Annual Report & Accounts 2019

A diversified engineering group with a **world class reputation** in the manufacture and distribution of machine tools, precision engineered components and industrial laser systems.

Over the year we have seen a number of major developments, both operationally and financially, that will have a significant impact on the Group now and in the future as we pursue our growth strategy.

Paul Dupee
Executive Chairman

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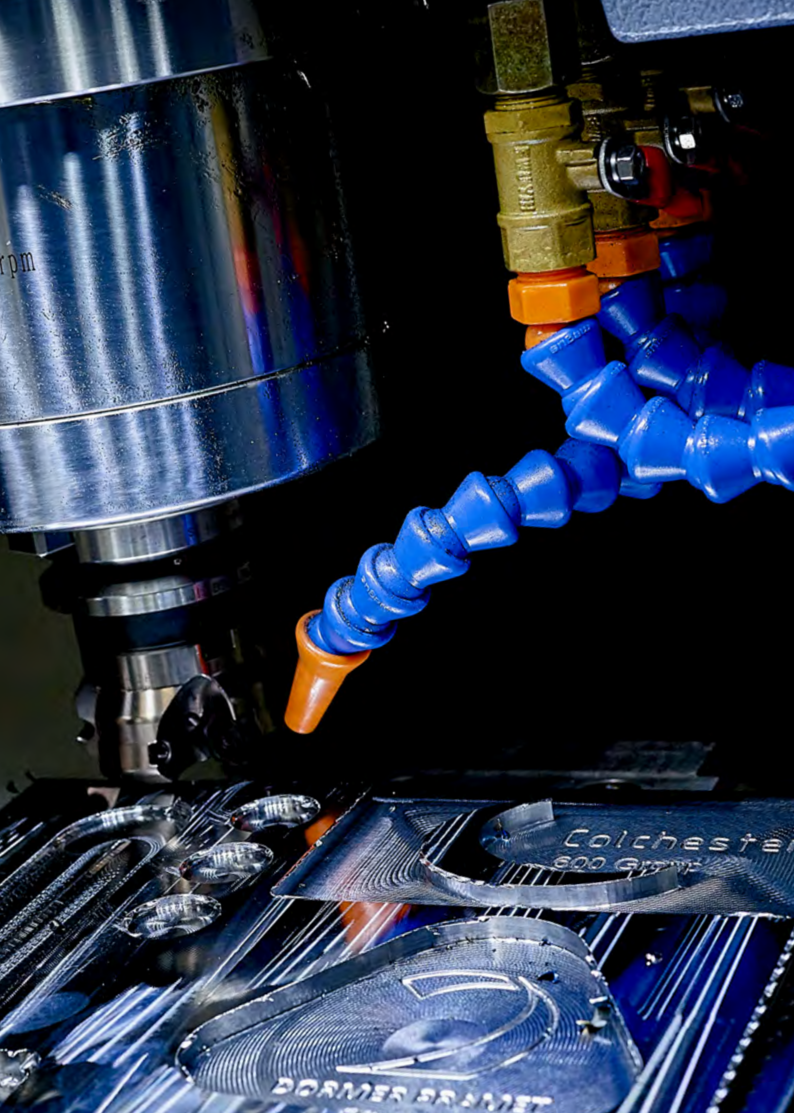
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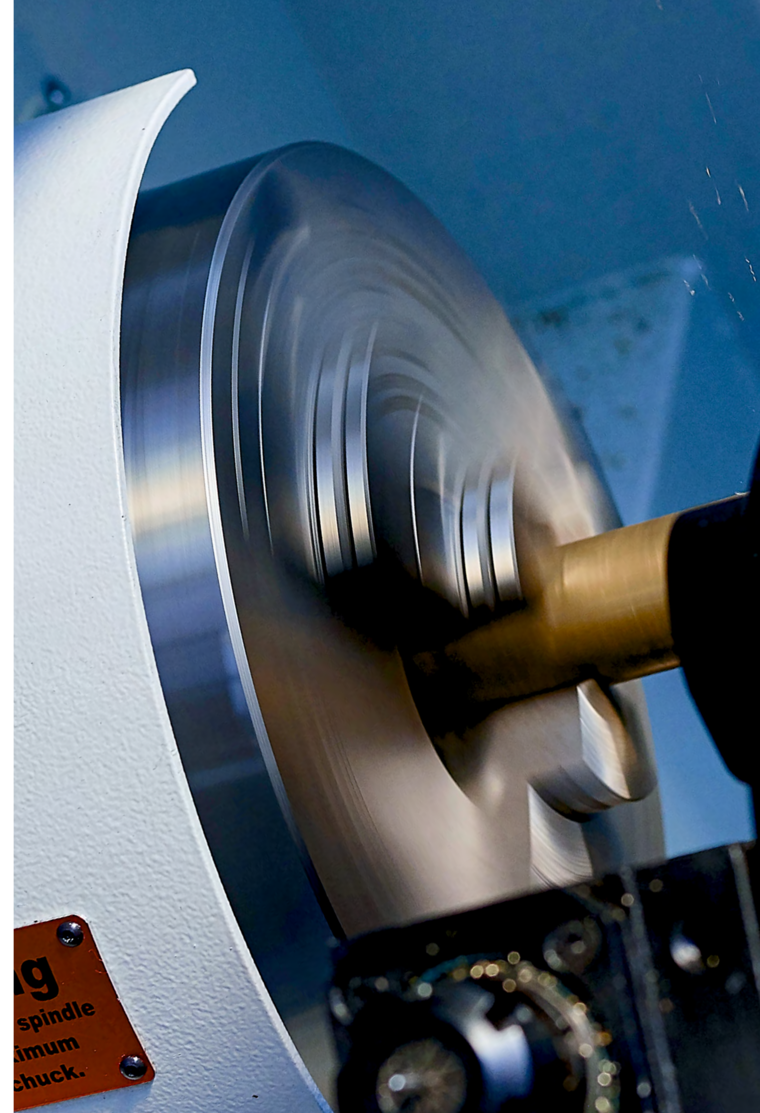

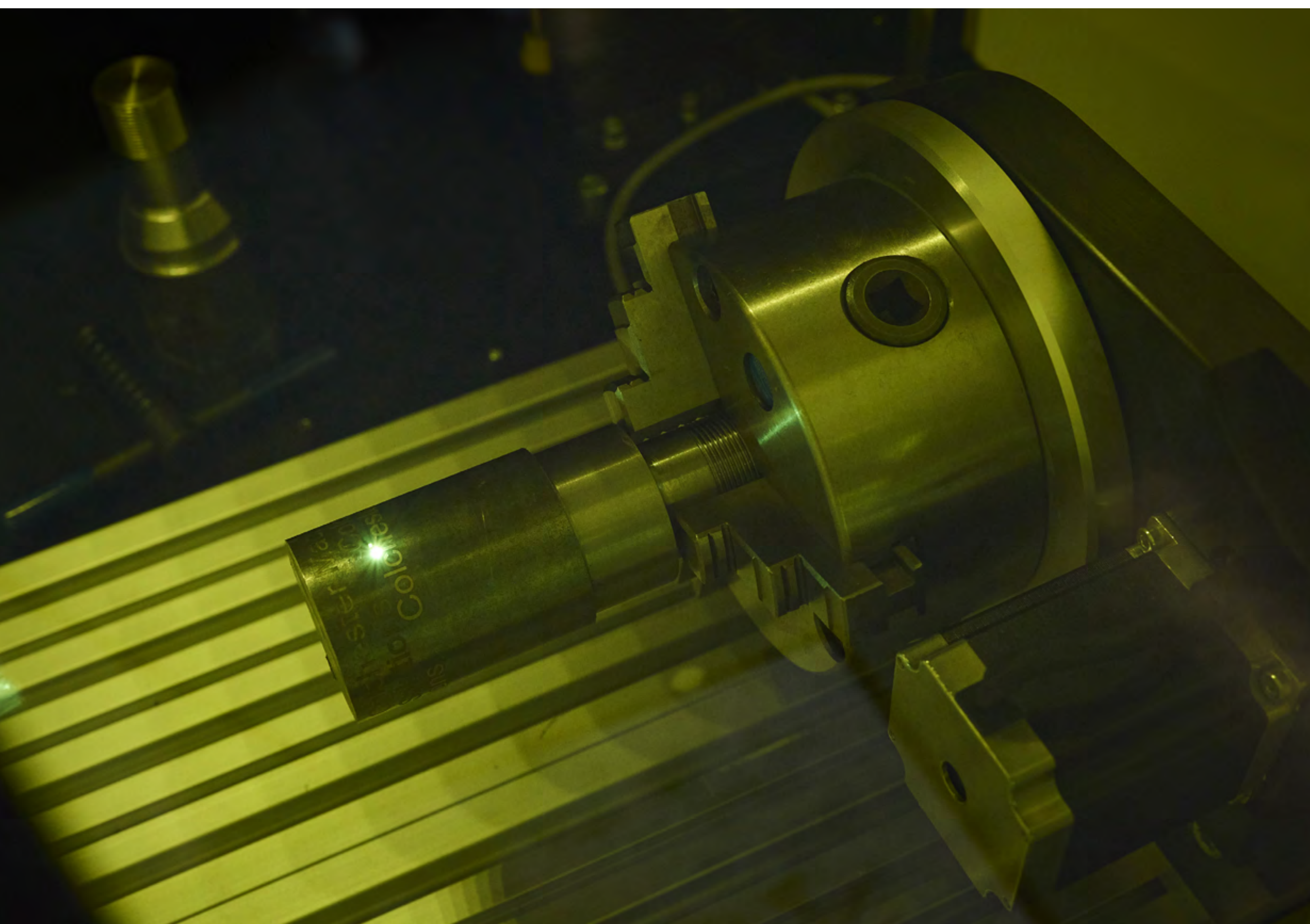

Chairman's statement

Overview
This has been a transformational year for the Group. Over the year we have seen a number of major developments, both operationally and financially, that will have a significant impact on the Group now and in the future as we pursue our growth strategy.
The shackles of the Group's UK final salary pension scheme have been thrown off, relieving the Group of a disproportionate liability and significantly de-risking the Group's balance sheet with the cash refund received post-period end on the wind up of the scheme of $5.2m (net of tax) providing significantly greater financial flexibility.

The Group's results for the 2019 fiscal year have improved in line with the Board's expectations with continued good progress in improving both the Group's profitability and increasing revenues. These improved results reflect our ongoing focus on driving operational efficiencies across the Group whilst also investing in new product development, improving our customer offering and enhancing our sales and distribution resource.

In May 2019, the Group was pleased to announce the launch of its new European Technology Centre, marking a step forward for the Group and demonstrating the importance of product innovation to the Group's strategy as it seeks to underpin organic growth through a strong focus on product development, including launching new products that add to the higher end capabilities of the Group's product range.

The enhanced financial position has provided the Group the flexibility to supplement organic growth with value-enhancing bolt-on acquisition opportunities. The Group was able to expand its operations through successfully acquiring Control Micro Systems (CMS) in June 2019. The acquisition of CMS is highly complementary to the Group's existing laser business, enhancing its customer offering by providing ever more sophisticated, value-added and custom solutions to customer requirements as the Group seeks to capture world-wide growth in the use of industrial lasers. CMS will likewise benefit from the Group's established sales platform and marketing capability.

