2017: $263,000) of assets held under finance leases. The depreciation charged in the period against assets held under finance leases was $53,000 (2017: $29,000).

Various freehold properties with a net book value of $1,609,000 (2017: $1,561,000) are charged as security for borrowing facilities.

	Land and buildings Freehold $000	Leasehold Improvements $000	Plant and machinery $000	Fixtures, fittings, tools and equipment $000	Total $000
Cost or valuation					
At 2 April 2016	1,714	552	14,683	3,380	20,329
Exchange differences	(87)	-	(1,538)	(20)	(1,645)
Transfers from/(to) inventory	-	-	435	(60)	375
Additions during period	2	81	144	385	612
Disposals during period	-	(2)	(162)	(32)	(196)
At 1 April 2017	**1,629**	**631**	**13,562**	**3,653**	**19,475**
Depreciation					
At 2 April 2016	49	10	13,169	2,511	15,739
Exchange differences	(5)	-	(1,424)	(9)	(1,438)
Charge for period	24	32	429	81	566
Disposals during period	-	(2)	(56)	(2)	(60)
At 1 April 2017	**68**	**40**	**12,118**	**2,581**	**14,807**
Net book value					
At 1 April 2017	**1,561**	**591**	**1,444**	**1,072**	**4,668**
At 2 April 2016	1,665	542	1,514	869	4,590

12. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill $000	Trademarks $000	Development Expenditure $000	Total $000
Cost				
At 1 April 2017	10,329	312	310	10,951
Additions	-	-	87	87
Disposals	-	-	-	-
Foreign exchange	-	-	9	9
At 31 March 2018	**10,329**	**312**	**406**	**11,047**
Amortisation and impairment				
At 1 April 2017	-	205	35	240
Amortisation	-	51	20	71
Foreign exchange	-	-	-	-
At 31 March 2018	-	**256**	**55**	311
Net book value				
At 31 March 2018	**10,329**	**56**	**351**	**10,736**
At 1 April 2017	10,329	107	275	10,711

The additions to Development Expenditure of $87k in the period and $30k in the prior period related primarily to internal development.

	Goodwill $000	Trademarks $000	Development Expenditure $000	Total $000
Cost				
At 2 April 2016	10,329	312	312	10,953
Additions	-	-	30	30
Disposals	-	-	(2)	(2)
Foreign exchange	-	-	(30)	(30)
At 1 April 2017	**10,329**	**312**	**310**	**10,951**
Amortisation and impairment				
At 2 April 2016	-	154	13	167
Amortisation	-	51	22	73
Foreign exchange	-	-	-	-
At 1 April 2017	-	**205**	**35**	**240**
Net book value				
At 1 April 2017	**10,329**	**107**	**275**	**10,711**
At 2 April 2016	10,329	158	299	10,786

Amortisation and impairment charges are recorded in the following line items in the income statement:

	2018 $000	2017 $000
Operating expenses	**71**	73

12. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT OF GOODWILL
Goodwill of $10.329m arose on the acquisition of TYKMA Inc. and its carrying value has been tested for impairment at the year-end with no provisions deemed necessary. The Industrial Laser Systems Division is regarded as one cash-generating unit and as such this supports the carrying value of the goodwill. The impairment review comprised a comparison of the goodwill with its recoverable amount (the higher of net realisable value and value in use). To the extent that the carrying amount exceeds the recoverable amount, an impairment charge is recognised. Value in use calculations are based on Board approved profit forecasts and the resulting cashflows are discounted at the Group's pre-tax weighted average cost of capital, which is adjusted for CGU risk factors, resulting in a rate of 12.9%. Cash flows are extrapolated beyond their term (of between 1 and 4 years) using an estimated growth rate of 3% and are appropriate because these are long term businesses. The growth rates used are consistent with the long-term average growth rates for the industries and countries in which the CGUs are located.

Sensitivity to changes in assumptions
With regard to the assessment of value in use for the insolvency CGU, the directors believe that reasonably possible changes in any of the above key assumptions would not cause the carrying value of the unit to exceed its recoverable amount.

13. INVESTMENTS

	Shares In listed investments $000
Cost:	
At 1 April 2017	2,068
Fair valuation in the period	—
Disposals in the period	(2,068)
At 31 March 2018	—
Provisions:	
At 1 April 2017	—
Write-back in the period	—
At 31 March 2018	—
Net book values	
At 31 March 2018	—
At 1 April 2017	2,068

	Shares In listed investments $000
Cost:	
At 2 April 2016	1,628
Fair valuation in the period	633
Exchange variance	(193)
At 1 April 2017	2,068
Provisions:	
At 2 April 2016	924
Write-back in the period	(924)
At 1 April 2017	—
Net book values	
At 1 April 2017	2,068
At 2 April 2016	704

13. INVESTMENTS (CONTINUED)

The Company disposed of its entire holding in ProPhotonix Ltd. At the end of August 2017.
The investment had been acquired on 3 August 2014 when the Company acquired 26.3% of the ordinary share capital of ProPhotonix Limited through the issue of ordinary shares in the Company representing 5.5% of the enlarged share capital of 600 Group Plc.

ProPhotonix Limited is AIM listed, although registered in Delaware, and designs and manufactures LED arrays and laser diode modules in the UK and Ireland.
Despite the group owning greater than 20% of the share capital of ProPhotonix, the directors had accounted for it as an investment as opposed to an associate. This is because there is no representation from the Group or the Company on the board of ProPhotonix and therefore significant influence may not be exerted over key strategic decisions.

The subsidiaries undertakings of The 600 Group PLC and their countries of incorporation are:

ENGLAND & WALES:
600 UK Limited*; The 600 Group (Overseas) Limited*; Electrox Laser Limited; Pratt Burnerd International Limited; Electrox Limited; The Colchester Lathe Company Limited; Crawford Collets Limited; 600 Machine Tools Limited; 600 Controls Limited; Pratt Gamet Limited; Gamet Bearings Limited; T S Harrison & Sons Limited; The Richmond Machine Tool Company Limited; 600 Lathes Limited; 600 SPV1 Limited*; 600 SPV2 Limited*; Coborn Insurance Company Limited and The 600 Group Pension Trustees Limited*.

All subsidiary undertakings in England & Wales have their registered offices at 1 Union Works, Union Street, Heckmondwike, West Yorkshire WF16 0HL except Coborn Insurance Company Limited, whose registered office is PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU.

600 UK Limited’s principal activity is the design and distribution of machine tools and precision engineered components. Electrox Laser Limited’s principal activity is the design, manufacture and distribution of industrial laser systems. Coborn Insurance Company Limited is a captive insurance company and all other subsidiary undertakings in England & Wales are dormant or holding companies.

US:
600 Group Inc
Clausing Industrial, Inc
TYKMA Inc

Clausing Industrial, Inc’s principal activity is the design and distribution of machine tools and precision engineered components. TYKMA Inc’s principal activity is the design, manufacture and distribution of industrial laser systems. 600 Group Inc is a holding company.

Clausing Industrial, Inc and 600 Group Inc both have a registered office at 3963 Emerald Drive, Kalamazoo, Michigan 49001, US.
TYKMA Inc has a registered office at 370 Gateway Drive, Chillicothe, Ohio 45601, US.

REST OF THE WORLD:
600 Machine Tools (Pty) Ltd – (Australia)
600 Group Equipment Limited - (Canada)

600 Machine Tools (Pty) Ltd’s principal activity is the design and distribution of machine tools and precision engineered components.
600 Group Equipment Limited is a dormant company.

All undertakings marked * are 100% owned directly by the Parent Company. The others are 100% owned through intermediate holding companies. All undertakings above are included in the consolidated accounts.

