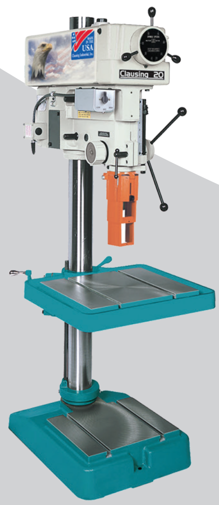






**The 600 Group PLC**
annual report and accounts 2015

## Contents

# Chairman's Statement

I am pleased to report that the Group has continued to establish a stronger position in the markets in which it operates and improve its overall financial performance to deliver increased revenues and profits. This was achieved despite challenging worldwide market conditions and in particular a weaker than expected performance from our Australian subsidiary.

The UK based European business continues to improve. We successfully launched newly designed lathes and ancillary products under the widely recognised Colchester, Harrison and Pratt Burnerd brands along with improvements in delivery times for existing products.

In addition, we have implemented the worldwide distribution of the Clausing branded machine tool range. The combination of the Colchester, Harrison, Clausing and Pratt Burnerd brands, successful in North America, is now available throughout our worldwide distributor base. Don Haselton the President of 600 Group Inc. has played a key role in this activity and will continue to work with the UK team.

Our laser marking business has been transformed by the acquisition of TYKMA Inc in February this year, and already we are seeing substantial improvements to its operating performance. Electrox is now fully integrated into Tykma and is run by David Grimes. David has built up the Tykma business which, when combined with the UK business, now ranks it as a world leader in a very fragmented industry.

We continue to seek and evaluate opportunities for further strategic acquisitions, particularly in North America.

**Strong Brands, distribution and exports**

The 600 Group has developed several of the most widely recognised and respected brands in the machine tool industry. These brands along with accessories, spare parts and service provide a well balanced platform that delivers exceptional revenue and profit potential.

In the UK and Europe, our much improved financial position has enabled our sales and engineering team to deliver machines and spare parts from stock quickly. This improvement in customer service has delivered welcome gains in its market share.

The North American business continues to be successful in gaining market share and exceeding revenue goals by providing exceptional customer service and support along with high quality machine tools that cover the requirements of its target customers. This model will provide the framework for the marketing and sales platform that we hope will bring the North American success across all 600 Group machine tool markets. North America also continues to develop a line of US built products, including drills, milling machines and saws. These products broaden the manufacturing base and deliver the US built products desired by the domestic market.

We will also expand our distribution network in South East Asia in the coming year with particular emphasis on the Thailand, Philippines and Malaysian markets. These markets are high growth areas where the 600 Group machine tool and components names have a high level of brand recognition. Early discussions with distributors in these markets are very promising and we anticipate incremental revenue growth in the next financial year.

The integration of TYKMA and Electrox has also opened up new markets and distribution channels for both of these respected laser marking brands and given the division worldwide credibility to appeal to multi-national corporations.

**Financial Overview**

Revenue from continuing operations was £43.8m (2014: £41.7m) a 5% increase on the previous year.

After taking account of interest, pensions, taxation special items and share based payment charge, the Group profit for the financial year was £2.35m (2014: £1.85m).

Underlying earnings (from continuing operations before special items, share based payment charge, pensions interest and shareholder loan amortisation) amounted to 2.09 pence per share (2014: 1.90p) and total earnings were 2.66 pence per share (2014:2.19 p).

At the end of the financial year, group net indebtedness stood at £10.80m (2014: £5.31m), and gearing was 31% (2014:24%). The group had financial headroom on existing borrowing facilities of £4.2m and was in full compliance with all its financial covenants.

## Chairman's Statement

### Acquisitions

In August 2014 we acquired a 26.3% share of ProPhotonix Limited, a company that 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.

In February 2015 we acquired an 80% controlling stake in TYKMA Inc a US based laser marking business run by David Grimes its Chief Operating Officer. TYKMA is a specialist designer, producer and distributor of laser marking systems which are used for traceability, branding and component identification. Electrox, the 600 Group's laser marking company based in Letchworth has been entirely integrated into TYKMA and the combined business is already achieving significantly improved results.

### Facilities

In June 2014 we acquired the freehold site in Colchester, UK occupied previously under lease by our Gamet Bearings operation for a consideration of £0.77m. In the US we are re-locating Clausing to new purpose built leasehold premises in Kalamazoo, Michigan and TYKMA, again to purpose built leasehold premises, in Chillicothe Ohio. These new sites are better located with excellent road links and significantly improved facilities. In the period we also agreed the sale of our previous Head Office building in Leeds.

### People

We have welcomed a number of new people to the Group at Board and operational level during the year. Stephen Fiamma was appointed as a Non- Executive Director in May 2015 and we welcome his experience in cross-border acquisitions, divestitures and joint ventures.

David Grimes the CEO of Tykma is now leading our Laser marking division and his experience in building one of the world's leading companies in the sector will be of great benefit as we develop this division even further. Lastly, following the resignation of Nigel Rogers in April, I was delighted to assume the position of Executive Chairman with responsibility for managing the operational activities of the Group as well as pursuing our strategy for growth and working with my fellow Board and executive team to achieve this.

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 so important in the last year and I look forward to working with them 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 available financial resources. Accordingly they do not recommend the payment of a dividend at the present time.

### Outlook

The 600 Group has begun the process of leveraging our industry recognised brands to expand our worldwide distribution network and accelerate our revenue growth. In the coming year, we aim to deliver additional organic revenue growth through market development in conjunction with our distribution base throughout Europe and Asia. We will also continue to evaluate acquisition opportunities to identify the partners who will best compliment our core competencies.

**Paul Dupee**
**Chairman**
**30 June 2015**

# Strategic Report

### *Our business*

The 600 Group PLC ("the Group") is a leading engineering group with a world class reputation in the design and distribution of machine tools, and the design, manufacture and distribution of laser marking systems and precision engineered components. The Group operates these businesses from locations in North America, Europe and Australia selling into more than 180 countries worldwide.

### *Macroeconomic and industry trends*

Machine tools are used to mould, cut, shape and fabricate materials in the process of manufacturing virtually all products in common use. The machine tool industry will experience a steady demand over time as long as there is a need for manufactured durable goods such as motor vehicles, aeroplanes, energy and extractive industrial equipment, and defence equipment.

The worldwide machine tool industry is determined by the investment intentions of manufacturers, and is therefore sensitive to changes in the economic and financial climate. Aggregate demand responds to economic trends and typically lags the main cycle of the economy, and has greater amplitude.

Gardner Research publishes an authoritative analysis of the machine tool industry entitled “World Machine-Tool Output & Consumption Survey”. The March 2015 issue identified the largest five producer countries of machine tools to be China, Germany, Japan, South Korea and Italy. The largest five countries ranked by the consumption of machine tools are China, USA, Germany, Japan and South Korea. The UK ranks eleventh as a producer nation, and thirteenth in order of consumption.
The same publication identified that the global consumption of machine tools was flat during 2014 against a reduction globally of 9% in the prior year. Zero growth was recorded in our most important markets of USA and UK and a 10% decline in Germany, France, Austria and Switzerland and 11% decline in Australia.

The report also anticipated strong growth of over 20% in 2015 in the USA and the UK but with Europe remaining more difficult at 5% reduction.

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 grow to approximately $17 billion by 2020. Several industry journals, including Industrial Laser Solutions, have pointed to this number based on input from leading providers of laser processing equipment obtained by industry trade journals. The overall laser industry is reported to grow by 6% annually with some estimates that the market for fiber lasers for processing is growing by approximately 15%.

The laser marking subset of the overall laser industry continues to grow due to enhanced techniques in the speed, cost and quality of the systems being implemented. Additionally, laser marking companies are increasing their presence in the laser machining subset due to the ease in implementation of high power fiber lasers within their existing system designs.

### *Our aims and objectives*

Our businesses have excellent products, and unrivalled brand heritage. We aim to report consistent year on year growth in annual revenues and profitability by increasing our market share, regardless of cyclical factors affecting our industry as a whole.

We will achieve this by:

- Consistently delivering against lead times and quality standards that meet or exceed the requirements of our end-user customers,
- Winning and retaining the right to be the producer of choice for our distributors by being easy to deal with,
- Undertaking design-led cost reduction activity to maintain or improve our competitiveness,
- Pursuing a dynamic approach to new product development,
- Recruiting, retaining and developing a talented and committed workforce, and
- Fostering lasting relationships with our chosen supply chain partners.

***Routes to market and customers***

***By product category***

Following the acquisition of TYKMA in early February 2015 the Group is now expected to derive approximately 32% of Group revenues from the sale of metal turning machine tools, and a further 14% from other machine tools. The sale of precision engineered components for use in metal turning is expected to contributed approximately 14%, and laser marking equipment approximately 27%. The remainder of Group revenues, amounting to approximately 13%, are expected to derived from after sales support in spare parts and services.

***By industry sector (including customer concentration)***

Group businesses serve customers across a very 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 revenues are 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 established distributors in many countries and territories. In the year ended 28 March 2015 the top 20 customers, of which 10 were distributors, contributed less than 30% of revenues.

***By geographical territory of destination***

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

| Percentage of worldwide revenues (by destination) | 2015 % | 2014 % |
|---|---|---|
| United States of America | 55 | 54 |
| United Kingdom | 18 | 20 |
| Europe (excluding UK) | 16 | 15 |
| Rest of the World | 11 | 11 |
| Total | 100 | 100 |

**Results**

***Revenue***

Revenue from continuing operations increased by 5% to £43.8m (2014: £41.7m). Excluding the effects of the TYKMA acquisition, revenue growth was 3% reflecting the difficult market conditions experienced in our major markets in Europe, the USA and particularly Australia.

***Costs and margins***

Gross margins were maintained at 33% and, with Group operating expenses contained in line with the underlying sales growth, the overall Group operating margin before special items was also maintained at 5.6%.

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

Group companies design and develop metal cutting machine tools sold under the brand names Colchester and Harrison and design and manufacture precision engineering components under the brand names Pratt Burnerd and Gamet. These are sold worldwide, with direct sales operations in North America ("Clausing"), Europe, and Australia and a network of distributors in all other key end-user markets. Clausing is a customer service led distribution business and, in addition to branded Group products, carries a broad range of other machine tools, spares and accessories to serve the North American market. The Clausing branded machines have now started to be distributed in Europe through our existing sales channels

The financial results of these activities, before special items, were as follows:

| | **2015** | **2014 Restated** |
|---|---|---|
| | *£'000* | *£'000* |
| Revenues | 34,747 | 33,749 |
| Operating profit | 2,931 | 2,740 |
| Operating margin | 8.4% | 8.1% |

Revenues overall increased by 3% to £34.7m. Revenues in local currency in our North American operations increased by 9% as this business led by Don Haselton continues to win market share, and profit margins increased to 8.2% (2014 7.9%). These results now exclude the results of the Electrox spares and service operation which was transferred to TYKMA on acquisition. Comparative figures have been restated accordingly. The overall revenue increase was held back by very challenging market conditions in Australia where a fall of 6% in local currency was compounded by the weakness of the Australian Dollar to give a 13.4% fall in Sterling terms. A small trading loss was incurred and significant effort was put into preserving cash. With its strong brands and wide product range, a great deal of focus is now going into sales opportunities outside Australia into South East Asia.

The European operation, headed up by Mike Berry, experienced difficult market conditions, particularly in Europe, where the weakness of the Euro has added to pricing pressure and consequently revenue was 1% lower year on year. Good control of operating costs, which was underlined by the business winning the EEF regional and runner up in the National Business Efficiency Awards, led to improved margins and operating profit increasing to 10.3% (2014 9.6%)

At a recent open house in the UK, the Group launched a number of new machines including the Harrison Alpha 1400XC combination Lathe and the Harrison EziTurn 330. Also under the Colchester brand, the new Master VS and Triumph VS lathes were launched and have met with significant success with distributors. In addition, for the first time products which Clausing has successfully sold in the US were introduced to the UK and Europe including variables speed drills and precision manual surface grinders.

### *Laser marking*

Following the acquisition of TYKMA Inc in early February 2015, the Electrox UK based laser marking business was entirely integrated, including the sales, spares and service operations in the USA, moving from their base within Clausing in Michigan to TYKMA in Ohio. The segmental analysis includes the twelve months trading for Electrox and the USA spares and service previously within Clausing Machine tools, combined with the two months trading from TYKMA. Comparative figures have been restated accordingly. The Enlarged laser marking Division is now headed up by David Grimes. The combined laser marking Division provides a wide range of industrial marking and product identification systems to manufacturing industries.

Results for the financial year before special items were as follows:

| | **2015** | **2014 Restated** |
|---|---|---|
| | *£ 000* | *£ 000* |
| Revenues | 9,229 | 8,254 |
| Operating profit | 304 | 686 |
| Operating margin | 3.3% | 8.3% |

Revenues increased by 12% as a result of the TYKMA acquisition to £9.2m. Operating profit fell significantly in the second half of the year as the performance of Electrox in the US deteriorated and corrective action was delayed pending the completion of the TYKMA acquisition. In addition development costs previously capitalized were written off, adding a further £0.2m to operating costs.

Looking forward, the year has started strongly and the integration benefits are being realised. We are confident that this division is now back on track and capable of sustained growth in the coming year under the very experienced management team at TYKMA.

### *Profit before taxation*

Group profit before tax was £3.68m (2014: £2.48m) and the underlying profit figure before special items and share based payment costs and the pensions interest credit and amortization of shareholder loan costs was £2.01m (2014: £1.97m).

### *Special items*

During the financial year, the Group had a number of transactions which in the opinion of the Director's should be excluded for a better understanding of the underlying trading performance of the Group.

A credit of £2.35m is included in operating profit as a result of the work by the trustees of the UK pension scheme and the company in reducing liabilities. A number of transacations including a pension increase exchange took place during the year. This resulted in an actuarial adjustment to the pension liabilities, which was processed through the Consolidated Income Statement.