Divisional overview

The rationalisation of the UK operations of the Machine Tool division has significantly improved operating profitability. The final phase of the outsourcing of manufacturing is in the process of being concluded with the sale of the Gamet bearings business, which has been treated as a discontinued operation in these financial statements. This rationalisation has reduced operational risk and capital expenditure requirements. The move of the UK operation to the new European Technology Centre and re-branding of the business as 'Colchester Machine Tool Solutions' is already raising the profile of the business and helping to drive growth in the UK market and overseas.
In the Industrial Laser division, the UK and European new direct sales function and the spares and service operations have been consolidated into the new machine tool facilities. The launch of a new entry level product during the year has helped unit volumes increase and provided a competitive product to combat this ever increasingly price sensitive sector of the market. It also provides a product which can be sold through selective machine tool distributors worldwide, further driving operational benefits.

Dividend
As a result of the continued good operational performance, the current commercial outlook and the successful completion of the pension scheme wind up, the Board has determined to continue payment of a dividend and are recommending a pay-out of 0.5p per share payable on 30 September 2019, to shareholders on the register at 30 August 2019.

People
Our people are central in continuing the improvement of our business. During the year we continued to invest in new people as well as strengthening our senior management team. On behalf of the Board, I would like to thank all our employees for their ongoing support, commitment and dedication to The 600 Group. I look forward to working with them again in the coming year and welcome our new colleagues from Control Micro Systems to the Group.

Outlook
Despite certain macro-economic and political uncertainties impacting customer sentiment, enquiry and quotation activity remains stable with revenue visibility underpinned by an improved orderbook.
We continue our strategy to grow the Group into a global industrials business. We are constantly seeking to leverage our industry-recognised brands and expand our worldwide distribution network. The introduction of new and innovative products to widen the customer base continues to be a clear focus for both our divisional management teams. The Board continues to believe the strategy of brand promotion, investment in new, higher end product capabilities, diversification into new markets and selective acquisitions will help the business move up the value chain and lead to continued market share growth in the future.

Paul Dupee
Executive Chairman
10 July 2019

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

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

The Group benefits from a high degree of loyalty and repeat business via a large number of established distributors in many countries and territories but with no major concentrations. In the year ended 30 March 2019 the top 20 customers, of which 16 were distributors, contributed 27% of revenues.

Revenues
Revenues are generated across many diverse geographical territories:

Percentage of worldwide revenues (by destination)	2019 %	2018 %
United States of America	65	67
United Kingdom	15	15
Europe (excluding UK)	10	10
Rest of the World	10	8
Total	100	100

Macroeconomic and industry trends
Machine tools and precision engineered components
The worldwide machine tool industry was estimated by Oxford Economics at nearly $78.5bn in annual sales in its Spring 2019 report. The market continues to be driven by the investment intentions of manufacturers and is sensitive to changes in the economic and financial climate. Demand responds to economic trends and typically lags the main cycle of the economy.

The global market is dominated by China with consumption of $30bn but this is largely served domestically with China also being the largest producer. The USA is the second largest consumer of machine tools at $8.6bn followed by Germany at $6.7bn.

The report indicated growth of nearly 7% globally in the calendar year to December 2018 but is forecasting a lower 2.3% growth rate in 2019. Within our main markets the expectations for 2019 were for the USA to be close to 4% growth with Europe at 1.4%.

Industrial laser systems
Industry use of industrial lasers for material processing has continued to expand worldwide. Laser systems have now become a mainstream manufacturing process covering the areas of laser machining, including cutting and drilling, marking, ablation and a host of other niche applications. One of the main drivers of this industry has been legislation and the continual increase in the requirement for traceability of products in all industries from aerospace and transport to medical and pharmaceutical.

Industry spending for the entire global industrial laser market continues to increase and reached a new estimated high of $5bn in calendar year 2018. Growth in the overall market is estimated to rise by mid-single-digit growth in 2019 and is dominated by China which is the largest producer and consumer of industrial lasers. The laser marking and micro-materials subset of the market (in which the Group competes) is smaller than the macro-materials processing subset and has seen low single digit growth in recent years. Growth is underpinned by enhanced performance in the speed, cost and quality of the systems being implemented compared to other techniques as well as by legislative changes driving a requirement for greater traceability. The industry subset occupied by the Group has however seen a proliferation of vendors and selling price pressure at the lower commodity end of the market and whilst unit volumes have continued to increase, revenue has been held back.

Our main markets
The main markets we operate in are the USA, Europe and Australia. All these markets have experienced some degree of disruption with the ongoing Brexit issues in the UK, the concern in the USA over tariffs and a trade war with China and the general election in Australia. Despite these issues, quotation activity has remained good, but the various headwinds have had an effect on the time it is taking customers to commit to an actual order. Order books have improved after some weakness at the start of 2019 and are currently 6.5% ahead of the prior year.

Whilst the Brexit issues will continue for some time, The 600 Group has a relatively low exposure to these risks given only 10% of Group sales were to EU countries excluding the UK. In addition, given most of the Group's income is in US Dollars this provides a natural currency hedge against the majority of our purchases which are also in US Dollars.

In addition, over 10% of our total revenues are derived from the supply of spare parts and services and this revenue stream is not dependent on achieving new sales but on servicing our existing installed base of machines.

Activity in the 2018/19 financial year
Machine tools and precision engineered components
This division operates from sites in the UK, USA, and Australia and provides solutions for metal processing through the design and development of machine tools sold under the brand names Colchester, Harrison and Clausing and the design and supply of precision engineering components under the brand names Pratt Burnerd and Gamet. There are also spares, accessories and service operations which support the significant number of machines sold over the Group's long history of supplying quality equipment. Sales are made worldwide, with a mix of direct sales and distribution in North America, Europe, and Australia and a network of distributors in all other key end-user markets.

The machine tools division produced excellent operating profit growth of 147% (before adjusting items) on increased revenues of 3.3%. The principal growth came from the UK operation which returned to profitable operating margins of 7.4% reflecting the benefits of the restructuring undertaken in this business over the last two years.

The re-launch of the UK business as "Colchester Machine Tool Solutions" and the move to a new site in February 2019 gave fresh impetus to the revised management team, led by Terry Allison who became the Group Chief Operating Officer in November 2018. The business has developed new distributor relationships and expanded its direct sales force in the UK.

The new facility near Halifax in West Yorkshire integrates a modern, open plan office environment, enhanced manufacturing and warehousing space as well as serving as the Group's new European Technology Centre with a dedicated year-round product showroom, demonstration and customer training capability to showcase the business' increasingly innovative product range.

The new integrated facility will provide additional operational flexibility, benefitting from a more integrated logistics operation which should provide efficiency benefits in both production and warehousing.

The move of premises was part of the restructuring of the UK operation which has seen a de-risking of operations and reduction in the requirement for ongoing capital expenditure by the outsourcing of further manufacturing. This process is coming to a conclusion with the sale of the Gamet Bearings operation based in Colchester. The revenue and trading results of this operation have been excluded from the ongoing trading and disclosed as a discontinued operation in the Consolidated Income Statement and the assets held for sale separately disclosed at their expected fair value in the Statement of Financial Position at 30 March 2019.

The US machine tool business continued to make progress in improving operating margins despite revenues remaining flat in a difficult market where concerns over tariffs and a trade war with China slowed down customers' decision making. The range of USA produced machines continues to expand and sales to Mexico and Canada continue to grow.

The Australian machine tools business continued its progress with a further 9% growth in revenue and improvement in operating profits. The business will seek to expand in Australia and the wider South East Asia, where the Group's machine tool brands remain well known with a good installed base and focusing on the 'Colchester Machine Tool Solutions' heritage. The business was strengthened in November 2018 when Zelko Galic an experienced engineer and manager joined as the new managing director of the operation.

The financial results of these activities were as follows:

	2019	2018 Restated*
	$ 000	$ 000
Revenues	44,575	43,152
Operating profit	3,610	1,459
Operating margin	8.1%	3.4%

*Restated for the results of Gamet Bearings which is shown as a discontinued operation in both financial years and for the effects of adoption of IFRS 15 and IFRS 9. See note 35.

Industrial laser systems
The industrial laser systems business has seen increased competition in the lower end commodity products and successfully introduced a competitive product in September 2018 which has seen good volume sales. This low-cost machine is now starting to be distributed through our machine tool distribution channels as well as the traditional laser distributors. The business has also expanded its expertise into the higher end market where customer requirements for more specialised solutions can be satisfied as a result of the business's proprietary software and technical capabilities. Whilst the volume of units sold has increased year on year the move of part of the business to the lower priced units has kept overall revenues flat but the business has been able to continue to improve operating margins as a result of the restructuring of the UK operation and by maintaining overall gross margins.

The UK spares and service operation has been integrated into the new European Technology Centre machine tools operation which now supports both the UK and Europe and a direct sales operation for the UK has been established based in this facility which provides a permanent showroom to demonstrate the full range of laser machines.

The joint TYKMA ELECTROX brand provides laser solutions which includes marking, engraving and micro-material processing. Customers are able to choose from the combined product portfolio the solution to an expanded number of applications. These industrial laser systems are sold to an ever-increasing market diversification in the manufacturing industry among both small and large multi-national corporate customers.

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

Results for the financial year were as follows:

	2019	2018 Restated*
	$ 000	$ 000
Revenues	20,592	20,792
Operating profit	2,563	2,100
Operating margin	12.4%	10.1%

Group Results
Revenue from continuing operations increased by 1.9% to $65.2m (2018: $63.9m) and Group profit before tax and adjusting items was $4.1m (2018: $0.6m) and profit before tax after adjusting items was $4.3m (2018: $3.3m).

Changes in accounting standards
The Group has adopted two new accounting standards in the year, IFRS 15, Revenue from Contracts with Customers, which establishes a principles-based approach to revenue recognition and measurement depending on when performance obligations are satisfied, and IFRS 9, Financial Instruments. Both of these have required additional disclosures and some small adjustments to the opening statement of financial position. Details of these can be found in note 35.

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

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

These non-GAAP measures are explained in note 33 alternative performance measures and set out in note 3. All adjusting items are taken into account in the GAAP figures in the Income Statement.

The buy-out of the Group pension scheme was completed in April 2019 but during the year ended 30 March 2019 the trustees undertook a number of exercises to reduce the liabilities of the scheme which had an actuarial cost of $1.28m. Given these had a beneficial effect on the ultimate buy out cost of the scheme they were supported by the Group. This amount is shown in adjusting items.

As a result of the outsourcing of manufacturing in the UK, the existing premises were vacated, and a sublet is in the process of negotiation. An onerous lease provision of $0.4m has been provided as a result of this and shown in adjusting items.

A credit of $1.26m (2018: credit of $1.74m) is recorded in financial income in respect of the final salary pension scheme. No cash was paid to or received from the scheme in respect of this transaction which arises as a pension accounting entry under the required standard due to the surplus in the scheme recorded in the balance sheet.

The adjustment to the carrying value of the amortised cost of the loan notes in the year is shown as a credit of $0.82m. This arose as a result of the extension of these instruments by a further two years. The prior year's amortisation has been included as an adjusting item.

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

As a result of the changes in the USA to the rates of taxation, a significant charge of $0.6m was made to adjust the deferred taxation assets.

