The 600 Group PLC

Annual Report and Accounts 2017

Company Number 00196730

Contents

Chairman's statement

I am pleased to report that we have produced a solid performance in what has been a turbulent period with both Brexit disrupting markets in the UK and Europe and the presidential elections materially slowing down activity in the USA.

This solid performance is all the more significant in that it was delivered against a backdrop of global market weakness in machine tools. This performance was largely as a result of the successful integration of our industrial laser systems manufacturing facilities into the new site in Ohio, USA, which has reduced the overall cost base significantly combined with further efficiencies achieved by revising the supply chain.

Although many economic forecasters predict risks associated with the UK leaving the EU, we believe The 600 Group is less prone to the possible adverse consequences given that over 60% of the Group's activities are now conducted in the USA and these businesses are the main profit drivers of the Group. Furthermore, the US dollar income the Group generates provides a natural currency hedge against the majority of our purchases which are in US dollars.

In the current year, only 12% of Group sales were to EU countries excluding the UK and we remain firmly focused on developing new markets outside of this area, particularly in South East Asia. In addition, over 15% 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 client base.

Industrial Lasers

The industrial laser systems division now accounts for 49% of the Group's underlying operating profits (before special items and head office costs).

The successful integration of TYKMA and Electrox over the last two years has significantly raised the profile of the industrial laser division in the marketplace and has given the enlarged business increased recognition and credibility in this highly fragmented industry. As a consequence, it has been able to secure a number of sales in the year to multi-national corporations and it is pleasing to report that this trend has continued into the current financial year.

The division is constantly developing new products and exploring new opportunities in the rapidly developing laser market and introduced some of these new products to the market in September last year. These new products have been extremely well received with a growing level of sales that will help to underpin the current year performance. The business entered the new financial year with an order book up 50% on the same time last year.

The joint TYKMA Electrox brand now provides laser solutions across a number of industrial laser applications including marking, engraving and micro-material processing. The markets for these types of laser applications have shown continued growth for a number of years and industry forecasters continue to predict single digit growth, despite the slow economic pick -up in activity, as these products replace ink printing and legislation continues to increase the requirement for traceability of all production items.

Machine Tools

The overall performance of our machine tools division in the period matched their performance of the previous year. This was a good outcome given the various headwinds we faced through most of the year which created high levels of instability in the UK, European and US markets. Activity levels have picked up markedly in 2017 and the machine tools division entered the new financial year with an overall order book 44% up on the same time last year, increasing further to over 50% currently. This increase has also come from a broad range of industry sectors.

The US machine tool market continued to be weak in the calendar year to December 2016 with uncertainty over the presidential elections creating a marked slowdown in demand. The Oxford Economics machine tool survey indicated a 2.1% fall in consumption, with order activity being reported much weaker. Consequently, our USA machine tool business contracted in local currency terms during the year, nevertheless, producing a small increase in Sterling terms as a result of its fall against the US dollar.

Since the start of 2017, order activity in the USA has been good and continues to improve with order backlog now currently 64% up on the same time last year. New product launches are planned for the second half of the year including more USA - produced machines and an increased sales effort into Mexico and Canada.

In the UK, uncertainty caused by the run up to the Brexit vote adversely impacted order activity and the subsequent fall in the value of Sterling had the effect of pushing up the cost of imported machine components and squeezing margins. Consequently, the business, like most of its competitors, was forced to introduce a price increase for new orders from November 2016 in an effort to restore profitability. At the same time, a number of other management and cost reduction exercises were undertaken to help deal with the situation. Since the beginning of 2017 the business has seen an improved market and order backlog going into the new financial year was up 54% on the previous year. New product launches are planned in the UK and Europe from September onwards to increase the product offering through existing and new distributor partners as well as through direct sales in the UK.

Chairman's statement

The Australian machine tools business maintained a break even trading position for the period and has secured good orders since the start of the new financial year including the first orders in Thailand with a new distributor. Work continues on supporting the expanded distributor network including training and support at trade shows in Vietnam, Singapore, Malaysia and the Philippines.

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 coming on stream. This will expand our product offering and increase market coverage of our brands.

Acquisitions

In October 2016 we acquired the Spanish machine tool brand of Kondia and certain assets for a minimal consideration of 50,000 Euros. Kondia was formerly Spain's largest manufacturer of milling machines and was placed into administration in 2015. As a result we now own the Kondia name and all IP in addition to a large inventory of spare parts.

For over twenty years Clausing, our US machine tool company, has sold Kondia FV, milling machines and associated spares. It will now start to produce a US- made Kondia milling machine, in addition to providing worldwide support for the sale of spare parts for the existing installed base of these machines.

Financial Overview

The results for the current year are for the 52 weeks to 1 April 2017 (prior year 53 weeks to 2 April 2016). Revenue from continuing operations was £47.0m (2016: £45.3m) a 4% increase on the previous year.

After taking account of interest, taxation, pension's credits and other special items, the Group profit for the financial year was £2.06m (2016: £1.15m).Underlying profit (before special items) amounted to £2.24m (2016: £1.54m) resulting in underlying earnings of 2.15p per share (2016: 1.69p) and total earnings were 1.97p per share (2016: 1.26p).

At the end of the financial year, Group net indebtedness stood at £13,66m (2016: £13.89m), with gearing of 27% (2016:34%). Whilst cash was generated from the sale of the Letchworth property in July 2016 reducing UK borrowings, currency depreciation increased the Sterling value of the US borrowings. In addition increased working capital in TYKMA to support the transfer of manufacturing from the UK resulted in increased US borrowings. The net effect produced little impact on the overall debt at the current year end. At the end of the year the Group had headroom on the existing borrowing facilities of £3.20m and had complied with all financial covenants throughout the year.

Facilities

At the beginning of July 2016,we completed the sale of our Letchworth long leasehold site for £2m, with the much reduced UK laser operation moving to a new leasehold site also in Letchworth. In the USA we expanded our footprint in the new purpose built leasehold premises in Chillicothe, Ohio to accommodate the transfer of UK laser manufacturing. This and the new premises for Clausing in Kalamazoo Michigan, which were opened in the previous year, have improved the working environment for all staff, increased operational efficiency and provided room for growth.

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 improving our businesses in the last year and I look forward to working with them again in the coming year.

Dividends

The Board continues to believe that the retention of earnings for deployment in the business is the most appropriate use of financial resources and accordingly they do not recommend the payment of a dividend at the present time.

Outlook

Trading in the period since the FY17 financial year end has been in line with the Board’s expectations and order books in both divisions are much improved. Overall orders now stand 42% up on the same time last year which provides greater visibility of future trading .We are continuing to leverage our industry - recognised brands through an increased worldwide distribution network and introducing new products to widen the customer base. Whilst industry forecasts of growth for both divisions remain at low levels for the coming year, we believe the investment in new products and new markets will lead to increased market share and position the Group’s businesses well for any increase in market activity.

Paul Dupee
Executive Chairman
3 July 2017

Strategic report

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 180 countries worldwide.

During the 52 week period ended 1 April 2017 27% of revenues came from the sale of metal turning machine tools, with a further 19% from other machine tools and 10% from the sale of precision engineered components. Sales of Industrial laser equipment amounted to 29% of revenues with the remaining 15% 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. In the year ended 1 April 2017 the top 20 customers, of which 17 were distributors, contributed less than 26% of revenues, the same as the previous year.

By geographical territory of destination

Revenues are generated across many diverse geographical territories, with the principal markets in:

Percentage of worldwide revenues (by destination)	2017 %	2016 %
United States of America	64	60
United Kingdom	15	19
Europe (excluding UK)	12	13
Rest of the World	9	8
Total	100	100

Macroeconomic and industry trends

Machine tools and precision engineered components

The worldwide machine tool industry was estimated by Oxford Economics at over $75bn in annual sales in its Spring 2017 report. The market is 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.

Gardner Research identified the largest five producer countries of machine tools to be China, Japan, Germany, Italy and South Korea with the largest five countries ranked by consumption as China, USA, Germany, Japan and South Korea.

The global consumption of machine tools excluding China was reported as being negative at -3% in the latest Oxford Economics data for the year to December 2016 against a positive 8% in 2015. In our most important markets USA was negative at –2.1%, Germany positive at 3.9% and the UK negative at -7%.

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 is reported to be $3.1bn and growing at between 2% and 8% each year. The laser marking and micro-materials subset of the overall laser industry continues to grow at the lower end of these growth forecasts but is supported 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.

Strategic report

Results

Machine tools and precision engineered components

This division operates from Heckmondwike and Colchester in the UK, Kalamazoo Michigan in the USA, and Sydney and Brisbane in Australia. It designs and develops metal processing machine tools sold under the brand names Colchester, Harrison and Clausing and designs and manufactures 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 financial results of these activities, on a total and underlying basis, were as follows:

	2017 *£ 000*	**2016** *£ 000*
Revenues	32,424	32,127
Operating profit	2,750	2,355
Operating margin	8.5%	7.3%
Underlying operating profit*	2,059	2,073
Underlying operating margin*	6.4%	6.5%

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

Revenues overall increased by 1% in Sterling terms despite a decline in local currency terms of 15% in the USA and a backdrop of weak customer confidence caused first by the Brexit vote affecting UK and Europe and secondly the presidential elections in the USA. It was not until the start of the 2017 calendar year that more stable conditions returned and trading has steadily improved since then.

The Australian operation broke even after a return to full time working and has begun to show signs of further progress through the new distribution channels it has established in South East Asia which gained some traction in the early part of the new financial year with the first orders for Thailand being received.

The UK and European operations experienced difficult market conditions following the depreciation of Sterling after the Brexit vote. This pushed up the costs of imported machines and parts, which are largely US Dollar denominated. This inevitably reduced margins and consequently the business took the decision, along with most of its competitors, to increase prices for new orders received after 1 November 2016. Additionally steps were taken during the period to reduce costs and a number of management changes took place at Heckmondwike.

The Clausing product range of drills, mills, saws and grinders, which were introduced into the product portfolio at the end of last year, are now becoming a regular feature of the package of products we supply in the UK and Europe. Additional launches of new products are planned for later this year which will further enhance the product range and widen the appeal to customers and distributors.

The Clausing range of products has been one of the key reasons behind the growth in the North American operations in recent years and represents over 33% of their product sales compared to a figure of just 5% for the UK and European operation.

Industrial laser systems

The final integration of the combined TYKMA Electrox operations was completed in early FY17 as all manufacturing operations were consolidated in the Chillicothe, Ohio USA facility. The existing UK factory in Letchworth was sold in July 2016. The remaining UK operations moved to new leasehold premises in Letchworth and now provide a customer-focused service operation serving the UK and Europe.

The industrial laser systems division now accounts for 49% of the Group underlying operating profits (before special items and head office costs).

Results for the financial year, on a total and underlying basis, were as follows:

	2017	**2016**
	£ 000	*£ 000*
Revenues	14,608	13,142
Operating profit	1,322	(2,033)
Operating margin	9.0%	(15.4)%
Underlying operating profit*	1,993	1,179
Underlying operating margin*	13.6%	8.9%

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

Operating efficiencies and savings (including those from supplier consolidation) were successfully achieved and reflected in the improved margins during the year. Similarly to the machine tools division, revenues were held back by the major issues of the Brexit vote in the UK and Europe and the presidential elections in the USA. Once again, however, there has been a steady improvement in trading activity since the start of the 2017 year and order books are currently 29% up on the same period last year, including a large medical industry order.

The worldwide industrial laser systems business operates under the combined TYKMA Electrox brand. Each end user or distributor is free to choose among our brands which combined creates an enhanced product portfolio for solving a larger number of applications. These Industrial laser systems are sold for a variety of applications to provide solutions which include marking, engraving and micro-material processing. Sales are made to an extensive range of industries and increasingly to large multi-national corporate customers.