Costs incurred on the acquisition of TYKMA amounted to £0.3m and redundancy and restructuring costs incurred on the integration of the Electrox and TYKMA businesses were £0.4m.

The Group disposed of the previous UK head office in Leeds and the Clausing machine tools site in Michigan during the period and incurred a loss on valuation of the Colchester site. The total property related special items were £0.4m. In addition share option costs and amortization of intangible assets acquired which are non-cash costs to the Group have been included in special items.

***Taxation***

The current year charge for taxation amounted to £1.33m (2014 £0.62m). The majority of this charge relates to deferred taxation provided on the pension credit of £2.35m and interest on pension surplus of £0.86m which is at a rate of 35%, being the rate applicable to any refund from a pension scheme. The UK businesses continue to benefit from the 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 £2.33m (2014: £1.85m). The non- controlling interest represents 20% of the after tax profits of the TYKMA business.
Underlying earnings from continuing operations before pension and equity adjustments, special items and share based payment charge and related taxation was 2.09p per share (2014: 1.90p) and basic earnings per share was 2.66p (2014(2.19p)

**Financial position and utilisation of resources**

***Cash flow***

Cash generated from operations before working capital movements was £3.02m (2014: £2.71m). The working capital movement included an increase in inventories as a result of shipments into the USA caught up in the backlog from the East Coast dock strike and improved machine availability being offered by the European business to meet customer requirements. A large multiple machine sale to an educational establishment just before the period end increased receivables within the European Lathe business.

Taxation paid related entirely to the Clausing business in the USA.
Proceeds from the sale of the previous Head Office in Leeds and the Clausing facility in Kalamazoo contributed £0.46m to cash with the acquisition of the Colchester Gamet Bearings site at £0.72m being the major item of capital expenditure.

The investment in ProPhotonix was entirely funded by the issue of new shares and the investment and associated costs in relation to the purchase of 80% of TYKMA Inc. was funded by the issue of new loan notes.

***Net borrowings***

Group net debt at 28 March 2015 stood at £10.80m (2014: £5.31m) comprising net bank and finance lease indebtedness of £4.02m (2014: £3.02m) and the amount outstanding on the new loan notes of £6.78m (2014 shareholder loans of £2.29m). The amount outstanding is net of unamortised costs of £0.7m in the current financial year (2014: £0.21m).

New facilities were agreed with Santander in the UK in May 2014 and with Bank of America in April 2015. The Group has a mixture of term loans and revolving facilities with maturities between 2 and 6 years in addition to annual credit and tradeline facilities. Headroom on bank facilities was £4.2m at the year-end (2014: £2.72m) and all financial covenants were met in full.

During February and March 2015 the Group issued £7.69m of New 8% Loan Notes with a maturity of February 2020 under an £8.5m Loan Note programme. These Loan Notes, following shareholder approval in March 2015, also entitled holders to warrants of equal value to subscribe for new ordinary shares at 20p.

Gearing amounted to 31% of aggregate net assets (2014: 24%)

***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 at 28 March 2015 was £34.29m (2014: £19.02m). This surplus has been calculated in accordance with the scheme rules and recognized accounting requirements.

As a result of liability reduction exercises undertaken by the UK scheme's Trustees in conjunction with the company, including pension increase Exchanges, a credit has been taken in the period in the Income Statement of £2.35m 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 20% rate.

In October 2013 the Company reached agreement with the Trustee 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, and estimated a deficit on a full buy-out basis of £51.1m.

It was further agreed that the Technical Provisions deficit would be resolved by an outperformance 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.

At 28 March 2015, the subsequent performance of the scheme assets and changes in the underlying market conditions in respect of the fund liabilities, indicate that the deficit on a Technical Provisions basis had reduced to £9.5m. The performance has continued to improve since that time and in mid May 2015 the deficit was £5.9m. On a full buy-out basis the deficit had reduced to £31m by the end of March 2015.

The directors and the Trustees work together on a collaborative basis to continue to monitor investment performance and market conditions closely, to mitigate the risk of mis-matching assets and liabilities to a tactically appropriate level, and to pursue opportunities to secure a full or partial buy-out of UK pension liabilities when conditions permit.

The US retiree health scheme and pension fund deficits increased slightly during the year due to changes in actuarial assumptions to £1.10.m (2014: £0.91m.)

### *Property Transactions and Revaluations*

The Group disposed of the former Head Office in Leeds and the Clausing business sold its existing facility in Michigan during the period. Net proceeds were £0.46m and the loss on sale was £0.1m.

In addition, as required by the accounting rules for revaluing assets, the remaining freehold properties in the Group were revalued as at 28 March 2015. This has resulted in a reduction of £0.3m on the UK Colchester site, which is taken through the income statement and an increase of £0.6m on the UK Letchworth site, which is taken directly to revaluation reserve.

### *Share Capital and Reserves*

Following approval by Shareholder at the AGM in September 2014 an application to reduce the deferred shares, share premium and capital redemption reserve were processed through the High Court and £34.2m of capital was released to accumulated reserves.

### *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 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 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Revenue (annual growth rate) | >10% | 5% | (0.2)% | 11.2% | 4.2% |
| Book-to-bill ratio | >110% | 97% | 101.8% | 89.4% | n/a |
| Order book (months) | 2.0 - 3.0 | 1.4 | 1.9 | 2.0 | 3.9 |
| Gross margin (%of revenue) | >33% | 32.9% | 33.2% | 31.7% | 32.3% |
| EBIT margin (% of revenue) | >7.5% | 5.6% | 5.6% | 2.3% | 0.6% |
| Working capital (% of revenue) | <25% | 23.3% | 20.0% | 21.5% | 20.7% |
| Inventory turns | >3.5 x | 2.7x | 3.3x | 2.8x | 2.8x |
| Receivables (days) | < 60 | 58 | 54 | 55 | 63 |

***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. 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$5 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.

Laws and regulations – Group businesses may unknowingly fail to comply with all relevant laws and regulations in the countries in which it operates and contracts 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 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”) – The Groups 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 and 600 Australia Pty Limited are reported in United States dollars and Australian dollars respectively and translated into Sterling, and as a result of this the Group's Statement of Financial Position and trading results can be affected by movements in these currencies. Part of this exposure is hedged by entering into working capital facilities denominated in US dollars.

Liquidity risk is managed by the Group maintaining undrawn revolving credit and overdraft facilities 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.

***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.

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 deficit.

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**
**30 June 2015**

## Report of the 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.

Derek Zissman*

Appointed to the Board as a non-executive Director on 2 February 2011. Currently a non-executive director of LogicNow S.a.r.l., Amiad Water Solutions Ltd (AIM Listed), and Hotel Urbano Viagens e Turismo SA, and previous vice-chairman of KPMG LLP .

Stephen Fiamma*

Appointed to the Board as a non-executive Director on 13 May 2015. Currently a consultant 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

**REGISTRARS**
Capita Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

**AUDITOR**
KPMG Audit LLP

**BANKERS**
Santander Plc
Bank of America, N.A.

**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 28 March 2015, which should be read in conjunction with the Chairman's Statement on the affairs of the Group (pages 1 to 2), and the Strategic Report (pages 3 to 10) . 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 2015 are for the 52-week period ended 28 March 2015. The results for 2014 are for the 52-week period ended 29 March 2014.

**ACTIVITIES OF THE GROUP**
The Group is principally engaged in the manufacture and distribution of machine tools, precision engineered components and laser marking equipment. 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 20.

**BUSINESS REVIEW**
A balanced and comprehensive analysis of development and performance of the Group is contained in the Chairman's Statement and the Stategic Report on pages 1 to 10. 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 2015, 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 | 22,792,535 | 25.44 |
| Mr A Perloff and the Maland Pension Fund Trustees | 6,100,000 | 6.81 |
| Schroder Investment Management | 3,671,320 | 4.10 |
| CriSeren Investments Limited | 3,548,811 | 3.96 |

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 and March 2015 were issued with warrants totalling 30,725,000. 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. 2,400,000 old shareholder loan warrants remain in issue and will expire on 27 August 2015.

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 8,960,795 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 17 September 2014. 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 11.

The directors retiring by rotation are Mr N Carrick and Mr S Rutherford who, being eligible, offer themselves for re-election. In addition, Mr S Fiamma, who was appointed following the year-end, will also be seeking appointment by the shareholders. Mr N Carrick has a 12 month rolling service contract with the Company. Mr S Rutherford and Mr S Fiamma's contracts are terminable on 3 months' notice.

The beneficial interests of the Directors in the share capital of the Company at 28 March 2015 are shown in the Remuneration Report on pages 15 to 18.

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.

To this end, each subsidiary is audited by the Group's internal health, safety and environment manager to:

- benchmark performances across the Group;
- help sites identify and prioritise issues for improvement; and
- ensure legal compliance.

The results of audits are communicated directly to the Directors and to all subsidiary boards and appropriate action is taken.

It is the Group's policy to foster an informed and responsible approach to all environmental concerns and it encourages the involvement of employees, customers and suppliers. Regulatory authorities are consulted and informed at all appropriate times. The Group continues to support long-term strategies to minimise, re-use and recycle packaging.

**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 25 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 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***
*30 JUNE 2015*

**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).

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***
*30 JUNE 2015*

# 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.

**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 J Rutherford (Committee Chairman)

D Zissman

P Dupee

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

• the operation of a bonus scheme.

• 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. Following the year-end P Dupee was appointed Executive Chairman of the Group and as a result he stepped down from the Remuneration Committee and was replaced by S Fiamma.

**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***

Executive Directors currently participate in a discretionary bonus scheme linked to the achievement of annual financial and personal performance targets.

**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.

***BENEFITS IN KIND***

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

# Remuneration report

***SERVICE CONTRACTS***

Mr N R Carrick has a service contract dated 3 October 2011 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.

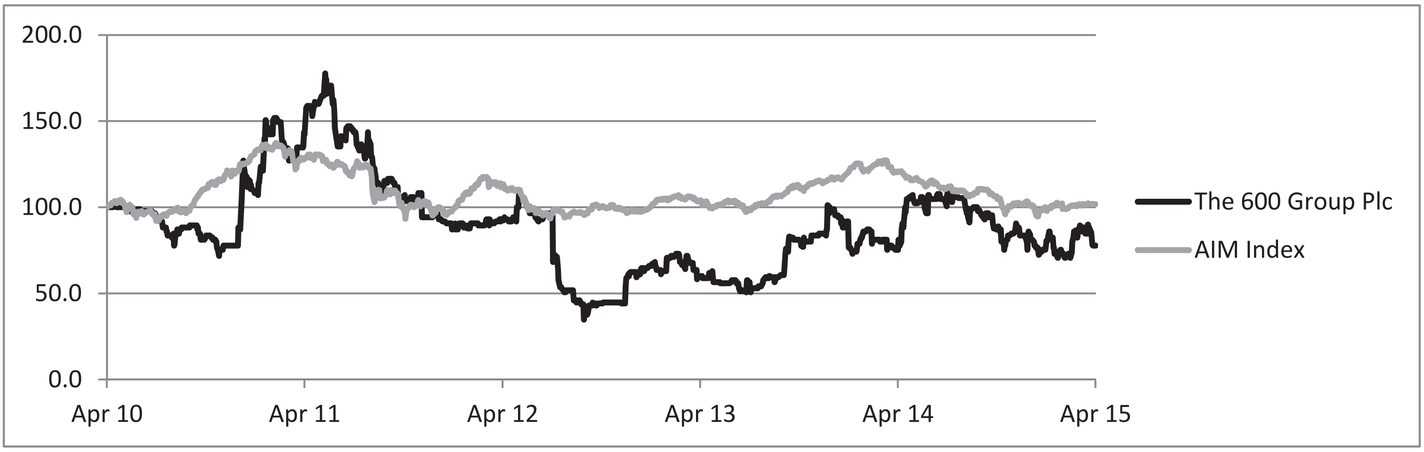
**NON-EXECUTIVE DIRECTORS' REMUNERATION**

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.

**FIVE YEAR TOTAL SHAREHOLDER RETURN**

This graph shows the Total Shareholder Return (TSR) of the Company from 1 April 2010 to 28 March 2015 compared with the AIM Index, 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 now the most appropriate index against which the TSR of the Company should be measured.



# Remuneration report

**DIRECTORS' INTERESTS IN SHARES**
The interests of Directors holding office at 28 March 2015 in the ordinary shares of the Company were as follows:

| | **At 28 March 2015 Number** | At 29 March 2014 Number |
|---|---|---|
| P R Dupee | **22,792,535** | 22,792,535 |
| N F Rogers | **1,499,508** | 1,209,728 |
| S J Rutherford | **20,000** | 20,000 |
| N R Carrick | **113,404** | 62,734 |
| D Zissman | **300,000** | 150,000 |

P R Dupee's interest in the 22.8m 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 Mr 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***

| | Salary £ | Fees £ | Pension £ | Bonus £ | All benefits in kind £ | **Total 2015 £** | Total 2014 £ |
|---|---|---|---|---|---|---|---|
| P R Dupee | — | 60,000 | — | — | — | **60,000** | 60,000 |
| N F Rogers | 200,000 | — | — | — | 1,585 | **201,585** | 301,387 |
| N R Carrick | 145,000 | — | 13,050 | 50,000 | 18,682 | **226,732** | 236,287 |
| D Zissman | — | 33,000 | — | — | — | **33,000** | 33,000 |
| S J Rutherford | — | 33,000 | — | — | — | **33,000** | 33,000 |
| **Total** | 345,000 | 126,000 | 13,050 | 50,000 | 20,267 | **554,317** | 663,674 |

***DIRECTORS' SHARE OPTIONS***

Details of share options at 28 March 2015 and 29 March 2014 for each Director who held office during the year are as follows:

| | Number of options at 30 March 2014 | Granted | Exercised | Lapsed/ forfeited | **Number of options at 28 March 2015** |
|---|---|---|---|---|---|
| N Carrick | 1,750,000[1] | 1,400,000[2] | — | — | **3,150,000** |
| P Dupee | — | 1,000,000[2] | — | — | **1,000,000** |
| N Rogers | 2,750,000[1] | 2,000,000[2] | — | — | **4,750,000** |
| S Rutherford | — | 500,000[2] | — | — | **500,000** |
| D Zissman | — | 500,000[2] | — | — | **500,000** |

[1] 4,500,000 options with an exercise price of 10p were granted under The 600 Group PLC Deferred Share Plan on 19 November 2012 and are exercisable between 3 and 10 years from the grant date.