An amount of $0.96m has been recorded to reduce the value of the Gamet assets available for sale to bring their carrying value into line with the expected proceeds of sale, less costs to sell.

Taxation
The current year pre-adjusting items profit resulted in a small charge of $0.066m (2018: credit of $0.53m) for taxation. The UK businesses continue to benefit from substantial previous tax losses and no taxation is payable in the UK. There are substantial unrecorded deferred tax assets in the UK which are released onto the balance sheet as existing recorded losses are utilised which will help maintain a lower tax charge. There remains an unrecognised deferred tax asset of over $2m in addition to the recognised asset of $2m in respect of UK tax losses at the year end. The US businesses are subject to taxation on their profits at the rate of 21% (2018: composite rate of 31%). The USA businesses benefited from claims for R&D tax allowances in current and previous years during the year.

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

Following the changes in the USA to the rates of taxation in the prior year, a significant charge of $0.6m was made to adjust the deferred taxation assets. This charge was shown in adjusting items.

Net profit and earnings per share
The total continuing profit attributable to equity holders of the parent for the current financial year amounted to $4.2m (2018: $2.6m) with pre-adjusting items profit of $4m (2018: $1.1m). The total profits including the effects of the Gamet discontinued operation are $3.1m (2018: $2.9m).

Underlying basic earnings from continuing operations before adjusting items and related taxation were 3.53 cents (equivalent to 2.69p) per share (2018: 1.03 cents, equivalent to 0.79p) and basic earnings per share were 3.75 cents (equivalent to 2.88p) (2018: 2.38 cents, equivalent to 1.83p) see note 9.

Financial position and utilisation of resources
Cash flow
Cash generated from operations before working capital movements was $4.8m (2018: $3.8m).

Working capital on continuing activities was little changed on the prior year with stock, trade receivables and trade payables at similar levels. Other creditors and accruals reduced as the redundancy and restructuring provisions were defrayed in the current year.

Interest paid was similar to the previous years at $1.2m (2018: $1.2m) with the largest component being interest on the £8.5m ($9.5m) 8% loan notes.

Capital expenditure consisted of development work on the upgrading of the industrial laser division proprietary software of $0.9m, demonstration and showroom equipment for the laser business of $0.5m, and the fit out of the new European Technology Centre in the UK for $0.5m. Whilst the development expenditure will be similar in the next year to complete the software project, the machine tool expenditure will not repeat and the sale of the Gamet business and outsourcing of manufacturing has significantly reduced future capital expenditure requirements for this division.

In the prior year net proceeds of $1.97m from the ProPhotonix sale were received in September 2017.

Dividends of $1.1m were paid during the year (2018: nil).

Net borrowings
Group net debt at 30 March 2019 was reduced on prior year to $14.5m (2018: $15.6m) and comprised net bank and finance lease indebtedness of $5m (2018: $4.3m) and the amount outstanding on the loan notes of $9.5m (2018: $11.3m). The amount outstanding on the loan notes has reduced due to the exchange rate effect of re-translation into dollars and the reduction in the carrying value due to the amortisation being re-stated because of the extension of the term of the notes by two years to February 2022. The loan notes are shown net of un-amortised costs and amounts disclosed in equity reserve which amount to $0.6m in the current financial year (2018: $0.6m).

Working capital facilities were renewed with both HSBC and Bank of America during the year and the Group maintains a mixture of term loans and revolving working capital facilities with maturities between 1 and 3 years. Headroom on bank facilities was $8.7m at the year-end (2018: $8m) and all financial covenants in place were met during the year.

The £8.5m ($9.5m) 8% loan notes maturity were extended to February 2022 at the end of February 2019 and the warrants of equal value to subscribe for new ordinary shares at 20p were similarly extended to the same date. As a result, the carrying value of the loan notes were amended to reflect the extended term and the cost involved. A reduction in the carrying value of $0.98m has been recognized at 30 March 2019.

Gearing amounted to 49% of aggregate net assets (2018: 27%) with the increase being as a result of the reduction of the UK pension scheme asset.

Going concern
The Board has assessed the Group's funding and liquidity position. The Directors confirm that, after having made appropriate enquiries, they have a reasonable expectation that the Group has 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 for the UK pension scheme has continued during the year under the requirements of IAS 19 on the basis that the scheme trustees had secured an insurance policy to match the scheme liabilities but that this was held as an asset and valued along with the scheme liabilities, in accordance with IAS 19 requirements, until the buy-out of the scheme was complete. The buy-out was completed in late April 2019 and the remaining surplus in the scheme of $8m repaid to the Group after deduction of 35% tax with the Group receiving the net $5.2m at the end of May 2019.

The accounting surplus on the UK scheme at 30 March 2019 was $7.5m (2018: $54.3m). The accounting figures are calculated using prescribed methods and in particular use corporate bond rates to value the scheme liabilities.

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

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

The reduction in the accounting value of the scheme surplus has been reflected, along with the corresponding deferred taxation, in the Consolidated Statement of Comprehensive Income. It should be noted that the scheme is held on the subsidiary company 600 UK limited balance sheet and as such the transaction will not affect the holding company reserves.

In accordance with the current legislation on taxation of pension surplus returns to a company, deferred taxation has been provided for on the pension entries at 35% as opposed to the normal 17% rate in the accounting entries. 35% tax was deducted from the gross refund before the trustees paid funds to the Group in May 2019.

The US retiree health scheme and pension fund deficits remained at the same level as the previous year at $1.2m (2018: $1.2m). The only funding of these benefits during the year was the payment of an insurance premium in respect of the retiree health scheme.

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

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

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

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

KPI	2019	2018
Revenue (annual growth rate)	1.9%	12.3%
Operating margin (% of revenue) pre adjusting items	8.1%	2.8%

All figures are pre adjusting items

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

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

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

Production and supply chain – the continuity of the Group's business activities is dependent upon the cost-effective supply of products for sale from our own facilities, and those of our key vendors. Supply can be disrupted by a variety of factors including raw material shortages, labour disputes and unplanned machine down time. In particular, the Directors are mindful that a small number of key manufacturing outsource partners are located in relatively close proximity to each other in Taiwan.

Taiwan is ranked by Gardner Research as the seventh largest producer nation of machine tools, with global production valued at almost US $4 billion. Taiwanese suppliers represent approximately one third of the total cost of sales for the Group. Group businesses mitigate 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. Additionally, supply sources in India have been developed as a consequence and an increasing amount of product is now made in the USA as well.

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

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

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

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

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

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

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

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

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

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

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

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

The Directors have taken steps to ensure that all of the Group's global operations are conducted to the highest ethical and environmental standards. Regulatory requirements are kept under review, and key suppliers are vetted in order to minimise the risk of the Group being associated with a company that commits a significant breach of applicable regulations.

Neil Carrick
Finance Director
10 July 2019

Corporate governance

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

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

The QCA code was revised at the end of April 2018 and the Board has set out on the Company's website (www.600group.com) and in this report how it addresses the ten principles of the new code.

The Board

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

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

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

Whilst Stephen Rutherford has been on the Board over 10 years, he continues to provide a valuable input into Board discussion with his engineering and manufacturing background and significant experience in the Far East and remains independent of thought.

The Directors met regularly during the year including visits to each of the USA business facilities which provides an opportunity to interact with the local management teams on current and future business projects. Nine meetings were held during the year which were attended by all Directors except for Mr. Rutherford who was absent for one meeting.

The Board is served by an Audit Committee headed by Derek Zissman and consisting of the non-executive Directors. The Audit Committee met twice during the year. Details of the Committee's activity during the year is included in the Audit Committee Report on page 12.

The Remuneration Committee is headed by Stephen Fiamma and consists of the non-executive directors. The Remuneration Committee met once during the year. A separate remuneration report is included on pages 16-18.

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

During the year the Board took both legal and actuarial advice in respect of the UK pension scheme during the wind up process.

Directors

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

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

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

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

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

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

Directors keep their skillset up to date through membership of their respective professional bodies and as a result of interaction with other bodies with whom they work.

Relations with shareholders
Regular contact is maintained with major shareholders and loan note holders, who also hold warrants to subscribe for shares. Individual shareholders attending the AGM engage directly with the Board in an open question and answer session before voting on the various resolutions. The results of proxy votes are announced following the vote on each resolution at the AGM. The Company updates its website for all RNS (Regulatory News Service) announcements and has commissioned analyst research which is made available to all shareholders through the website.

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

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

The QCA Code
The Company has adopted the QCA Code in compliance with AIM Rule 26 and the ten principles of the Code and how the Company addresses these are set out below:

1. Establish a strategy and business model which promote long-term value for shareholders.
The Group strategy is to leverage our industry recognised brands through an increased worldwide distribution network and introduce new products to widen the customer base.
The Group also intends to further develop its business interests by a programme of carefully targeted strategic acquisitions.

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

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

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.
The consideration and documentation of risks and opportunities is undertaken on an annual basis as part of the budgeting process which the full Board takes part in. These are then monitored and adapted as required throughout the year through regular management meetings and scheduled conference calls between the Executive Directors and the divisional management teams around the world. The annual insurance renewal provides a further opportunity to assess risks and provide cover in areas where risk mitigation is not possible, or risks are significant.

5. Maintain the Board as a well-functioning, balanced team led by the chair.
The Board is chaired by the Executive Chairman Paul Dupee who, by virtue of being the managing partner of Haddeo Partners LLP, is also a major shareholder. The senior non-executive Director, Derek Zissman assisted by the two other non-executive Directors Stephen Rutherford and Stephen Fiamma provide an adequate counterbalance and challenge to the two executive Directors and ensure no one view dominates decisions.
Whilst Stephen Rutherford has been on the Board over 9 years, he continues to provide a valuable input into Board discussion with his engineering and manufacturing background and significant experience in the Far East and remains independent of thought.
The Directors meet regularly during the year including visits to each of the USA business facilities which provides an opportunity to interact with the local management teams on current and future business projects.
The Board is served by an Audit Committee headed by Derek Zissman and consisting of the non-executive Directors.
The Remuneration Committee is headed by Stephen Fiamma and consists of the non-executive Directors.
The Board as a whole operates as the Nominations committee as and when required.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
Paul Dupee has been involved in the management of both public and private companies in the USA and UK over many years and has extensive experience in corporate transactions.
Neil Carrick has over 29 years' experience at board level in finance roles in public companies with overseas operations and has substantial experience in corporate transactions.
Derek Zissman was a Vice Chairman of KPMG LLP and has considerable experience in both public and private companies throughout the world and extensive City and private equity experience.
Stephen Rutherford is an engineer by background and has managed several multinational engineering and manufacturing companies and has extensive experience in the Far East, where a substantial proportion of the Group's suppliers are based.
Stephen Fiamma was a partner in the tax practice of Allen and Overy LLP and has significant experience of multinational tax planning, particularly the USA.
Directors keep their skillset up to date through membership of their respective professional bodies and as a result of interaction with other bodies with whom they work.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
The Board undertakes periodic reviews of its performance and effectiveness and that of individual Directors and of the wider senior management. Succession planning for both the Board and senior management is part of this review process.