Notes relating to consolidated financial statements
As at 31 March 2018

14. DEFERRED TAX ASSETS AND LIABILITIES

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
	$000	$000	**$000**	$000	**$000**	$000
Decelerated capital allowances	**1,216**	958	**—**	—	**1,216**	958
Short-term timing differences	**314**	350	**—**	—	**314**	350
Tax losses	**2,958**	1,998	**—**	—	**2,958**	1,998
Overseas tax losses	**614**	1,053	**—**	—	**614**	1,053
Employee benefits	—	—	**(18,752)**	(22,531)	**(18,752)**	(22,531)
Revaluations and rolled over gains	—	—	**(268)**	(239)	**(268)**	(239)
Net tax assets/(liabilities)	**5,102**	4,359	**(19,020)**	(22,770)	**(13,918)**	(18,411)

MOVEMENT IN DEFERRED TAX DURING THE PERIOD

	As at 2 April 2017 $000	Income statement $000	Statement of comprehensive income $000	Exchange Fluctuations $000	**As at 31 March 2018 $000**
Decelerated capital allowances	958	126	—	132	**1,216**
Short-term timing differences	350	(39)	—	3	**314**
Tax losses	1,998	666	—	294	**2,958**
Overseas tax losses	1,053	(439)	—	—	**614**
Employee benefits	(22,531)	(790)	6,852	(2,283)	**(18,752)**
Revaluations and rolled over gains	(239)	—	—	(29)	**(268)**
	(18,411)	(476)	6,852	(1,883)	**(13,918)**

Deferred taxation at 35% is applied to UK pension assets, being the rate applicable to refunds from a scheme, as opposed to the normal rate of 19%.

The rate of UK corporation tax reduced to 19% effective from 1 April 2017 and will reduce to 17% (effective from 1 April 2020. The deferred tax assets and liabilities at the balance sheet date have been calculated based on these rates.

US deferred tax is provided at 21%. (2017: 34%)

No provision is made for taxation that would arise if reserves in overseas companies were to be distributed.

The following deferred tax assets have not been recognised on the basis that their future economic benefit is uncertain:

	2018	2017
	$000	$000
Advance corporation tax recoverable	**2,340**	2,088
Tax losses	**3,647**	4,879

There is no expiry date for the advance corporation tax recoverable or the tax losses.

15. INVENTORIES

	2018	2017
	$000	$000
Raw materials and consumables	**135**	1,046
Work in progress	**2,139**	775
Finished goods and goods for resale	**17,323**	14,114
	19,597	15,935

The Directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within twelve months. It is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of issues, including customer demand.

Inventories included within Cost of Sales amounted to $38.1m (2017: $32.4m)

During the period inventory provisions have decreased by $942,000 (2017: increased by $45,000). Following the impairment provisions, inventories are valued at lower of cost and net realisable value.

16. TRADE AND OTHER RECEIVABLES

	2018	2017
	$000	$000
Trade receivables	**8,653**	7,152
Other debtors	**425**	435
Other prepayments and accrued income	**1,188**	1,725
	10,266	9,312

The trade receivables disclosed above are shown net of the provisions which are disclosed below.

The movements on the Group's provisions against trade receivables are as follows:

	2018	2017
	$000	$000
At start of year	**274**	259
Exchange differences on opening balances	**(111)**	24
Utilised in the period	**-**	(118)
Charged in the period	**111**	109
At end of year	**274**	274

The ageing analysis of gross trade receivables, before provisions, is as follows:

	2018	2017
	$000	$000
Current (not overdue)	**6,743**	5,450
Overdue:		
– 0–3 months overdue	**1,671**	1,544
– 3–6 months overdue	**429**	50
– 6–12 months overdue	**31**	137
– more than 12 months overdue	**53**	245
Total gross trade receivables before provision	**8,927**	7,426

As at 31 March 2018, trade receivables that were neither past due nor impaired related to a number of independent customers for whom there is no recent history of default.

The other classes of debtors do not contain impaired assets.

17. ASSETS CLASSIFIED AS HELD FOR SALE

On 11 July 2016 the sale of the Letchworth property was completed for net proceeds of $2.6m A profit on disposal of $143,000 was recorded in special items in the year to 1 April 2017.

18. CASH AND CASH EQUIVALENTS

	2018 $000	2017 $000
Cash at bank	**1,536**	1,227
Short-term deposits	**140**	125
Cash and cash equivalents per statement of financial position and per cash flow statement	**1,676**	1,352

19. LOANS AND OTHER BORROWINGS

CURRENT:	2018 $000	2017 $000
Bank loans	**4,984**	6,789
Obligations under finance leases (note 22)	**41**	101
	5,025	6,890

NON-CURRENT:	2018 $000	2017 $000
Bank loans	**842**	1,598
8% Loan Notes	**11,287**	9,842
Obligations under finance leases (note 22)	**122**	112
	12,251	11,552

The $11.9m (£8.5m) of Loan Notes in place at the year-end were issued in three tranches in February, March and August 2015 with 43.95m convertible warrants attached to them. These warrants allow the holders to either convert the loan into shares or to purchase shares at 20p for a cash consideration. The loan has both debt and equity components and $195,000 is shown in equity reserve and the balance after deduction of associated costs and amortisation of $429,000, is shown in non current borrowings. Costs are amortised to the income statement over the term of the loan. The loan notes are repayable and the warrants expire both on 14 February 2020.

Facilities from HSBC include a $5m trade and invoice finance facility, of which $0.5m had been utilised at the year-end, and a mortgage for the Colchester property of $0.4m which will be repaid on a monthly basis through to March 2020.

US Dollar denominated term loans of $0.6m and $0.5m are to be repaid on a monthly basis through to March 2019 and April 2021 respectively in equal instalments with an interest rate of 2.25% above base, with revolving credit loans in addition of $3.8m.

Given the nature of the Group's financial assets and liabilities, it is the directors' opinion that there is no material difference between their reported book values and estimated fair values. The fair value of the Loan Notes is the book value less the debt issue cost and equity element.

The above loans and borrowings are secured by way of fixed and floating charges over the assets of the Company and its subsidiaries.

20. TRADE AND OTHER PAYABLES

	2018 $000	2017 $000
Current liabilities:		
Payments received on account	**103**	48
Trade payables	**4,010**	3,516
Social security and other taxes	**405**	773
Other creditors	**1,347**	677
Accruals and deferred income	**3,340**	1,787
	9,205	6,801

	2018 $000	2017 $000
Taxation	**291**	-

21. PROVISIONS

	Other $000	Warranties $000	Total $000
Provision carried forward at 1 April 2017	**427**	**59**	**486**
Exchange differences	**(31)**	**2**	**(29)**
(Credited)/Charged to income statement	**(396)**	**—**	**(396)**
Utilised in the period	**—**	**(8)**	**(8)**
Provision carried forward at 31 March 2018	**—**	**53**	**53**

The timing of warranty payments are uncertain in nature. The warranty provisions are calculated based on historical experience of claims received, taking into account recent sales of items which are covered by warranty. The provision relates mainly to products sold in the last twelve months. The typical warranty period is now twelve months.

Other provisions related to the provisions associated with the TYKMA Inc acquisition which related to warranty and dilapidation provisions.