Group revenue

Revenue from continuing operations increased by 4% to £47.0m (2016: £45.3m) which although representing only a modest increase over last year was achieved despite difficult conditions experienced in a turbulent worldwide market.

Costs and margins

Gross margins in the industrial laser systems division improved significantly as a result of the business integration. Margins in machine tools were impacted by Sterling's weakness after the Brexit vote increasing input prices but as a result of actions taken in our UK operation these have now been restored.

Profit before taxation

Group profit before tax was £3.23m (2016: £1.01m) and the underlying profit before tax figure before special items was £2.12m (2016: £1.48m).

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.

The current year has an overall net credit before taxation of £1.11m (2016 net charge £0.47m). A credit of £0.65m (2016: credit of £0.94m) is included as a result of the work by the Trustees of the UK pension scheme and the Group in reducing pension liabilities. A number of transactions took place over the prior and current 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.

In addition, as a result of the pension scheme being in surplus on an accounting basis, a credit of £1.45m (2016: credit of £1.17m) is recorded in financial income. No cash was paid to or received from the scheme in respect of these transactions.

Redundancy and restructuring costs were incurred on both the integration of the Electrox and TYKMA businesses and the overhead and operating cost reduction in head office and UK machine tools business which amounted to £0.62m (2016 £0.83m) and associated stock write offs of £0.19m (2016 £0.89m). A small profit against the written down value of the Letchworth property of £0.1m was achieved on the sale in July 2016.

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 small credit of £118k for taxation (2016: credit of £65k). Deferred taxation is provided on the pension credits of £2.16m at a rate of 35%, being the rate applicable to any refund from a pension scheme and is included in special items.

The UK businesses continue to benefit from substantial previous tax losses and no taxation is payable in the UK. The US businesses are subject to taxation on their profits at a rate of 34%.

Net profit and earnings per share

The total profit attributable to equity holders of the parent for the current financial year amounted to £2.06m (2016: profit of £1.16m) with underlying profit of £2.24m (2016: £1.55m).

Underlying earnings from continuing operations before special items and related taxation were 2.15p per share (2016: 1.69p) and basic earnings per share were1.97p (2015: 1.26p)

Financial position and utilisation of resources

Cash flow

Cash generated from operations before working capital movements was £3.58m (2016: £3.03m). Working capital movement was largely due to a reduction in creditors and build up of stocks as a consequence of the transfer of laser manufacturing operations to the USA. £0.54m was expended on redundancy and restructuring costs which largely consisted of redundancy payments at Electrox, UK machine tools and head office.

Interest paid was in line with previous years at £0.95m with the largest component being interest on the £8.5m 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 from the Letchworth property sale were received in July 2016 and were used to pay down UK bank debt.

Net borrowings

Group net debt at 1 April 2017 was reduced to £13.66m (2016: £13.89m) and comprised net bank and finance lease indebtedness of £5.79m (2015: £4.0m) and the amount outstanding on the loan notes of £7.87m(2016: £7.70m). The amount outstanding is net of un-amortised costs and amounts disclosed in equity reserve of £0.6m in the current financial year(2016: £0.8m).

Net debt repayments of £0.8m were made during the year but given a large part of the Group's working capital finance is denominated in US Dollars the depreciation of Sterling has had the effect of increasing disclosed debt by £430k on translation to Sterling at the year end.

New increased banking facilities were agreed with HSBC,in the UK, in August 2016 following the sale of the Letchworth property. A package of facilities to support the working capital of the UK machine tools business and a term loan secured on the remaining freehold site in Colchester were put in place totaling £4.95m.

In March 2016,Bank of America supported the acquisition by the Group of the 20% interest in TYKMA not previously owned with an additional term loan of $1.8m in addition to their existing term and working capital facilities.

The Group has a mixture of term loans and revolving working capital facilities with maturities between 1 and 5 years. Headroom on bank facilities was £3.2m at the year-end (2016: £3.2m) and all financial covenants in place were met during the year.

The £8.5m 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 (2016: 34%)

Going concern

In accordance with FRC guidelines, 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 1 April 2017 was £52.50m (2016: £41.97m). This surplus has been calculated in accordance with the scheme rules and recognised accounting requirements.

As a result of liability reduction exercises undertaken by the UK scheme's Trustees in conjunction with the company, a credit has been taken in the period in the Income Statement of £0.65m (2016 £0.94m) to reflect the actuarial reduction in scheme liabilities.

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 October 2013 the Company reached agreement with the Trustees of the scheme regarding the funding position on a more prudent Technical Provisions basis as at 31 March 2013, which indicated a funding deficit of £25.4m at that date.

It was further agreed that the Technical Provisions deficit would be resolved by an out-performance of the investment returns on the scheme assets of 1% above the return on UK gilts, and that no cash contributions would be required until at least the next funding valuation due as at 31 March 2016.

The formal Actuarial Technical Provisions calculation for 31 March 2016 has now been undertaken and the draft results show that the scheme was in surplus by £2.2m at that time and this surplus has continued to grow since then and is estimated to be in surplus of £10.8m at 31 March 2017.

The Directors and the Trustees work together on a collaborative basis to continue to monitor investment performance and market conditions closely and to mitigate the risk of mis-matching assets and liabilities to a tactically appropriate level.

The US retiree health scheme and pension fund deficits reduced slightly during the year due to changes in actuarial assumptions to £1.03m (2016: £1.04m.)

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, forward order book and cash generation.

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 on a regular basis and enable the business to set and communicate its performance targets and monitor its performance against these targets.

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

KPI	Benchmark Target	2017	2016	2015	2014	2013
Revenue (annual growth rate)	>10%	3.9%	3.4%	5%	(0.2)%	11.2%
Book-to-bill ratio	>110%	109%	107%	97%	101.8%	89.4%
Order book (months)	2.0 - 3.0	1.6	1.5	1.4	1.9	2.0
Gross margin (%of revenue)	>33%	34.9%	34%	32.9%	33.2%	31.7%
EBIT margin (% of revenue)	>7.5%	6.5%	5.2%	5.6%	5.6%	2.3%
Working capital (% of revenue)	<25%	31.3%	25.9%	23.3%	20.0%	21.5%
Inventory turns	>3.0 x	2.4x	2.6x	2.7x	3.3x	2.8x
Receivables (days)	< 60	58	57	58	54	55

All figures are pre special items

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 current 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 higher than 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.

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. The results of 600 Inc, TYKMA Inc. and 600 Australia Pty Limited are reported in United States dollars and Australian dollars respectively and translated into Sterling, and as a result 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 US dollars.

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

The remaining main risks faced by the Group are its exposure to pension funding and the risk to its reputation of a significant failure to comply with accepted standards of ethical and environmental behaviour.

Pension funding risk arises from the Group's operation of a defined benefit pension scheme which gives rise to fluctuations between the value of its projected liabilities and the value of the assets the scheme holds in order to discharge those liabilities. The amount of any surplus or deficit may be adversely affected by such factors as lower than expected investment returns, changes in long term interest rates and inflation expectations, and increases in the forecast longevity of members. 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.

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
3 July 2017

Report of the directors

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.

Neil Carrick

Appointed to the Board as Group Finance Director on 3 October 2011. Previously Group Finance Director and Company Secretary of Cosalt plc.

Stephen Rutherford*

A non-executive Director since 1 October 2007. Managing Director of Neofil Limited and Cares UK Limited.

Derek Zissman*

Appointed to the Board as a non-executive Director on 2 February 2011. Currently a non-executive director of a number of companies including Amiad Water Solutions Ltd (AIM Listed), HelloFresh SE and a previous vice-chairman of KPMG LLP.

Stephen Fiamma*

Appointed to the Board as a non-executive Director on 13 May 2015. Until 2014 a partner in the tax practice of Allen & Overy LLP.

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

SECRETARY
Neil Carrick

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

REGISTERED NUMBER
196730

REGISTRAR
Capita Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

AUDITOR
KPMG LLP

BANKERS
HSBC Bank plc
Bank of America

BROKER
Finncap

NOMINATED ADVISORS
Spark Advisory Partners

Report of the directors

The Directors present their report to the members, together with the audited financial statements for the 52 week period ended 1 April 2017, which should be read in conjunction with the Chairman's Statement on the affairs of the Group (pages 1 to 3), and the Strategic Report (pages 4 to 11). 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 2017 are for the 52-week period ended 1 April 2017. The results for 2016 are for the 53-week period ended 2 April 2016.

ACTIVITIES OF THE GROUP

The Group is principally engaged in the manufacture and distribution of machine tools, precision engineered components and 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 21.

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 11. 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 8 June 2017, 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	22.51
Mr D Grimes	7,500,000	7.19
Mr A Perloff and the Maland Pension Fund Trustees	6,550,000	6.28
Schroder Investment Management	3,671,320	3.52

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.

On 18 March 2015 shareholders approved the issue of up to 43,950,000 new warrants to subscribe for ordinary shares at a price of 20p per share. Subscribers to the new loan notes issued in February, March and August 2015 were issued with warrants totalling 34,755,000. In addition 9,195,000 new warrants were issued as replacements for the same number of old warrants granted as part of the old shareholder loan arrangements to those old shareholder loan note holders who agreed to roll over their notes into the new loan issue.

Haddeo Partners LLP, in addition to their shareholding above, currently hold 5,050,000 of these warrants.

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 29 September 2016. This authority remains valid until the conclusion of the next Annual General Meeting.

Report of the directors

DIRECTORS

Details of the current Directors of the Company are shown on page 12.

The beneficial interests of the directors in the share capital of the Company at 1 April 2017 are shown in the Remuneration Report on pages 16 to 19.

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 do not recommend the payment of a dividend.

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.

On behalf of the Board

NEIL CARRICK
DIRECTOR
3 JULY 2017

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

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS101 Reduced Disclosure Framework.

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NEIL CARRICK
DIRECTOR
3 JULY 2017

Remuneration report

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 18 and the table of Directors' share options on page 19 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 design and implementation of a new group wide bonus policy.

• the formal grant of awards under the share plans; 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

No bonuses were paid in the year. A new bonus scheme has been implemented from the start of the financial year ending 31 March 2018 based on financial targets 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 executive's. Options were granted on 19 November 2012 which are exercisable at 10p between three and ten years after grant date and further options excercisable 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 month 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.

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.

TOTAL SHAREHOLDER RETURN

This graph shows the Total Shareholder Return (TSR) of the Company (black line) from 1 April 2013 to 1 April 2017 compared with the AIM Index (grey line), rebased to 100. The TSR is defined as share price growth plus dividends reinvested. As the Company has been a constituent of this index since 14 July 2011, the Board considers that this is the most appropriate index against which the TSR of the Company should be measured.

RELATIVE PERFORMANCE OF FTSE AIM ALL SHARE INDEX TO 600 GROUP APRIL 2013 TO APRIL 2017

Remuneration report

DIRECTORS' INTERESTS IN SHARES

The interests of Directors holding office at 1 April 2017 in the ordinary shares of the Company were as follows:

	At 1 April 2017 Number	At 2 April 2016 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 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

Audited

	Salary £	Fees £	Pension £	Bonus £	All benefits in kind £	**Total 2017 £**	Total 2016 £
P R Dupee	250,000	—	—	—	—	**250,000**	234,167
N R Carrick	175,000	—	15,750	—	18,281	**209,031**	205,632
D Zissman	—	33,000	—	—	—	**33,000**	33,000
S J Rutherford	—	33,000	—	—	—	**33,000**	33,000
S E Fiamma	—	33,000	—	—	—	**33,000**	29,171
N F Rogers	—	—	—	—	—	—	18,294
Total	**425,000**	**99,000**	**15,750**	—	**18,281**	**558,031**	553,264

.