8. Promote a corporate culture that is based on ethical values and behaviours
The corporate culture promoted by the Board underlies the Group's products which have been seen by customers over decades as reliable well-made machines. The Board promotes the Group's corporate culture and receives feedback from employees on regular visits to operating sites and interaction with local staff during this time.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board
The Board has put in place corporate governance policies appropriate to the size and complexity of the Group. The responsibility for corporate governance rests with the Board as a whole and policies are regularly reviewed and adapted as necessary to changing circumstances and feedback from both internal and external sources.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders
The Board communicates the governance policy in place through inclusion in the Annual Report and through the Group website (www.600group.com). Regular contact is maintained with major shareholders and loan note holders, who also hold warrants to subscribe for shares. Individual shareholders attending the AGM engage directly with the Board in an open question and answer session before voting on the various resolutions. The Company updates its website for all RNS announcements and has commissioned analyst research which is made available to all shareholders through the website.

During the year the Audit Committee met twice and there were also meetings between the Audit Committee Chair, the Group Finance Director and the external auditor.
The Committee met the external auditor independent of executive management to ensure that a full and frank discussion of all relevant matters took place.
The Audit Committee discussed the scope and key audit matters before the commencement of the current audit.

Financial Reporting
The Committee has reviewed with both management and the external auditor the more significant areas of judgement and the appropriateness and application of the Group's accounting policies. In particular, emphasis was placed on the two new accounting standards of IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments) adopted for the first time during the year.

The adoption of IFRS 15 has required changes in the revenue recognition policies applied by the Group and the Committee has reviewed the appropriateness of these with both management and the external auditor.

The Committee is also reviewing progress to the adoption of IFRS 16 in the next financial year which will require all leases to be recognised on the Group's balance sheet.

The Committee reports to the Board on whether the accounts are a fair and balanced view of the current year's activity.

Risk management and internal control
The Audit Committee has overall responsibility for the monitoring of internal controls, approving accounting policies and agreeing the treatment of significant accounting issues.

The consideration and documentation of risks and opportunities is undertaken on an annual basis as part of the budgeting process which the full Board take part in. These matters are then monitored and adapted as required throughout the year by the means of regular management meetings and scheduled conference calls between the Executive Directors and the divisional management teams around the world. The annual insurance renewal provides a further opportunity to assess risks and provide cover in areas where risk mitigation is not possible, or levels of risk are significant.

The Board reviews monthly financial performance against budgets and forecasts and monitors bank facilities and other treasury functions with any policy changes approved by the Board.
The Audit Committee receives feedback from the external auditors on areas of risk and accounting procedures which are used in adapting internal control processes as required.

The Committee reviews any proposed due diligence of acquisition targets and the selection of the professional firm carrying out the work.

Audit Independence
The Committee is responsible for making recommendation to the Board on the appointment of the external auditor and for non-audit services such as taxation and acquisition due diligence.

The Chair of the Committee met with the external audit partner to discuss independence before the commencement of the current years audit.

The Audit Committee Report has been approved by the Board and signed on its behalf by:

D Zissman
Chairman of the Audit Committee
10 July 2019

The Directors present their report to the members, together with the audited financial statements for the 52 week period ended 30 March 2019, which should be read in conjunction with the Chairman's Statement on the affairs of the Group (page 1), and the Strategic Report (pages 2 to 8). The Consolidated Financial Statements incorporate financial statements, prepared to the Saturday nearest to the Group's accounting reference date of 31 March, of The 600 Group Plc (the Company) and all subsidiary undertakings (collectively, the Group). The results for 2019 are for the 52-week period ended 30 March 2019. The results for 2018 are for the 52-week period ended 31 March 2018.

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

Result
The result for the period is shown in the Consolidated Income Statement on page 24.

Business review
A balanced and comprehensive analysis of development and performance of the Group is contained in the Chairman's Statement and the Strategic Report on pages 2 to 8. 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 28 June 2019, the Directors had been informed of the following interests in shares of 3% or more of the issued ordinary share capital of the Company:

	Number	Percentage of issued ordinary share capital
Haddeo Partners LLP	23,492,535	20.00
Mr A Perloff and the Maland Pension Fund Trustees	10,000,000	8.51
Mr T Miller	4,500,000	3.83
Mr D Grimes	4,350,000	3.70
Miton UK MicroCap Trust plc	3,846,154	3.27

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

Purchase of own shares
Authority granting the Company the option to purchase 10,435,795 of its own ordinary shares in accordance with the Companies Act 2006 was given by shareholders at the Annual General Meeting of the Company on 20 September 2018. This authority remains valid until the conclusion of the next Annual General Meeting.

Directors
Details of the current Directors of the Company are shown on page 9.
The beneficial interests of the directors in the share capital of the Company at 30 March 2019 are shown in the Remuneration Report on pages 16 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.

Dividend
The directors are recommending the payment of a dividend of 0.5p (0.7cents) per ordinary share (2018: final 0.5p (0.7cents)) payable on 30 September 2019 to shareholders on the register at 31 August 2019

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

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

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

Post balance sheet events
As set out in note 34, other than the pension scheme refund and the acquisition of Control Micro Systems Inc. noted in the Strategic Report on pages 6 and 7 and in note 34, there are no other post balance sheet events to report. The Gamet Bearings business is held for sale at 30 March 2019 and has not been sold at the date of these financial statements.

On behalf of the Board

Neil Carrick
Finance Director
10 July 2019

Statement of directors' responsibilities

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

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

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

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

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

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

Neil Carrick
Finance Director
10 July 2019

Remuneration report

As an AIM listed company The 600 Group plc is not required to prepare a remuneration report in accordance with Directors Report Regulations of the Companies Act 2006, however the Directors recognise the importance and support the principles of the Regulations. The Auditor is not required to report to the shareholders on the remuneration report, but the table of Directors' emoluments on page 17 and the table of Directors' share options on page 18 do form part of the audited accounts.

Unaudited Information
The Remuneration Committee

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

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

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

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

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

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

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

Bonus scheme
A new bonus scheme was implemented from the start of the financial year based on financial targets around the achievement of budgets for Executive Directors. No bonus was earned in the year under this scheme and revised targets have been set for the year to March 2020.

Long-term incentive plans
The 600 Group PLC 2012 Deferred Share Plan (the DSP)
A new scheme was introduced on 18 January 2012 which provided for deferred shares to be issued to directors and senior executives. Options are exercisable at between three and ten years after grant date and may be issued as nil cost options. 850,000 nil cost options were issued to 17 senior executives during the year under this scheme.

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

Service contracts
Mr N R Carrick has a service contract dated 27 May 2016 with a notice period of 12 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 12 months' notice period. In the event of a change of control the notice period is extended to 24 months, reducing rateably back to 12 months over a 12-month period.
Mr P Dupee has a service contract dated 14 February 2018 which was amended on 20 September 2018 to provide for a notice period of not less than 12 months' such notice not to expire prior to 13 February 2020, the previous fixed term of the contract. Mr Dupee can terminate this contract on 3 months' written notice.

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

Directors' interests in shares

The interests of Directors holding office at 30 March 2019 in the ordinary shares of the Company were as follows:

	At 30 March 2019 Number	At 31 March 2018 Number
P R Dupee	**23,492,535**	23,492,535
S J Rutherford	**20,000**	20,000
N R Carrick	**113,404**	113,404
D Zissman	**400,000**	400,000
S Fiamma	**400,000**	NIL

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

Audited Information
Directors' emoluments

	Salary $	Fees $	Pension $	Bonus $	All benefits in kind $	**Total 2019 $**	Total 2018 $
P R Dupee	**420,000**	**-**	**-**	**-**	**-**	**420,000**	357,225
N R Carrick	**229,250**	**-**	**20,633**	**131,000**	**24,445**	**405,328**	321,511
D Zissman	**-**	**43,230**	**-**	**-**	**-**	**43,230**	42,867
S J Rutherford	**-**	**43,230**	**-**	**-**	**-**	**43,230**	42,867
S E Fiamma	**-**	**46,200**	**-**	**-**	**-**	**46,200**	42,867
Total	**649,250**	**132,660**	**20,633**	**131,000**	**24,445**	**957,988**	807,337

Mr Dupee's salary was increased to £300,00 from 1 October 2017 and then fixed at a US Dollar amount from 31 March 2018, as payments are made in US Dollars, when the exchange rate ruling was $1.40 to the £. Mr Fiamma's salary was also fixed at a US Dollar amount at the same time. The other directors continued to be paid in sterling and therefore amounts will be subject to the exchange variations on translation into the reporting currency of US Dollar when compared to the previous years.

*The bonus paid to Mr Carrick in the year related to the previous several years of work in relation to the UK final salary pension scheme where the benefits were secured in a buy-in in July 2018 and the net surplus of $5.2m was returned to the Company in May 2019.
No bonuses were earned in relation to trading activity in the current year.

The aggregate employers NIC relating to directors was $59,174 (2018: $47,788)

Directors' share options
Details of share options at 30 March 2019 and 31 March 2018 for each Director who held office during the year are as follows:

	Number of options at 31 March 2018	Granted	Exercised	Lapsed/ forfeited	**Number of options at 30 March 2019**
N Carrick	3,150,000	—	—	—	**3,150,000**
P Dupee	1,000,000	—	—	—	**1,000,000**
S Rutherford	500,000	—	—	—	**500,000**
D Zissman	500,000	—	—	—	**500,000**
S Fiamma	500,000	—	—	—	**500,000**

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

No options were granted during the year to Directors.

The charge to the Income Statement in respect of share-based payments was $45,000 (2018: $39,000).

The share price at 30 March 2019 was 13.85p (18.14cents) and the highest and lowest prices during the period were 19.45p (25.48cents) and 13.00p (17.03cents) respectively.

On behalf of the Board

Neil Carrick
Finance Director
10 July 2019

Opinion

We have audited the financial statements of The 600 Group Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 March 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated cash flow statement and the notes to the financial statements, including a summary of significant accounting policies.

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

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 30 March 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Revenue recognition	
Key audit matter	***Response***
As detailed in note 1 to the Group financial statements the Group has adopted IFRS 15 *Revenue from contracts with customers* ("IFRS 15") during the financial period. The adoption of IFRS 15 has resulted in changes to the revenue recognition policies applied by the Group, specifically with respect to bill and hold transactions previously recognised under IAS 18. The Group recognises revenue at the point at which goods are supplied or title otherwise passes to	We reviewed the Group's revenue recognition policies for all revenue streams by reference to the requirements of IFRS 15, including the five-step approach. We evaluated management's assessment of the performance obligations in relation to IFRS 15 criteria and challenged the key judgements made by management around the control of goods. Our approach to auditing revenue included testing of revenue recognised throughout the year to supporting documentation, on a sample basis, to

customers, or when services have been completed in full. There are a number of judgements involved in the application of this new standard. In view of the judgements involved we determined this to be a key audit matter.	confirm transfer of title or completion of the associated service in accordance with IFRS 15. Despatches across the year-end were tested to documentation to check they had been recorded in the correct accounting period, and credit notes raised subsequent to the year-end were reviewed for evidence that revenue may have been recognised inappropriately. We evaluated the transitional adjustment arising from the adoption of IFRS 15 in relation to bill and hold transactions to recognise that performance obligations are only satisfied when despatch occurs and concur with management's assessment. We reviewed the accuracy and completeness of the disclosure of the transitional adjustments as set out in note 35. Based on the work performed we consider that revenue has been recognised appropriately.