22. OBLIGATIONS UNDER FINANCE LEASES

The maturity of obligations under finance leases is as follows:

	2018 $000	**2017** $000
Falling due:		
– within one year	**41**	101
– within two to five years	**124**	121
– less future finance charges	**(2)**	(9)
	163	213
Amounts falling due within one year	**41**	101
Amounts falling due after one year	**122**	112
	163	213

23. SHARE CAPITAL

	2018 $000	2017 $000
Allotted, called-up and fully paid:		
Ordinary shares of 1p each		
104,357,957 ordinary shares of 1p each on issue at start of the period (2017: 104,357,957 ordinary shares)	**1,629**	1,629
2017 –8,615,384 ordinary shares of 1p each issued in September 2017	**117**	—
112,973,341 ordinary shares of 1p each on issue at end of period (2017: 104,357,957 ordinary shares of 1p)	**1,746**	1,629
Total Allotted, called-up and fully paid at the end of period	**1,746**	1,629

The Company has one class of ordinary shares which carry no rights to fixed income. The ordinary shareholders are entitled to receive dividends as declared and are entitled to vote at meetings of the Company.

8,615,384 shares were issued on 20 September 2017 at a price of 13p (17.6c) $116,687 was allocated to share capital and $1,400,241 to share premium.

The Company has raised £8.5m ($11.9m) through the issue of loan notes. The loan notes have a 5 year maturity ending on 14 February 2020 and carry a coupon of 8% payable quarterly in arrears. The subscribers for loan notes also received warrants with an expiry date of 14 February 2020 to subscribe for 43.95m ordinary shares of 1p each in the Company at a price of 20p per Ordinary Share. The issue of the warrants occurred after approval was granted by the shareholders at a general meeting on 18 March 2015. 43.95m warrants remained outstanding at the year-end.

Notes relating to consolidated financial statements
As at 31 March 2018

24. RECONCILIATION OF NET CASH FLOW TO NET DEBT

	2018	2017
	$000	$000
Increase in cash and cash equivalents	**417**	367
Decrease in debt and finance leases	**3,041**	664
Decrease in net debt from cash flows	**3,458**	1,031
Net debt at beginning of period	**(17,090)**	(19,704)
Shareholder loan issue costs amortisation	**(243)**	(210)
Exchange effects on net funds	**(1,725)**	1,793
Net debt at end of period	**(15,600)**	(17,090)

25. ANALYSIS OF NET DEBT

	At 1 April 2017 $000	Exchange movement $000	Other $000	Cash flows $000	**At 31 March 2018 $000**
Cash at bank and in hand	1,227	(108)	—	417	**1,536**
Term deposits (included within cash and cash equivalents on the balance sheet)	125	15	—	—	**140**
	1,352	(93)	—	417	**1,676**
Debt due within one year	(6,789)	(290)	—	2,095	**(4,984)**
Debt due after one year	(1,598)	(134)	—	890	**(842)**
Loan notes due after one year	(9,842)	(1,202)	(243)	-	**(11,287)**
Finance leases	(213)	(6)	—	56	**(163)**
Total	(17,090)	(1,725)	(243)	3,458	**(15,600)**

26. FINANCIAL INSTRUMENTS

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing exposure to these.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group actively manages and monitors capital across the different businesses within the Group. Targets in relation to return on capital are considered as part of the annual budgeting process. £8.5m ($11.9m) was raised in prior years through the issue of loan notes which had 43.95m warrants attached to them. These warrants allow the holders to either convert the loan into shares or to purchase shares for a cash consideration of 20p.

The Directors determine the appropriate capital structure of the Group between funds raised from equity shareholders (equity), through the issue of shares and retention of profits generated, and funds borrowed from financial institutions, other businesses, individuals and preference shareholders (debt) in order to finance the Group's activities both now and in the future. The Board's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to Shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by head office staff undertaking both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Non-current asset investments

The fair value of investments is based on management's assessment of share value where the investment is not a traded security.

Trade and other payables and receivables

The fair value of these items are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying value where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Long-term and short-term borrowings

The fair value of bank loans and other loans is based on the terms the Group has agreed for its variable rate debt.

Short-term deposits

The fair value of short-term deposits is considered to be the carrying value as the balances are held in floating rate accounts where the interest rate is reset to market rates.

Fair value hierarchy

The following hierarchy classifies each class of financial asset or liability depending on the valuation technique applied in determining its fair value:-

Level 1: The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities.

Level 2: The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of forward foreign exchange and commodity contracts is determined using quoted forward exchange rates and commodity prices at the reported date and yield curves derived from quoted interest rates matching the maturities of the forward contracts.

Level 3: The fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The shares in the listed investment of Prophotonix plc was a level 1 fair value estimate, based on the quoted price of this AIM company.
There have been no transfers between categories in the current or preceding period.
The fair values of all financial instruments, throughout the reporting periods, approximate to their carrying values except for the Loan Notes which have a carrying value net of issued costs. The fair value is deemed to be the gross loan amount.

26. FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Geographically, there is a concentration of credit risk in the USA in respect of trade receivables.

The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer which represents the maximum open amount without requiring approval from the Board; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The carrying value of financial assets represents the maximum credit exposure.

The exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2018	2017
	$000	$000
UK	**3,321**	2,254
North America	**5,069**	4,659
Australasia	**263**	239
	8,653	7,152

26. FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Due to banking facilities being held with different banks in USA and Australia certain restrictions on the repatriation of funds to the UK may be imposed by the local bank.

Typically the Group ensures that it has sufficient cash or short term facilities on demand to at least meet any unexpected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities:

	2018 Carrying Amount $000	**Contractual cash flows $000**	**Less than 1 year $000**	**1–2 years $000**	**2–5 years $000**
Bank loan	**5,826**	**5,826**	**4,984**	**310**	**532**
8% loan notes	**11,287**	**11,287**	**-**	**11,287**	**-**
Finance lease obligations	**163**	**163**	**41**	**122**	**-**
Interest bearing financial liabilities	**17,276**	**17,276**	**5,025**	**11,719**	**532**
Trade and other payables	**8,800**	**8,800**	**8,800**	**-**	**-**
Financial liabilities	**26,076**	**26,076**	**13,825**	**11,719**	**532**

	2017 Carrying Amount $000	Contractual cash flows $000	Less than 1 year $000	1–2 years $000	2–5 years $000
Trade finance	1,385	1,385	1,385	-	-
Bank loan	7,002	7,002	5,474	877	651
8% loan notes	9,842	9,842	-	-	9,842
Finance lease obligations	213	213	100	76	37
Interest bearing financial liabilities	18,442	18,442	6,959	953	10,530
Trade and other payables	6,028	6,028	6,028	-	-
Financial liabilities	24,470	24,470	12,987	953	10,530

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

26. FINANCIAL INSTRUMENTS (CONTINUED)

CURRENCY RISK

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operating entity, primarily Sterling, the Euro (€) and US Dollars ($).

The Group's exposure to foreign currency risk may be summarised as follows:

	2018			2017		
	Sterling	**US Dollars**	**Euro**	Sterling	US Dollars	Euro
	£000	**$000**	**€000**	£000	$000	€000
Trade receivables	**236**	**382**	**695**	378	106	571
Trade payables	**(1)**	**(126)**	**(208)**	(36)	(87)	(94)
Balance sheet exposure	**235**	**256**	**487**	342	19	477

Some Group operations on occasion also enter into commercial transactions in currencies other than their functional currencies. Exposures arising from the translation of foreign currency transactions are continually monitored and material exposures are managed where necessary through the use of forward contracts or options once cash flows can be identified with sufficient certainty. As at the year-end there were no forward contracts outstanding (2017: none). Exposures arising from the translation of intra-group lending are managed through the use of borrowings in the relevant foreign currency.

In considering the impact on the retranslation of non-functional currency monetary assets and liabilities in the Group's operations arising from a, reasonably possible, 10% movement in the Group's principal foreign currency exchange rates at the year-end date, the directors have assessed the effect on the profit before tax to be insignificant to the group. As a result no further disclosure of the sensitivity to potential exchange rate variances of the above monetary assets and liabilities is given.