DIRECTORS' SHARE OPTIONS
Audited

Details of share options at 1 April 2017 and 2 April 2016 for each Director who held office during the year are as follows:

	Number of options at 2 April 2016	Granted	Exercised	Lapsed/ forfeited	**Number of options at 1 April 2017**
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.

4,500,000 options with an exercise price of 10p were granted on 19 November 2012 of which 1,750,000 remain outstanding at the year-end. 5,400,000 options with an exercise price of 17p were granted on 7 April 2014, of which 3,400,000 remain outstanding, and 500,000 options with an exercise price of 18p were granted on 6 August 2015, all of which remain outstanding.

During the prior year, 2,750,000 share options were exercised by N Rogers on 10 July 2015. 2,750,000 new ordinary shares of 1p each were exercised at 10p generating cash proceeds for the Group of £275,000.

The charge to the Income Statement in respect of share based payments was £68,000 (2016: £64,000).

The share price at 1 April 2017 was 12.625p and the highest and lowest prices during the period were 14.375p and 7.75p respectively.

On behalf of the Board

NEIL CARRICK
DIRECTOR
3 JULY 2017

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE 600 GROUP PLC

We have audited the financial statements of The 600 Group PLC for the period ended 1 April 2017 set out on pages 21 to 77. 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 EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 Reduced Disclosure Framework.

This report is made solely to the 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 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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 1 April 2017 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

3 July 2017

Consolidated income statement
For the 52-week period ended 1 April 2017

	Notes	**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**	Before Special Items 53 weeks ended 2 April 2016 £000	Special Items 53 weeks ended 2 April 2016 £000	After Special Items 53 weeks ended 2 April 2016 £000
Continuing							
Revenue	1	**47,032**	-	**47,032**	45,269	-	45,269
Cost of sales		**(30,602)**	**(118)**	**(30,720)**	(29,899)	(894)	(30,793)
Gross profit/(loss)		**16,430**	**(118)**	**16,312**	15,370	(894)	14,476
Net operating expenses	2,3	**(13,365)**	**(53)**	**(13,418)**	(13,014)	(2,626)	(15,640)
Operating profit/(loss)	3,4	**3,065**	**(171)**	**2,894**	2,356	(3,520)	(1,164)
Financial income	6	**3**	**1,445**	**1,448**	10	1,171	1,181
Financial expense	6	**(946)**	**(168)**	**(1,114)**	(890)	(150)	(1,040)
Contingent consideration settlement	3	-	**-**	**-**	-	2,032	2,032
Profit/(loss) before tax		**2,122**	**1,106**	**3,228**	1,476	(467)	1,009
Income tax (charge)/credit	7	**118**	**(1,287)**	**(1,169)**	65	72	137
Profit/(loss) for the period		**2,240**	**(181)**	**2,059**	1,541	(395)	1,146
Attributable to equity holders of the parent		**2,240**	**(181)**	**2,059**	1,552	(395)	1,157
Attributable to non controlling interests		**-**	**-**	**-**	(11)	-	(11)
		2,240	**(181)**	**2,059**	1,541	(395)	1,146
Basic earnings per share	9	**2.15p**	**(0.18)p**	**1.97p**	1.69p	(0.43)p	1.26p
Diluted earnings per share	9	**2.14p**	**(0.18)p**	**1.96p**	1.68p	(0.43)p	1.25p

Company Number 00196730

The accompanying accounting policies and notes on pages 26 to 66 form part of these Financial Statements.

Consolidated statement of comprehensive income
for the 52-week period ended 1 April 2017

	Notes	**52-week period ended 1 April 2017 £000**	53-week period ended 2 April 2016 £000
Profit for the period		**2,059**	1,146
Other comprehensive income/(expense)			
Items that will not be reclassified to the Income Statement:			
Remeasurement of defined benefit asset	30	**8,367**	4,436
Deferred taxation	14	**(2,928)**	(515)
Total items that will not be reclassified to the Income Statement:		**5,439**	3,921
Items that are or may in the future be reclassified to the Income Statement:			
Foreign exchange translation differences		**705**	286
Fair valuation of assets held for sale		**-**	(450)
Fair valuation of investments		**1,157**	(29)
Total items that are or may in the future be reclassified to the Income Statement:		**1,862**	(193)
Other comprehensive income for the period, net of income tax		**7,301**	3,728
Total comprehensive income for the period		**9,360**	4,874
Attributable to:			
Equity holders of the Parent Company		**9,360**	4,885
Non controlling interests		**-**	(11)
Total recognised income		**9,360**	4,874

The accompanying accounting policies and notes on pages 26 to 66 form part of these Financial Statements.

Consolidated statement of financial position
As at 1 April 2017

Company Number 00196730

	Notes	**As at 1 April 2017 £000**	As at 2 April 2016 £000
Non-current assets			
Property, plant and equipment	11	**3,732**	3,235
Goodwill	12	**7,144**	7,144
Other Intangible assets	12	**305**	322
Investments	13	**1,653**	496
Deferred tax assets	14	**3,486**	3,832
Employee benefits	30	**51,469**	40,937
		67,789	55,966
Current assets			
Inventories	15	**12,737**	11,271
Trade and other receivables	16	**7,444**	6,771
Assets classified as held for sale	17	**-**	1,999
Cash and cash equivalents	18	**1,081**	765
		21,262	20,806
Total assets		**89,051**	76,772
Non-current liabilities			
Loans and other borrowings	19	**(9,234)**	(11,376)
Deferred tax liabilities	14	**(18,216)**	(14,538)
		(27,450)	(25,914)
Current liabilities			
Trade and other payables	20	**(5,436)**	(6,318)
Provisions	21	**(389)**	(425)
Loans and other borrowings	19	**(5,508)**	(3,275)
		(11,333)	(10,018)
Total liabilities		**(38,783)**	(35,932)
Net assets		**50,268**	40,840
Shareholders' equity			
Called-up share capital	23	**1,044**	1,044
Share premium account		**1,013**	1,013
Revaluation reserve		**637**	1,273
Available for sale reserve		**506**	(651)
Equity reserve		**139**	139
Translation reserve		**2,466**	1,714
Retained earnings		**44,463**	36,308
Total equity		**50,268**	40,840

The financial statements on pages 21 to 66 were approved by the Board of Directors on 3 July 2017 and were signed on its behalf by:

NEIL CARRICK
GROUP FINANCE DIRECTOR
3 July 2017

Consolidated statement of changes in equity

Company Number 00196730

As at 1 April 2017

	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	Non Controlling Interest £000	Total Equity £000
At 28 March 2015	**896**	**—**	**1,494**	**(622)**	**1,428**	**124**	**31,270**	**34,590**	**136**	**34,726**
At 29 March 2015	896	—	1,494	(622)	1,428	124	31,270	34,590	136	34,726
Profit for the period	—	—	—	—	—	—	1,157	1,157	(11)	1,146
Other comprehensive income:										
Foreign currency translation	—	—	—	—	286	—	—	286	—	286
Net defined benefit asset mvmt	—	—	—	—	—	—	4,436	4,436	—	4,436
Fair valuation of Investments	—	—	—	(29)	—	—	—	(29)	—	(29)
Fair valuation of assets held for sale	—	—	(450)	—	—	—	—	(450)	—	(450)
Transfer on revalued properties	—	—	229	—	—	—	(229)	—	—	—
Deferred tax	—	—	—	—	—	—	(515)	(515)	—	(515)
Total comprehensive income	—	—	(221)	(29)	286	—	4,849	4,885	(11)	4,874
Transactions with owners:										
Share capital subscribed for	148	1,013	—	—	—	—	—	1,161	—	1,161
Equity element of shareholder loan issued in period	—	—	—	—	—	15	—	15	—	15
Acquisition of NCI	—	—	—	—	—	—	125	125	(125)	—
Credit for share-based payments	—	—	—	—	—	—	64	64	—	64
Total transactions with owners	148	1,013	—	—	—	15	189	1,365	(125)	1,240
At 2 April 2016	**1,044**	**1,013**	**1,273**	**(651)**	**1,714**	**139**	**36,308**	**40,840**	**—**	**40,840**
At 3 April 2016	1,044	1,013	1,273	(651)	1,714	139	36,308	40,840	—	40,840
Profit for the period	—	—	—	—	—	—	2,059	2,059	—	2,059
Other comprehensive income:										
Foreign currency translation	—	—	75	—	752	—	(122)	705	—	705
Net defined benefit asset mvmt	—	—	—	—	—	—	8,367	8,367	—	8,367
Fair valuation of Investments	—	—	—	1,157	—	—	—	1,157	—	1,157
Transfer on revalued properties	—	—	(711)	—	—	—	711	—	—	—
Deferred tax	—	—	—	—	—	—	(2,928)	(2,928)	—	(2,928)
Total comprehensive income	—	—	(636)	1,157	752	—	8,087	9,360	—	9,360
Transactions with owners:										
Credit for share-based payments	—	—	—	—	—	—	68	68	—	68
Total transactions with owners	—	—	—	—	—	—	68	68	—	68
At 1 April 2017	**1,044**	**1,013**	**637**	**506**	**2,466**	**139**	**44,463**	**50,268**	**—**	**50,268**

The accompanying accounting policies and notes on pages 26 to 66 form part of these Financial Statements.

Consolidated cash flow statement
For the 52-week period ended 1 April 2017

	Notes	**52-week period ended 1 April 2017 £000**	53-week period ended 2 April 2016 £000
Cash flows from operating activities			
Profit for the period		**2,059**	1,146
Adjustments for:			
Amortisation of development expenditure		**58**	122
Depreciation		**452**	548
Net financial income		**(334)**	(141)
Net pension credit		**(647)**	(940)
Other Special Items		**750**	2,363
Equity share option expense		**68**	64
Income tax expense/(credit)		**1,169**	(137)
Operating cash flow before changes in working capital and provisions		**3,575**	3,025
(Increase)/decrease in trade and other receivables		**(150)**	463
(Increase)/decrease in inventories		**(1,404)**	106
Decrease in trade and other payables		**(1,260)**	(1,682)
Restructuring and redundancy expenditure		**(541)**	(807)
Employee benefits contributions		**(120)**	(130)
Cash generated in operations		**100**	975
Interest paid		**(946)**	(964)
Income tax received/(paid)		**88**	(3)
Net cash flows from operating activities		**(758)**	8
Cash flows from investing activities			
Interest received		**3**	10
Proceeds from sale of property, plant and equipment		**2,090**	—
Purchase of TYKMA Inc.		**—**	(1,378)
Purchase of property, plant and equipment		**(490)**	(1,522)
Development and trademarks expenditure capitalised		**(22)**	(297)
Net cash flows from investing activities		**1,581**	(3,187)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		—	275
Proceeds from issue of Loan Notes		—	806
Repayment of external borrowing		**(2,513)**	1,883
Proceeds from external borrowing		**2,074**	—
Net finance lease income/(expenditure)		**(93)**	67
Net cash flows from financing activities		**(532)**	3,031
Net decrease in cash and cash equivalents	24	**291**	(148)
Cash and cash equivalents at the beginning of the period		**765**	902
Effect of exchange rate fluctuations on cash held		**25**	11
Cash and cash equivalents at the end of the period	18	**1,081**	765

The accompanying accounting policies and notes on pages 26 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.

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 2017 are for the 52-week period ended 1 April 2017. The results for 2016 are for the 53-week period ended 2 April 2016. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

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.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

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 2014-2016 Cycle (effective from 1 January 2017)
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 10 and IAS 28 (amendments) Sale or contribution of assets between an investor and its associate or joint venture (effective date deferred indefinitely)

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 will have an impact on revenue recognition and related disclosures, IFRS 16 will have an impact on the recognition of leases and the related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

The Group is currently reviewing the potential impact of the above standards. Preliminary indications are that the impact would not be significant. The same is true of the following new or amended standards:

IFRS 14 Regulatory Deferral Accounts; Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11); Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38); Defined Benefit Plans: Employee Contributions (Amendments to IAS 19); Annual Improvements to IFRSs 2010-2012 Cycle; and Annual Improvements to IFRSs 2011-2013 Cycle.