Carrying value of inventories

Key audit matter	***Response***
As described in note 31, *Accounting estimates and judgements*, the Directors consider there to be significant estimation uncertainty in the calculation of inventory provisions. Given the nature of the Group's operations, these inventories comprise a wide variety of different product types, some of which may be held in inventory for a significant period before being sold. This creates a risk that certain items of inventory may be aged to the point where their cost cannot be recovered through realisable value. The Group applies a provision methodology that reflects the age and condition of inventory held, in particular spare parts and service inventory, based on the historic consumption. Due to the significant estimation uncertainty in the calculation of the inventory provision we have identified this as a key audit matter.	We tested the integrity of the provision calculations to check that it was using the underlying data correctly and calculating provision amounts accurately. We performed sensitivity analysis over key judgements taken by management and assessed the impact of changes to key judgements on the provision value. We performed realisable value testing on a sample of inventory lines to check that inventory was being held at the lower of cost and net realisable value. We challenged management on the provision methodology and profile across the Group, in particular for finished goods, spare parts and service inventory, to determine the appropriateness of the allowances made. Based on the work performed we considered management's judgement on the level of inventory provision to be reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, individually or in aggregate and including omissions, could reasonably be expected to influence the economic decisions of reasonable users that are taken on the basis of financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, materiality for the Group financial statements as a whole was set as follows:

The materiality for the Group financial statements as a whole was set at $200,000 (2018: $260,000). This represents 5% of statutory profit before tax, which is deemed to be the measure of most interest to the users of the financial statements. Component materiality was set in the range of $50,000 to $150,000.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Performance materiality has been set at 70% (2018: 60%) of materiality. This was assessed on criteria such as complexity and the control environment of the Group.

We agreed with the Audit Committee that we would report all individual audit differences in excess of $6,000 (2018: $5,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Company only materiality was capped at $50,000 in order to comply with Group aggregation limits and audit differences in respect of the company in excess of $1,000 would be reported to the Audit Committee.

An overview of the scope of our audit

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

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

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

The Group also operates in Australia, however this is not deemed a significant component and as such agreed upon procedures were performed on key balances to Group materiality by a BDO member firm.

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

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom
Date:

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

Consolidated income statement

For the 52-week period ended 30 March 2019

	Notes	**Before Adjusting Items 52 weeks ended 30 March 2019 $000**	**Adjusting Items 52 weeks ended 30 March 2019 $000**	**After Adjusting Items 52 weeks ended 30 March 2019 $000**	Restated Before Adjusting Items 52 weeks ended 31 March 2018 $000	Restated Adjusting Items 52 weeks ended 31 March 2018 $000	Restated After Adjusting Items 52 weeks ended 31 March 2018 $000
Continuing							
Revenue	1	**65,167**	**-**	**65,167**	63,944	-	63,944
Cost of sales		**(41,641)**	**-**	**(41,641)**	(42,363)	-	(42,363)
Gross profit		**23,526**	**-**	**23,526**	21,581	-	21,581
Net operating expenses	2	**(18,269)**	**(1,786)**	**(20,055)**	(19,803)	-	(19,803)
Operating profit/(loss)		**5,257**	**(1,786)**	**3,471**	1,778	-	1,778
Financial income	6	**35**	**2,077**	**2,112**	-	1,741	1,741
Financial expense	6	**(1,236)**	**-**	**(1,236)**	(1,182)	(290)	(1,472)
Profit on ProPhotonix disposal		**-**	**-**	**-**	-	1,256	1,256
Profit before tax		**4,056**	**291**	**4,347**	596	2,707	3,303
Income tax (charge)/credit	7	**(66)**	**(48)**	**(114)**	529	(1,239)	(710)
Profit for the period on continuing activities attributable to equity holders of the parent		**3,990**	**243**	**4,233**	1,125	1,468	2,593
(Loss)/profit on discontinued activity	17	**(146)**	**(961)**	**(1,107)**	312	-	312
Profit for the period attributable to the equity holders of the parent		**3,844**	**(718)**	**3,126**	1,437	1,468	2,905
Basic earnings per share	9	**3.53c**	**0.22c**	**3.75c**	1.03c	1.35c	2.38c
Diluted earnings per share	9	**3.50c**	**0.21c**	**3.71c**	1.03c	1.34c	2.37c
Basic earnings per share after discontinued	9	**3.40c**	**(0.63c)**	**2.77c**	1.32c	1.35c	2.67c
Diluted earnings per share after discontinued	9	**3.37c**	**(0.63c)**	**2.74c**	1.31c	1.34c	2.65c

Company Number 00196730

The accompanying accounting policies and notes on pages 28 to 70 form part of these Financial Statements.

The comparative figures have been adjusted for the result of Gamet Bearings which is shown as a discontinued operation and the effects of the adoption of IFRS 15 and IFRS 9. See note 35.

As explained in note 3, the directors have highlighted adjusting items which are material and unrelated to the normal trading activity of the group. The "before adjusting items" column in the consolidated income statement shows non-GAAP measures. The "after adjusting items" column shows the GAAP measures.

Consolidated statement of comprehensive income

For the 52-week period ended 30 March 2019

	Notes	**52-week period ended 30 March 2019 $000**	Restated 52-week period ended 31 March 2018 $000
Profit for the period		**3,126**	2,905
Other comprehensive income/(expense)			
Items that will not be reclassified to the Income Statement:			
Release of available for sale reserve on ProPhotonix disposal		**-**	(1,465)
Remeasurement of defined benefit asset	30	**(43,083)**	(19,659)
Deferred taxation	14	**15,071**	6,852
Total items that will not be reclassified to the Income Statement:		**(28,012)**	(14,272)
Items that are or may in the future be reclassified to the Income Statement:			
Foreign exchange translation differences		**(3,005)**	4,109
Total items that are or may in the future be reclassified to the Income Statement:		**(3,005)**	4,109
Other comprehensive income / (expense) for the period, net of income tax		**(31,017)**	(10,163)
Total comprehensive income/(expense) for the period		**(27,891)**	(7,258)
Attributable to:			
Equity holders of the Parent Company		**(27,891)**	(7,258)

The accompanying accounting policies and notes on pages 28 to 70 form part of these Financial Statements.

Consolidated statement of financial position
As at 30 March 2019

Company Number 00196730

	Notes	**As at 30 March 2019 $000**	Restated As at 31 March 2018 $000	Restated As at 1 April 2017 $000
Non-current assets				
Property, plant and equipment	11	**3,435**	4,111	4,668
Goodwill	12	**10,329**	10,329	10,329
Other Intangible assets	12	**1,110**	407	382
Investments		**-**	-	2,068
Deferred tax assets	14	**4,578**	5,135	4,383
Employee benefits	30	**-**	54,319	65,677
		19,452	74,301	87,507
Current assets				
Inventories	15	**19,030**	19,960	16,161
Trade and other receivables	16	**9,163**	9,726	8,959
Employee Benefits	30	**7,459**	-	-
Taxation	16	**294**	-	-
Assets classified as held for sale	17	**1,108**	-	-
Cash and cash equivalents	18	**948**	1,676	1,352
		38,002	31,362	26,472
Total assets		**57,454**	105,663	113,979
Non-current liabilities				
Employee benefits	30	**(1,239)**	(1,225)	(1,289)
Loans and other borrowings	19	**(10,173)**	(12,251)	(11,552)
Deferred tax liabilities	14	**-**	(19,020)	(22,770)
		(11,412)	(32,496)	(35,611)
Current liabilities				
Trade and other payables	20	**(8,095)**	(9,205)	(6,801)
Deferred tax liabilities	14	**(2,541)**	-	-
Taxation	20	**-**	(291)	-
Provisions	21	**(447)**	(53)	(486)
Loans and other borrowings	19	**(5,316)**	(5,025)	(6,890)
		(16,399)	(14,574)	(14,177)
Total liabilities		**(27,811)**	(47,070)	(49,788)
Net assets		**29,643**	58,593	64,191
Shareholders' equity				
Called-up share capital	23	**1,746**	1,746	1,629
Share premium account		**2,885**	2,885	1,484
Revaluation reserve		**1,149**	1,149	1,149
Available for sale reserve		**-**	-	1,446
Equity reserve		**201**	201	201
Translation reserve		**(6,524)**	(3,519)	(7,609)
Retained earnings		**30,186**	56,131	65,891
Total equity		**29,643**	58,593	64,191

The financial statements on pages 23 to 70 were approved by the Board of Directors on 10 July 2019 and were signed on its behalf by:

NEIL CARRICK
Finance Director
10 July 2019

Consolidated statement of changes in equity

Company Number 00196730

As at 30 March 2019

	Ordinary share capital $000	Share premium account $000	Revaluation reserve $000	Available for sale reserve $000	Translation reserve $000	Equity reserve $000	Retained Earnings $000	Total $000
At 1 April 2017	1,629	1,484	797	1,446	(6,724)	201	65,461	64,294
Adjustments for the adoption of IFRS 15 and 9*	-	-	-	-	-	-	(103)	(103)
Changes in accounting policy *	-	-	352	-	(885)	-	533	-
At 1 April 2017 restated	1,629	1,484	1,149	1,446	(7,609)	201	65,891	64,191
Profit for the period	-	-	-	-	-	-	3,049	3,049
Other comprehensive income:								
Foreign currency translation	-	-	(38)	19	2,159	-	1,969	4,109
Net defined benefit asset movement	-	-	-	-	-	-	(19,659)	(19,659)
ProPhotonix disposal	-	-	-	(1,465)	-	-	-	(1,465)
Deferred tax	-	-	-	-	-	-	6,852	6,852
Total comprehensive income	-	-	(38)	(1,446)	2,159	-	(7,789)	(7,114)
Transactions with owners:								
Share capital subscribed for	117	1,401	-	-	-	-	-	1,518
Credit for share-based payments	-	-	-	-	-	-	39	39
Total transactions with owners	117	1,401	-	-	-	-	39	1,557
At 31 March 2018 restated	1,746	2,885	1,111	-	(5,450)	201	58,141	58,634
Adjustments for the adoption of IFRS 15 and 9*	-	-	-	-	-	-	(41)	(41)
Changes in accounting policy *	-	-	38	-	1,931	-	(1,969)	-
At 31 March 2018 restated	1,746	2,885	1,149	-	(3,519)	201	56,131	58,593
Profit for the period	-	-	-	-	-	-	3,126	3,126
Other comprehensive income:								
Foreign currency translation	-	-	-	-	(3,005)	-	-	(3,005)
Net defined benefit asset movement	-	-	-	-	-	-	(43,083)	(43,083)
Deferred tax	-	-	-	-	-	-	15,071	15,071
Total comprehensive income	-	-	-	-	(3,005)	-	(24,886)	(27,891)
Transactions with owners:								
Dividend	-	-	-	-	-	-	(1,104)	(1,104)
Credit for share-based payments	-	-	-	-	-	-	45	45
Total transactions with owners	-	-	-	-	-	-	(1,059)	(1,059)
At 30 March 2019	**1,746**	**2,885**	**1,149**	**-**	**(6,524)**	**201**	**30,186**	**29,643**

* see note 35 Impact on the financial statements of changes in accounting policies and discontinued activities

The accompanying accounting policies and notes on pages 28 to 70 form part of these Financial Statements.