INTEREST RATE RISK

The Group holds a mixture of both fixed and floating interest borrowings to control its exposure to interest rate risk although it has no formal target for a ratio of fixed to floating funding. The level of debt is continually reviewed by the Board. The sensitivity analysis is set out below:

	Net cash/ borrowings in foreign currency	**Change if interest rates in foreign Currency change by 1%**
	$'000	**$'000**
US Dollar	**(4,391)**	**(1)**
AUS Dollar	**396**	**—**

The impact of interest rate risk on the Group's result is due to changes in interest rates on net floating rate cash and cash equivalents and borrowings. On 1 April 2017, if interest rates on the Group's net floating rate cash and cash equivalents and borrowings had been 100 basis points higher, a reasonably possible movement, with all other variables held constant, the effect on profit before taxation in the year would have been a charge of $0.08m (2017: charge of $0.06m). A reduction of 100 basis points would have the equal and opposite effect. There is no further impact on shareholders' equity.

26. FINANCIAL INSTRUMENTS (CONTINUED)

HEDGING OF FLUCTUATIONS IN FOREIGN CURRENCY

The Group is exposed to foreign currency risk on sales, purchases and borrowings of balances held and transactions in non functional currency of the operating entity.

Forward exchange contracts are occasionally used to hedge commercial foreign currency risk. The Group does not apply a policy of hedge accounting. Forward exchange contracts generally have maturities of less than one year. There were no contracts outstanding at the period end.

In respect of other monetary assets and liabilities held in currencies other than functional currency of the entity, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

At the period-end there were no outstanding derivative contracts in place.

SENSITIVITY ANALYSIS

In managing interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

FINANCIAL INSTRUMENTS

The Group's financial instruments include bank loans, loan notes, overdrafts and cash. These financial instruments are used for the purpose of funding the Group's operations.

In addition, the Group enters into forward currency derivative transactions on occasion which have been used in the management of risks associated with currency exposure. There were no contracts in place at the period-end.

ASSETS AND LIABILITIES

The Group does not hedge account but occasionally uses derivative financial instruments to hedge its commercial exposure to foreign exchange. These instruments are recognised at fair value. Any gain or loss is immediately recognised in the income statement.

The fair value of forward exchange contracts used at 31 March 2018 was a liability of $nil (Note 18) (2017: liability of $nil).

FINANCIAL ASSETS

The Group's financial assets comprise cash and trade receivables. The profile of the financial assets at 31 March 2018 and 1 April 2017 was:

	2018				2017			
Currency	**Floating rate financial assets $000**	**Fixed rate financial assets $000**	**Financial assets on which no interest is earned $000**	**Total $000**	Floating rate financial assets $000	Fixed rate financial assets $000	Financial assets on which no interest is earned $000	Total $000
Sterling	**680**	**140**	**2,822**	**3,642**	211	125	2,510	2,846
US Dollars	**460**	**-**	**4,994**	**5,454**	801	-	4,054	4,855
Australian Dollars	**396**	**-**	**256**	**652**	215	-	252	467
Euros	**-**	**-**	**855**	**855**	-	-	610	610
	1,536	**140**	**8,927**	**10,603**	1,227	125	7,426	8,778

There is no interest received on floating rate financial assets.

The floating rate financial assets comprise other deposits that earn interest based on short-term deposit rates.

The trade receivables are shown gross and do not include bad debt provisions.

26. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL LIABILITIES

Financial liabilities comprise short-term loans, overdrafts, trade payables, obligations under finance leases, other creditors more than one year, forward exchange contract liabilities and other provisions for liabilities and charges (excluding accrued post-retirement health care accrual and deferred tax provision). The profile of the Group's financial liabilities at 31 March 2018 and 1 April 2017 was:

	2018				2017			
Currency	**Floating rate financial liabilities $000**	**Fixed rate Financial Liabilities $000**	**Financial liabilities on which no interest is paid $000**	**Total $000**	Floating rate financial liabilities $000	Fixed rate financial liabilities $000	Financial liabilities on which no interest is paid $000	Total $000
Sterling	**976**	**11,316**	**3,245**	**15,537**	2,676	9,886	2,759	15,321
US Dollars	**4,850**	**20**	**5,374**	**10,244**	5,711	61	3,687	9,459
Australian Dollars	**-**	**114**	**330**	**444**	-	108	255	363
Euro	**-**	**-**	**256**	**256**	-	-	100	100
	5,826	**11,450**	**9,205**	**26,481**	8,387	10,055	6,801	25,243

The floating rate financial liabilities comprise bank borrowings and overdrafts that bear interest rates based on local currency base interest rates.

BORROWING FACILITIES

At 31 March 2018 and 1 April 2017, the Group had undrawn committed borrowing facilities as follows:

	2018 '000	2017 '000
UK	**£3,100**	£1,083
US	**$2,907**	$1,948
Australia	**AUD$500**	AUD$500

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2018 $000	2017 $000
Trade receivables	**10,266**	9,312
Cash and cash equivalents	**1,676**	1,352
Bank overdrafts	**-**	(1,385)
Bank loan	**(5,826)**	(7,002)
Other loans	**(11,908)**	(10,625)
Finance lease obligations	**(163)**	(213)
Trade payables	**(8,800)**	(6,028)
	(14,755)	(14,589)

Given the nature of the Group's financial assets and liabilities, it is the Directors' opinion that there is no material difference between their reported book values and estimated fair values excepting the Loan Notes which are shown at their gross value of $11.9m. Their carrying value in the accounts is shown net of issue costs.

27. CONTINGENT LIABILITIES

	2018 $000	2017 $000
Third-party guarantees	**213**	115

These guarantees and letters of credit are entered into in the normal course of business. A liability would only arise in the event of the Group failing to fulfil its contractual obligations.

28. CAPITAL COMMITMENTS

	2018 $000	2017 $000
Capital expenditure contracted for but not provided in the accounts	**—**	—

29. OPERATING LEASE COMMITMENTS

The Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 $000	2017 $000
Land and buildings		
Within one year	**730**	573
More than one year and less than five years	**2,907**	2,304
Over five years	**2,398**	2,609
	6,035	5,486
Other		
Within one year	**2**	11
More than one year and less than five years	**8**	24
	10	35

30. EMPLOYEE BENEFITS

The Group operates UK and USA defined benefit pension schemes. The assets of these schemes are held in separate trustee-administered funds.

The benefits from these schemes are based upon years of pensionable service and pensionable remuneration of the employee as defined under the respective scheme provisions. The schemes are funded by contributions from the employee and from the employing company over the period of the employees' service. Contributions are determined by independent qualified actuaries based upon triennial actuarial valuations in the UK and on annual valuations in the US.

UK

In relation to the fund in the UK, the Group's funding policy is to ensure that assets are sufficient to cover accrued service liabilities. The most recent triennial full valuation was carried out as at 31 March 2016 when the scheme was in a technical surplus.

US

In relation to the fund in the US, the funding policy is to ensure that assets are sufficient to cover accrued service liabilities allowing for projected pay increases.

In addition, the Group operates a retirement healthcare benefit scheme for certain of its retired employees in the US, which is also treated as a defined benefit scheme.

The most recent annual valuation was carried out as at 31 March 2018. The disclosures for the US schemes that follow refer to the US defined benefit scheme and the retirement healthcare benefit scheme.

30. EMPLOYEE BENEFITS (CONTINUED)

MORTALITY RATES

The mortality assumptions for the UK scheme are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2017 at age 65 will live on average for a further 21.8 years (2017: 21.6 years) after retirement if male and for a further 24.4 years (2017: 24.0 years) after retirement if female.