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 sterling 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 and assets held for sale are stated at their fair value.

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 to 3 and the Strategic Report on pages 4 to 11.

Group accounting policies

New increased banking facilities were agreed with HSBC in the UK in August 2016 following the sale of the Letchworth property. A package of facilities to support the working capital of the UK machine tools business and a term loan secured on the remaining freehold site in Colchester were put in place totaling £4.95m. In the USA Bank of America supported the 20% TYKMA acquisition in March 2016 with an additional term loan of $1.8m in addition to their existing term and working capital facilities. The Group has a mixture of term loans and revolving working capital facilities with maturities between 1 and 5 years. Headroom on bank facilities was £3.2m at the year-end (2016: £3.2m) 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.

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

Transactions denominated in foreign currencies are translated into Sterling at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities are translated into Sterling at the rate of exchange ruling at the balance sheet dates. Earnings of foreign operations are translated at the average exchange rate for the period as an approximation to actual transaction date rates. Exchange rates used to express the assets and liabilities of overseas companies in Sterling are the rates ruling at the balance sheet dates. Exchange differences arising from the re-translation of the investments in overseas subsidiaries 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. 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.

15% 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 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, by the virtue of their size or incidence, considered to be one off in nature. In addition share based payments and amortisation of intangible assets acquired and non cash pension transactions are separately identified as special items (see note 3).

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.

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 the income statement.

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 buildings	– over residual terms of the leases
• plant and machinery	– 10 to 20%
• fixtures, fittings, tools and equipment	– 10 to 33.3%

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 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.

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 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.

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 24.

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 foreign subsidiaries.

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 the consolidated financial statements
For the 52-week period ended 1 April 2017

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 1 April 2017	**Machine tools & precision engineered components**	**Industrial laser systems**	**Head Office & unallocated**	**Total**
Segmental analysis of revenue	**£000**	**£000**	**£000**	**£000**
Total revenue	**32,424**	**14,608**	**—**	**47,032**
Segmental analysis of operating profit/(loss) before Special Items	**2,059**	**1,993**	**(987)**	**3,065**
Special Items	**691**	**(671)**	**(191)**	**(171)**
Group operating profit/(loss)	**2,750**	**1,322**	**(1,178)**	**2,894**
Other segmental information:				
Reportable segment assets	**29,120**	**7,638**	**52,293**	**89,051**
Reportable segment liabilities	**(26,538)**	**(3,772)**	**(8,473)**	**(38,783)**
Fixed asset additions	**115**	**397**	**—**	**512**
Depreciation and amortisation	**295**	**215**	**—**	**510**

1. SEGMENT INFORMATION (CONTINUED)

53 Weeks ended 2 April 2016	Machine tools & precision engineered components	Industrial laser systems	Head Office & unallocated	Total
Segmental analysis of revenue	£000	£000	£000	£000
Total revenue	32,127	13,142	—	45,269
Segmental analysis of operating profit/(loss) before Special Items	2,073	1,179	(896)	2,356
Special Items	282	(3,212)	(590)	(3,520)
Group operating profit/(loss)	2,355	(2,033)	(1,486)	(1,164)
Other segmental information:				
Reportable segment assets	26,630	5,970	44,172	76,772
Reportable segment liabilities	(22,078)	(3,048)	(10,806)	(35,932)
Fixed asset additions	605	1,214	—	1,819
Depreciation and amortisation	293	457	—	750

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	**2017**		2016	
	£000	**%**	£000	%
Gross sales revenue:				
UK	**11,705**	**24.9**	14,851	32.8
North America	**33,354**	**70.9**	28,936	63.9
Australasia	**1,973**	**4.2**	1,482	3.3
Total Revenue	**47,032**	**100.0**	45,269	100.0

1. SEGMENT INFORMATION (CONTINUED)

Segmental analysis by destination:

	2017		2016	
	£000	%	£000	%
Gross sales revenue:				
UK	**7,193**	**15.3**	8,498	18.8
Other European	**5,783**	**12.3**	5,905	13.0
North America	**29,732**	**63.3**	27,291	60.3
Africa	**141**	**0.3**	162	0.4
Australasia	**1,804**	**3.8**	1,438	3.2
Central America	**140**	**0.3**	163	0.4
Middle East	**431**	**0.9**	733	1.6
Far East	**1,808**	**3.8**	1,079	2.3
	47,032	**100.0**	45,269	100.0

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

2. NET OPERATING EXPENSES

	2017 £000	2016 £000
– administration expenses	**10,669**	13,061
– distribution costs	**2,749**	2,579
Total net operating expenses	**13,418**	15,640

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 transactions which by virtue of their size or incidence, are considered to be one off in nature. In addition the charge for share based payments, amortisation of intangible assets acquired and non cash pension transactions have also been separately identified.

Special items include

	2017 £000	2016 £000
Items included in cost of sales:		
Stock write-offs	**(118)**	(894)
	(118)	(894)
Items included in operating profit:		
Pensions credit	**647**	940
Refinancing costs	**(54)**	—
Redundancy and reorganisation	**(622)**	(835)
Profit on sale of property	**114**	—
Impairment of intangible assets	—	(2,390)
Acquisition costs	**(29)**	(197)
Share option charge	**(68)**	(64)
Amortisation of intangible assets acquired	**(41)**	(80)
	(53)	(2,626)
Items included in financial (income)/expense:		
Pensions interest on surplus	**1,445**	1,171
Amortisation of loan note expenses	**(168)**	(150)
	1,277	1,021
Items included in contingent consideration settlement:		
TYKMA deferred consideration settlement	—	2,032
	—	2,032
Total special items before tax	**1,106**	(467)
Income tax credit on special items	**(1,287)**	72
Total special items after tax	**(181)**	(395)

Special items are disclosed separately on the basis that this presentation gives a clearer picture of the underlying performance of the Group. Special items comprise two elements:

- Items which are expected to be one-off in nature and are considered significant to the result of the group or one of its reporting segments; and
- Non-cash items which, given the scale of our current activities, represent a disproportionate share of the Group's result. Examples include the credit arising on the pension surplus share based payments and the amortisation of intangible assets.

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. Redundancy exercises were carried out in the UK during the year. Property disposals in the UK also resulted in the profit of £114k. Costs were also incurred relating to the refinancing carried out in the UK during the year.

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

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is after charging/(crediting) :	2017	2016
	£000	£000
– depreciation of assets held under finance leases	**23**	26
– amortisation of development expenditure and trademarks	**58**	202
– hire of plant	**16**	7
– other operating lease rentals	**352**	240
– profit on sale of property, plant and equipment	**114**	-
Special Items		
–Acquisition costs, reorganisation and restructuring, inventory and asset impairments, property disposals and refinancing costs (note 3)	**(1,106)**	467
Auditor's remuneration:		
– audit of these financial statements	**70**	70
– 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)	**21**	27
– other services relating to tax compliance	**7**	6
– other services relating to tax advisory	**5**	18

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

	2017	2016
	£000	£000
Staff costs:		
– wages and salaries	**7,937**	7,258
– social security costs	**1,073**	983
– pension charges relating to defined contribution schemes	**354**	373
– pension charges relating to defined benefit schemes	**14**	12
– equity share options expense (included in Special Items)	**68**	64
	9,446	8,690

In addition to the above staff costs, redundancy costs of £291,000 were incurred during the year (2016: £586,000). 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 16-19).

5. PERSONNEL EXPENSES (CONTINUED)

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

	2017 Number	2016 Number
Management and administration	**61**	52
Production	**79**	98
Sales	**66**	84
Total	**206**	234

.

6. FINANCIAL INCOME AND EXPENSE

	2017 £000	2016 £000
Bank and other interest	**3**	10
Interest on pensions surplus	**1,445**	1,171
Financial income	**1,448**	1,181
Bank overdraft and loan interest	**(173)**	(155)
Other loan interest	**(761)**	(721)
Other finance charges	**-**	(3)
Finance charges on finance leases	**(12)**	(11)
Amortisation of shareholder loan expenses	**(168)**	(150)
Financial expense	**(1,114)**	(1,040)

7. TAXATION

	2017 £000	2016 £000
Current tax:		
Corporation tax at 20% (2016: 20%):		
– current period	—	—
Overseas taxation:		
– current period	—	53
Total current tax charge	—	53
Deferred taxation:		
– current period	(695)	79
– prior period (adjustments to the capital allowance pools in the UK and overseas)	(474)	5
Total deferred taxation credit/(charge) (Note 14)	(1,169)	84
Taxation charged to the income statement	(1,169)	137

TAX RECONCILIATION

The tax charge assessed for the period is higher than the standard rate of corporation tax in the UK of 20% (2016: lower than standard rate of 20%). The differences are explained below:

	2017		2016	
	£000	%	£000	%
Profit before tax	3,228		1,009	
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	646	20.0	202	20.0
Effects of:				
–income not taxable and/or expenses not deductible	(423)	(13.1)	(205)	(20.3)
– overseas tax rates	17	0.5	19	1.9
– pension fund surplus taxed at higher rate	129	4.0	321	31.8
– property disposals	—	—	(52)	(5.2)
– state taxes	17	0.5	75	7.4
– deferred tax prior period adjustment	474	14.7	(5)	(0.5)
– tax not recognised on losses/(unrecognised losses utilised)	309	9.6	(600)	(59.4)
– impact of rate change	—	—	108	10.7
Taxation charged/(credited) to the income statement	1,169	36.2	(137)	(13.6)

Deferred taxation balances are analysed in note 14.

8. DIVIDENDS

No dividend was declared in the period (2016: no dividend paid).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share of 1.97p (2016: 1.26p) is based on the earnings for the financial period attributable to the Parent Company's shareholders of a profit of £2,059,000 (2016: £1,157,000) and on the weighted average number of shares in issue during the period of 104,357,957 (2016: 91,684,103). At 1 April 2017, there were 6,650,000 (2016: 6,150,000) potentially dilutive shares on option with a weighted average effect of 303,255 (2016: 583,333) shares giving a diluted earnings per share of 1.96p (2016: 1.25p)

	2017	2016
Weighted average number of shares		
Issued shares at start of period	**104,357,957**	89,607,957
Effect of shares issued in the year	**—**	2,076,146
Weighted average number of shares at end of period	**104,357,957**	91,684,103

	£000	£000
Total post tax earnings	**2,059**	1,146
Share Option Costs	**68**	64
Pensions Interest	**(1,445)**	(1,171)
Amortisation of Shareholder loan expenses	**168**	150
Pensions credit	**(647)**	(940)
Credit on settling deferred consideration	**—**	(2,032)
Impairment of intangible assets	**—**	2,390
Amortisation of intangible assets acquired	**41**	80
Other special items	**680**	1,729
Acquisition costs	**29**	197
Associated Taxation	**1,287**	(72)
Underlying Earnings after tax	**2,240**	1,541
Underlying Earnings before tax	**2,122**	1,476
Underlying EPS	**2.15p**	1.69p

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 £68,000 (2016: £64,000) in relation to equity-settled share-based payment transactions.

	2017 **DSP**	2016 DSP
The number and weighted average exercise prices of share options		
Number of options outstanding at beginning of period	**6,150,000**	9,900,000
Number of options granted in period	**500,000**	1,000,000
Number of options forfeited/lapsed in period	**—**	(2,000,000)
Number of options exercised in period	**—**	(2,750,000)
Number of options outstanding at end of period	**6,650,000**	6,150,000
Number of options exercisable at end of period	**1,750,000**	1,750,000

On 19 November 2012 4,500,000 options with an exercise price of 10p were granted, of which 1,750,000 were still outstanding, and on 7 April 2014 5,400,000 options with an exercise price of 17p were granted, of which 3,400,000 were still outstanding. 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 of which are still outstanding. All options are exercisable between 3 and 10 years from the date of grant.