Consolidated cash flow statement

For the 52-week period ended 30 March 2019

	Notes	**52-week period ended 30 March 2019 $000**	Restated 52-week period ended 31 March 2018 $000
Cash flows from operating activities			
Profit for the period		**3,126**	2,905
Adjustments for:			
Amortisation of development expenditure	12	**73**	71
Depreciation	11	**540**	596
Net financial income	6	**(876)**	(269)
Non-cash adjusting Items		**2,238**	991
(Profit)/loss on disposal of property, plant and equipment		**(461)**	29
Profit on disposal of Prophotonix		**-**	(1,256)
Equity share option expense	**5**	**45**	39
Income tax expense/(credit)	7	**114**	710
Operating cash flow before changes in working capital and provisions		**4,799**	3,816
(Increase)/decrease in trade and other receivables		**(451)**	95
(Increase) in inventories		**(730)**	(3,333)
(Decrease)/increase in trade and other payables		**(352)**	1,213
Employee benefits contributions		**(13)**	(143)
Cash generated by operations		**3,253**	1,648
Interest paid		**(1,236)**	(1,183)
Income tax received/(paid)		**(125)**	-
Net cash flows from operating activities		**1,892**	465
Cash flows from investing activities			
Interest received		**1**	-
Proceeds from sale of property, plant and equipment		**514**	285
Sale of investment in Prophotonix		**-**	1,972
Purchase of property, plant and equipment	11	**(1,245)**	(694)
Development and IT software expenditure capitalised	12	**(1,399)**	(87)
Proceeds from sale of development expenditure		**639**	-
Net cash flows from investing activities		**(1,490)**	1,476
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**-**	1,517
Dividends paid	8	**(1,104)**	-
Proceeds from external borrowing		**2**	(2,985)
Net finance lease income/(expenditure)		**59**	(56)
Net cash flows from financing activities		**(1,043)**	(1,524)
Net (decrease)/increase in cash and cash equivalents	24	**(641)**	417
Cash and cash equivalents at the beginning of the period		**1,676**	1,352
Effect of exchange rate fluctuations on cash held		**(87)**	(93)
Cash and cash equivalents at the end of the period	18	**948**	1,676

The accompanying accounting policies and notes on pages 28 to 70 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 2019 are for the 52-week period ended 30 March 2019. The results for 2018 are for the 52-week period ended 31 March 2018.

Given two thirds of the revenues and a large proportion of expenditure is either in UD Dollars or currency tied to the US Dollar the Board has determined to present the financial statements in US Dollars.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 71 to 79.

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.

NEW STANDARDS, AMENDMENTS AND INTERPRETATION

The Group has adopted the following standards and interpretations which have been issued by the International Accounting Standards Board in these financial statements for the year ended 30 March 2019:

- IFRS 9 - Financial Instruments (effective for accounting periods on or after 1 January 2018); and
- IFRS 15 - Revenue from Contracts with Customers (effective for periods on or after 1 January 2018).

IFRS 9 - Financial Instruments

IFRS 9 'Financial instruments' replaces IAS 39 'Financial instruments: Recognition and Measurement' with the exception of macro hedge accounting. The standard is effective for accounting periods beginning on or after 1st January 2018. The standard covers three elements:

- Classification and measurement: Changes to a more principle-based approach to classify financial assets as either held at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss, dependent on the business model and cash flow characteristics of the financial asset; and
- Impairment: Moves to an impairment model based on expected credit losses based on a three-stage approach; and
- Hedge accounting: The IFRS 9 hedge accounting requirements are designed to allow hedge accounting to be more closely aligned with the group's underlying risk management. A new International Accounting Standards Board (IASB) project is in progress to develop an approach to better reflect dynamic risk management in entities' financial statements.

The group have applied IFRS 9 for the first time in the current year, in replacement of IAS 39. For trade receivables, the group applied the simplified method of the expected credit loss model when calculating impairment losses on its financial assets measured at amortised cost. This resulted in greater judgement due to the need to factor in forward-looking information when estimating the appropriate amount of provisions.

In applying IFRS 9 the group considered the probability of a default occurring over the contractual life of its trade receivables balances on initial recognition of those assets. Under the previous incurred loss model, the historical loss rate has typically 53% of receivables over 3 months and 100 % of receivable over 6 months based on the last 5 years' experience. at 31 March 2018 this provision amounted to $274,000.

The group has restated comparatives on adoption of IFRS 9 for the provision calculated under the expected loss model. Due to this there has been an adjustment recorded in respect of the IFRS 9 transition in opening equity at 1st April 2018 of $43,000.

The classification of certain financial instruments was affected on initial application of IFRS 9. Financial assets previously categorised as Loans and receivables under IAS 39 are now classified as Amortised cost however the measurement remains consistent subject to the application of the expected credit loss model outlined above.

Financial liabilities continue to be recognised and measured under the Amortised cost category.

IFRS 15 Revenue from contracts with customers

IFRS 15, 'Revenues from Contracts with Customers' is effective for periods beginning on or after 1st January 2018. IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The group has adopted IFRS 15 – Revenue from Contracts with Customers for the financial year starting 1st April 2018, applying the fully retrospective method of transition.

Group accounting policies

As a result of a review of the contractual documentation in the UK machine tools business and consideration of control, an adjustment has been made to revenue recognition for bill and hold machines on the adoption of IFRS 15 and details are included in note 35. With the exception of the additional disclosure requirements, there are no further impacts on the Group's Financial Statements.

There has been no alterations made to the accounting policies as a result of considering the following 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.

IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions (effective from 1 January 2018)

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective from 1 January 2018)

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.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):
IFRS 9 (amendments) prepayment features with negative compensation (effective 1 January 2019)
IAS 28 (amendments) long-term interests in associates and JV's (effective 1 January 2019)
Annual Improvements to IFRSs 2015-2017 Cycle (effective from 1 January 2019)
IFRIC 23 (amendments) Uncertainty over Income Tax Treatment (effective from 1 January 2019)

IFRS 16 Leases (effective from 1 January 2019)

Adoption of IFRS 16 will result in the group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Board has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on balance sheet as at 31 March 2019. In addition, it has decided to measure right-of-use asset by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net asset on that date. At 30 March 2019 operating lease commitments amounted to $13.1m (see note 29) which is not expected to be materially different to the anticipated position on 29 March 2020 or the amount which is expected to be disclosed at 29 March 2020. Assuming the group's lease commitments remain at this level, the effect of discounting those commitments is anticipated to result in the right-of-use assets and lease liabilities of approximately $7.5m being recognised on 31 March 2019. However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which may result in the actual liability recognised being different.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which for the year ended 30 March 2019 was approximately $0.8m.

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.

BASIS OF MEASUREMENT

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

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

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

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 1 and the Strategic Report on pages 2 to 8.

The Group has a mixture of term loans and revolving working capital facilities with maturities between 1 and 3 years with HSBC in the UK and Bank of America in the USA. Headroom on bank facilities was $7.6m at the year-end (2018: $8m) and all financial covenants in place were met during the year. It is expected that the short-term facilities in place at the year-end will be extended on similar terms.

Group accounting policies

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

BASIS OF CONSOLIDATION

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

FOREIGN CURRENCY TRANSLATION

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

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

REVENUE RECOGNITION FROM CONTRACTS WITH CUSTOMERS

IFRS 15 is effective from 1 January 2018, and replaces the previous revenue recognition standards and interpretations, including IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. IFRS 15 establishes a single approach for the recognition and measurement of revenue and requires an entity to recognise revenue as performance obligations are satisfied. It applies to all contracts with customers except for transactions specifically scoped out, which includes interest, dividends, leases, and insurance contracts. Revenue is derived from the transfer of goods and services at a point in time to customers when performance obligations to the customer have been satisfied.

Revenue represents the invoiced values of sales to customers less returns allowance and VAT.

Normal policy

The majority of the machines (either lasers or machine tools) sold by the Group are on an 'ex-works' basis and as such the sale is recognised on dispatch or pick up by the customer or his appointed shipping agent.

Sales of spares are similarly recognised on shipment.

With regard to service this is normally billed after a service visit has taken place and recognised at this date.

Bill and Hold Arrangements

Customers occasionally request that a completed machine is not shipped as the college or factory facility is not yet finished to accept the new machine. This is most common in respect of machine tools rather than lasers.

In these instances, machines are packaged ready for customer pick up and the customer acknowledges title to the machine as passed to them.

In the USA given the larger distances to customers facilities and that the majority of sales are made through distributors for machine tool products, machines are often in transit or held by distributors rather than at the factory and revenue recognised under the normal 'ex-works' rule.

As a result of a review of the contractual documentation in the UK machine tools business and consideration of control of goods, an adjustment has been made to revenue recognition for bill and hold machines on the adoption of IFRS 15 and details are included in note 35.

Customer deposits (contract assets and contract liabilities)

On machine sales (in both lasers and machine tools) it is usual when this sale is to an individual customer, rather than distributor or dealer, for a deposit with order to be taken and then further payments to be received before dispatch of the goods – often 90 to 100% of the sale price by time of dispatch. Deposits are also common with distribution sales of customer specific machines.

Customer deposits are not recognised in revenue and are shown in current liabilities within trade and other payables in the statement of financial position and separately identified in note 20

If the contractual position arises a contract asset will be recorded to recognise entitlement for work carried out to date.

Revenue disclosures

In addition to the disaggregation of revenue provided by Geography for origin and destination a disaggregation by category of product sold has been added to disclosures as a result of the adoption of IFRS 15.

Group accounting policies

SEGMENT ANALYSIS

The Group has adopted IFRS 8 “Operating segments” which requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance.

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

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

OPERATING PROFIT, ADJUSTING ITEMS AND DISCONTINUED OPERATIONS

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

These consist of the entries in relation to the UK final salary scheme and the profit on the disposal of the ProPhotonix shares in the previous year. In addition, the adjustment to the carrying value of the amortised loan note expenses in the current year, as a result of the extension of these instruments by a further two years, and the prior year’s amortisation have been included as adjusting items.

The buy-out of the Group pension scheme was completed in April 2019 but during the year ended March 2019 the trustees undertook a number of exercises to reduce the liabilities of the scheme which had an actuarial cost. Given these had a beneficial effect on the ultimate buy out cost of the scheme they were supported by the Group. This amount is shown in adjusting items.

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

These non-GAAP measures are explained in note 33 alternative performance measures and set out in note 3. All adjusting items are taken into account in the GAAP figures in the Income Statement.

PENSIONS AND POST-RETIREMENT HEALTH BENEFITS

The Group operates both defined benefit and defined contribution pension schemes. It also operates a retirement healthcare benefit scheme for certain of its employees in the US. The Group’s net obligation in respect of the defined benefit schemes and the retirement healthcare benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any scheme assets is deducted. The discount rate for the UK schemes is based on the annualised yield on AA credit rated corporate bonds. The discount rate for the retirement healthcare benefit scheme is based on a similar measure which is appropriate for the US market. The calculations are performed by a qualified actuary using the projected unit method. Remeasurements are recognised immediately through the statement of comprehensive income. The extent to which the schemes’ assets exceed the liabilities is shown as a surplus in the balance sheet to the extent that the surplus is recoverable by the Group. Further provision is made to the extent that the Group has any additional obligation under a minimum funding requirement. The UK defined benefit scheme was closed to future accrual on 31 March 2013 after a period of consultation with employees and the agreement of the scheme trustees. The accounting for the UK scheme has continued during the year under the requirements of IAS 19 on the basis that the scheme trustees had secured an insurance policy to match the scheme liabilities but that this was held as an asset and valued along with the scheme liabilities, in accordance with IAS 19 requirements, until the buy-out of the scheme was complete. The buy-out was completed in late April 2019 and the remaining surplus in the scheme of $8m repaid to the Company after deduction of 35% tax with the Company receiving the net $5.2m at the end of May 2019.