[2] On 7 April 2014 5,400,000 options with an exercise price of 17p were granted under the 600 Group PLC Deferred Share Plan 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.

The charge to the Income Statement in respect of share based payments was £131,000 (2014: £57,000).

The share price at 28 March 2015 was 16p and the highest and lowest prices during the period were 23.5p and 15.0p, respectively.

On behalf of the Board

**NEIL CARRICK**
***DIRECTOR***
*30 JUNE 2015*

## 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 year ended 28 March 2015 set out on pages 20 to 71. 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).

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 14, 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 28 March 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the 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 matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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.

David Morritt **(Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
1, The Embankment
Neville Street
Leeds
LS1 4DW
30 June 2015

# Consolidated income statement
For the 52-week period ended 28 March 2015

| | Notes | 52 weeks ended 28 March 2015 £000 | 52 weeks ended 29 March 2014 £000 |
|---|---|---|---|
| **Continuing** | | | |
| **Revenue** | 1 | **43,794** | 41,707 |
| Cost of sales | | **(29,374)** | (27,850) |
| **Gross profit** | | **14,420** | 13,857 |
| Other operating income | 2 | **42** | 134 |
| Net operating expenses | 2 | **(11,998)** | (11,643) |
| Pensions credit | 3 | **2,347** | – |
| Acquisition costs | 3 | **(335)** | – |
| Share option costs | 3 | **(131)** | (57) |
| Other special items | 3 | **(896)** | (128) |
| Amortisation of intangible assets acquired | 3 | **(27)** | – |
| Total Net operating expenses | | **(11,040)** | (11,828) |
| **Operating profit** | 4 | **3,422** | 2,163 |
| Bank and other interest | | **2** | 7 |
| Interest on pension surplus | | **857** | 827 |
| Financial income | 6 | **859** | 834 |
| Bank and other interest | | **(451)** | (388) |
| Amortisation of shareholder loan expenses | | **(155)** | (134) |
| Financial expense | 6 | **(606)** | (522) |
| **Profit before tax** | | **3,675** | 2,475 |
| Income tax charge | 7 | **(1,325)** | (623) |
| **Profit for the period from continuing operations** | | **2,350** | 1,852 |
| Attributable to equity holders of the parent | | **2,333** | 1,852 |
| Attributable to non controlling interests | | **17** | – |
| | | **2,350** | 1,852 |
| **Basic earnings per share** | | **2.66p** | 2.19p |
| **Diluted earnings per share** | | **2.58p** | 2.15p |

**Company Number 00196730**

The accompanying accounting policies and notes on pages 25 to 71 form part of these Financial Statements.

## Consolidated statement of comprehensive income
for the 52-week period ended 28 March 2015

| | Notes | **52-week period ended 28 March 2015 £000** | 52-week period ended 29 March 2014 £000 |
|---|---|---|---|
| **Profit for the period** | | **2,350** | 1,852 |
| **Other comprehensive income/(expense)** | | | |
| *Items that will not be reclassified to the Income Statement:* | | | |
| Remeasurement of the net defined benefit assets | 29 | **-** | (229) |
| Impact of changes to defined benefit asset limit | 29 | **12,188** | - |
| Deferred taxation | 14 | **(4,296)** | 139 |
| **Total items that will not be reclassified to the Income Statement:** | | **7,892** | (90) |
| *Items that are or may in the future be reclassified to the Income Statement:* | | | |
| Foreign exchange translation differences | | **(13)** | 2 |
| **Total items that are or may in the future be reclassified to the Income Statement:** | | **(13)** | 2 |
| **Other comprehensive income/(expense) for the period, net of income tax** | | **7,879** | (88) |
| **Total comprehensive income for the period** | | **10,229** | 1,764 |
| **Attributable to:** | | | |
| Equity holders of the Parent Company | | **10,212** | 1,764 |
| Non controlling interests | | **17** | - |
| **Total recognised income** | | **10,229** | 1,764 |

The accompanying accounting policies and notes on pages 25 to 71 form part of these Financial Statements.

# Consolidated statement of financial position
As at 28 March 2015

**Company Number 00196730**

| | Notes | As at 28 March 2015 £000 | As at 29 March 2014 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **5,159** | 4,348 |
| Goodwill | 12 | **7,144** | - |
| Other Intangible assets | 12 | **2,347** | 1,780 |
| Investments | 13 | **525** | - |
| Deferred tax assets | 14 | **3,022** | 2,723 |
| Employee benefits | 29 | **34,292** | 19,019 |
| | | **52,489** | 27,870 |
| **Current assets** | | | |
| Inventories | 15 | **11,036** | 8,505 |
| Trade and other receivables | 16 | **7,070** | 6,209 |
| Cash and cash equivalents | 17 | **902** | 1,149 |
| | | **19,008** | 15,863 |
| **Total assets** | | **71,497** | 43,733 |
| **Non-current liabilities** | | | |
| Loans and other borrowings | 18 | **(8,405)** | (2,475) |
| Trade and other payables | 19 | **(4,175)** | - |
| Deferred tax liabilities | 14 | **(13,358)** | (7,737) |
| | | **(25,938)** | (10,212) |
| **Current liabilities** | | | |
| Trade and other payables | 19 | **(6,792)** | (6,425) |
| Income tax payable | | **(135)** | (140) |
| Provisions | 20 | **(611)** | (429) |
| Loans and other borrowings | 18 | **(3,295)** | (3,982) |
| | | **(10,833)** | (10,976) |
| **Total liabilities** | | **(36,771)** | (21,188) |
| **Net assets** | | **34,726** | 22,545 |
| **Shareholders' equity** | | | |
| Called-up share capital | 22 | **896** | 14,581 |
| Share premium account | | **-** | 16,885 |
| Revaluation reserve | | **1,494** | 862 |
| Capital redemption reserve | | **-** | 2,500 |
| Equity reserve | | **124** | 180 |
| Translation reserve | | **806** | 938 |
| Retained earnings | | **31,270** | (13,401) |
| | | **34,590** | 22,545 |
| **Non-controlling interests** | | **136** | **-** |
| **Total equity** | | **34,726** | 22,545 |

The financial statements on pages 20 to 71 were approved by the Board of Directors on 30 June 2015 and were signed on its behalf by:

**NEIL CARRICK**
**GROUP FINANCE DIRECTOR**
**30 JUNE 2015**

# Consolidated statement of changes in equity

**Company Number 00196730**

As at 28 March 2015

| | Ordinary | Share | | Capital | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ordinary | Share | | Capital | | | | | Non | |
| | share | premium | Revaluation | redemption | Translation | Equity | Retained | | Controlling | Total |
| | capital | account | reserve | reserve[1] | reserve | reserve | Earnings | Total | Interest | Equity |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **At 30 March 2013** | **14,579** | **16,858** | **909** | **2,500** | **1,860** | **173** | **(15,222)** | **21,657** | **—** | **21,657** |
| **At 31 March 2013** | 14,579 | 16,858 | 909 | 2,500 | 1,860 | 173 | (15,222) | 21,657 | — | 21,657 |
| Profit for the period (restated) | — | — | — | — | — | — | 1,852 | 1,852 | — | 1,852 |
| Other comprehensive income: | | | | | | | | | | |
| Foreign currency translation | — | — | (90) | — | (922) | — | 2 | (1,010) | — | (1,010) |
| Net defined benefit asset movement | — | — | — | — | — | — | (229) | (229) | — | (229) |
| Revaluation of properties | — | — | 43 | — | — | — | — | 43 | — | 43 |
| Deferred tax | — | — | — | — | — | — | 139 | 139 | — | 139 |
| Total comprehensive income | — | — | (47) | — | (922) | — | 1,764 | 795 | — | 795 |
| Transactions with owners: | | | | | | | | | | |
| Share capital subscribed for | 2 | 27 | — | — | — | — | — | 29 | — | 29 |
| Shareholder loan issue | — | — | — | — | — | 7 | — | 7 | — | 7 |
| Credit for share-based payments | — | — | — | — | — | — | 57 | 57 | — | 57 |
| Total transactions with owners | 2 | 27 | — | — | — | 7 | 57 | 93 | — | 93 |
| **At 29 March 2014** | **14,581** | **16,885** | **862** | **2,500** | **938** | **180** | **(13,401)** | **22,545** | **—** | **22,545** |
| **At 30 March 2014** | 14,581 | 16,885 | 862 | 2,500 | 938 | 180 | (13,401) | 22,545 | — | 22,545 |
| Profit for the period | — | — | — | — | — | — | 2,333 | 2,333 | 17 | 2,350 |
| Other comprehensive income: | | | | | | | | | | |
| Foreign currency translation | — | — | (24) | — | 490 | — | (13) | 453 | — | 453 |
| Net defined benefit asset movement | — | — | — | — | — | — | 12,188 | 12,188 | — | 12,188 |
| Fair valuation of Investments | — | — | — | — | (622) | — | — | (622) | — | (622) |
| Revaluation of properties | — | — | 656 | — | — | — | — | 656 | — | 656 |
| Deferred tax | — | — | — | — | — | — | (4,296) | (4,296) | — | (4,296) |
| Total comprehensive income | — | — | 632 | — | (132) | — | 10,212 | 10,712 | 17 | 10,729 |
| Transactions with owners: | | | | | | | | | | |
| Share capital subscribed for | 51 | 1,094 | — | — | — | — | — | 1,145 | — | 1,145 |
| Cancellation of deferred shares, share premium and capital redemption reserve | (13,736) | (17,979) | — | (2,500) | — | — | 34,215 | — | — | — |
| Shareholder loan issue | — | — | — | — | — | (56) | 104 | 48 | — | 48 |
| Credit for share-based payments | — | — | — | — | — | — | 131 | 131 | — | 131 |
| Total transactions with owners | (13,685) | (16,885) | — | (2,500) | — | (56) | 34,450 | 1,324 | — | 1,324 |
| Non controlling interest | — | — | — | — | — | — | — | — | 119 | 119 |
| **At 28 March 2015** | **896** | **—** | **1,494** | **—** | **806** | **124** | **31,261** | **34,581** | **136** | **34,717** |

1 The capital redemption reserve was set up on cancellation and repayment of cumulative preference shares in 2001.

The accompanying accounting policies and notes on pages 25 to 71 form part of these Financial Statements.

# Consolidated cash flow statement
For the 52-week period ended 28 March 2015

| | Notes | **52-week period ended 28 March 2015 £000** | 52-week period ended 29 March 2014 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | | **2,350** | 1,852 |
| **Adjustments for:** | | | |
| Amortisation of development expenditure | | **133** | 28 |
| Depreciation | | **450** | 467 |
| Net financial income | | **(253)** | (312) |
| Net pension credit | | **(2,347)** | — |
| Other Special Items | | **1,231** | — |
| Equity share option expense | | **131** | 57 |
| Income tax expense | | **1,325** | 623 |
| **Operating cash flow before changes in working capital and provisions** | | **3,020** | 2,715 |
| Decrease/(increase) in trade and other receivables | | **203** | (255) |
| (Increase)/decrease in inventories | | **(1,051)** | 1,143 |
| Decrease in trade and other payables | | **(1,626)** | (1,243) |
| Restructuring and redundancy expenditure | | **(170)** | (371) |
| **Cash generated/(used) in operations** | | **376** | 1,989 |
| Interest paid | | **(414)** | (290) |
| Income tax paid | | **(205)** | (496) |
| **Net cash flows from operating activities** | | **(243)** | 1,203 |
| **Cash flows from investing activities** | | | |
| Interest received | | **2** | 7 |
| Proceeds from sale of property, plant and equipment | | **460** | 42 |
| Purchase of Tykma | | **(3,802)** | — |
| Investment in Prophotonics | | **(1,147)** | — |
| Purchase of property, plant and equipment | | **(944)** | (545) |
| Development expenditure capitalised | | **(299)** | (511) |
| Refinancing expenditure | | **(487)** | — |
| **Net cash flows from investing activities** | | **(6,217)** | (1,007) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | | **1,145** | 29 |
| Proceeds from issue of Loan Notes | | **7,694** | — |
| Net Repayment of external borrowing | | **(2,505)** | (72) |
| Net Finance lease (expenditure)/income | | **(107)** | 58 |
| **Net cash flows from financing activities** | | **6,227** | 15 |
| Net (decrease)/increase in cash and cash equivalents | 23 | **(233)** | 211 |
| Cash and cash equivalents at the beginning of the period | | **1,149** | 1,025 |
| Effect of exchange rate fluctuations on cash held | | **(14)** | (87) |
| **Cash and cash equivalents at the end of the period** | 17 | **902** | 1,149 |

The accompanying accounting policies and notes on pages 25 to 71 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 2015 are for the 52-week period ended 28 March 2015. The results for 2014 are for the 52-week period ended 29 March 2014. 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.

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.

There are a number of standards and interpretations issued by the IASB that are effective for financial statements after this reporting period. The following have not been adopted by the Group:

| | Effective for accounting periods starting on or after: |
|---|---|
| International Financial Reporting Standards: | |
| IFRS 9 Financial Instruments (not yet adopted by the EU) | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers (not yet adopted by the EU) | 1January 2017 |

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 Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP; these are presented on pages 63 to 71.

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 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 2 and the Strategic Report on pages 3 to 10.