On 30 April 2015 Mr N Rogers resigned as a director. 2,750,000 options with an exercise price of 10p were agreed to become immediately exercisable by Mr N Rogers and 2,000,000 options with an exercisable price of 17p were forfeit.

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 £000	2015 Grant £000	2014 Grant £000	2013 Grant £000
Fair value	£0.10	£0.04	£0.04	£0.04
Share price at grant	£0.10	£0.18	£0.17	£0.10
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

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		Plant and	Fixtures, fittings, tools and	
	Freehold	Leasehold	machinery	equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 2 April 2016	1,208	389	10,347	2,382	14,326
Exchange differences	92	52	162	304	610
Transfers from/(to) inventory	—	—	348	(48)	300
Additions during period	2	64	116	308	490
Disposals during period	—	(1)	(130)	(26)	(157)
At 1 April 2017	**1,302**	**504**	**10,843**	**2,920**	**15,569**
At professional valuation	1,300	440	—	—	1,740
At cost	2	64	10,843	2,920	13,829
	1,302	**504**	**10,843**	**2,920**	**15,569**
Depreciation					
At 2 April 2016	34	6	9,281	1,770	11,091
Exchange differences	1	1	109	230	341
Charge for period	19	25	343	65	452
Disposals during period	—	(1)	(45)	(1)	(47)
At 1 April 2017	**54**	**31**	**9,688**	**2,064**	**11,837**
Net book value					
At 1 April 2017	**1,248**	**473**	**1,155**	**856**	**3,732**
At 2 April 2016	1,174	383	1,066	612	3,235

During March 2016 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 £210,000 (2016: £156,000) of assets held under finance leases. The depreciation charged in the period against assets held under finance leases was £23,000 (2016: £26,000).

Various properties with a net book value of £1,721,000 (2016: £3,040,000) are charged as security for borrowing facilities.

	Land and buildings		Plant and	Fixtures, fittings, tools and	
	Freehold £000	Leasehold £000	machinery £000	equipment £000	Total £000
Cost or valuation					
At 29 March 2015	1,186	2,676	10,994	2,074	16,930
Exchange differences	22	6	40	92	160
Transfer to assets classified as held for resale	—	(2,556)	—	—	(2,556)
Additions during period	—	383	758	382	1,523
Disposals during period	—	(120)	(1,445)	(166)	(1,731)
At 2 April 2016	1,208	389	10,347	2,382	14,326
At professional valuation	1,208	389	—	—	1,597
At cost	—	—	10,347	2,382	12,729
	1,208	**389**	**10,347**	**2,382**	**14,326**
Depreciation					
At 29 March 2015	16	78	10,099	1,578	11,771
Exchange differences	—	(1)	36	72	107
Transfer to assets classified as held for resale	—	(107)	—	—	(107)
Charge for period	18	61	314	155	548
Disposals during period	—	(25)	(1,168)	(35)	(1,228)
At 2 April 2016	**34**	**6**	**9,281**	**1,770**	**11,091**
Net book value					
At 2 April 2016	**1,174**	**383**	**1,066**	**612**	**3,235**
At 28 March 2015	1,170	2,598	895	496	5,159

12. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill £000	Trademarks £000	Development Expenditure £000	Total £000
Cost				
At 2 April 2016	7,144	405	35	7,584
Additions	—	2	20	22
Disposals	—	(1)	—	(1)
Foreign exchange	—	35	—	35
At 1 April 2017	**7,144**	**441**	**55**	**7,640**
Amortisation and impairment				
At 2 April 2016	—	112	6	118
Amortisation	—	48	10	58
Foreign exchange	—	15	—	15
At 1 April 2017	**—**	**175**	**16**	**191**
Net book value				
At 1 April 2017	**7,144**	**266**	**39**	**7,449**
At 2 April 2016	7,144	293	29	7,466

The additions to Development Expenditure of £20k in the period and £264k in the prior period related primarily to internal development. The Goodwill related to the acquisition of TYKMA Inc and more details on this can be found in note 32.

	Goodwill £000	Trademarks £000	Development Expenditure £000	Total £000
Cost				
At 28 March 2015	7,144	445	2,271	9,860
Additions	—	32	264	296
Disposals	—	(94)	—	(94)
Impairment	—	—	(2,500)	(2,500)
Foreign exchange	—	22	—	22
At 2 April 2016	**7,144**	**405**	**35**	**7,584**
Amortisation and impairment				
At 28 March 2015	—	71	298	369
Amortisation	—	92	110	202
Disposals	—	(60)	(292)	(352)
Impairment	—	—	(110)	(110)
Foreign exchange	—	9	—	9
At 2 April 2016	**—**	**112**	**6**	**118**
Net book value				
At 2 April 2016	**7,144**	**293**	**29**	**7,466**
At 28 March 2015	7,144	374	1,973	9,491

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

	2017 £000	2016 £000
Operating expenses	**58**	**202**

12. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT OF GOODWILL
Goodwill of £7.1m 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 8%. 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. This has no impact on the Group accounts.

During the prior year, there was a £2.39m impairment of development expenditure with regard to the Industrial Laser Systems Division.

13. INVESTMENTS

	Shares In listed investments £000	Total £000
Cost:		
At 2 April 2016	1,147	1,147
Fair valuation in the period	506	506
Disposals in the period	—	—
At 1 April 2017	**1,653**	**1,653**
Provisions:		
At 2 April 2016	651	651
Write-back in the period	(651)	(651)
At 1 April 2017	—	—
Net book values		
At 1 April 2017	**1,653**	**1,653**
At 2 April 2016	496	496

On 3 August 2014 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. It has a strong base of technology and applications knowledge, applicable to high growth sectors including niche industrial, security and medical markets.

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.

The initial investment of £1.15m was adjusted to a fair value of £1.65m at 1 April 2017 (2016: £0.50m). The £1.16m write up in the period was taken to the Statement of comprehensive income and expense.

During the prior year 600 Group Inc acquired the remaining 20% of the shares of TYKMA Inc. Further details can be found in note 32.

13. INVESTMENTS (CONTINUED)

The principal subsidiary 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 Machinery Australia (Pty) – (Australia)
600 Group Equipment Limited - (Canada)

600 Machinery Australia (Pty)'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.

ProPhotonix Limited's registered office is Pierce Williams, Sparrow Lane, Hatfield Broad Oak, Bishop's Stortford, Hertfordshire, CM22 7BA with a main office in the US at 13 Red Roof Lane, Suite 200, Salem, New Hampshire 03079.

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	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**766**	1,236	**—**	—	**766**	1,236
Short-term timing differences	**280**	347	**—**	—	**280**	347
Tax losses	**1,598**	1,505	**—**	—	**1,598**	1,505
Overseas tax losses	**842**	744	**—**	—	**842**	744
Employee benefits	—	—	**(18,025)**	(14,296)	**(18,025)**	(14,296)
Revaluations and rolled over gains	—	—	**(191)**	(242)	**(191)**	(242)
Net tax assets/(liabilities)	**3,486**	3,832	**(18,216)**	(14,538)	**(14,730)**	(10,706)

MOVEMENT IN DEFERRED TAX DURING THE PERIOD

	As at 3 April 2016 £000	Income statement £000	Statement of comprehensive income £000	Exchange Fluctuations £000	**As at 1April 2017 £000**
Accelerated capital allowances	1,236	(485)	—	15	**766**
Short-term timing differences	347	(46)	—	(21)	**280**
Tax losses	1,505	93	—	—	**1,598**
Overseas tax losses	744	23	—	75	**842**
Employee benefits	(14,296)	(805)	(2,928)	4	**(18,025)**
Revaluations and rolled over gains	(242)	51	—	—	**(191)**
	(10,706)	(1,169)	(2,928)	73	**(14,730)**

MOVEMENT IN DEFERRED TAX DURING THE PRIOR PERIOD

	As at 29 March 2015 £000	Income statement £000	Statement of comprehensive income £000	Exchange Fluctuations £000	**As at 2 April 2016 £000**
Accelerated capital allowances	819	417	—	—	**1,236**
Short-term timing differences	316	19	—	12	**347**
Tax losses	1,187	318	—	—	**1,505**
Overseas tax losses	700	11	—	33	**744**
Employee benefits	(12,013)	(796)	(1,503)	16	**(14,296)**
Revaluations and rolled over gains	(1,246)	16	988	—	**(242)**
Research and development	(99)	99	—	—	**—**
	(10,336)	84	(515)	61	**(10,706)**

14. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred taxation at 35% is applied to 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 20% in April 2015. Further reductions to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) were substantially enacted on 26 October 2015. The deferred tax assets and liabilities at the balance sheet date have been calculated based on these rates.

US deferred tax is provided at 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:

	2017	2016
	£000	£000
Advance corporation tax recoverable	**1,670**	1,670
Tax losses	**3,903**	4,626

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

15. INVENTORIES

	2016	2016
	£000	£000
Raw materials and consumables	**836**	546
Work in progress	**619**	955
Finished goods and goods for resale	**11,282**	9,770
	12,737	11,271

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 £25.9m (2016: £24.9m)

During the period inventory provisions have increased by £36,000 (2016: increased by £46,000). Following the impairment provisions, inventories are valued at fair value less costs to sell rather than at historical cost.

16. TRADE AND OTHER RECEIVABLES

	2017	2016
	£000	£000
Trade receivables	**5,717**	5,534
Other debtors	**348**	189
Other prepayments and accrued income	**1,379**	1,048
	7,444	6,771

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:

	2017	2016
	£000	£000
At start of year	**207**	135
Exchange differences on opening balances	**19**	3
Utilised in the period	**(94)**	(19)
Charged in the period	**88**	88
At end of year	**220**	207

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

	2017	2016
	£000	£000
Current (not overdue)	**4,356**	4,456
Overdue:		
– 0–3 months overdue	**1,235**	968
– 3–6 months overdue	**40**	208
– 6–12 months overdue	**110**	30
– more than 12 months overdue	**196**	79
Total gross trade receivables before provision	**5,937**	5,741

As at 1 April 2017, 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

	2017	2016
	£000	£000
Balance brought forward	**1,999**	—
Transferred from property plant and equipment - cost	—	2.556
Transferred from property plant and equipment - depreciation	—	(107)
Disposed of during the year	**(1,999)**	—
Impairment	—	(450)
	—	1,999

The above leasehold property was written down to its net realisable value at the prior year-end with the £0.45m reduction in its carrying value taken to the revaluation reserve, removing a previous valuation uplift on the same property.

On 11 July 2016 the sale of the Letchworth property was completed for net proceeds of £2.0m.

18. CASH AND CASH EQUIVALENTS

	2017	2016
	£000	£000
Cash at bank	**981**	665
Short-term deposits	**100**	100
Cash and cash equivalents per statement of financial position and per cash flow statement	**1,081**	765

19. LOANS AND OTHER BORROWINGS

CURRENT:	2017	2016
	£000	£000
Bank loans	**5,427**	3,114
Obligations under finance leases (note 22)	**81**	161
	5,508	3,275

NON-CURRENT:	2017	2016
	£000	£000
Bank loans	**1,277**	3,596
8% Loan Notes	**7,867**	7,699
Obligations under finance leases (note 22)	**90**	81
	9,234	11,376

The £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 20p shares or to purchase 20p shares for a cash consideration. The loan has both debt and equity components and £139,000 is shown in equity reserve and the balance after deduction of associated costs and amortisation of £494,000, is shown in non current borrowings. Costs are amortised to the income statement over the term of the loan.