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

WITHIN PROFIT FROM OPERATIONS

- Current service cost – representing the increase in the present value of the defined benefit obligation resulting from employee service in the current period;
- Past service cost – representing the increase in the present value of the defined benefit obligation resulting from employee service in prior periods, which arises from changes made to the benefits under the scheme in the current period. To the extent that the changes to benefits vest immediately, past service costs are recognised immediately, on the income statement;
- Gains and losses arising on settlements and curtailments – where the item that gave rise to the settlement or curtailment is recognised within operating profit; and
- Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

BELOW PROFIT FROM OPERATIONS

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

WITHIN THE STATEMENT OF COMPREHENSIVE INCOME

- Remeasurements arising on the assets and liabilities of the scheme.

GOODWILL

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

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

RESEARCH AND DEVELOPMENT

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

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

INVESTMENTS

Prior to the adoption of IFRS 9, investment in quoted shares are classified as available for sale and measured at fair value. Movements in fair value are recorded in the available for sale reserve until the shares are sold, in which case the available for sale reserve is recycled to other comprehensive income. Subsequent to the adoption of IFRS 9, investments in quoted shares are measured at fair value.

PROPERTY, PLANT AND EQUIPMENT

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

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

- Freehold buildings – 2 to 4%
- Leasehold improvements – over residual terms of the leases
- Plant and machinery – 10 to 20%
- Fixtures, fittings, tools and equipment – 10 to 33.3%
- Land – nil

INVENTORIES

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

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

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

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

NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- An active programme to locate a buyer has been initiated
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value, and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and

- Fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographic area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

CASH AND CASH EQUIVALENTS

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

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

FINANCIAL INSTRUMENTS

The group does not generally use derivative financial instruments such as hedges for foreign currency exposure. There were none in place at either period end or used during the year.

The group has applied IFRS 9 from 1 April 2018.

The group has applied the simplified approach to recognise lifetime expected credit loses for its trade receivables as required by IFRS 9. A small adjustment to the loss allowance for these assets at 31 March 2018 as being recorded in the opening reserves as set out in note 35.

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.

Where the terms and conditions of compound financial instruments are modified the Group considered whether such modification is substantial. If the modification is considered substantial, the original compound financial instrument is derecognised and a new compound financial instrument is recognised at fair value. Where the modification is non-substantial, the movement in the fair value, measured immediately before and after the modification, is charged to the consolidated statement of comprehensive income

On the adoption of IFRS 9 there were no adjustments to the accounting for these instruments required.

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.

FINANCIAL ASSETS AND LIABILITIES

IFRS 9 ‘Financial Instruments’ outlines the principles an entity must apply to measure and recognise financial assets and liabilities. The following section sets out the accounting policies that were applied in the reporting period under IFRS 9.

Initial recognition of financial assets and financial liabilities

The Group recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the settlement date.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are capitalised to the initial carrying amount of the financial asset/liability, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of significant unobservable inputs, the difference between the model valuation and the initial transaction price is recognised in profit or loss either on a straight line basis over the term of the transaction, or over the reporting period until all model inputs will become observable where appropriate, or released in full when previously unobservable inputs become observable. Financial liabilities are subsequently measured at amortised cost.

Classification

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables.

Financial assets

On initial recognition, the Group classifies its financial assets into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss;

The classification and subsequent measurement of financial assets depends on:

- The business model within which the financial assets are managed; and
- The contractual cash flow characteristics of the asset (that is, whether the cash flows represent solely payments of principal and interest).

Business model assessment
The business model reflects how the Group manages the financial assets in order to generate cash flows and returns. The Group makes an assessment of the objective of a business model in which a financial asset is held. The factors considered in determining the business model include how the financial asset’s performance is evaluated and reported to management.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI):
The Group has undergone a Solely Payments of Principal and Interest (SPPI) test to classify financial assets. The SPPI test assesses whether the contractual cash flows of an asset gives rise to payments on specified dates that are solely payment of principal and profit on the principal amount outstanding.

In making the assessment of whether the contractual cash flows have SPPI characteristics, the Group considers whether the cash flows are consistent with a basic lending arrangement. That is, the contractual cash flows recovered must represent solely the payment of principal and interest.

Principal is the fair value of the financial asset on initial recognition. Interest typically includes only consideration for the time value of money and credit risk but may also include consideration for other basic lending risks and costs, such as liquidity risk and administrative costs.

Where the contractual terms include exposure to risk or volatility that is inconsistent with a basic lending arrangement, the cash flows would not be considered to be SPPI and the assets would be mandatorily measured at fair value through profit or loss.

In making the assessment, the Group considers, inter alia, contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements), and features that modify consideration of the time value of money (e.g. tenor mismatch). Contractual cash flows are assessed against the SPPI test in the currency in which the financial asset is denominated.

Expected credit losses on financial assets
Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities and equity
Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

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.

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.

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

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

Acquisitions prior to 1 January 2010:

Group accounting policies

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

ACQUISTIONS AND DISPOSALS OF NON-CONTROLLING INTERESTS

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

NON-CONTROLLING INTERESTS

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

DIVIDENDS

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

RESERVES

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

SHARE PREMIUM ACCOUNT

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

REVALUATION RESERVE

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

TRANSLATION RESERVE

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

EQUITY RESERVE

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

AVAILABLE FOR SALE RESERVE

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

RETAINED EARNINGS

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

Notes relating to the consolidated financial statements

1. SEGMENT INFORMATION

IFRS 8 – "Operating Segments" requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources.

The Executive Directors consider there to be two continuing operating segments being machine tools and precision engineered components and industrial laser systems.

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

Notes relating to the consolidated financial statements

1. SEGMENT INFORMATION (CONTINUED)

52 Weeks ended 31 March 2018	Restated Continuing					
	Machine tools & precision engineered components	Industrial laser systems	Head Office & unallocated	Total	Discontinued	Group Total
Segmental analysis of revenue	$000	$000	$000	$000	$000	$000
Total revenue	43,152	20,792	-	63,944	1,573	65,517
Segmental analysis of operating profit/(loss) before adjusting Items	1,459	2,100	(1,781)	1,778	385	2,163
Group operating profit/(loss)	1,459	2,100	(1,781)	1,778	385	2,163
Other segmental information:						
Reportable segment assets	40,176	9,867	55,620	105,663	-	105,663
Reportable segment liabilities	(28,153)	(5,826)	(13,091)	(47,070)	-	(47,070)
Fixed asset additions	146	544	4	694	-	694
Depreciation and amortisation	373	294	-	667	-	667

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.

Disaggregation of revenue is shown by origin, destination and product group in the following two tables:

All revenue is recognised at a point in time.

Disaggregation of revenue by origin	**2019**		2018	
	$000	**%**	$000	%
UK	**14,249**	**21.8**	13,430	21.0
North America	**47,387**	**72.8**	47,262	73.9
Australasia	**3,531**	**5.4**	3,252	5.1
	65,167	**100.00**	63,944	100.0

Notes relating to the consolidated financial statements

1. SEGMENT INFORMATION (CONTINUED)

Disaggregation of revenue by destination:

	2019		2018	
	$000	%	$000	%
Gross sales revenue:				
UK	**9,507**	**14.6**	9,677	15.1
Other European	**6,951**	**10.7**	6,707	10.5
North America (USA)	**42,534**	**65.2**	42,694	66.8
Africa	**644**	**1.0**	485	0.8
Australasia	**3,370**	**5.2**	3,110	4.9
Central America	**126**	**0.2**	8	0.0
Middle East	**485**	**0.7**	96	0.2
Far East	**1,550**	**2.4**	1,167	1.8
	65,167	**100.0**	63,944	100.0

Disaggregation of revenue by product group:

	2019		2018	
	$000	%	$000	%
CNC lathes	**4,761**	**7.3**	4,972	7.8
Conventional lathes	**13,941**	**21.4**	12,838	20.0
CNC other	**1,209**	**1.9**	1,284	2.0
Conventional other	**11,587**	**17.8**	11,402	17.8
Workholding	**7,062**	**10.8**	6,175	9.7
Spares & service	**5,620**	**8.6**	6,447	10.1
Lasers	**19,814**	**30.4**	18,862	29.5
Laser spares and service	**1,173**	**1.8**	1,964	3.1
	65,167	**100.0**	63,944	100.0

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

Assets and liabilities related to contracts with customers:

The group has recognised the following assets and liabilities related to contracts with customers.

	2019	2018
	$000	$000
Current contract liabilities relating to deposits from customers	538	1,244

There are no assets arising from contracts with customers.

Notes relating to the consolidated financial statements

Remaining performance Obligations

The vast majority of the groups' contracts are for the delivery of goods within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies.

The following table shows how much of the revenue recognised in the current reporting year relates to carried forward contract liabilities:

	2019	2018
	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,244	627

2. NET OPERATING EXPENSES

	2019	2018
	$000	$000
– other operating income	**12**	12
Total other operating income	**12**	12

	2019	2018
	$000	$000
– administration expenses	**14,469**	16,408
– distribution costs	**3,812**	3,407
– adjusting items	**1,786**	-
Total operating expenses	**20,067**	19,815
Total net operating expenses	**20,055**	19,803

3. ADJUSTING ITEMS

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

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

These non-GAAP measures are explained in note 33 alternative performance measures and set out below in note 3. All adjusting items are taken into account in the GAAP figures in the Income Statement.

These consist of the entries in relation to the UK final salary scheme in both years and the profit on the disposal of the ProPhotonix shares in the previous year. In addition, the adjustment to the carrying value of the amortised loan note expenses in the current year, as a result of the extension of these instruments by a further two years, and the prior year's amortisation have been included as adjusting items. The items below correspond to the table below;

a) The buy-out of the Group pension scheme was completed in April 2019 but during the year ended March 2019 the trustees undertook a number of exercises to reduce the liabilities of the scheme which had an actuarial cost. Given these had a beneficial effect on the ultimate buy out cost of the scheme they were supported by the Group. A charge of $1.28m plus $0.08m of associated legal costs was included as a result of work by the Trustees of the UK pension scheme and the Group in reducing pension liabilities.

b) As a result of the outsourcing of manufacturing in the UK, the existing premises were vacated, and a sublet is in the process of negotiation. An onerous lease provision of $0.4m has been provided as a result of this and shown in adjusting items.

c) A credit of $1.26m (2018: credit of $1.74m) is recorded in financial income in respect of the final salary pension scheme. No cash was paid to or received from the scheme in respect of this transaction which arises as a pension accounting entry under the required standard due to the surplus in the scheme recorded in the balance sheet.

d) The adjustment to the carrying value of the amortised loan note costs in the year is shown as a credit of $0.8m in financial income with the corresponding charge for the 2018 year shown in financial expense.