The Group refinanced in May 2014 with Santander PLC who provided a Term Loan facility of £2m with scheduled repayments through to November 2017 and a Revolving Credit facility of £1.3m until 31 May 2017 on normal commercial terms and covenants in the same form. Security over the UK assets, which is shared with loan note holders and the UK Pension Trustees, remains in place. Overseas bank finance in place around the Group is not due for review until after the next 12 months. In February and March 2015 the Group issued £7.7m of 8% loan notes with a 5 year maturity. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of these facilities.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

# Group accounting policies

**BASIS OF CONSOLIDATION**

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

**FOREIGN CURRENCY TRANSLATION**

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 start the translation reserve at £nil. The balance on this reserve only relates to post transition.

**REVENUE**

Revenue represents commission on agency sales and 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. 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.

**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 Laser Marking.

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

**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 are separately identified.

Special Items include gains and losses on the revaluation or sale of properties and assets, exceptional costs relating to reorganisation, redundancy, restructuring, legal disputes, inventory and intangibles impairments and pension scheme curtailment costs and credits. Discontinued operations in prior year include the results for the businesses in South Africa and Poland which was disposed of during that period.

## 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. Actuarial gains and losses 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, otherwise they are recognised on a straight-line basis over the vesting period; 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

- actuarial gains and losses 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 will not be 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 five years.

## INVESTMENTS

Investments relate to the acquisition of shares capitalised as an asset. Investments are valued at market value at the year-end with any write-down required taken through reserves.

# 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 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 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**
The Group measures goodwill at the acquisition date as:

The fair value of the consideration transferred: plus

The recognised amount of any non-controlling interest in the acquiree: plus if the business combination is achieved in stages, 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.

**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 23.

***Share premium account***
The share premium reserve comprises the premium paid over the nominal value of shares for shares issued. This was cancelled during the period following shareholder approval and a High Court process.

***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.

***Capital redemption reserve***
The capital redemption reserve was created on the cancellation and repayment of cumulative preference shares in 2001. This was cancelled during the period following shareholder approval and a High Court process.

***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.

## Notes relating to the consolidated financial statements
For the 52-week period ended 28 March 2015

### 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 Laser Marking .

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

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

| | Continuing | | | |
|---|---|---|---|---|
| **52 Weeks ended 28 March 2015** | **Machine Tools & Precision Engineered Components** | **Laser Marking** | **Head Office & unallocated** | **Total** |
| **Segmental analysis of revenue** | **£000** | **£000** | **£000** | **£000** |
| Revenue from external customers | **34,747** | **9,047** | — | **43,794** |
| Inter-segment revenue | — | **182** | — | **182** |
| Total segment revenue | **34,747** | **9,229** | — | **43,976** |
| Less: inter-segment revenue | — | **(182)** | — | **(182)** |
| **Total revenue** | **34,747** | **9,047** | — | **43,794** |
| **Segmental analysis of operating Profit/(loss) before Special Items** | **2,931** | **304** | **(771)** | **2,464** |
| **Special Items** | **1,965** | **(772)** | **(235)** | **958** |
| **Group profit from operations** | **4,896** | **(468)** | **(1,006)** | **3,422** |
| **Other segmental information:** | | | | |
| Reportable segment assets | **29,443** | **6,622** | **35,432** | **71,497** |
| Reportable segment liabilities | **(19,614)** | **(2,619)** | **(14,538)** | **(36,771)** |
| Fixed asset additions | **919** | **353** | — | **1,272** |
| Depreciation and amortisation | **305** | **278** | — | **583** |

### 1. SEGMENT INFORMATION (CONTINUED)

| 52-weeks ended 29 March 2014<br>Segmental analysis of revenue | Machine Tools & Precision Engineered Components £000 | Restated<br>Laser Marking £000 | Head Office & unallocated £000 | Total £000 |
|---|---|---|---|---|
| Revenue from external customers | 33,749 | 7,958 | — | 41,707 |
| Inter-segment revenue | — | 296 | — | 296 |
| Total segment revenue | 33,749 | 8,254 | — | 42,003 |
| Less: inter-segment revenue | — | (296) | — | (296) |
| Total revenue | 33,749 | 7,958 | — | 41,707 |
| Segmental analysis of operating Profit/(loss) before special Items | 2,740 | 686 | (1,078) | 2,348 |
| Special Items | — | — | (185) | (185) |
| Group (Loss)/profit from operations | 2,740 | 686 | (1,263) | 2,163 |
| Other segmental information: | | | | |
| Reportable segment assets | 37,454 | 6,153 | 126 | 43,733 |
| Reportable segment liabilities | (13,007) | (1,522) | (6,659) | (21,188) |
| Fixed asset additions | 412 | 643 | — | 1,055 |
| Depreciation and amortisation | 308 | 159 | 28 | 495 |

The comparative figures have been restated to reflect the move of the laser marking spares and service activity from within Clausing Machine Tools to TYKMA in the current year.

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 | **2015** | | 2014 | |
|---|---|---|---|---|
| | **£000** | **%** | £000 | % |
| Gross sales revenue: | | | | |
| UK | **20,806** | **47.5** | 20,803 | 49.9 |
| North America | **21,083** | **48.1** | 18,703 | 44.8 |
| Australasia | **1,905** | **4.4** | 2,201 | 5.3 |
| Total Revenue | **43,794** | **100.0** | 41,707 | 100.0 |

### 1. SEGMENT INFORMATION (CONTINUED)

Segmental analysis by destination:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **£000** | **%** | £000 | % |
| Gross sales revenue: | | | | |
| UK | **8,043** | **18.4** | 8,223 | 19.7 |
| Other European | **7,045** | **16.1** | 6,486 | 15.6 |
| North America | **24,087** | **55.0** | 22,360 | 53.6 |
| Africa | **187** | **0.4** | 315 | 0.8 |
| Australasia | **1,709** | **3.9** | 2,057 | 4.9 |
| Central America | **148** | **0.3** | 112 | 0.3 |
| Middle East | **893** | **2.1** | 914 | 2.2 |
| Far East | **1,682** | **3.8** | 1,240 | 2.9 |
| | **43,794** | **100.0** | 41,707 | 100.0 |

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

### 2. OTHER OPERATING INCOME/OPERATING EXPENSES

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Other operating income | **42** | 134 |
| Operating expenses: | | |
| – administration expenses | **7,995** | 8,929 |
| – distribution costs | **3,045** | 2,899 |
| **Total net operating expenses** | **11,040** | 11,828 |

### 3. SPECIAL ITEMS, ACQUISITION COSTS AND SHARE OPTION COSTS

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 and amortization of intangible assets acquired have also been separately identified.

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

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| **Operating costs** | | |
| Abortive transaction costs | **—** | 128 |
| Inventory write downs | **268** | — |
| Reorganisation and restructuring costs | **157** | — |
| Property disposals | **193** | — |
| Property write-downs | **278** | — |
| Other Special Items | **896** | 128 |
| | | |
| Pensions credit | **(2,347)** | — |
| Acquisition costs | **335** | — |
| Share option costs | **131** | 57 |
| Amortisation of intangible assets acquired | **27** | — |

During the year the Group incurred costs with regard to the acquisition of TYKMA Inc. Property disposals in both the UK and US and the revaluation of properties led to losses. Reorganisation and restructuring costs were principally related to the integration of TYKMA Inc and the Electrox Laser marking division.

The pension credit relates to liability reduction exercises undertaken by the trustees of the main scheme including pensions increase exchange.

During the prior year the Group incurred costs with regard to the abortive acquisition of the Group by Qinddao D&D Investment Group Co. Ltd. Costs were also incurred with regard to the granting of share options.

## Notes relating to the consolidated financial statements
For the 52-week period ended 28 March 2015

### 4. OPERATING PROFIT/(LOSS)

| **Operating profit/(loss) is after charging/(crediting) :** | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| – depreciation of assets held under finance leases | **34** | 33 |
| – amortisation of development expenditure and trademarks | **133** | 28 |
| | | |
| – research and development expensed as incurred | **297** | 56 |
| – hire of plant | **6** | 10 |
| – other operating lease rentals | **108** | 86 |
| – loss on sale of property, plant and equipment | **3** | 3 |
| **Special Items** | | |
| –Acquisition costs, Reorganisation and restructuring, inventory and property write-downs, property disposals and abortive transaction costs (note 3) | **1,362** | 185 |
| **Auditor's remuneration:** | | |
| – audit of these financial statements | **77** | 77 |
| – amounts receivable by auditor and its associates in respect of: | | |
| – auditing of accounts of associates of the company pursuant to legislation (including that of countries and territories outside of Great Britain) | **55** | 42 |
| – other services relating to taxation | **15** | 17 |
| – other services pursuant to such legislation | **8** | 45 |

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

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Staff costs: | | |
| – wages and salaries | **8,292** | 7,819 |
| – social security costs | **1,142** | 1,113 |
| – pension charges relating to defined contribution schemes | **415** | 394 |
| – pension charges relating to defined benefit schemes | **16** | 18 |
| – equity share options expense (included in Special Items) | **131** | 57 |
| | **9,996** | 9,401 |

In addition to the above staff costs, redundancy costs of £84,000 were incurred during the year (2014: £nil). Director's emoluments including disclosure of the highest paid director are included in the Director's Emoluments table contained within the Remuneration report.

### 5. PERSONNEL EXPENSES (CONTINUED)

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

| | **2015** | 2014 |
|---|---|---|
| | **Number** | Number |
| Management and administration | **42** | 39 |
| Production | **90** | 97 |
| Sales | **74** | 76 |
| Total | **206** | 212 |

### 6. FINANCIAL INCOME AND EXPENSE

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Interest income | **2** | 7 |
| Interest on pensions surplus | **857** | 827 |
| **Financial income** | **859** | 834 |
| Bank overdraft and loan interest | **(174)** | (169) |
| Shareholder loan interest | **(238)** | (200) |
| Other loan interest | **(22)** | — |
| Other finance charges | — | (1) |
| Finance charges on finance leases | **(17)** | (18) |
| Amortisation of shareholder loan expenses | **(155)** | (134) |
| Financial expense | **(606)** | (522) |

## 7. TAXATION

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Current tax: | | |
| Corporation tax at 21% (2014: 23%): | | |
| – current period | — | — |
| Overseas taxation: | | |
| – current period | **(339)** | (62) |
| Total current tax charge | **(339)** | (62) |
| Deferred taxation: | | |
| – current period | **(1,060)** | (400) |
| – prior period | **74** | (161) |
| Total deferred taxation charge (Note 14) | **(986)** | (561) |
| Taxation charged to the income statement | **(1,325)** | (623) |

***TAX RECONCILIATION***

The tax charge assessed for the period is higher than the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | £000 | % | £000 | % |
| Profit before tax | **3,675** | | 2,475 | |
| Profit before tax multiplied by the standard rate of corporation tax | | | | |
| in the UK of 21% (2014: 23%) | **772** | **21.0** | 569 | 23.0 |
| Effects of: | | | | |
| – expenses not deductible | **252** | **6.9** | 152 | 6.2 |
| – overseas tax rates | **114** | **3.1** | 48 | 1.9 |
| – pension fund surplus taxed at higher rate | **454** | **12.3** | 100 | 4.0 |
| – property disposals | - | - | - | - |
| – deferred tax prior period adjustment | **(74)** | **(2.0)** | 161 | 6.5 |
| – (unrecognised losses utilised)/tax not recognised on losses | **(193)** | **(5.2)** | (520) | (21.0) |
| – impact of rate change | - | - | 113 | 4.6 |
| Taxation charged to the income statement | **1,325** | **36.1** | 623 | 25.2 |

The corporation tax rate reduced to 20% from 1 April 2015

Deferred taxation balances are analysed in note 14.

## 8. DIVIDENDS

No dividend was paid in period (2014: no dividend paid).

### 9. EARNINGS PER SHARE

The calculation of the basic earnings per share of 2.66p (2014: 2.19p) is based on the earnings for the financial period attributable to the Parent Company's shareholders of a profit of £2,333,000 (2014: £1,852,000) and on the weighted average number of shares in issue during the period of 87,771,514 (2014: 84,430,346). At 28 March 2015, there were 9,900,000 (2014: 4,500,000) potentially dilutive shares on option with a weighted average effect of 2,783,270 (2014: 1,553,045) shares giving a diluted profit per share of 2.58p (2014: 2.15p)

| | **2015** | 2014 |
|---|---|---|
| **Weighted average number of shares** | | |
| Issued shares at start of period | **84,430,346** | 84,256,091 |
| Effect of shares issued in the year | **3,341,168** | 174,255 |
| Weighted average number of shares at end of period | **87,771,514** | 84,430,346 |

| | **£000** | £000 |
|---|---|---|
| Total post tax earnings | **2,350** | 1,852 |
| Share Option Costs | **131** | 57 |
| Pensions Interest | **(857)** | (827) |
| Amortisation of Shareholder loan expenses | **155** | 134 |
| Pensions credit | **(2,347)** | - |
| Amortisation of intangible assets acquired | **27** | - |
| Property sales and revaluation | **462** | - |
| Other special items | **434** | 128 |
| Acquisition costs | **335** | - |
| Associated Taxation | **1,159** | 258 |
| Underlying Earnings before tax | **2,015** | 1,967 |
| Underlying Earnings after tax | **1,849** | 1,602 |
| Underlying EPS | **2.09p** | 1.90p |

### 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 the Executive Directors on 19 November 2012 at 10p per share and on 7 April 2014 at 17p per share. 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 £131,000 (2014: £57,000) in relation to equity-settled share-based payment transactions.

| | **2015** | 2014 |
|---|---|---|
| | **DSP** | DSP |
| **The number and weighted average exercise prices of share options** | | |
| Number of options outstanding at beginning of period | **4,500,000** | 4,500,000 |
| Number of options granted in period | **5,400,000** | — |
| Number of options forfeited/lapsed in period | — | — |
| Number of options exercised in period | — | — |
| Number of options outstanding at end of period | **9,900,000** | 4,500,000 |
| Number of options exercisable at end of period | — | — |

On 19 November 2012 4,500,000 options with an exercise price of 10p were granted. On 7 April 2014 5,400,000 options with an exercise price of 17p were granted. All options are excercisable 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.