During the year a Term Loan of £927,000 included within Bank loans was scheduled to be repaid on a quarterly basis with payments of £153,846 on 30 June 2016 through to 30 November 2017. A further Term Loan of £612,000, also included within Bank loans, was scheduled to be repaid on a quarterly basis with payments of £18,000 on 30 June 2016 through to 30 June 2019 and a final payment of £378,000 on 31 May 2019. £1,300,000 included within non–current borrowings related to a RCF facility with a termination date of 31 May 2017. Following the disposal of the Letchworth property in July 2016 these borrowings with Santander were reduced by the net proceeds of £2m and on the change of bank to HSBC in August 2016 the balance of all these facilities were repaid and replaced by facilities from HSBC. These facilities included a £1.6m trade finance facility, of which £1.1m had been utilised at the year-end, and a mortgage for the Colchester property of £333,000 which will be repaid on a monthly basis through to March 2020.

19. LOANS AND OTHER BORROWINGS (CONTINUED)

US Dollar denominated loans of £959,000 and £653,000 are to be repaid on a monthly basis through to March 2019 and April 2021 respectively in equal instalments with an interest rate of 3.35% and 3.85%.

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

	2017 **£000**	2016 £000
Current liabilities:		
Payments received on account	**38**	28
Trade payables	**2,810**	3,286
Social security and other taxes	**618**	210
Other creditors	**541**	1,221
Accruals and deferred income	**1,429**	1,573
	5,436	6,318

21. PROVISIONS

	Other £000	Warranties £000	Total £000
Provision carried forward at 3 April 2016	382	43	425
Exchange differences	51	4	55
(Credited)/Charged to income statement	—	—	—
Utilised in the period	(91)	—	(91)
Provision carried forward at 1 April 2017	**342**	**47**	**389**

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 of £342,000 relate to the provisions associated with the TYKMA Inc acquisition which relate to warranty and dilapidation provisions.

22. OBLIGATIONS UNDER FINANCE LEASES

The maturity of obligations under finance leases is as follows:

	2017 **£000**	2016 £000
Falling due:		
– within one year	**65**	128
– within two to five years	**113**	124
– less future finance charges	**(7)**	(10)
	171	242
Amounts falling due within one year	**81**	161
Amounts falling due after one year	**90**	81
	171	242

23. SHARE CAPITAL

	2017 £000	2016 £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 (2016: 89,607,957 ordinary shares)	**1,044**	896
2016 – 2,750,000 ordinary shares of 1p each issued to N Rogers	**—**	28
2016 – 12,000,000 ordinary shares of 1p each issued in acquisition or remaining 20% of TYKMA Inc	**—**	120
104,357,957 ordinary shares of 1p each on issue at end of period (2016: 104,357,957 ordinary shares of 1p)	**1,044**	1,044
Total Allotted, called-up and fully paid at the end of period	**1,044**	1,044

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. During the prior year 2,750,000 ordinary shares of 1p each were issued to N Rogers in July 2015 pursuant to the exercise of share options. This resulted in share capital increasing by £27,500 with a corresponding share premium increase of £247,500. In addition, the Company issued 12,000,000 ordinary shares of 1p each as consideration for the purchase of the remaining 20% of shares in TYKMA Inc.

On 28 August 2015 the Company raised an additional £0.806m through the issue of loan notes. In the prior year on 16 February 2015 and 18 March 2015 the Company raised £6.739m and £0.955m respectively through the issue of loan notes. The loan notes have 5 year maturity and carry a coupon of 8% payable quarterly in arrears. The subscribers for loan notes are also entitled to receive 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.

24. RECONCILIATION OF NET CASH FLOW TO NET DEBT

	2017 £000	2016 £000
Increase/(decrease) in cash and cash equivalents	**291**	(148)
Decrease/(increase) in debt and finance leases	**532**	(2,757)
Decrease/(increase) in net debt from cash flows	**823**	(2,905)
Net debt at beginning of period	**(13,886)**	(10,798)
Shareholder loan issue costs amortisation	**(168)**	(110)
Exchange effects on net funds	**(430)**	(73)
Net debt at end of period	**(13,661)**	(13,886)

25. ANALYSIS OF NET DEBT

	At 3 April 2016 £000	Exchange movement £000	Other £000	Cash flows £000	At 1 April 2017 £000
Cash at bank and in hand	**665**	25	—	291	**981**
Term deposits (included within cash and cash equivalents on the balance sheet)	**100**	—	—	—	**100**
	765	25	—	291	**1,081**
Debt due within one year	**(3,114)**	(239)	—	(2,074)	**(5,427)**
Debt due after one year	**(3,596)**	(194)	—	2,513	**(1,277)**
Loan notes due after one year	**(7,699)**	—	(168)	**—**	**(7,867)**
Finance leases	**(242)**	(22)	—	93	**(171)**
Total	**(13,886)**	(430)	(168)	823	**(13,661)**

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 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 20p shares or to purchase 20p shares for a cash consideration.

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 is a level 1 fair value estimate, based on the quoted price of this AIM company. The warrants attached to the loan notes are a level 2 fair value estimate. 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 no significant concentration of credit risk.

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 maximum exposure at the reporting date was:

	2017	2016
	£000	£000
Trade receivables	**5,717**	5,534
Cash and cash equivalents	**1,081**	765
	6,798	6,299

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

	2017	2016
	£000	£000
UK	**1,802**	2,278
North America	**3,724**	3,012
Australasia	**191**	244
	5,717	5,534

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:

	2017 Carrying Amount £000	**Contractual cash flows £000**	**Less than 1 year £000**	**1–2 years £000**	**2–5 years £000**
Trade finance	**1,107**	**1,107**	**1,107**	**—**	**—**
Bank loan	**5,597**	**5,706**	**4,376**	**701**	**629**
8% loan notes	**7,867**	**10,455**	**680**	**680**	**9,095**
Finance lease obligations	**171**	**171**	**81**	**61**	**29**
Interest bearing financial liabilities	**14,742**	**17,439**	**6,244**	**1,442**	**9,753**
Trade and other payables	**5,436**	**5,436**	**5,436**	**—**	**—**
Financial liabilities	**20,178**	**22,875**	**11,680**	**1,442**	**9,753**

	2016 Carrying Amount £000	Contractual cash flows £000	Less than 1 year £000	1–2 years £000	2–5 years £000
Trade finance	646	646	646	—	—
Bank loan	6,064	6,185	2,517	2,293	1,375
8% loan notes	7,699	11,135	680	680	9,775
Finance lease obligations	242	242	161	57	24
Interest bearing financial liabilities	14,651	18,208	4,004	3,030	11,174
Trade and other payables	6,318	6,318	6,318	—	—
Financial liabilities	20,969	24,526	10,322	3,030	11,174

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 Group, primarily the Euro (€) and US Dollars ($).

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

	2017		2016	
	US Dollars	Euro	US Dollars	Euro
	$000	€000	$000	€000
Trade receivables	**4,667**	**191**	4,312	191
Trade payables	**(2,039)**	**(89)**	(1,607)	(292)
Balance sheet exposure	**2,628**	**102**	2,705	(101)

The following exchange rates applied during the year:

	2017		2016	
	Average rate	Year end spot rate	Average rate	Year end spot rate
US Dollar	**1.250**	**1.251**	1.499	1.419
Euro	**1.176**	**1.169**	1.360	1.251

	Net assets in foreign currency	Change if appreciated/ Depreciated by 25% against local Currency
US Dollar	**4,282**	**1,079**

The Group has operations around the world and is therefore exposed to foreign exchange risk arising from net investments in foreign operations. Where cost effective, the exposures arising from the translation of the net assets of the Group's foreign operations are managed through the use of borrowings or cross-currency swaps in the relevant foreign currency.

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 (2016: none). Exposures arising from the translation of intra-group lending are managed through the use of borrowings in the relevant foreign currency.

26. FINANCIAL INSTRUMENTS (CONTINUED)

The following table shows the impact (due to the retranslation of non-functional currency monetary assets and liabilities in the Group's operations) of a, reasonably possible, 10% movement in the Group's principal foreign currency exchange rates at the year-end date.

	10% increase Effect on profit before tax £000	Effect on shareholders' equity £000	10 % decrease Effect on profit before tax £000	Effect on shareholders' equity £000
1 April 2017				
US$	**(19)**	**380**	**19**	**(380)**
AUD	**(8)**	**124**	**8**	**(124)**
2 April 2016				
US$	(923)	441	923	(441)
AUD	(27)	226	27	(226)

The effect on profit before taxation is due to the retranslation of trade receivables, cash and cash equivalents, borrowings, trade payables and derivative financial assets and liabilities denominated in non-functional currencies. The effect on shareholders' equity is due to the effect on profit as well as the effect of financial assets and liabilities denominated in foreign currencies qualified as either cash flow or net investment hedges.

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/ in foreign borrowings in foreign currency £'000	**Change if interest rates in foreign Currency change by 1% £'000**
US Dollar	**(4,911)**	**(1)**
AUS Dollar	**282**	**—**

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 (2016: 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 that are denominated in a currency other than Sterling.

The Group uses on occasion forward exchange contracts to hedge its 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 Sterling, 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, 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 1 April 2017 was a liability of £nil (Note 18) (2016: liability of £nil).

FINANCIAL ASSETS

The Group's financial assets comprise cash and trade receivables. The profile of the financial assets at 1 April 2017 and 2 April 2016 was:

	2017				2016			
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	**169**	**100**	**1,774**	**2,043**	484	100	2,160	2,744
US Dollars	**640**	**—**	**3,834**	**4,474**	—	—	3,151	3,151
Australian Dollars	**172**	**—**	**202**	**374**	181	—	253	434
Euros	**—**	**—**	**127**	**127**	—	—	177	177
	981	**100**	**5,937**	**7,018**	665	100	5,741	6,506

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 1 April 2017 and 2 April 2016 was:

	2017				2016			
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	**2,139**	**7,902**	**2,316**	**12,357**	3,485	7,787	3,437	14,709
US Dollars	**4,565**	**49**	**2,917**	**7,531**	3,178	70	2,580	5,828
Australian Dollars	**—**	**87**	**203**	**290**	47	83	302	432
	6,704	**8,038**	**5,436**	**20,178**	6,710	7,940	6,319	20,969

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

BORROWING FACILITIES

At 1 April 2017 and 2 April 2016 the Group had undrawn committed borrowing facilities as follows:

	2017 '000	2016 '000
UK	**£1,083**	£529
US	**$1,948**	$3,365
Australia	**AUD$500**	AUD$500

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2017 £000	2016 £000
Trade receivables	**7,444**	6,771
Cash and cash equivalents	**1,081**	765
Bank overdrafts	**(1,107)**	(646)
Bank loan	**(5,597)**	(6,063)
Other loans	**(8,500)**	(8,500)
Finance lease obligations	**(171)**	(242)
Trade payables	**(5,436)**	(6,318)
	(12,286)	(14,233)

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 £8.5m. Their carrying value in the accounts is shown net of issue costs.

Notes relating to the consolidated financial statements
For the 52-week period ended 1 April 2017

27. CONTINGENT LIABILITIES

	2017 £000	2016 £000
Third-party guarantees	**92**	92

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

	2017 £000	2016 £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:

	2017 £000	2016 £000
Land and buildings		
Within one year	**573**	237
More than one year and less than five years	**2,304**	861
Over five years	**2,609**	394
	5,486	1,492
Other		
Within one year	**11**	49
More than one year and less than five years	**24**	60
	35	109

The significant increase in land and buildings commitments is due to the two new leases which were signed during the year for leasehold premises by Tykma Inc in Chillicothe Ohio and by Clausing Inc in Kalamazoo Michigan.

30. EMPLOYEE BENEFITS
The Group operates a number of defined benefit pension schemes throughout the world. 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 2013.

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 2016. 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 21.6 years (2016: 21.6 years) after retirement if male and for a further 24.0 years (2016: 23.6 years) after retirement if female.