For a member who is currently aged 45 retiring in 2038 at age 65, the assumptions are that they will live on average for a further 23.2 years (2017: 22.0 years) after retirement if they are male and for a further 25.5 years (2017: 24.3 years) after retirement if they are female.

The mortality rates for the US scheme are based on the RP-2014 Mortality Table for males and females adjusted to 2006 total dataset with improvement factor scale MP-2017.

IAS 19

Disclosures in accordance with IAS 19 are set out below. The principal assumptions used for the purpose of the IAS 19 valuation were as follows:

	2018 UK scheme % p.a.	2017 UK scheme % p.a.
Inflation under RPI	3.45	3.25
Inflation under CPI	2.95	2.15
Rate of increase to pensions in payment – RPI max 5%	3.25	3.15
Rate of increase to pensions in payment – RPI ma. 2.5%	2.15	2.15
Discount rate for scheme liabilities	2.50	2.55

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in the income statement. From 1 November 2010 future changes in healthcare costs re the US retirement healthcare benefit scheme will be borne by the participants rather than the company.

The assets and liabilities of the schemes at 31 March 2018 and 1 April 2017 were:

	2018		2017	
	US schemes $000	**UK scheme $000**	US schemes $000	UK scheme $000
Assets	**1,007**	**326,135**	1.085	305,870
Liabilities	**(2,232)**	**(271,816)**	(2,374)	(240,193)
(Deficit)/surplus	**(1,225)**	**54,319**	(1,289)	65,677

30. EMPLOYEE BENEFITS (CONTINUED)

Movement in net defined benefit asset (UK Scheme)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	31 March 2018 $000	1 April 2017 $000	**31 March 2018 $000**	1 April 2017 $000	**31 March 2018 $000**	1 April 2017 $000
Opening balance:	**(240,193)**	(251,770)	**305,870**	311,329	**65,677**	59,559
Past service credit	-	809	-	-	-	809
Remeasurement (loss)/gain	-	-	(7,048)	36,569	(7,048)	36,569
Experience gain/(loss)	-	4,201	-	-	-	4,201
Change in assumptions – financial	(9,053)	(37,159)	-	-	(9,053)	(37,159)
Change in assumptions – demographic	(3,620)	6,698	-	-	(3,620)	6,698
Interest (cost)/income	(6,149)	(7,718)	7,895	9,609	1,746	1,891
Exchange differences	(29,006)	29,793	35,480	(36,834)	6,474	(7,041)
Contributions paid by employer	-	-	143	150	143	150
Benefits paid	16,205	14,953	(16,205)	(14,953)	-	-
Closing balance:	(271,816)	(240,193)	326,135	305,870	54,319	65,677

Movement in net defined benefit liability (US Schemes)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	31 March 2018 $000	1 April 2017 $000	**31 March 2018 $000**	1 April 2017 $000	**31 March 2018 $000**	1 April 2017 $000
Opening balance:	(2,374)	(2,616)	1,085	1,147	(1,289)	(1,469)
Current service cost	(61)	(68)	38	37	(23)	(31)
Experience gain/(loss)	67	175	(5)	11	62	186
Interest (cost)/income	(33)	(35)	-	-	(33)	(35)
Contributions paid by employer	-	-	58	60	58	60
Benefits paid	169	170	(169)	(170)	-	-
Closing balance:	(2,232)	(2,374)	1,007	1,085	(1,225)	(1,289)

The Group contributed $143,000 to the UK pension scheme during the current period (2017: $150,000) and no contributions were overdue at the period-end. The monthly payments of $13,000 were paid by the Group to the UK pension scheme from April 2015 onwards in respect of an augmentation to benefits made in 2008/09 of $663,000.These contributions were suspended in April 2018 due to the surplus in the scheme. No deficit reduction payments are currently required. In the US no employer contributions were made to the US pension scheme during the current period (2017:$nil) and no payments were overdue at the period-end.

Following a change to UK scheme rules in September 2012 any surplus after all liabilities have been paid is to be repaid to the Company and consequently the accounting surplus is recognised on the Group balance sheet under IFRIC 14

	Expected return on assets UK scheme					
	Long-term rate of return expected at 31 March 2018 % p.a.	**Value at 31 March 2018 $m**	**Long-term rate of return expected at 1 April 2017 % p.a.**	**Value at 1 April 2017 $m**	Long-term rate of return expected at 2 April 2016 % p.a.	Value at 2 April 2016 $m
Equities	**2.5**	**0.0**	**2.55**	**10.5**	3.60	74.8
Property	**2.5**	**0.6**	**2.55**	**6.3**	3.60	13.9
LDI funds	**2.5**	**203.1**	**2.55**	**244.4**	3.60	102.7
bonds	**2.5**	**106.9**	**2.55**	**1.6**	3.60	32.9
Absolute Return	**2.5**	**11.5**	**2.55**	**40.2**	3.60	62.9
Other/cash	**2.5**	**4.0**	**2.55**	**2.9**	3.60	0.0
Combined	**2.5**	**326.1**	**2.55**	**305.9**	3.60	287.2

The LDI funds referred to relate to Liability Driven Investment funds which have been increasingly utilised by the pension scheme. LDI funds represent investments in a Liability Driven Investment fund via a Pooled Investment Vehicle. With the exception of cash, the remaining scheme investments comprise of Pooled Investment Vehicles.

Investments are included at fair value as follows:

Pooled Investment Vehicles which are not traded on active markets, but where the investment manager has provided a monthly trading price, are valued using the last bid price, provided by the investment manager at the year end.

The assumed long-term rate of return on each asset class is equal to the discount rate applied to liabilities. The assets held within the US pension scheme amount to $1.007m (2017: $1.085m) and are held mainly in bonds.

Amounts recognised in the income statement in respect of the defined benefit schemes before taxation are as follows:

	2018			2017		
	US schemes $000	**UK scheme $000**	**Total $000**	US schemes $000	UK scheme $000	Total $000
Included within operating profit:						
– current service cost	**9**	**—**	**9**	**18**	**—**	**18**
– past service credit (special Items)	**—**	**—**	**—**	**—**	**(809)**	**(809)**
Included within financial income:						
–interest on pension surplus (special Items)	**—**	**(1,741)**	**(1,741)**	**—**	**(1,891)**	**(1,891)**
Included within financial expense:						
–Interest on pension liability (special Items)	**47**	**—**	**47**	**85**	**—**	**85**

The past service credit of $809,000 recognised in the income statement in the prior year related to a liability reduction exercise undertaken by the UK scheme's Trustees in conjunction with the Company. A number of transactions took place over the previous year including a pension increase exchange, commutation of small pensions and other flexible retirement options. These are now an integral part of the flexible offer to members at retirement. These resulted in actuarial adjustments to the pension liabilities, which are processed through the Consolidated Income Statement.