### 10. EMPLOYEE SHARE OPTION SCHEMES (CONTINUED)

***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:

| | **2014 Grant £000** | 2012 Grant £000 |
|---|---|---|
| Fair value | **£0.05** | £0.04 |
| Share price at grant | **£0.17** | £0.13 |
| Exercise price | **17p** | 10p |
| Dividend yield | **0%** | 0% |
| Expected volatility | **25%** | 50% |
| Expected life | **3.0 years** | 3.0 years |
| Risk-free interest rate | **4.08%** | 4.08% |
| Number of shares under option | **5,400,000** | 4,500,000 |

### 11. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | | | | |
|---|---|---|---|---|---|
| | Freehold £000 | Leasehold £000 | Plant and machinery £000 | Fixtures, fittings, tools and equipment £000 | Total £000 |
| **Cost or valuation** | | | | | |
| At 29 March 2014 | 969 | 2,406 | 18,627 | 2,019 | 24,021 |
| Exchange differences | (14) | 1 | 56 | 126 | 169 |
| Revaluation | (269) | 647 | — | — | 378 |
| Acquisitions during period | — | 117 | 19 | 670 | 806 |
| Additions during period | 782 | — | 126 | 65 | 973 |
| Disposals during period | (282) | (495) | (7,834) | (806) | (9,417) |
| **At 28 March 2015** | **1,186** | **2,676** | **10,994** | **2,074** | **16,930** |
| At professional valuation | 1,186 | 2,558 | — | — | 3,744 |
| At cost | — | 118 | 10,994 | 2,074 | 13,186 |
| | **1,186** | **2,676** | **10,994** | **2,074** | **16,930** |
| **Depreciation** | | | | | |
| At 29 March 2014 | 147 | 124 | 17,484 | 1,918 | 19,673 |
| Exchange differences | 18 | — | 56 | 115 | 189 |
| Acquisitions during period | — | 20 | 18 | 299 | 337 |
| Charge for period | 19 | 38 | 342 | 51 | 450 |
| Disposals during period | (168) | (104) | (7,801) | (805) | (8,878) |
| **At 28 March 2015** | **16** | **78** | **10,099** | **1,578** | **11,771** |
| **Net book value** | | | | | |
| **At 28 March 2015** | **1,170** | **2,598** | **895** | **496** | **5,159** |
| At 29 March 2014 | 822 | 2,282 | 1,143 | 101 | 4,348 |

### 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of property, plant and equipment includes £172.814 (2014: £268,991) of assets held under finance leases. The depreciation charged in the period against assets held under finance leases was £34,266 (2014: £32,655).

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

Various properties with a net book value of £3,777,000 (2014: £3,104,000) are charged as security for borrowing facilities.

| | Land and buildings | | Plant and | Fixtures, fittings, tools and | |
|---|---|---|---|---|---|
| | Freehold | Leasehold | machinery | equipment | Total |
| | £000 | £000 | £000 | £000 | £000 |
| **Cost or valuation** | | | | | |
| At 30 March 2013 | 1,124 | 2,427 | 19,890 | 2,158 | 25,599 |
| Exchange differences | (186) | — | (108) | (115) | (409) |
| Revaluation | 31 | — | — | — | 31 |
| Additions during period | — | 11 | 464 | 69 | 544 |
| Disposals during period | — | (32) | (1,619) | (93) | (1,744) |
| **At 29 March 2014** | **969** | **2,406** | **18,627** | **2,019** | **24,021** |
| At professional valuation | 969 | 2,395 | — | — | 3,364 |
| At cost | — | 11 | 18,627 | 2,019 | 20,657 |
| | **969** | **2,406** | **18,627** | **2,019** | **24,021** |
| **Depreciation** | | | | | |
| At 30 March 2013 | 169 | 112 | 18,734 | 2,084 | 21,099 |
| Exchange differences | (16) | — | (74) | (110) | (200) |
| Revaluation | (13) | — | — | — | (13) |
| Charge for period | 7 | 27 | 395 | 38 | 467 |
| Disposals during period | — | (15) | (1,571) | (94) | (1,680) |
| **At 29 March 2014** | **147** | **124** | **17,484** | **1,918** | **19,673** |
| **Net book value** | | | | | |
| **At 29 March 2014** | **822** | **2,282** | **1,143** | **101** | **4,348** |
| At 30 March 2013 | 955 | 2,315 | 1,156 | 74 | 4,500 |

### 12. GOODWILL AND OTHER INTANGIBLE ASSETS

| | Goodwill £000 | Trademarks £000 | Development Expenditure £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 29 March 2014 | — | — | 1,973 | 1,973 |
| Acquisitions | 7,144 | 231 | — | 7,375 |
| Additions | — | 1 | 298 | 299 |
| Fair value adjustment | — | 207 | — | 207 |
| Foreign exchange | — | 6 | — | 6 |
| **At 28 March 2015** | **7,144** | **445** | **2,271** | **9,860** |
| **Amortisation and impairment** | | | | |
| At 29 March 2014 | — | — | 193 | 193 |
| Acquisitions | — | 42 | — | 42 |
| Amortisation | — | 28 | 105 | 133 |
| Foreign exchange | — | 1 | — | 1 |
| **At 28 March 2015** | — | **71** | **298** | **369** |
| **Net book value** | | | | |
| **At 28 March 2015** | **7,144** | **374** | **1,973** | **9,491** |
| At 29 March 2014 | — | — | 1,780 | 1,780 |

The additions to Development Expenditure of £299k in the period and £511k 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 31.

| | Goodwill £000 | Development Expenditure £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 30 March 2013 | 1,514 | 1,772 | 3,286 |
| Additions | — | 511 | 511 |
| Written off | (1,514) | (310) | (1,824) |
| **At 29 March 2014** | — | **1,973** | **1,973** |
| **Amortisation and impairment** | | | |
| At 30 March 2013 | 1,514 | 475 | 1,989 |
| Amortisation | — | 28 | 28 |
| Written off | (1,514) | (310) | (1,824) |
| **At 29 March 2014** | — | **193** | **193** |
| **Net book value** | | | |
| **At 29 March 2014** | **—** | **1,780** | **1,780** |
| At 30 March 2013 | — | 1,297 | 1,297 |

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

| | **2014 £000** | 2013 £000 |
|---|---|---|
| Operating expenses | **133** | **28** |

**12. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)**

IMPAIRMENT OF GOODWILL
Goodwill of £1.51m arose on acquisitions before the date of transition to adopted IFRS and was retained at the previous UK GAAP amounts, subject to it being tested for impairment at that date. £1.0m related to the Parat operation in Germany, £0.1m related to the Gamet operation in the UK and £0.4m related to the Metal Muncher operation in the US. All of these cash-generating units have been reviewed for impairment and had been fully written off prior to the start of the current reporting period.

**13. INVESTMENTS**

| | Shares In Associate Undertakings £000 | Total £000 |
|---|---|---|
| Cost: | | |
| At 30 March 2014 | — | — |
| Additions in the period | 1,147 | 1,147 |
| Disposals in the period | — | — |
| **At 28 March 2015** | **1,147** | **1,147** |
| Provisions: | | |
| At 30 March 2014 | — | — |
| Impairment in the period | 622 | 622 |
| **At 28 March 2015** | **623** | **623** |
| Net book values | | |
| **At 28 March 2015** | **525** | **525** |
| At 30 March 2014 | — | — |

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. The share exchange was carried out following presentations with three London-based institutional investors, each of whom indicated support for the exchange.

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. We continue to engage with the board of Prophotonix in constructive dialogue to promote closer co-operation.

The initial investment of £1.15m was adjusted down to a fair value of £0.53m at 28 March 2015. The £0.62m write down was taken to the Statement of comprehensive income and expense.

During the year 600 Group Inc acquired 80% of the shares of TYKMA Inc with deferred contingent consideration included in the agreement for the final 20%. Further details can be found in note 31 of the Group accounts.

**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 | |
|---|---|---|---|---|---|---|
| | **2015 £000** | 2014 £000 | **2015 £000** | 2014 £000 | **2015 £000** | 2014 £000 |
| Accelerated capital allowances | **819** | 689 | **—** | — | **819** | 689 |
| Short-term timing differences | **316** | 301 | **—** | — | **316** | 301 |
| Tax losses | **1,187** | 1,137 | **—** | — | **1,187** | 1,137 |
| Overseas tax losses | **700** | 596 | **—** | — | **700** | 596 |
| Employee benefits | — | — | **(12,013)** | (6,653) | **(12,013)** | (6,653) |
| Revaluations and rolled over gains | — | — | **(1,246)** | (985) | **(1,246)** | (985) |
| Research and development | — | — | **(99)** | (99) | **(99)** | (99) |
| Net tax assets/(liabilities) | **3,022** | 2,723 | **(13,358)** | (7,737) | **(10,336)** | (5,014) |

### 14. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

***MOVEMENT IN DEFERRED TAX DURING THE PERIOD***

| | As at 30 March 2014 £000 | Income statement £000 | Acquisitions £000 | Statement of comprehensive income £000 | Exchange Fluctuations £000 | **As at 28 March 2015 £000** |
|---|---|---|---|---|---|---|
| Accelerated capital allowances | 689 | 306 | (176) | — | — | **819** |
| Short-term timing differences | 301 | (9) | — | — | 24 | **316** |
| Tax losses | 1,137 | 50 | — | — | — | **1,187** |
| Overseas tax losses | 596 | 31 | — | — | 73 | **700** |
| Employee benefits | (6,653) | (1,103) | — | (4,296) | 39 | **(12,013)** |
| Revaluations and rolled over gains | (985) | (261) | — | — | — | **(1,246)** |
| Research and development | (99) | — | — | — | — | **(99)** |
| | (5,014) | (986) | (176) | (4,296) | 136 | **(10,336)** |

***MOVEMENT IN DEFERRED TAX DURING THE PRIOR PERIOD***

| | As at 31 March 2013 £000 | Restated Income statement £000 | Statement of Comprehensive Income £000 | Exchange Fluctuations £000 | **As at 29 March 2014 £000** |
|---|---|---|---|---|---|
| Accelerated capital allowances | 725 | (36) | — | — | **689** |
| Short-term timing differences | 438 | (115) | — | (22) | **301** |
| Tax losses | 1,308 | (171) | — | — | **1,137** |
| Overseas tax losses | 649 | 4 | — | (57) | **596** |
| Employee benefits | (6,350) | (406) | 139 | (36) | **(6,653)** |
| Revaluations and rolled over gains | (1,133) | 148 | — | — | **(985)** |
| Research and development | (114) | 15 | — | — | **(99)** |
| | (4,477) | (561) | 139 | (115) | **(5,014)** |

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 20%

The rate of UK corporation tax reduced to 20% in April 2015.

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:

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Advance corporation tax recoverable | **1,670** | 1,670 |
| Tax losses | **4,295** | 4,234 |

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

### 15. INVENTORIES

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Raw materials and consumables | **311** | 646 |
| Work in progress | **760** | 872 |
| Finished goods and goods for resale | **9,965** | 6,987 |
| | **11,036** | 8,505 |

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.

During the period inventory provisions have increased by £424,000 (2014: decreased by £1,228,000). Following the impairment provisions, inventories are valued at fair value less costs to sell rather than at historical cost.

### 16. TRADE AND OTHER RECEIVABLES

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Trade receivables | **6,074** | 5,248 |
| Other debtors | **160** | 197 |
| Other prepayments and accrued income | **836** | 764 |
| | **7,070** | 6,209 |

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:

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| At start of year | **252** | 480 |
| Exchange differences on opening balances | **15** | (18) |
| Utilised in the period | **(171)** | (272) |
| Charged in the period | **39** | 62 |
| At end of year | **135** | 252 |

### 16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

| | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| Current (not overdue and no provision held) | **5,159** | 4,043 |
| Overdue but no provision held: | | |
| – 0–3 months overdue | **698** | 1,235 |
| – 3–6 months overdue | **233** | 134 |
| – 6–12 months overdue | **7** | 51 |
| – more than 12 months overdue | **112** | 37 |
| Total gross trade receivables before provision | **6,209** | 5,500 |

As at 28 March 2015, 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. CASH AND CASH EQUIVALENTS

| | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| Cash at bank | **802** | 1,049 |
| Short-term deposits | **100** | 100 |
| Cash and cash equivalents per statement of financial position and per cash flow statement | **902** | 1,149 |

### 18. LOANS AND OTHER BORROWINGS

| CURRENT: | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| Trade finance | **644** | 455 |
| Bank loans | **2,452** | 3,426 |
| Other loans | **110** | - |
| Obligations under finance leases (note 21) | **89** | 101 |
| | **3,295** | 3,982 |

| NON-CURRENT: | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| Bank loans | **1,539** | **-** |
| Shareholder loan | **6,783** | 2,289 |
| Obligations under finance leases (note 21) | **83** | 186 |
| | **8,405** | 2,475 |

**18. LOANS AND OTHER BORROWINGS (CONTINUED)**

The £7.7m shareholder loan in place at the year-end was issued in two tranches in February and March 2015 with 39.9m convertible warrants attached to it. 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 so the value has been split between these components.

The £2.5m shareholder loan in place at prior year-end was issued with 12.5m convertible warrants attached to it. These warrants allowed the holders to either convert the loan into 20p shares or to purchase 20p shares for a cash consideration. The loan had both debt and equity components and so the value was split between these components. The loan was repaid in full in February 2015 and the equity element attached to it has been released to reserves. 2.4m warrants remain outstanding and these will, if not exercised, expire on 27 August 2015.