For a member who is currently aged 45 retiring in 2037 at age 65, the assumptions are that they will live on average for a further 22.0 years (2016: 22.7 years) after retirement if they are male and for a further 24.3 years (2016: 24.6 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-2016.

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:

	2017 UK scheme % p.a.	2016 UK scheme % p.a.
Inflation under RPI	3.25	2.85
Inflation under CPI	2.15	1.85
Rate of general long-term increase in salaries	n/a	n/a
Rate of increase for CARE benefit while an active member	n/a	n/a
Rate of increase to pensions in payment – LPI 5%	3.15	2.80
Rate of increase to pensions in payment – LPI 2.5%	2.15	2.05
Discount rate for scheme liabilities	2.55	3.60

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 1 April 2017 and 2 April 2016 were:

	2017			2016		
	US schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Assets	**867**	**244,500**	**245,367**	808	219,400	220,208
Liabilities	**(1,898)**	**(192,000)**	**(193,898)**	(1,844)	(177,427)	(179,271)
(Deficit)/surplus	**(1,031)**	**52,500**	**51,469**	(1,036)	41,973	40,937

30. EMPLOYEE BENEFITS (CONTINUED)

	Movement in net defined benefit asset					
	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	1 April 2017 £000	2 April 2016 £000	**1 April 2017 £000**	2 April 2016 £000	**1 April 2017 £000**	2 April 2016 £000
Opening balance:	**(179,271)**	(195,754)	**220,208**	230,046	**40,937**	34,292
Included in profit or loss:						
Current service cost	**(14)**	(12)	**—**	—	**(14)**	(12)
Past service credit	**647**	973	**—**	—	**647**	973
Interest income	**1,445**	1,112	**30**	26	**1,475**	1,138
Included in OCI:						
Remeasurement (loss)/gain	—	—	**29,264**	(2,941)	**29,264**	(2,941)
Experience gain/(loss)	**3,501**	182	—	—	**3,501**	182
Change in assumptions – financial	**(29,727)**	7,203	—	—	**(29,727)**	7,203
Change in assumptions – demographic	**5,358**	—	—	—	**5,358**	—
Interest (cost)/income	**(7,687)**	(7,331)	**7,687**	7,331	**—**	—
Exchange differences	**(248)**	(100)	**108**	42	**(140)**	(58)
Contributions paid by employer	—	—	**120**	120	**120**	120
Benefits paid	**12,098**	14,456	**(12,050)**	(14,416)	**48**	40
Closing balance:	**(193,898)**	(179,271)	**245,367**	220,208	**51,469**	40,937

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 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	Long-term rate of return expected at 28 March 2015 % p.a.	Value at 28 March 2015 £m
Equities	**2.55**	**8.40**	3.60	52.70	3.30	52.80
Property	**2.55**	**5.00**	3.60	9.80	3.30	9.90
LDI funds	**2.55**	**195.40**	3.60	72.40	3.30	83.30
Government bonds	**2.55**	**0.80**	3.60	n/a	3.30	n/a
Corporate bonds	**2.55**	**0.50**	3.60	23.20	3.30	23.20
Absolute Return	**2.55**	**32.10**	3.60	44.30	3.30	44.80
Other	**2.55**	**2.30**	3.60	17.00	3.30	15.20
Combined	**2.55**	**244.50**	3.60	219.40	3.30	229.20

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.

30. EMPLOYEE BENEFITS (CONTINUED)

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 scheme amount to £0.867m (2016: £0.808m) and are held mainly in bonds.

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

	2017			2016		
	US schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Included within operating profit:						
– current service cost	**14**	**—**	**14**	12	—	12
– past service credit (Special Items)	**—**	**(647)**	**(647)**	—	—	—
– settlements (Special Items)	**—**	**—**	**—**	—	(973)	(973)
Included within financial income:						
–Interest on pension surplus (Special Items)	**38**	**(1,513)**	**(1,475)**	33	(1,171)	(1,138)

The past service credit of £647,000 recognised in the income statement relates 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 and current 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:

	2017			2016		
	US schemes £000	**UK scheme £000**	**Total £000**	US Schemes £000	UK scheme £000	Total £000
Return on plan assets	**9**	**29,255**	**29,264**	(30)	(2,909)	(2,939)
Experience gain/(loss) on liabilities	**140**	**3,361**	**3,501**	172	—	172
Change in assumptions - financial	**—**	**(29,727)**	**(29,727)**	—	7,203	7,203
Change in assumptions - demographic	**—**	**5,358**	**5,358**	—	—	—
Amounts recognised during the period	**149**	**8,247**	**8,396**	142	4,294	4,436
Balance brought forward	**1,229**	**29,285**	**30,514**	1,087	24,991	26,078
Balance carried forward	**1,378**	**37,532**	**38,910**	1,229	29,285	30,514

30. EMPLOYEE BENEFITS (CONTINUED)

IAS 19 CONTINUED

Changes in the present value of the defined benefit obligations before taxation are as follows:

	2017			2016		
	US Schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Opening defined benefit obligation	**1,844**	**177,427**	**179,271**	1,969	193,785	195,754
Exchange differences	**217**	**—**	**217**	85	—	85
Current service cost	**14**	**—**	**14**	12	—	12
Past service cost credit	**—**	**(647)**	**(647)**	—	—	—
Interest cost	**68**	**6,174**	**6,242**	59	6,160	6,219
Benefits paid	**(109)**	**(11,962)**	**(12,071)**	(109)	(14,342)	(14,451)
Settlements	**—**	**—**	**—**	—	(973)	(973)
Actuarial (gains)/losses	**(136)**	**21,008**	**20,872**	(172)	(7,203)	(7,375)
Closing defined benefit obligations	**1,898**	**192,000**	**193,898**	1,844	177,427	179,271

Changes in the fair value of the schemes' assets before taxation are as follows:

	2017			2016		
	US schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Opening fair value of scheme assets	**808**	**219,400**	**220,208**	846	229,200	230,046
Exchange differences	**108**	**—**	**108**	37	—	37
Interest income	**30**	**7,687**	**7,717**	26	7,331	7,357
Return on plan assets	**9**	**29,255**	**29,264**	(30)	(2,909)	(2,939)
Contributions by employer	**—**	**120**	**120**	—	120	120
Benefits paid	**(88)**	**(11,962)**	**(12,050)**	(71)	(14,342)	(14,413)
Closing fair value of schemes' assets	**867**	**244,500**	**245,367**	808	219,400	220,208

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

	2017			2016		
	US Schemes £000	**UK Scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Present value of defined benefit obligation	**(1,898)**	**(192,000)**	**(193,898)**	(1,844)	(177,427)	(179,271)
Fair value of scheme assets	**867**	**244,500**	**245,367**	808	219,400	220,208
(Deficit)/surplus in the scheme	**(1,031)**	**52,500**	**51,469**	(1,036)	41,973	40,937
Experience adjustments on the scheme liabilities	**136**	**(21,008)**	**(20,872)**	(172)	(7,203)	(7,375)
Experience adjustments on scheme assets	**9**	**29,255**	**29,264**	(30)	(2,909)	(2,939)
Exchange differences	**(109)**	**—**	**(109)**	(48)	—	(48)

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.

30. EMPLOYEE BENEFITS (CONTINUED)

IAS 19 CONTINUED

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%.

	2017	2016
	£000	£000
Discount rate	**(3.0)%**	(3.2)%
Future salary increases	**-**	-
RPI inflation assumption	**2.1%**	1.4%
Post-retirement mortality rated down by one year	**4.0%**	4.2%

In valuing the liabilities of the pension fund at £193.9m mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 1 April 2017 would have increased by 4.0% before deferred tax.

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 2013 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 26 to 31.

Management considers there are no critical accounting judgements made in the preparation of the financial statements. 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.

PROVISIONS

The Directors have reviewed the carrying value of the fair value provision following the acquisition of TYKMA Inc (note 32) and adjusted it accordingly. Other provisions of £342,000 relate to the fair value provision for the TYKMA Inc acquisition which relate to warranty on certain products sold prior to acquisition, dilapidation provisions for current and former buildings and debtor recoverability on long-term overseas debts.

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 £7,144,000.

During the prior year the final 20% of the issued share capital of TYKMA Inc. was acquired. The original acquisition of 80% of the issued share capital of TYKMA Inc. included put and call options for the remaining 20% between the group and the vendor which had a value at March 2015 of £4.1m. During the prior year the value was remeasured to £2.1m and was settled at this amount. The settlement comprised of US$1.8m and the issue of 12m ordinary shares in the Group with a value at that time of £0.9m. The gain of £2,032,000 was included as a special item given its size and nature.

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 £64,800 in interest payments during the financial year (2016: £64,800) in respect of their respective holding of the loan notes. At the year-end Haddeo Partners LLP held £810,000 of loan notes. In addition, the wife of Mr N Carrick, the Group Finance Director, also held £50,000 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 $154,000 rent and associated property costs during the period (2016: $72,000).

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.

The Group contributed £120,000 to the UK pension scheme during the current period (2016: £120,000) and no contributions were overdue at the period-end. The monthly payments of £10,000 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 £510,971. No deficit reduction payments are currently required. In the US no employer contributions were made to the US pension scheme during the current period (2016:£nil) and no payments were overdue at the period-end.

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 refererence 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. Special items comprise two elements:

- Items which are expected to be one-off in nature and are considered significant to the result of the group or one of its reporting segments; and
- Non-cash items which, given the scale of our current activities, represent a disproportionate share of the Group’s result. Examples include the credit arising on the pension surplus share based payments and the amortisation of intangible assets.

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.

34. ALTERNATIVE PERFORMANCE MEASURES (CONTINUED)

Underlying operating profit

	£000	£000
Operating profit /(loss)	**2,894**	(1,164)
Special items included in cost of sales (see note 3)	**118**	894
Special items included in net operating expenses (see note 3)	**53**	2,626
Underlying operating profit	**3,065**	2,356

Underlying profit / (loss) for the period

Profit for the period	**2,059**	1,146
Special items included in cost of sales (see note 3)	**118**	894
Special items included in net operating expenses (see note 3)	**53**	2,626
Special items included in Financial income	**(1,445)**	(1,171)
Special items included in Financial expense	**168**	150
Contingent consideration settlement	**-**	(2,032)
Special items included in income tax charge /(credit)	**1,287**	(72)
Underlying profit for the period	**2,240**	1,541

Underlying EPS

A reconciliation of underlying EPS is included in note 9

Company statement of financial position
As at 1 April 2017

Company Number 00196730

	Notes	As at 1 April 2017 £000	As at 2 April 2016 £000
Non-current assets			
Investments	5	**10,356**	9,199
		10,356	9,199
Current assets			
Trade and other receivables	6	**32,885**	30,772
Assets classified as held for resale	7	—	1,999
Cash and cash equivalents		**27**	252
		32,912	33,023
Total assets		**43,268**	42,222
Current liabilities			
Trade and other payables	8	**(829)**	(1,527)
		(829)	(1,527)
Non-current liabilities			
Trade and other payables	8	**(7,867)**	(9,487)
		(7,867)	(9,487)
Total liabilities		**(8,696)**	(11,014)
Net assets		**34,572**	31,208
Shareholders' equity			
Called-up share capital	9	**1,044**	1,044
Share premium account		**1,013**	1,013
Revaluation reserve		—	711
Available for sale reserve		**506**	(651)
Equity reserve		**139**	139
Profit and loss account		**31,870**	28,952
		34,572	31,208

The financial statements on pages 67 to 77 were approved by the Board of Directors on 3 July 2017 and were signed on its behalf by:

NEIL CARRICK
GROUP FINANCE DIRECTOR
3 JULY2017

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

Company statement of changes in equity

Company Number 00196730

As at 1 April 2017

	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 28 March 2015	**896**	**—**	**1,311**	**(622)**	**124**	**21,590**	**23,299**
At 29 March 2015	896	—	1,311	(622)	124	21,590	23,299
Profit for the period	—	—	—	—	—	7,148	7,148
Other comprehensive income:							
Fair value of Investments	—	—	—	(29)	—	—	(29)
Fair value of assets held for sale	—	—	(450)	—	—	—	(450)
Transfer on revalued properties	—	—	(150)	—	—	150	—
Total comprehensive income	—	—	(600)	(29)	—	7,298	6,669
Transactions with owners:							
Share capital subscribed for	148	1,013	—	—	—	—	1,161
Equity element of shareholder loan issued in the period	—	—	—	—	15	—	15
Credit for share-based payments	—	—	—	—	—	64	64
Total transactions with owners	148	1,013	—	—	15	64	1,240
At 2 April 2016	**1,044**	**1,013**	**711**	**(651)**	**139**	**28,952**	**31,208**
At 3 April 2016	1,044	1,013	711	(651)	139	28,952	31,208
Profit for the period	—	—	—		—	2,139	2,139
Other comprehensive income:							
Fair value of Investments	—	—	—	1,157	—	—	1,157
Release of revaluation reserve	—	—	(711)	—	—	711	—
Total comprehensive income	—	—	(711)	1,157	—	2,850	3,296
Transactions with owners:							
Credit for share-based payments	—	—	—	—	—	68	68
Total transactions with owners	—	—	—	—	—	68	68
At 1 April 2017	**1,044**	**1,013**	**—**	**506**	**139**	**31,870**	**34,572**

The accompanying accounting policies and notes on pages 67 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”.