Amounts recognised in the statement of comprehensive income are as follows:

	2018			2017		
	US schemes $000	UK scheme $000	Total $000	US Schemes $000	UK scheme $000	Total $000
Return on plan assets	(6)	(7,048)	(7,054)	11	36,569	36,580
Experience gain/(loss) on liabilities	68	—	68	175	4,201	4,376
Change in assumptions - financial	—	(9,053)	(9,053)	—	(37,159)	(37,159)
Change in assumptions - demographic	—	(3,620)	(3,620)	—	6,698	6,698
Amounts recognised during the period	62	(19,721)	(19,659)	186	10,309	10,495
Exchange adjustment		4,118	4,118	–	(4,949)	(4,949)
Balance brought forward	1,722	46,915	48,637	1,536	41,555	43,091
Balance carried forward	1,784	31,312	33,096	1,722	46,915	48,637

The history of the schemes for the current and prior period before taxation is as follows:

	2018		2017	
	US Schemes $000	UK Scheme $000	US schemes $000	UK scheme $000
Present value of defined benefit obligation	(2,232)	(271,816)	(2,374)	(240,193)
Fair value of scheme assets	1,007	326,135	1,085	305,870
(Deficit)/surplus in the scheme	(1,225)	54,319	(1,289)	65,677
Experience adjustments on the scheme liabilities	67	—	175	4,201
Experience adjustments on scheme assets	(5)	—	11	—
Exchange differences	—	6,474	—	(7,041)

Following the closure of the UK scheme to future accrual there will be no further payments to the scheme. Pension provision has been replaced by a money purchase arrangement in the UK.

Sensitivity Analysis:

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 0.25%.

	2018	2017
Discount rate	3.0%	3.0%
Future salary increases	-	-
RPI inflation assumption	2.0%	2.1%
Post-retirement mortality rate changed by one year	4.0%	4.0%

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2016 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

31. ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discussed with the Audit Committee the development, selection and disclosures of the Group's accounting policies and estimates and the application of these policies and estimates. The accounting policies are set out on pages 28 to 33.

The key sources of estimation and uncertainty are:

FINANCIAL INSTRUMENTS

Note 26 contains information about the assumptions and estimates and the risk factors relating to interest rate and foreign currency exposures.

PENSIONS

The Directors have employed the services of a qualified, independent actuary in assessing pension assets and liabilities. However they note that final liabilities and asset returns may differ from actuarial estimates and therefore the pension liability may differ from that included in the financial statements. Note 30 contains information about the principal actuarial assumptions used in the determination of the net assets for defined benefit obligations.

DEFERRED TAXATION

Note 14 contains details of the Group's deferred taxation. Liabilities recognised are determined by the likelihood of settlement and the likelihood that assets are received are based on assumptions of future actions. The recognition of deferred taxation assets is particularly subjective and may be undermined by adverse economic decisions.

INVENTORY VALUATION

The Directors have reviewed the carrying value of inventory and believe this is appropriate in the context of current trading levels and strategic direction of the Group.

DEVELOPMENT EXPENDITURE

The level of development expenditure capitalised is at risk if technological advancements make new developments obsolete. However management constantly reviews the appropriateness of the product portfolio and have reviewed the carrying value of capitalised development expenditure and believe it to be appropriate given expected future trading levels and strategic direction of the Group.

GODDWILL

Goodwill has been tested for impairment at the year end. Value in use calculations have been made using profit forecasts and resulting cashflows discounted at a rate of 12.9% being the calculation of the Group's weighted average cost of capital.

32. ACQUISITION

There have been no changes in the year to the fair value of net assets acquired, and therefore no change in the goodwill arising of $10.329m.

33. RELATED PARTY TRANSACTIONS

Detailed disclosure of the individual remuneration of Board members is included in the Remuneration report. The Executive Board members are regarded as the Key Management Personnel of both the Company and the Group.

Mr P Dupee is the managing partner of Haddeo Partners LLP who have received $84,175 in interest payments during the financial year (2017: $84,175) in respect of their respective holding of the loan notes. At the year-end Haddeo Partners LLP held £810,000 ($1,134,810) of loan notes. In addition, the wife of Mr N Carrick, the Group Finance Director, also held £50,000 ($70,050) of loan notes. Further details on the loan notes can be found in note 19.

Mr D Grimes, the Divisional Managing Director of Industrial Laser Systems, is party to a trust which owns the property rented by TYKMA Inc. in the US and which received $161,500 rent and associated property costs during the period (2017: $154,000).

There have been no other transactions between Key Management Personnel and the Company. None of the directors were due any monies at the end of the current period or the prior period.

34. ALTERNATIVE PERFORMANCE MEASURES

The Directors assess the performance of the Group by a number of measures and frequently present results on an ‘underlying’ basis, which excludes special items. The Directors believe the use of these ‘non-GAAP measures’ provide a better understanding of underlying performance of the Group.

In the review of performance reference is made to ‘underlying profit’ or ‘profit before special items’, and in the Consolidated Income Statement the Group’s results are analysed between Before Special items and After Special items.

Special items are detailed in note 3 and are disclosed separately on the basis that this presentation gives a clearer picture of the underlying performance of the group.

These measures are used by the Board to assess performance, form the basis of bonus incentives and are used in the Group’s banking covenants. In addition the Board makes reference to orders and order book or backlog. This represents orders received from customers for goods and services and the amount of such orders not yet fulfilled.

Underlying operating profit

	$000	$000
Operating profit	**2,340**	3,619
Special items included in cost of sales (see note 3)	**764**	147
Special items included in net operating expenses (see note 3)	**1,126**	66
Underlying operating profit	**4,230**	3,832

Underlying profit for the period

Profit for the period	**3,049**	2,574
Special items included in cost of sales (see note 3)	**764**	147
Special items included in net operating expenses (see note 3)	**1,126**	66
Special items included in Financial income	**(1,741)**	(1,891)
Special items included in Financial expense	**290**	295
Profit on disposal of ProPhotonix	**(1,256)**	-
Tax effect of rate change in USA	**630**	–
Tax on special items	**622**	1,609
Underlying profit for the period	**3,484**	2,800

Underlying EPS

A reconciliation of underlying EPS is included in note 9

35. PROPHOTONIX DISPOSAL

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 $1.97m 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 $924,000 has been transferred from retained earnings to the available for sale reserve as at 2 April 2016. The restated available for sale carrying amount after fair value movement from the start of the year to the date of disposal has then been recycled as part of the profit on disposal of $1,256,000.

36. POST BALANCE SHEET EVENTS

On 17 July 2018 the Trustee of the 600 Group Pension Scheme signed a policy with Pension Insurance Corporation to buy out the scheme liabilities for £200,600,000 ($266,000,000). Further details on the transaction and the implications for the Group are included in the Strategic report on pages 6 and 7.

Company statement of financial position

As at 31 March 2018

Company Number 00196730

	Notes	As at 31 March 2018 $000	As at 1 April 2017 $000	As at 2 April 2016 $000
Non-current assets				
Fixed Assets		**4**	-	-
Investments	4	**12,193**	12,956	13,053
		12,197	12,956	13,053
Current assets				
Trade and other receivables	5	**50,671**	41,139	43,665
Assets classified as held for resale	6	—	—	2,837
Cash and cash equivalents		**120**	34	358
		50,791	41,173	46,860
Total assets		**62,988**	54,129	59,913
Current liabilities				
Trade and other payables	7	**(2,406)**	(1,037)	(2,167)
		(2,406)	(1,037)	(2,167)
Non-current liabilities				
Trade and other payables	7	**(11,286)**	(9,842)	(13,462)
		(11,286)	(9,842)	(13,462)
Total liabilities		**(13,692)**	(10,879)	(15,629)
Net assets		**49,296**	43,250	44,284
Shareholders' equity				
Called-up share capital	8	**1,746**	1,629	1,629
Share premium account		**2,885**	1,484	1,484
Revaluation reserve		**—**	—	1,009
Available for sale reserve		**—**	1,446	—
Equity reserve		**201**	201	201
Profit and loss account		**44,464**	38,490	39,961
		49,296	43,250	44,284

Included in the profit and loss is a profit for the year of $2,246K (prior year $2,673K). The financial statements on pages 67 to 77 were approved by the Board of Directors on 19 July 2018 and were signed on its behalf by:

NEIL CARRICK
GROUP FINANCE DIRECTOR
19 JULY2018

REGISTERED OFFICE
1 Union Works
Union Street
Heckmondwike
West Yorkshire
WF16 0HL

Company statement of changes in equity
As at 31 March 2018

Company Number 00196730

	Ordinary share capital $000	Share premium account $000	Revaluation reserve $000	Available for sale reserve $000	Equity reserve $000	Retained Earnings $000	Total $000
At 2 April 2016	**1,629**	**1,484**	**1,009**	**(924)**	**201**	**40,885**	**44,284**
At 2 April 2016 as restated*	**1,629**	**1,484**	**1,009**	**—**	**201**	**39,961**	**44,284**
Profit for the period	—	—	—	—	—	2,673	2,673
Other comprehensive income:							
Foreign currency translation	—	—	(120)	-	—	(5,118)	(5,238)
Fair valuation of Investments	—	—	—	1,446	—	—	1,446
Transfer on revalued properties	—	—	(889)	—	—	889	—
Total comprehensive income	—	—	(1,009)	1,446	—	(1,556)	(1,119)
Transactions with owners:							
Credit for share-based payments	—	—	—	—	—	85	85
Total transactions with owners	—	—	—	—	—	85	85
At 1 April 2017	**1,629**	**1,484**	—	**1,446**	**201**	**38,490**	**43,250**
Profit for the period	—	—	—		—	2,246	2,246
Other comprehensive income:							
Foreign currency translation	—	—	—	19	—	3,689	3,708
ProPhotonix disposal	—	—	—	(1,465)	—	—	(1,465)
Total comprehensive income	—	—	—	(1,446)	—	5,935	4,489
Transactions with owners:							
Share capital subscribed for	117	1,401	—	—	—	—	1,518
Credit for share-based payments	—	—	—	—	—	39	39
Total transactions with owners	117	1,401	—	—	—	39	1,557
At 31 March 2018	**1,746**	**2,885**	—	—	**201**	**44,464**	**49,296**

*see note 35 in Group accounts on disposal of ProPhotonix

The accompanying accounting policies and notes on pages 69 to 77 form part of these Financial Statements.

Company accounting policies

BASIS OF PREPARATION

As used in the financial statements and related notes, the term “Company” refers to The 600 Group PLC. The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act, the separate financial statements have been prepared in accordance with FRS101 “Reduced Disclosure Framework”.

After reviewing current results, the Board has determined to change our presentational currency to US dollars. Approximately two thirds of Group revenues are in dollars and a great proportion of Group expenditure is either in dollars or currency tied to the dollar. The fluctuation in Sterling in the last few years has made it difficult to accurately measure performance when reporting in Sterling and this change will make it more efficient for the Board and shareholders in analysing financial results going forward.
Comparative figures have been adjusted accordingly.

BASIS OF ACCOUNTING

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company’s financial statements, except as detailed below.

These accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements have been prepared in accordance with FRS 101 “Reduced Disclosure Framework”. The accounts are prepared to the Saturday nearest to the Company’s accounting reference date of 31 March. The results for 2018 are for the 52-week period ended 31 March 2018. The results for 2017 are for the 52-week period ended 1 April 2017.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- an Income Statement, Statement of Comprehensive Income and related notes;
- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

NOTES ON INTERPRETATION OF ACCOUNTING STANDARDS

REVALUATION OF FIXED ASSETS

Property, plant and equipment are held at cost, subject to triennial property revaluations.

In 2010 the Company adopted a policy of revaluation for properties. As a result all properties were independently revalued during March 2015 and disposed of during the period ended 1 April 2017.

DEPRECIATION

Depreciation is calculated to write off the cost (or amount of the valuation) of fixed assets less the estimated residual value on a straight-line basis over the expected useful economic life of the assets concerned. The annual rates used are generally:

- freehold buildings – 2 to 4%
- leasehold improvements – over residual terms of the leases
- plant and machinery – 10 to 20%
- fixtures, fittings, tools and equipment – 10 to 33.3%
- Land – nil

LEASES

Assets financed by leasing arrangements, which give rights approximating to ownership, are treated as if they had been purchased outright and are capitalised and depreciated over the shorter of the estimated useful life of the assets and the period of the leases. The capital element of future rentals is treated as a liability and the interest element is charged against profits in proportion to the balances outstanding. The rental costs of all other leased assets are charged against profits on a straight-line basis.

Company accounting policies

TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

CURRENCY TRANSLATION

Transactions are translated into US Dollars at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities are translated into US Dollar at the year-end rates.

INVESTMENTS

Investments in respect of subsidiaries are stated at cost less any impairment in value. Investments in quoted shares are classified as Available for sale and measured at fair value. Movements in fair value are recorded in the Available for sale reserve until the shares are sold, in which case the Available for sale reserve is recycled to the income statement.

FINANCIAL INSTRUMENTS: MEASUREMENT

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considered these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

DIVIDENDS

Dividends on non-equity shares are recognised as a liability and accounted for on an accruals basis. Equity dividends are recognised as a liability in the period in which they are declared (appropriately authorised and no longer at the discretion of the Company).

Notes relating to the company financial statements

1. PERSONNEL EXPENSES

	2018 $000	2017 $000
Staff costs:		
– wages and salaries	**882**	846
– social security costs	**58**	59
– pension charges	**24**	23
– equity share options expense	**39**	85
	1,003	1,013

Included within the 2017 total of $1,013k is $140k which relates to redundancy costs included within special items.

The average number of employees of the Company (including Executive Directors) during the period was as follows:

	2018 Number	2017 Number
Head office function	**6**	**7**

These staff costs related entirely to the Directors and head office staff who are all classified as administration and management.

Details of Directors' emoluments, share option schemes and pension entitlements are given in the Remuneration Report on pages 15 to 17.

2. DIVIDENDS

No dividend was declared or paid in the period (2017: no dividend paid).

A final dividend of 0.5p has been proposed payable on 28 September 2018 to holders on the register at 31 August 2018.

3. SPECIAL ITEMS

In order for users of the financial statements to better understand the underlying performance of the Group the Board have separately disclosed significant costs associated with the ongoing restructuring of the Group and associated redundancy costs incurred in the year.

Special items include exceptional costs relating to reorganisation, redundancy and restructuring and charges for share based payments.

	2018 $000	2017 $000
Items included in operating profit:		
Redundancy and reorganisation	**200**	189
Share option costs	**39**	85
Profit on sale of property	**-**	(143)
	239	131
Items included in financial expense:		
Amortisation of loan note expenses	**243**	210
	243	210
Other items		
Profit on sale of Prophotonix	**1,256**	-
	1,256	-

Notes relating to the company financial statements

4. INVESTMENTS

	Shares In Listed Investments $000	Shares In Group Undertakings $000	Total $000
Cost:			
At 1 April 2017	2,068	50,557	52,625
Disposals in the period	(2,068)	—	(2,068)
Exchange variance	-	6,067	6,067
At 31 March 2018	**-**	**56,624**	**56,624**
Provisions			
At 1 April 2017	—	39,669	**39,669**
Exchange variance	-	4,762	4,762
At 31 March 2018	—	**44,431**	**44,431**
Net book values			
At 31 March 2018	**-**	**12,193**	**12,193**
At 1 April 2017	2,068	10,888	12,956

	Shares In Listed Investments $000	Shares In Group Undertakings $000	Total $000
Cost:			
At 2 April 2016	1,628	57,346	58,974
Fair valuation in the period	633	—	633
Exchange variance	(193)	(6,789)	(6,982)
At 1 April 2017	2,068	50,557	52,625
Provisions			
At 2 April 2016	924	44,997	45,921
Reinstatement in the period	(924)	—	(924)
Exchange variance	-	(5,328)	(5,328)
At 1 April 2017	—	39,669	39,669
Net book values			
At 1 April 2017	2,068	10,888	12,956
At 2 April 2016	704	12,349	13,053

The Company disposed of its entire holding in ProPhotonix Ltd. At the end of August 2017.
The investment had been acquired on 3 August 2014 when the Company acquired 26.3% of the ordinary share capital of Prophotonix Limited through the issue of ordinary shares in the Company representing 5.5% of the enlarged share capital of 600 Group Plc.