The Term Loan of £1,696,000 included within Bank loans will be repaid on a quarterly basis with payments of £153,846 on 31 March 2015 through to 30 November 2017. The Term Loan of £702,000, also included within Bank loans, will be repaid on a quarterly basis with payments of £18,000 on 31 March 2015 through to 30 June 2019 and a final payment of £378,000 on 31 May 2019.

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

**19. TRADE AND OTHER PAYABLES**

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Current liabilities: | | |
| Payments received on account | **27** | 13 |
| Trade payables | **3,294** | 3,136 |
| Social security and other taxes | **205** | 206 |
| Other creditors | **1,551** | 1,624 |
| Accruals and deferred income | **1,715** | 1,446 |
| | **6,792** | 6,425 |

| | | |
|---|---|---|
| Non-current liabilities: | | |
| Contingent deferred consideration | **4,175** | - |
| | **4,175** | - |

The contingent deferred consideration of £4.175m relates to the TYKMA Inc acquisition (note 31).

**20. PROVISIONS**

| | Fair Value | Other | Warranties | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Provision carried forward at 30 March 2014 | — | 331 | 98 | 429 |
| Exchange differences | 7 | — | (2) | 5 |
| (Credited)/Charged to income statement | — | (35) | 8 | (27) |
| Fair value adjustment on acquisition | 479 | — | — | 479 |
| Utilised in the period | — | (226) | (49) | (275) |
| **Provision carried forward at 28 March 2015** | **486** | **70** | **55** | **611** |

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.

The other provisions related to various legal disputes that the directors believe should be provided against. Part of the provision utilised during the year was in respect of payments made on the final settlement of an onerous lease exited during the Group strategic review in 2012. A further £147,000 was paid during the 2015 financial year in full settlement of this lease. Other provisions of £70,000 relate largely to bonuses provided for at the year-end. The fair value provision relates to the TYKMA Inc acquisition and further details on this can be found in note 31.

### 21. OBLIGATIONS UNDER FINANCE LEASES

The maturity of obligations under finance leases is as follows:

| | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| Falling due: | | |
| – within one year | **95** | 110 |
| – within two to five years | **89** | 197 |
| – less future finance charges | **(12)** | (20) |
| | **172** | 287 |
| Amounts falling due within one year | **89** | 101 |
| Amounts falling due after one year | **83** | 186 |
| | **172** | 287 |

### 22. SHARE CAPITAL

| | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| **Authorised** | | |
| 626,391,704 ordinary shares of 1p each | **6,264** | 6,264 |
| 57,233,679 deferred shares of 24p each | **—** | 13,736 |
| | **6,264** | 20,000 |
| **Allotted, called-up and fully paid:** | | |
| **Ordinary shares of 1p each** | | |
| 84,491,886 ordinary shares of 1p each on issue at start of the period (2014: 84,256,091 ordinary shares ) | **845** | 843 |
| 190,450 ordinary shares of 1p each issued to N Rogers and N Carrick on subscription following bonus payment (2014 – 235,795 ordinary shares of 1p each issued to N Rogers and N Carrick) | **2** | 2 |
| 4,925,621 ordinary shares of 1p each issued in ProPhotonix Limited share acquisition | **49** | — |
| 89,607,957 ordinary shares of 1p each on issue at end of period (2014: 84,491,886 ordinary shares of 1p) | **896** | 845 |
| **Deferred shares of 24p each:** | | |
| 57,233,679 deferred shares of 24p each on issue at start of period | **13,736** | 13,736 |
| Cancellation of deferred shares of 24p | **(13,736)** | — |
| Nil deferred shares of 24p on issue at end of period (2014 – 57,233,679) | — | 13,736 |
| **Total Allotted, called-up and fully paid at the end of period** | **896** | 14,581 |

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 current year 139,780 and 50,670 ordinary shares of 1p each were issued to N Rogers and N Carrick respectively in June 2014. This resulted in share capital increasing by £1,905 with a corresponding share premium increase of £41,423.

In August 2014 the Company issued 4,925,621 ordinary shares of 1p each as consideration for the purchase of 22,042,143 ordinary shares in ProPhotonix Limited.

During the prior year 173,061 and 62,734 ordinary shares of 1p each were issued to N Rogers and N Carrick respectively in June 2013. This resulted in share capital increasing by £2,358 with a corresponding share premium increase of £26,527.

During the current year the deferred shares of 24p each were cancelled by the company without compensaton following approval by the shareholders at the AGM on 17 September 2014.

### 22. SHARE CAPITAL (CONTINUED)

On 16 February and 18 March 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 18 February 2020 to subscribe for 35.145m and 4.775m 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.

In February 2015 the first tranche of proceeds from the issue of loan notes was used to repay in full a £2.5m related party loan. The warrants attached to this £2.5m loan allow the holders to either convert the loan into 1p shares (at a price of 20p per share) or to purchase 1p shares for cash consideration (at a price of 20p per share). At the year-end 2.4m warrants remained and these are due to expire on 27 August 2015 (2014: 11.6m warrants remained outstanding).

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

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Increase in cash and cash equivalents | **(233)** | 211 |
| Decrease in debt and finance leases | **(5,200)** | 14 |
| Decrease in net debt from cash flows | **(5,433)** | 225 |
| Net debt at beginning of period | **(5,308)** | (5,407) |
| Shareholder loan deferred costs | **701** | (126) |
| Cash and debt through acquisitions | **(697)** | — |
| Exchange effects on net funds | **(61)** | — |
| Net debt at end of period | **(10,798)** | (5,308) |

### 24. ANALYSIS OF NET DEBT

| | At 30 March 2014 £000 | Exchange movement £000 | Other £000 | Cash flows £000 | At 28 March 2015 £000 |
|---|---|---|---|---|---|
| Cash at bank and in hand | **1,049** | (14) | — | (233) | **802** |
| Term deposits (included within cash and cash equivalents on the balance sheet) | **100** | — | — | — | **100** |
| | **1,149** | (14) | — | (233) | **902** |
| Debt due within one year | **(3,881)** | (54) | (697) | 1,426 | **(3,206)** |
| Debt due after one year | **—** | — | — | (1,539) | **(1,539)** |
| Loan notes due after one year | — | — | 912 | (7,695) | **(6,783)** |
| Shareholder loan | **(2,289)** | — | (211) | 2,500 | **—** |
| Finance leases | **(287)** | 7 | — | 108 | **(172)** |
| Total | **(5,308)** | (61) | 4 | (5,433) | **(10,798)** |

**25. 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. During the year £7.7m was raised through the issue of loan notes which had 39.9m 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. In addition, 2.4m of warrants remain outstanding from the shareholder loan which was repaid in full in February 2015. These warrants will expire in August 2015.

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 Directors have decided that it has not been possible to pay a dividend to equity shareholders.

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.

The Directors have considered the hierarchical fair value disclosure requirements of the relevant accounting Standards and these will be applied as appropriate. At the period end the Directors do not believe there is a material difference between any financial asset or liability and the book values disclosed.

**25. 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:

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Trade receivables | **6,074** | 5,248 |
| Cash and cash equivalents | **902** | 693 |
| | **6,976** | 5,941 |

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

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| UK | **3,199** | 3,058 |
| North America | **2,797** | 1,921 |
| Australasia | **78** | 269 |
| | **6,074** | 5,248 |

**25. 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 overdraft 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:

| | **2015 Carrying Amount £000** | Contractual cash flows £000 | Less than 1 year £000 | 1–2 years £000 | 2–5 years £000 |
|---|---|---|---|---|---|
| Trade finance | **644** | **644** | **644** | **—** | **—** |
| Bank loan | **3,991** | **3,991** | **2,452** | **687** | **852** |
| Other loan | **110** | **110** | **110** | **—** | **—** |
| Shareholder loan | **6,783** | **6,783** | **—** | **—** | **6,783** |
| Finance lease obligations | **172** | **172** | **55** | **65** | **52** |
| Interest bearing financial liabilities | **11,700** | **11,700** | **3,261** | **752** | **7,687** |
| Trade and other payables | **10,967** | **10,967** | **6,792** | **—** | **4,175** |
| Financial liabilities | **22,667** | **22,667** | **10,053** | **752** | **11,862** |

| | 2014 carrying amount £000 | Contractual cash flows £000 | Less than 1 year £000 | 1–2 years £000 | 2–5 years £000 |
|---|---|---|---|---|---|
| Bank overdrafts | **455** | **455** | **455** | **—** | **—** |
| Bank loan | **3,426** | **3,426** | **3,426** | **—** | **—** |
| Shareholder loan | **2,289** | **2,289** | **—** | **2,289** | **—** |
| Finance lease obligations | **287** | **287** | **101** | **106** | **80** |
| Interest bearing financial liabilities | **6,457** | **6,457** | **3,982** | **2,395** | **80** |
| Trade and other payables | **6,425** | **6,425** | **6,425** | **—** | **—** |
| Financial liabilities | **12,882** | **12,882** | **10,407** | **2,395** | **80** |

***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.

**25. 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 respective currencies of Group entities, primarily the Euro (€) and US Dollars ($).

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

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **US Dollars** | **Euro** | US Dollars | Euro |
| | **$000** | **€000** | $000 | €000 |
| Trade receivables | **2,797** | **227** | 1,921 | 272 |
| Trade payables | **(777)** | **(249)** | (181) | (195) |
| Balance sheet exposure | **2,020** | **(22)** | 1,740 | 77 |

The following exchange rates applied during the year:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Average rate** | **Year end spot rate** | Average rate | Year end spot rate |
| US Dollar | **1.609** | **1.488** | 1.592 | 1.664 |
| Euro | **1.282** | **1.366** | 1.187 | 1.210 |

| | **Net assets in foreign currency** | **Change if appreciated/ Depreciated by 25% against local Currency** |
|---|---|---|
| US Dollar | **9,108** | **2,277** |

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. Exposures arising from the translation of intra-group lending are managed through the use of borrowings in the relevant foreign currency.

**25. 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 | Effect on shareholders' equity | 10 % decrease Effect on profit before tax | Effect on shareholders' equity |
|---|---|---|---|---|
| **28 March 2015** | | | | |
| **US$** | **90** | **911** | **(90)** | **(911)** |
| **AUD** | **17** | **132** | **(17)** | **(132)** |
| | | | | |
| 29 March 2014 | | | | |
| US$ | 66 | 717 | (66) | (717) |
| AUD | 7 | 158 | (7) | (158) |

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 | **(887)** | **(9)** |
| AUS Dollar | **142** | **1** |
| CAD Dollar | **2** | **—** |

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 28 March 2015, 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 £0.03m (2014: charge of £0.03m). A reduction of 100 basis points would have the equal and opposite effect. There is no further impact on shareholders' equity.

**25. 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 28 March 2015 was a liability of £nil (Note 18) (2014: liability of £nil) and the movement has been recognised within cost of sales.

***FINANCIAL ASSETS***

The Group's financial assets comprise cash, trade receivables and derivative contract assets. The profile of the financial assets at 28 March 2015 and 29 March 2014 was:

| | **2015** | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| 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 | **335** | **100** | **3,672** | **4,300** | 771 | 100 | 3,499 | 4,413 |
| US Dollars | **215** | **—** | **3,305** | **3,435** | 34 | — | 2,408 | 2,408 |
| Australian Dollars | **142** | **—** | **93** | **235** | 231 | — | 302 | 533 |
| Euros | **108** | **—** | **—** | **—** | 9 | — | — | — |
| Canadian Dollars | **2** | **—** | **—** | **2** | 4 | — | — | 4 |
| | **802** | **100** | **7,070** | **7,972** | 1,049 | 100 | 6,209 | 7,358 |

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.

**25. 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 28 March 2015 and 29 March 2014 was:

| | **2015** | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| 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 | **3,042** | **6,881** | **4,505** | **14,428** | 3,424 | 2,464 | 4,934 | 10,822 |
| US Dollars | **1,703** | **—** | **6,264** | **7,967** | 457 | — | 1,156 | 1,613 |
| Australian Dollars | **—** | **74** | **198** | **272** | — | 112 | 335 | 447 |
| | **4,745** | **6,955** | **10,967** | **22,667** | 3,881 | 2,576 | 6,425 | 12,882 |

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

***BORROWING FACILITIES***

At 28 March 2015 and 29 March 2014 the Group had undrawn committed borrowing facilities as follows:

| | **2015 '000** | 2014 '000 |
|---|---|---|
| UK | **£1,406** | £860 |
| US | **$1,949** | $1,739 |
| Australia | **AUD$900** | AUD$900 |

**FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Trade receivables | **7,070** | 6,209 |
| Cash and cash equivalents | **902** | 1,149 |
| Bank overdrafts | **(644)** | (455) |
| Bank loan | **(2,452)** | (3,426) |
| Other loans | **(6,893)** | (2,289) |
| Finance lease obligations | **(172)** | (287) |
| Trade payables | **(5,009)** | (4,525) |
| | **(7,198)** | (3,624) |

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.

### 26. CONTINGENT LIABILITIES

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Third-party guarantees | **92** | 86 |

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.

### 27. CAPITAL COMMITMENTS

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Capital expenditure contracted for but not provided in the accounts | **—** | — |

### 28. OPERATING LEASE COMMITMENTS

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

| | 2015 £000 | 2014 £000 |
|---|---|---|
| **Land and buildings** | | |
| Within one year | **291** | 321 |
| More than one year and less than five years | **901** | 1,030 |
| Over five years | **551** | 709 |
| | **1,743** | 2,060 |
| **Other** | | |
| Within one year | **59** | 31 |
| More than one year and less than five years | **23** | 36 |
| | **82** | 67 |

### 29. 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 allowing for projected pay increases. 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 2015. The disclosures for the US schemes that follow refer to the US defined benefit scheme and the retirement healthcare benefit scheme.

### 29. 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 2015 at age 65 will live on average for a further 21.6 years (2014: 21.6 years) after retirement if male and for a further 23.6 years (2014: 23.6 years) after retirement if female.