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, modified to include the revaluation of certain properties, 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 2017 are for the 52-week period ended 1 April 2017. The results for 2016 are for the 53-week period ended 2 April 2016.

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.

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 buildings	– over residual terms of the leases
• plant and machinery	– 10 to 20%
• fixtures, fittings, tools and equipment	– 10 to 33.3%

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 denominated in foreign currencies are translated into Sterling at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities are translated into Sterling 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

	2017	2016
	£000	£000
Staff costs:		
– wages and salaries	**677**	627
– social security costs	**47**	48
– pension charges	**18**	19
– equity share options expense	**68**	64
	810	758

Included within the £810k is £112k 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:

	2017	2016
	Number	Number
Head office function	**7**	5

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 16 to 19.

2. 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 £68,000 (2016: £64,000) in relation to equity-settled share-based payment transactions.

	2017	2016
	DSP	DSP
The number and weighted average exercise prices of share options		
Number of options outstanding at beginning of period	**6,150,000**	9,900,000
Number of options granted in period	**500,000**	1,000,000
Number of options forfeited/lapsed in period	—	(2,000,000)
Number of options exercised in period	—	(2,750,000)
Number of options outstanding at end of period	**6,650,000**	6,150,000
Number of options exercisable at end of period	**1,750,000**	1.750.000

On 19 November 2012 4,500,000 options with an exercise price of 10p were granted, of which 1,750,000 were still outstanding, and on 7 April 2014 5,400,000 options with an exercise price of 17p were granted, of which 3,400,000 were still outstanding. 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 of which are still outstanding. All options are exercisable between 3 and 10 years from the date of grant.

On 30 April 2015 Mr N Rogers resigned as a director. 2,750,000 options with an exercise price of 10p were agreed to become immediately exercisable by Mr N Rogers and 2,000,000 options with an exercisable price of 17p were forfeit.

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

2. EMPLOYEE SHARE OPTION SCHEMES (CONTINUED)

THE 600 GROUP PLC 2008 PERFORMANCE SHARE PLAN

The fair values 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 £000	2015 Grant £000	2014 Grant £000	2013 Grant £000
Fair value	£0.10	£0.04	£0.04	£0.04
Share price at grant	£0.10	£0.18	£0.17	£0.10
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

3. DIVIDENDS

No dividend was declared in the period (2016: no dividend paid).

4. SPECIAL ITEMS

In order for users of the financial statements to better understand the underlying performance of the Company the Board have separately disclosed transactions which by virtue of their size or incidence, are considered to be one off in nature.

Special items include exceptional costs relating to reorganisation, redundancy and restructuring, the charge for share based payments and impairment of investments in fellow subsidiary undertakings.

	2017 £000	2016 £000
Items included in operating profit:		
Impairment of investments in listed investments	**-**	29
Redundancy and reorganisation	**151**	425
Share option costs	**68**	64
	219	518
Items included in financial expense:		
Amortisation of loan note expenses	**168**	150
	168	150

5. INVESTMENTS

	Shares In Listed Investments £000	Shares In Group Undertakings £000	Total £000
Cost:			
At 2 April 2016	1,147	40,413	41,560
Fair valuation in the period	506	—	506
Disposals in the period	—	—	—
At 1 April 2017	**1,653**	**40,413**	**42,066**
Provisions			
At 2 April 2016	651	31,710	32,361
Reinstatement in the period	(651)	—	(651)
At 1 April 2017	—	**31,710**	**31,710**
Net book values			
At 1 April 2017	**1,653**	**8,703**	**10,356**
At 2 April 2016	496	8,703	9,199

During the period an impairment review of the carrying values of investments in other group companies was carried out with no further impairment deemed necessary. This review comprised a comparison of the investment 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 8%. 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 countries in which the CGUs are located. This has no impact on the group accounts.

On 3 August 2014 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. There is no representation from the company on the board of Prophotonix and therefore significant influence may not be exerted over key strategic decisions.

ProPhotonix Limited is AIM listed, although registered in Delaware, and designs and manufactures LED arrays and laser diode modules in the UK and Ireland. It has a strong base of technology and applications knowledge, applicable to high growth sectors including niche industrial, security and medical markets. The Group has no re
The initial investment of £1.15m was adjusted to a fair value of £1.65m at 1 April 2017 (2016 - £0.50m). The £1.16m write up (2016 - £0.03m write down) was taken against the Assets held for sale reserve.

Notes relating to the company financial statements

5. INVESTMENTS (CONTINUED)

The principal subsidiary 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 Machinery Australia (Pty) – (Australia)
600 Group Equipment Limited - (Canada)

600 Machinery Australia (Pty)'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.

ProPhotonix Limited's registered office is Pierce Williams, Sparrow Lane, Hatfield Broad Oak, Bishop's Stortford, Hertfordshire, CM22 7BA with a main office in the US at 13 Red Roof Lane, Suite 200, Salem, New Hampshire 03079.

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.

6. TRADE AND OTHER RECEIVABLES

	2017 **£000**	2016 £000
Amounts owed by subsidiary undertakings[1]	**32,224**	29,946
Deferred tax	**602**	749
Other debtors	**59**	77
Other prepayments and accrued income	**—**	—
	32,885	30,772

[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

7. ASSETS CLASSIFIED AS HELD FOR RESALE

	2017 £000	2016 £000
Brought forward	**1,999**	—
Transferred from property plant and equipment - cost	—	2,556
Transferred from property plant and equipment - depreciation	—	(107)
Disposals	**(1,999)**	—
Impairment	—	(450)
	—	1,999

The above leasehold property was sold on 11 July 2016 with the revaluation reserve of £711k taken to the statement of comprehensive income and expense. The property had been written down to its net realisable value at the prior year-end with the £0.4m reduction in its carrying value taken to the revaluation reserve.

8. TRADE AND OTHER PAYABLES

	2017 £000	2016 £000
Current liabilities:		
Bank loans	—	615
Trade payables	**269**	189
Amounts owed to subsidiary undertakings[1]	**316**	316
Other creditors	**29**	137
Accruals and deferred income	**215**	270
	829	1,527

	2017 £000	2016 £000
Non-current liabilities:		
Shareholder loan	**7,867**	7,699
Bank loans	—	1,612
Deferred taxation	—	176
	7,867	9,487

[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 £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 20p shares or to purchase 20p shares for a cash consideration. The loan has both debt and equity components and £139,000 is shown in equity reserve and the balance after deduction of associated costs of £494,000, is shown in non current borrowings. Costs are amortised to the income statement over the term of the loan.

A Term Loan of £927,000 included within Bank loans was scheduled to be repaid on a quarterly basis with payments of £153,846 on 30 June 2016 through to 30 November 2017. A further Term Loan of £612,000, also included within Bank loans, was scheduled to be repaid on a quarterly basis with payments of £18,000 on 30 June 2016 through to 30 June 2019 and a final payment of £378,000 on 31 May 2019. £1,300,000 included within non–current borrowings related to a RCF facility with a termination date of 31 May 2017.Following the disposal of the Letchworth property in July 2016 these borrowings with Santander were reduced by the net proceeds of £2m and on the change of bank to HSBC in August 2016 the balance of all these facilities were fully repaid and replaced by facilities from HSBC.

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.

Notes relating to the company financial statements

9. SHARE CAPITAL

	2017 £000	2016 £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 (2016: 89,607,957 ordinary shares)	**1,044**	896
2016 – 2,750,000 ordinary shares of 1p each issued to N Rogers	—	28
2016 – 12,000,000 ordinary shares of 1p each issued in acquisition of remaining 20% of Tykma Inc	—	120
104,357,957 ordinary shares of 1p each on issue at end of period (2016: 104,357,957 ordinary shares of 1p)	**1,044**	1,044
Total Allotted, called-up and fully paid at the end of period	**1,044**	1,044

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. During the prior year 2,750,000 ordinary shares of 1p each were issued to N Rogers in July 2015 pursuant to the exercise of share options. This resulted in share capital increasing by £27,500 with a corresponding share premium increase of £247,500. In addition, the Company issued 12,000,000 ordinary shares of 1p each as consideration for the purchase of the remaining 20% of shares in TYKMA Inc.

On 28 August 2015 the Company raised an additional £0.806m through the issue of loan notes. In the prior year on 16 February 2015 and 18 March 2015 the Company raised £6.739m and £0.955m respectively through the issue of loan notes. The loan notes have 5 year maturity and carry a coupon of 8% payable quarterly in arrears. The subscribers for loan notes are also entitled to receive 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.

10. RECONCILIATION OF NET CASH FLOW TO NET DEBT

	2017 £000	2016 £000
Increase/(decrease) in cash and cash equivalents	**(225)**	460
Increase in net debt from cash flows	**2,227**	(1,337)
	2,002	(877)
Net debt at beginning of period	**(9,674)**	(8,687)
Shareholder loan deferred costs	**(168)**	(110)
Net debt at end of period	**(7,840)**	(9,674)

11. ANALYSIS OF NET DEBT

	At 2 April 2016 £000	Exchange movement £000	Other £000	Cash flows £000	At 1 April 2017 £000
Cash at bank and in hand	**252**	—	—	(225)	**27**
Debt due within one year	**(615)**	—	—	615	—
Debt due after one year	**(1,612)**	—	—	1,612	—
Loan notes due after one year	**(7,699)**	—	(168)	—	**(7,867)**
Total	**(9,674)**	—	(168)	2,002	**(7,840)**

12. CONTINGENT LIABILITIES

	2017	2016
	£000	£000
Bank guarantees in respect of Group undertakings	**92**	92

13. PENSION

The Company makes contributions to defined contribution schemes for certain employees. The pension contribution charge for the Company amounted to £17,000 (2016: £19,000).

14. 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 the Company and the Group.

Mr P Dupee is the managing partner of Haddeo Partners LLP who have received £64,800 in interest payments during the financial year (2016: £64,800) in respect of their respective holding of the loan notes. At the year-end Haddeo Partners LLP held £810,000 of loan notes. In addition, the wife of Mr N Carrick, the Group Finance Director, also held £50,000 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.

The Group contributed £120,000 to the UK pension scheme during the current period (2016: £120,000) and no contributions were overdue at the period-end. The monthly payments of £10,000 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 £510,971. No deficit reduction payments are currently required.