Despite the group owning greater than 20% of the share capital of Prophotonix, the directors have accounted for it as an investment as opposed to an associate. This is because there is no representation from the Group or the Company on the board of Prophotonix and therefore significant influence may not be exerted over key strategic decisions.

4. INVESTMENTS (CONTINUED)

The subsidiaries undertakings of The 600 Group PLC and their countries of incorporation are:

ENGLAND& WALES:

600 UK Limited*; The 600 Group (Overseas) Limited*; Electrox Laser Limited; Pratt Burnerd International Limited; Electrox Limited; The Colchester Lathe Company Limited; Crawford Collets Limited; 600 Machine Tools Limited; 600 Controls Limited; Pratt Gamet Limited; Gamet Bearings Limited; T S Harrison & Sons Limited; The Richmond Machine Tool Company Limited; 600 Lathes Limited; 600 SPV1 Limited*; 600 SPV2 Limited*; Coborn Insurance Company Limited and The 600 Group Pension Trustees Limited*.
All subsidiary undertakings in England & Wales have their registered offices at 1 Union Works, Union Street, Heckmondwike, West Yorkshire WF16 0HL except Coborn Insurance Company Limited, whose registered office is PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU.
600 UK Limited's principal activity is the design and distribution of machine tools and precision engineered components. Electrox Laser Limited's principal activity is the design, manufacture and distribution of industrial laser systems. Coborn Insurance Company Limited is a captive insurance company and all other subsidiary undertakings in England & Wales are dormant or holding companies.

US:

600 Group Inc
Clausing Industrial, Inc
TYKMA Inc

Clausing Industrial, Inc's principal activity is the design and distribution of machine tools and precision engineered components. TYKMA Inc's principal activity is the design, manufacture and distribution of industrial laser systems. 600 Group Inc is a holding company.
Clausing Industrial, Inc and 600 Group Inc both have a registered office at 3963 Emerald Drive, Kalamazoo, Michigan 49001, US. TYKMA Inc has a registered office at 370 Gateway Drive, Chillicothe, Ohio 45601, US.

REST OF THE WORLD:

600 Machine Tools (Pty) Ltd – (Australia)
600 Group Equipment Limited - (Canada)

600 Machine Tools (Pty) Ltd's principal activity is the design and distribution of machine tools and precision engineered components. 600 Group Equipment Limited is a dormant company.

All undertakings marked * are 100% owned directly by the Parent Company. The others are 100% owned through intermediate holding companies. All undertakings above are included in the consolidated accounts.

5. TRADE AND OTHER RECEIVABLES

	2018	2017
	$000	$000
Amounts owed by subsidiary undertakings[1]	**49,981**	40,312
Deferred tax	**430**	753
Other debtors	**260**	74
	50,671	41,139

[1] All inter-company loans are repayable on demand and as such are recorded at their face value.

Notes relating to the company financial statements

6. ASSETS CLASSIFIED AS HELD FOR RESALE

	2018 $000	2017 $000
Brought forward	—	2,837
Transferred from property plant and equipment - cost	—	—
Transferred from property plant and equipment - depreciation	—	—
Disposals	—	(2,837)
Impairment	—	—
	—	—

The above leasehold property was sold on 11 July 2016 for net proceeds of $2.6m. A profit on disposal of $143,000 was recorded in special items in the year ended 1 April 2017.

7. TRADE AND OTHER PAYABLES

	2018 $000	2017 $000
Current liabilities:		
Trade payables	**223**	337
Amounts owed to subsidiary undertakings[1]	**1,997**	395
Other creditors	**-**	36
Accruals and deferred income	**186**	269
	2,406	1,037

	2018 $000	2017 $000
Non-current liabilities:		
Shareholder loan	**11,286**	9,842
	11,286	9,842

[1] All inter-company loans are repayable on demand and as such are recorded at their face value.

The 600 Group PLC has undertaken to discharge the liability for corporation tax of all UK Group undertakings.

The $11.9m (£8.5m) of Loan Notes in place at the year-end were issued in three tranches in February, March and August 2015 with 43.95m convertible warrants attached to them. These warrants allow the holders to either convert the loan into shares or to purchase shares at 20p for a cash consideration. The loan has both debt and equity components and $195,000 is shown in equity reserve and the balance after deduction of associated costs and amortisation of $429,000, is shown in non current borrowings. Costs are amortised to the income statement over the term of the loan. The loan notes are repayable and the warrants expire both on 14 February 2020.

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Given the nature of the Company's financial assets and liabilities, it is the directors' opinion that there is no material difference between their reported book values and estimated fair values.

The above loans and borrowings are secured by way of fixed and floating charges over the assets of the Company and its subsidiaries.

8. SHARE CAPITAL

	2018 $000	2017 $000
Allotted, called-up and fully paid:		
Ordinary shares of 1p each		
104,357,957 ordinary shares of 1p each on issue at start of the period (2017: 104,357,957 ordinary shares)	**1,629**	1,629
2017 –8,615,384 ordinary shares of 1p each issued in September 2017	**117**	—
112,973,341 ordinary shares of 1p each on issue at end of period (2017: 104,357,957 ordinary shares of 1p)	**1,746**	1,629
Total Allotted, called-up and fully paid at the end of period	**1,746**	1,629

The Company has one class of ordinary shares which carry no rights to fixed income. The ordinary shareholders are entitled to receive dividends as declared and are entitled to vote at meetings of the Company.

8,615,384 shares were issued on 20 September 2917 at a price of 13p (17.6c) $116,687 was allocated to share capital and $1,400,241 to share premium.

The Company has raised £8.5m ($11.9m) through the issue of loan notes. The loan notes had a 5 year maturity ending on 14 February 2020 and carry a coupon of 8% payable quarterly in arrears. The subscribers for loan notes also received warrants with an expiry date of 14 February 2020 to subscribe for 43.95m ordinary shares of 1p each in the Company at a price of 20p per Ordinary Share. The issue of the warrants occurred after approval was granted by the shareholders at a general meeting on 18 March 2015. 43.95m warrants remained outstanding at the year-end.

9. CONTINGENT LIABILITIES

	2018	2017
	$000	$000
Bank guarantees in respect of Group undertakings	**213**	115

10. PENSION

The Company makes contributions to defined contribution schemes for certain employees. The pension contribution charge for the Company amounted to $24,000 (2017: $23,000).

11. RELATED PARTY TRANSACTIONS

Detailed disclosure of the individual remuneration of Board members is included in the Remuneration report. The Executive Board members are regarded as the Key Management Personnel of both the Company and the Group.

Mr P Dupee is the managing partner of Haddeo Partners LLP who have received $84,175 in interest payments during the financial year (2017: $84,175) in respect of their respective holding of the loan notes. At the year-end Haddeo Partners LLP held £810,000 ($1,134,810) of loan notes. In addition, the wife of Mr N Carrick, the Group Finance Director, also held £50,000 ($70,050) of loan notes. Further details on the loan notes can be found in note 19.

There have been no other transactions between Key Management Personnel and the Company. None of the directors were due any monies at the end of the current period or the prior period.