For a member who is currently aged 45 retiring in 2035 at age 65, the assumptions are that they will live on average for a further 22.7 years (2014: 22.7 years) after retirement if they are male and for a further 24.6 years (2014: 24.6 years) after retirement if they are female.

The mortality rates for the US scheme are based on the RP-2000 Mortality Table for males and females.

***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:

| | **2015 UK scheme % p.a.** | 2014 UK scheme % p.a. |
|---|---|---|
| Inflation under RPI | 2.85 | 3.20 |
| Inflation under CPI | 1.85 | 2.00 |
| 0Rate 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% | 2.80 | 3.10 |
| Rate of increase to pensions in payment – LPI 2.5% | 2.10 | 2.15 |
| Discount rate for scheme liabilities | 3.30 | 4.50 |

The principal assumptions for the US schemes relate to the discount rate for scheme liabilities. The discount rate used for the US defined benefit scheme was 3.24% (2014: 3.92%) and for the US medical scheme was 3.24% (2014: 3.92%).

| | Expected return on assets UK scheme | | | | | |
|---|---|---|---|---|---|---|
| | **Long-term rate of return expected at 28 March 2015 % p.a.** | **Value at 28 March 2015 £m** | Long-term rate of return expected at 29 March 2014 % p.a. | Value at 29 March 2014 £m | Long-term rate of return expected at 30 March 2013 % p.a. | Value at 30 March 2013 £m |
| Equities | **3.30** | **52.80** | 4.50 | 40.10 | 4.20 | 51.30 |
| Property | **3.30** | **9.90** | 4.50 | 21.20 | 4.20 | 19.30 |
| LDI funds | **3.30** | **83.30** | 4.50 | 69.60 | 4.20 | 76.80 |
| Government bonds | **3.30** | **n/a** | 4.50 | n/a | 4.20 | n/a |
| Corporate bonds | **3.30** | **23.20** | 4.50 | 14.60 | 4.20 | 14.30 |
| Absolute Return | **3.30** | **44.80** | 4.50 | 31.20 | 4.20 | 29.80 |
| Other | **3.30** | **15.20** | 4.50 | 19.00 | 4.20 | 11.80 |
| Combined | **3.30** | **229.20** | 4.50 | 195.70 | 4.20 | 203.30 |

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 £0.846m (2014: £0.791m) and are held mainly in bonds.

**29. EMPLOYEE BENEFITS (CONTINUED)**

***IAS 19 CONTINUED***

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 28 March 2015 and 29 March 2014 were:

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **US schemes £000** | **UK scheme £000** | **Total £000** | US schemes £000 | UK scheme £000 | Total £000 |
| Assets | **846** | **229,200** | **230,046** | 791 | 195,700 | 196,491 |
| Liabilities | **(1,969)** | **(193,785)** | **(195,754)** | (1,706) | (175,803) | (177,509) |
| (Deficit)/surplus | **(1,123)** | **35,415** | **34,292** | (915) | 19,897 | 18,982 |

Following a change to UK scheme rules in September 2012 the accounting surplus can now be recognised on the Group balance sheet under IFRIC 14

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

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **US schemes £000** | **UK scheme £000** | **Total £000** | US schemes £000 | UK scheme £000 | Total £000 |
| Included within operating profit: | | | | | | |
| – current service cost | **12** | **—** | **12** | 11 | — | 11 |
| – past service credit (Special Items) | **—** | **(2,347)** | **(2,347)** | — | — | — |
| Included within financial income: | | | | | | |
| –Interest on pension surplus | **(38)** | **(895)** | **(933)** | (30) | (797) | (827) |

**29. EMPLOYEE BENEFITS (CONTINUED)**

***IAS 19 CONTINUED***

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

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **US schemes £000** | **UK scheme £000** | **Total £000** | US Schemes £000 | UK scheme £000 | Total £000 |
| Actual return on scheme assets | **25** | **44,891** | **44,916** | 12 | 2,543 | 2,555 |
| Expected return on scheme assets | **(34)** | **(8,553)** | **(8,587)** | (28) | (8,300) | (8,328) |
| | **(9)** | **36,338** | **36,329** | (16) | (5,757) | (5,773) |
| Experience gain/(loss) on liabilities/change in assumptions | **(79)** | **(24,062)** | **(24,141)** | 184 | 5,360 | 5,544 |
| Net gain/(loss) before exchange | **(88)** | **12,276** | **12,188** | 168 | (397) | (229) |
| Exchange differences | — | **—** | — | — | — | — |
| Amounts recognised during the period | **(88)** | **12,276** | **12,188** | 168 | (397) | (229) |
| Balance brought forward | **1,175** | **12,715** | **13,890** | 1,007 | 13,112 | 14,119 |
| Balance carried forward | **1,087** | **24,991** | **26,078** | 1,175 | 12,715 | 13,890 |

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

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **US Schemes £000** | **UK scheme £000** | **Total £000** | US schemes £000 | UK scheme £000 | Total £000 |
| Opening defined benefit obligation | **1,706** | **175,803** | **177,509** | 2,269 | 183,840 | 186,109 |
| Exchange differences | **206** | **—** | **206** | (182) | — | (182) |
| Current service cost | **12** | **—** | **12** | 11 | **—** | 11 |
| Past service cost credit | **—** | **(2,347)** | **(2,347)** | — | — | — |
| Interest cost | **69** | **7,658** | **7,727** | 63 | 7,482 | 7,545 |
| Benefits paid | **(103)** | **(11,391)** | **(11,494)** | (116) | (10,175) | (10,291) |
| Actuarial (gains)/losses | **79** | **24,062** | **24,141** | (339) | (5,360) | (5,699) |
| Contributions by scheme participants | **—** | **—** | **—** | — | 16 | 16 |
| Closing defined benefit obligations | **1,969** | **193,785** | **195,754** | 1,706 | 175,803 | 177,509 |

## 29. EMPLOYEE BENEFITS (CONTINUED)

***IAS 19 CONTINUED***

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

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **US schemes £000** | **UK scheme £000** | **Total £000** | US schemes £000 | UK scheme £000 | Total £000 |
| Opening fair value of scheme assets | **791** | **195,700** | **196,491** | 914 | 203,300 | 204,214 |
| Exchange differences | **90** | **—** | **90** | (77) | — | (77) |
| Expected return | **31** | **8,553** | **8,584** | 30 | 8,300 | 8,330 |
| Actuarial gains/(losses) | **(9)** | **36,338** | **36,329** | (16) | (5,757) | (5,773) |
| Contribution by scheme participants | **—** | **—** | **—** | — | 16 | 16 |
| Contributions by employer | **—** | **—** | **—** | — | 16 | 16 |
| Benefits paid | **(57)** | **(11,391)** | **(11,448)** | (60) | (10,175) | (10,235) |
| Closing fair value of schemes' assets | **846** | **229,200** | **230,046** | 791 | 195,700 | 196,491 |

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

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **US Schemes £000** | **UK Scheme £000** | **Total £000** | US schemes £000 | UK scheme £000 | Total £000 |
| Present value of defined benefit obligation | **(1,969)** | **(193,785)** | **(195,754)** | (1,706) | (175,803) | (177,509) |
| Fair value of scheme assets | **846** | **229,200** | **230,046** | 791 | 195,700 | 196,491 |
| (Deficit)/surplus in the scheme | **(1,123)** | **35,415** | **34,292** | (915) | 19,897 | 18,982 |
| Experience adjustments on the scheme liabilities | **79** | **(24,062)** | **(23,983)** | 325 | 5,360 | 5,685 |
| Experience adjustments on scheme assets | **(9)** | **36,338** | **36,329** | (15) | (5,757) | (5,772) |
| Exchange differences | **(116)** | **—** | **(116)** | 105 | — | 105 |

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.

History of asset values, defined benefit obligation and surplus/deficit in schemes:

| | **28 March 2015 £000** | 29 March 2014 £000 | 30 March 2013 £000 | 31 March 2012 £000 | 2 April 2011 £000 |
|---|---|---|---|---|---|
| Fair value of scheme assets | **230,046** | 196,491 | 204,214 | 188,665 | 173,952 |
| Defined benefit obligation | **(195,754)** | (177,509) | (186,109) | (177,737) | (171,671) |
| Surplus/(Deficit) in schemes | **34,292** | 18,982 | 18,105 | 10,928 | 2,281 |
| Unrecognised asset due to limit in paragraph 58 (b) of IAS 19 | **—** | **—** | **—** | (12,940) | (4,130) |
| Surplus /(Deficit) in schemes | **34,292** | 18,982 | 18,105 | (2,012) | (1,849) |

| | **2015 £000** | 2014 £000 | 2013 £000 | 2012 £000 | 2011 £000 |
|---|---|---|---|---|---|
| **History of experience gains and losses** | | | | | |
| Experience gains/(losses) on scheme assets | **36,329** | (5,772) | 13,766 | (13,758) | (23) |
| Experience (losses)/gains on scheme liabilities[1] | **(23,983)** | 5,685 | 1,404 | (6,731) | 2,259 |

[1] This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

## 30. 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 above on pages 25 to 30.

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 25 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 29 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.

## 31. ACQUISITION

On 13 February 2015 the Group acquired 80%of the issued share capital of TYKMA Inc., a US laser marking company. The provisional net assets at the date of acquisition were as follows:

| | £000 |
|---|---|
| **Fair value of assets and liabilities acquired:** | |
| Intangible assets – Development costs | **114** |
| Plant and equipment | **514** |
| Inventories | **610** |
| Trade and other receivables | **364** |
| Cash and cash equivalents | **218** |
| Trade and other payables | **(534)** |
| Current tax liabilities | **(19)** |
| Deferred tax liabilities | **(140)** |
| Loans and other borrowings | **(660)** |
| Net Assets | **467** |
| Intangible assets identified | **207** |
| Fair value provisions identified | **(479)** |
| Goodwill | **7,144** |
| Total consideration | **7,339** |

### 31. ACQUISITION (CONTINUED)

| | £000 |
|---|---|
| Cash paid | **3,103** |
| Working capital adjustment payment | **117** |
| Contingent consideration | **4,119** |
| Total consideration | **7,339** |

| | |
|---|---|
| Cash paid | **3,103** |
| Cash acquired | **(218)** |
| Loans and other borrowings | **660** |
| Acquisition costs charged to expenses | **257** |
| Cashflow impact of acquisition | **3,802** |

The fair value of trade and other receivables acquired had a gross contractual amount of £508,000. At the acquisition date the Group's best estimate of contractual cashflow not expected to be recovered was £52,000.

Management identified intangible assets relating to customer lists and relationships, non compete and existing order book of £312,000 and these are being amortised in the Statement of Comprehensive Income over 4 years, non compete 5 years and the expected order fulfilment period respectively. In addition, provisions were made for the dilapidations of the existing premises along with fixtures and fittings which would need to be written off. Provisions were also made for warranty costs along with other write-offs of sundry debtors and developments costs which had been previously capitalised.

TYKMA Inc generated a profit after taxation of £87,000 in the period since acquisition to the reporting date. Had the business been acquired at the start of the financial year it is estimated that would have increased Group revenues by £5,221,000 and profit after tax by £260,000.

The goodwill recognised relates to the integration benefits of combining the Group's existing Electrox laser marking business with the TYKMA Inc operation.

In the reporting period since acquisition TYKMA Inc has contributed the following cashflows:

| | |
|---|---|
| Operating cashflows | £116,000 |
| Investing activities | £(43,000) |

### 32. RELATED PARTY TRANSACTIONS

Detailed disclosure of the individual remuneration of Board members is included in the Remuneration report. There is no difference between transactions with Key Management Personnel of the Company and the Group.

Mr P Dupee is the managing partner of Haddeo Partners LLP who have received £65,000 in interest payments during the financial year in respect of their respective holding of the Shareholder Loans and 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 18.

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 £nil to the UK pension scheme during the current period (2014: £nil) and no contributions were overdue at the period-end. A payment of £10,000 per month will be paid by the Group to the UK pension scheme from April 2015 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 (2014: £nil) and no payments were overdue at the period-end.

### 33. POST BALANCE SHEET EVENTS

On 30 April 2015 Mr N Rogers resigned as a director. A termination payment of £230,000 was paid to Mr Rogers at that time.

## Company balance sheet
For the 52-week period ended 28 March 2015

| | Notes | **As at 28 March 2015 £000** | As at 29 March 2014 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 4 | **2,500** | 392 |
| Investments | 5 | **9,228** | 8,713 |
| | | **11,728** | 9,105 |
| **Current assets** | | | |
| Debtors | 6 | **23,147** | 25,584 |
| Cash at bank and in hand | | **-** | 156 |
| | | **23,147** | 25,740 |
| **Current liabilities** | | | |
| Creditors: amounts falling due within one year | 7 | **(3,690)** | (15,008) |
| **Net current assets** | | **19,457** | 10,732 |
| **Total assets less current liabilities** | | **31,185** | 19,837 |
| Creditors: amounts falling due after more than one year | 8 | **(7,886)** | (2,465) |
| **Net assets** | | **23,299** | 17,372 |
| **Capital and reserves** | | | |
| Called-up share capital | 9 | **896** | 14,581 |
| Share premium account | 10 | **-** | 16,885 |
| Revaluation reserve | 10 | **1,311** | 236 |
| Capital redemption reserve | 10 | **-** | 2,500 |
| Equity reserve | 10 | **124** | 180 |
| Translation reserve | 10 | **(544)** | (22) |
| Profit and loss account | 10 | **21,512** | (16,988) |
| Shareholders' funds | 13 | **23,299** | 17,372 |

The financial statements on pages 63 to 71 were approved by the Board of Directors on 30 June 2015 and were signed on its behalf by:

**NEIL CARRICK**
***GROUP FINANCE DIRECTOR***
***30 JUNE 2015***

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

# 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 UK Generally Accepted Accounting Principles (UK GAAP).

**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 accounts are prepared to the Saturday nearest to the Company’s accounting reference date of 31 March. The results for 2015 are for the 52-week period ended 28 March 2015. The results for 2014 are for the 52-week period ended 29 March 2014.

A separate profit and loss account dealing with the results of the Company only has not been presented, as permitted by Section 408 of the Companies Act 2006.

Under FRS 1 the Company is exempt from the requirement to present its own cash flow statement.

**NOTES ON INTERPRETATION OF ACCOUNTING STANDARDS**
***FRS 20 “SHARE-BASED PAYMENTS”***
The Company has adopted FRS 20 and the accounting policies followed are in all material regards the same as the Group’s policy under IFRS 2. This policy is shown in The Group accounting policies on pages 25 to 30.

**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 2010.

**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.

**TAXATION**
The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 “Deferred tax”.

**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.

**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).

**FRS8 EXEMPTION**
As these Parent Company Financial Statements are presented together with the Consolidated Financial Statements, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group (or investees of the Group qualifying as related parties).

# Notes relating to the company financial statements

### 1. PERSONNEL EXPENSES

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Staff costs: | | |
| – wages and salaries | **587** | 678 |
| – social security costs | **66** | 61 |
| – pension charges | **16** | 17 |
| – equity share options (credit)/expense | **131** | 57 |
| | **800** | 813 |

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

| | 2015 | 2014 |
|---|---|---|
| | Number | Number |
| Head office function | **5** | 4 |

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

Details of Directors' emoluments, share option schemes and pension entitlements are given in the Remuneration Report on pages 15 to 18.

### 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 the Executive Directors on 19 November 2012 at 10p per share and on 7 April 2014 at 17p per share. These 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 £131,000 (2014: £57,000) in relation to equity-settled share-based payment transactions.

| | 2015 | 2014 |
|---|---|---|
| | DSP | DSP |
| **The number and weighted average exercise prices of share options** | | |
| Number of options outstanding at beginning of period | **4,500,000** | 4,500,000 |
| Number of options granted in period | **5,400,000** | — |
| Number of options forfeited/lapsed in period | — | — |
| Number of options exercised in period | — | — |
| Number of options outstanding at end of period | **9,900,000** | 4,500,000 |
| Number of options exercisable at end of period | — | — |

On 19 November 2012 4,500,000 options with an exercise price of 10p per share were granted. On 7 April 2014 5,400,000 options with an exercise price of 17p were granted. 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 Rogers and 2,000,000 options with an exercise 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 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:

| | **2014 Grant £000** | 2012 Grant £000 |
|---|---|---|
| Fair value | **£0.05** | £0.04 |
| Share price at grant | **£0.17** | £0.13 |
| Exercise price | **17p** | 10p |
| Dividend yield | **0%** | 0% |
| Expected volatility | **25%** | 50% |
| Expected life | **3.0 years** | 3.0 years |
| Risk-free interest rate | **4.08%** | 4.08% |
| Number of shares under option | **5,400,000** | 4,500,000 |

### 3. DIVIDENDS

No dividend was paid in period (2014: no dividend paid).

### 4. TANGIBLE FIXED ASSETS

| | Long Lease £000 | Fixtures, fittings, tools and equipment, £000 | Total £000 |
|---|---|---|---|
| ost or valuation | | | |
| At 30 March 2014 | 495 | 94 | 589 |
| Disposals | (495) | (94) | (589) |
| Transfers from group companies | 1,928 | — | 1,928 |
| Revaluation | 656 | — | 656 |
| **At 28 March 2015** | **2,584** | – | **2,584** |
| At professional valuation | 2,584 | – | 2,584 |
| At cost | — | – | — |
| | **2,584** | – | **2,584** |
| Depreciation | | | |
| At 30 March 2014 | 104 | 93 | 197 |
| Disposals | (104) | (93) | (197) |
| Transfers from group companies | 80 | — | 80 |
| Charge for period | 4 | — | 4 |
| **At 28 March 2015** | **84** | – | **84** |
| Net book value | | | |
| **At 28 March 2015** | **2,500** | – | **2,500** |
| **At 29 March 2014** | 391 | 1 | 392 |

Historic cost disclosures are not made as, in the opinion of the Directors, unreasonable expense and delay would be incurred in obtaining the original costs.

During March 2015 the Company'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.

Various UK properties are charged as security for borrowing facilities.

**5. INVESTMENTS**

| | Shares In Associate Undertakings £000 | Shares In Group Undertakings £000 | Total £000 |
|---|---|---|---|
| Cost: | | | |
| At 30 March 2014 | — | 40,423 | 40,423 |
| Additions in the period | 1,147 | — | 1,147 |
| Disposals in the period | — | (10) | (10) |
| **At 28 March 2015** | **1,147** | **40,413** | **41,560** |
| Provisions | | | |
| At 30 March 2014 | — | 31,710 | 31,710 |
| Impairment in the period | 622 | — | 622 |
| **At 28 March 2015** | **622** | **31,710** | **32,332** |
| Net book values | | | |
| **At 28 March 2015** | **525** | **8,703** | **9,228** |
| At 30 March 2014 | — | 8,713 | 8,713 |

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 19%. Cash flows are extrapolated beyond their term (of between 1 and 4 years) using an estimated growth rate of 2% 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.

The disposal of shares in group undertakings of £10,000 related to the liquidation of Coborn Pension Trustees Limited during the year.

During the year 600 Group Inc acquired 80% of the shares of TYKMA Inc with deferred contingent consideration included in the agreement for the final 20%. Further details can be found in note 31 of 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. The share exchange was carried out following presentations with three London-based institutional investors, each of whom indicated support for the exchange.

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. We continue to engage with the board of Prophotonix in constructive dialogue to promote closer co-operation.

The initial investment of £1.15m was adjusted down to a fair value of £0.53m at 28 March 2015. The £0.62m write down was taken to the Statement of comprehensive income and expense.

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*
***US:***
600 Group Inc
Clausing Industrial, Inc
TYKMA Inc
***REST OF THE WORLD:***
600 Machine Tools Pty Limited (Australia)

All undertakings marked * are 100% owned directly by the Parent Company. The others are 100% owned through intermediate holding companies except TYKMA Inc which is 80% owned. All undertakings above are included in the consolidated accounts.

All other subsidiary undertakings will be shown in the company's next annual return.

### 6. DEBTORS

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Amounts owed by subsidiary undertakings[1] | **22,221** | 24,710 |
| Deferred tax | **809** | 809 |
| Other debtors | **117** | 65 |
| Other prepayments and accrued income | **—** | — |
| | **23,147** | 25,584 |

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

### 7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Bank overdraft | **208** | — |
| Bank loans | **769** | 2,969 |
| Trade creditors | **511** | 460 |
| Amounts owed to subsidiary undertakings[1] | **1,331** | 10,632 |
| Corporation tax | **101** | 68 |
| Sundry creditors | **292** | 621 |
| Accruals and deferred income | **478** | 258 |
| Other creditors | **3,690** | 15,008 |

[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.

### 8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Shareholder loan | **6,783** | 2,289 |
| Bank loans | **927** | — |
| Deferred taxation | **176** | 176 |
| | **7,886** | 2,465 |

.

The £6.8m shareholder loan in place at the year-end was issued in two tranches in February and March 2015 with 39.9m convertible warrants attached to it. 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 so the value has been split between these components with the gross loan value being £7.7m.

The £2.3m shareholder loan in place at prior year-end was issued with 12.5m convertible warrants attached to it. These warrants allowed the holders to either convert the loan into 20p shares or to purchase 20p shares for a cash consideration. The loan had both debt and equity components and so the value was split between these components. The loan was repaid in full in February 2015 and the equity element attached to it has been released to reserves. 2.4m warrants remain outstanding and these will, if not exercised, expire on 27 August 2015.

The Term Loan of £1,696,000 included within Bank loans will be repaid on a quarterly basis with payments of £153,846 on 31 March 2015 through to 30 November 2017.

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.

### 9. SHARE CAPITAL

| | 2015 £000 | 2014 £000 |
|---|---|---|
| **Authorised** | | |
| 626,391,704 ordinary shares of 1p each | **6,264** | 6,264 |
| 57,233,679 deferred shares of 24p each | — | 13,736 |
| | **6,264** | 20,000 |
| **Allotted, called-up and fully paid:** | | |
| **Ordinary shares of 1p each** | | |
| 84,491,886 ordinary shares of 1p each on issue at start of the period (2014: 84,256,091 ordinary shares ) | **845** | 843 |
| 190,450 ordinary shares of 1p each issued to N Rogers and N Carrick on subscription following bonus payment (2014 – 235,795 ordinary shares of 1p each issued to N Rogers and N Carrick) | **2** | 2 |
| 4,925,621 ordinary shares of 1p each issued in ProPhotonix Limited share acquisition | **49** | — |
| 89,607,957 ordinary shares of 1p each on issue at end of period (2014: 84,491,886 ordinary shares of 1p) | **896** | 845 |
| **Deferred shares of 24p each:** | | |
| 57,233,679 deferred shares of 24p each on issue at start of period | **13,736** | 13,736 |
| Cancellation of deferred shares of 24p | **(13,736)** | — |
| Nil deferred shares of 24p on issue at end of period (2014 – 57,233,679) | — | 13,736 |
| **Total Allotted, called-up and fully paid at the end of period** | **896** | 14,581 |

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 current year 139,780 and 50,670 ordinary shares of 1p each were issued to N Rogers and N Carrick respectively in June 2014. This resulted in share capital increasing by £1,905 with a corresponding share premium increase of £41,423.

In August 2014 the Company issued 4,925,621 ordinary shares of 1p each as consideration for the purchase of 22,042,143 ordinary shares in ProPhotonix Limited.

During the prior year 173,061 and 62,734 ordinary shares of 1p each were issued to N Rogers and N Carrick respectively in June 2013. This resulted in share capital increasing by £2,358 with a corresponding share premium increase of £26,527.

During the current year the deferred shares of 24p each were cancelled by the company without compensaton following approval by the shareholders at the AGM on 17 September 2014.

On 16 February and 18 March 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 18 February 2020 to subscribe for 35.145m and 4.775m 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.

In February 2015 the first tranche of proceeds from the issue of loan notes was used to repay in full a £2.5m related party loan. The warrants attached to this £2.5m loan allow the holders to either convert the loan into 1p shares (at a price of 20p per share) or to purchase 1p shares for cash consideration (at a price of 20p per share). At the year-end 2.4m warrants remained and these are due to expire on 27 August 2015 (2014: 11.6m warrants remained outstanding).

# Notes relating to the company financial statements

### 10. RESERVES

| | Share premium account £000 | Revaluation reserve £000 | Capital redemption reserve £000 | Equity reserve £000 | Translation reserve £000 | Profit and loss Account £000 |
|---|---|---|---|---|---|---|
| At 30 March 2013 | 16,858 | 236 | 2,500 | 173 | (22) | (16,696) |
| Loss for the period | — | — | — | — | — | (349) |
| Share-based payment | — | — | — | — | — | 57 |
| Shareholder loan | — | — | — | 7 | — | — |
| On shares issued | 27 | — | — | — | — | — |
| At 29 March 2014 | 16,885 | 236 | 2,500 | 180 | (22) | (16,988) |
| Profit for the period | — | — | — | — | — | 4,050 |
| Foreign exchange | — | — | — | — | 100 | — |
| Investment write-down | — | — | — | — | (622) | — |
| Share-based payment | — | — | — | — | — | 131 |
| Cancellation of capital redemption reserve, share capital and share premium | (17,979) | — | (2,500) | — | — | 34,215 |
| Group property transfer | — | 419 | — | — | — | — |
| Revaluation | — | 656 | — | — | — | — |
| Shareholder loan | — | — | — | (56) | — | 104 |
| On shares issued | 1,094 | — | — | — | — | — |
| **At 28 March 2015** | — | **1,311** | — | **124** | **(544)** | **21,512** |

In accordance with the exemption allowed under Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account but has returned a profit in the period of £4,050,000 (2014: loss of £349,000). 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 required is instead disclosed in Note 4 to the Consolidated financial statements.

### 11. CONTINGENT LIABILITIES

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Bank guarantees in respect of Group undertakings | **92** | 86 |

### 12. PENSION

The Company makes contributions to defined contribution schemes for certain employees. The pension contribution charge for the Company amounted to £16,000 (2014: £17,000).

### 13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Retained profit/(loss) | **4,050** | (349) |
| Share-based payment cost | **131** | 57 |
| Issued share capital/share premium | **1,145** | 29 |
| Property transfer and revaluation | **1,075** | — |
| Investment write down | **(622)** | — |
| Foreign exchange | **100** | — |
| Shareholder loan | **48** | 7 |
| Net increase/(reduction) in shareholders' funds | **5,927** | (256) |
| Opening shareholders' funds | **17,372** | 17,628 |
| Closing shareholders' funds | **23,299** | 17,372 |

### 14. RELATED PARTY TRANSACTIONS

Detailed disclosure of the individual remuneration of Board members is included in the Remuneration report. There is no difference between transactions with Key Management Personnel of the Company and the Group.

Mr P Dupee is the managing partner of Haddeo Partners LLP who have received £65,000 in interest payments during the financial year in respect of their respective holding of the Shareholder Loans and 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 18.

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 £nil to the UK pension scheme during the current period (2014: £nil) and no contributions were overdue at the period-end. A payment of £10,000 per month will be paid by the Group to the UK pension scheme from April 2015 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 (2014: £nil) and no payments were overdue at the period-end.

### 15. POST BALANCE SHEET EVENTS

On 30 April 2015 Mr N Rogers resigned as a director. A termination payment of £230,000 was paid to Mr Rogers at that time.

**The 600 Group PLC**
Union Street
Heckmondwike
West Yorkshire
WF16 0HL

T: +44 (0)1924 415000
W: www.600group.com