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

f) As a result of the changes in the USA to the rates of taxation in the prior year, a significant charge of $0.6m was made to adjust the deferred taxation assets.

g) An amount of $0.96m has been recorded against the value of the Gamet Bearings assets available for sale to bring their carrying value into line with the expected proceeds of sale, less costs to sell.

Notes relating to the consolidated financial statements

3. ADJUSTING ITEMS (CONTINUED)

Adjusting items

	2019 $000	Restated 2018 $000
Items included in operating profit:		
Pensions charge (a)	**(1,277)**	-
Pensions legal costs (a)	**(78)**	-
Onerous lease charges (b)	**(431)**	-
	(1,786)	-
Items included in financial income/(expense):		
Pensions interest on surplus (c)	**1,255**	1,741
Adjustment to loan notes (d)	**822**	-
Financial income	**2,077**	1,741
Amortisation of loan note expenses	**-**	(290)
Profit on disposal of ProPhotonix Ltd (e)	**-**	1,256
Total adjusting items before tax	**291**	2,707
Taxation effect of rate range in the USA (f)	**-**	(630)
Income tax on adjusting items	**(48)**	(609)
Total adjusting items after tax	**243**	1,468
Loss on discontinued activity (g)	**(961)**	-

During the prior year the Group incurred costs with regard to the reorganisation of TYKMA Inc and the integration of the Electrox Laser marking spares and service division into the UK machine tools operation and redundancy exercises were carried out in the UK machine tools operation, Amounts of $764k and $1m were previously disclosed as adjusting items in cost of sales and administration costs respectively but have been incorporated in normal operating costs in the comparative figures in line with the revised definition of adjusting items. Costs of redundancy and restructuring in the current year have been included in normal activity.

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is after charging/(crediting):	2019 $000	2018 $000
– depreciation of assets, including those held under finance leases	**540**	596
– amortisation of development expenditure and trademarks	**73**	71
– hire of plant	**5**	6
– other operating lease rentals	**28**	42
– profit / (loss) on sale of property, plant and equipment	**461**	(29)
Auditor's remuneration:		
– audit of these financial statements	**65**	65
– amounts receivable by auditor and its associates in respect of:		
– auditing of accounts of subsidiaries of the company pursuant to legislation (including that of countries and territories outside of the UK)	**122**	120
– other services relating to tax compliance	**45**	66
– other services relating to tax advisory	**24**	25

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.

Notes relating to the consolidated financial statements

5. PERSONNEL EXPENSES

	2019 $000	2018 $000
Staff costs:		
– wages and salaries	**11,616**	12,614
– social security costs	**1,370**	1,453
– pension charges relating to defined contribution schemes	**454**	473
– pension charges relating to defined benefit schemes	**30**	29
– equity share options expense	**45**	39
	13,515	14,608

In addition to the above staff costs, redundancy costs of $74,670 were incurred during the year (2018: $1,121,000). Directors' emoluments including disclosure of the highest paid director are included in the Directors' Emoluments table and table of Directors' share options contained within the Remuneration report (pages 16-18).

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

	2019 Number	2018 Number
Management and administration	**57**	67
Production	**72**	79
Sales	**64**	71
Total	**193**	217

6. FINANCIAL INCOME AND EXPENSE

	2019 $000	2018 $000
Bank and other interest	**35**	-
Interest on employee benefit surplus	**1,255**	1,741
Loan note and net adjustment	**822**	-
Financial income	**2,112**	1,741
Bank overdraft and loan interest	**(236)**	(234)
Other loan interest	**(948)**	(925)
Other finance charges	**(1)**	(8)
Finance charges on finance leases	**(6)**	(15)
Interest on employee benefit liabilities	**(45)**	(47)
Amortisation of loan notes expenses	**-**	(243)
Financial expense	**(1,236)**	(1,472)

Notes relating to the consolidated financial statements

7. TAXATION

	2019 **$000**	Restated 2018 $000
Current tax:		
Corporation tax at 19% (2018: 19%):		
– current period	-	-
Overseas taxation:		
– current period	77	(340)
Total current tax credit charge	77	(340)
Deferred taxation:		
– current period	92	358
– effect of rate change in USA	**-**	(630)
– prior period	(283)	(98)
Total deferred taxation credit/(charge) (Note 14)	(191)	(370)
Taxation charged to the income statement	(114)	(710)

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

Restated for Gamet Bearings now shown as a discontinued operation and the effects of IFRS 15 & 9 (see note 35).

TAX RECONCILIATION
The tax charge assessed for the period is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019		Restated 2018	
	$000	**%**	$000	%
Profit before tax	**4,347**		3,303	
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	**826**	**19.0**	628	19.0
Effects of:				
– income not taxable and/or expenses not deductible	**274**	**6.3**	11	0.3
– overseas tax rates	**14**	**0.3**	58	1.8
– pension fund surplus taxed at higher rate	**3**	**0.0**	97	2.9
– US state taxes	**166**	**3.8**	52	1.6
– utilisation of discontinued business losses	**(140)**	**(3.2)**	-	-
– deferred tax prior period adjustment	**-**	**-**	98	3.0
– impact of rate change in the UK on deferred tax	**290**	**6.7**	**-**	**-**
– tax losses utilised not previously recognised	**(912)**	**(20.1)**	-	-
– additional deferred tax recognised on losses in the period	**(124)**	**(2.8)**	(864)	(26.2)
– R&D claims in the USA (prior periods)	**(283)**	**(6.5)**		
– impact of rate change in the USA	**-**	**-**	630	19.1
Taxation charged to the income statement	**114**	**2.6**	710	21.5

Deferred taxation balances are analysed in note 14.

Notes relating to the consolidated financial statements

8. DIVIDENDS

A final dividend of 0.5p has been proposed, payable on 30 September 2019 to holders on the register at 30 August 2019.

	2019 $000	2018 $000
Interim Dividend paid September 2018 (0.5p/share)	**736**	-
Final Dividend paid December 2018 (0.25p/share)	**368**	-
Total	**1,104**	-

9. EARNINGS PER SHARE

The calculation of the basic earnings per share of 3.75c (2018: 2.38c) is based on the earnings for the financial period attributable to the Parent Company's shareholders of a profit of $4,233,000 (2018: $2,593,000) and on the weighted average number of shares in issue during the period of 112,973,341 (2018: 108,902,335). At 30 March 2019, there were 7,5000,000 (2018: 6,650,000) potentially dilutive shares on option with a weighted average effect of 1,191,415 (2018: 790,601) shares giving a diluted earnings per share of 3.71c (2018: 2.37c).

	2019	2018
Weighted average number of shares		
Issued shares at start of period	112,973,341	104,357,957
Effect of shares issued in the year	-	4,544,378
Weighted average number of shares at end of period	112,973,341	108,902,335
Weighted average number of the 7,500,000 (2018: 6,650,000) potentially dilutive shares	1,191,415	790,601
Total Weighted average diluted shares	114,164,756	109,692,936

		Restated
Total post tax earnings continuing	4,233	2,593
Total post tax earnings including discounted activity	3,126	2,905
Basic EPS	3.75c	2.38c
Diluted basic EPS	3.71c	2.37c
Total including discontinued		
Basic EPS	2.77	2.67
Diluted basic EPS	2.74	2.65
Underlying earnings	$000	$000
Total post tax earnings continuing	4,233	2,593
Pension cost	1,277	-
Pensions legal costs	78	-
Onerous lease charges	431	-
Pensions Interest	(1,255)	(1,741)
Amortisation of loan notes	-	290
Adjustment to amortisation of loan notes	(822)	-
Profit on disposal of ProPhotonix Ltd	-	(1,256)
Tax effect of rate change in USA	-	630
Tax on adjusting items	48	609
Underlying earnings after tax	3,990	1,125
Underlying basic EPS	3.53c	1.03c
Underlying diluted EPS	3.50c	1.03c

10. EMPLOYEE SHARE OPTION SCHEMES

The Group has granted share options to employees under The 600 Group PLC Deferred Share Plan 2011. The scheme is equity-settled.

SHARE-BASED EXPENSE

The Group recognised a total charge of $45,000 (2018: $39,000) in relation to equity-settled share-based payment transactions.

	2019	2018
	DSP	DSP
The number and weighted average exercise price of share options		
Number of options outstanding at beginning of period	**6,650,000**	6,650,000
Number of options granted in period	**850,000**	-
Number of options forfeited/lapsed in period	**-**	-
Number of options exercised in period	**-**	-
Number of options outstanding at end of period	**7,500,000**	6,650,000
Number of options exercisable at end of period	**6,150,000**	5,150,000

On 19 November 2012 1,750,000 options with an exercise price of 10p were granted, and on 7 April 2014 3,400,000 options with an exercise price of 17p were granted. On 6 August 2015 1,000,000 shares with an exercise price of 18p were granted, and on 1 September 2016 500,000 nil cost options were granted. On 27 November 2018, 800,000 nil cost options were granted and further 50,000 nil cost options on 29 March 2019. All options are exercisable between 3 and 10 years from the date of grant.

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

FAIR VALUE ASSUMPTIONS OF SHARE-BASED PAYMENTS
THE 600 GROUP PLC 2011 DEFERRED SHARE PLAN (DSP)

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

	2019 Grant	2016 Grant	2015 Grant	2014 Grant	2012 Grant
Fair value	14p	10p	4p	4p	4p
Share price at grant	17p	10p	18p	17p	10p
Exercise price	0p	0p	18p	17p	10p
Dividend yield	5%	0%	0%	0%	0%
Expected volatility	5%	50%	50%	25%	50%
Expected life	3.0 years	3.0 years	3.0 years	3.0 years	3.0 years
Risk-free interest rate	1.36%	1.36%	1.36%	4.08%	4.08%
Number of shares under option	850,000	500,000	1,000,000	3,400,000	1,750,000

Notes relating to the consolidated financial statements

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Freehold $000	Leasehold improvements $000	Plant and machinery $000	Fixtures, fittings, tools and equipment $000	Total $000
Cost or valuation					
At 31 March 2018	1,713	703	14,487	3,891	20,794
Exchange differences	(125)	(1)	(917)	(22)	(1,065)
Transfers from/(to) inventory	-	3	14	(17)	-
Transfer to assets held for sale	(650)	-	(2,961)	-	(3,611)
Additions during period	-	29	451	765	1,245
Disposals during period	(17)	-	(7,873)	(260)	(8,150)
At 30 March 2019	**921**	**734**	**3,201**	**4,357**	**9,213**
Depreciation					
At 31 March 2018	104	80	13,710	2,789	16,683
Exchange differences	(6)	-	(873)	(16)	(895)
Transfers from/(to) inventory	-	(2)	(118)	120	-
Transfer to assets held for sale	(97)	-	(2,620)	-	(2,717)
Charge for period	29	30	206	275	540
Disposals during period	(3)	-	(7,723)	(107)	(7,833)
At 30 March 2019	**27**	**108**	**2,582**	**3,061**	**5,778**
Net book value					
At 30 March 2019	**894**	**626**	**619**	**1,296**	**3,435**
At 31 March 2018	1,609	623	777	1,102	4,111

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.

The net book value of property, plant and equipment includes $270,329 (2018: $241,000) of assets held under finance leases. The depreciation charged in the period against assets held under finance leases was $62,000 (2018: $53,000).

Various freehold properties with a net book value of $895,000 (2018: $1,609,000) are charged as security for borrowing facilities.

Notes relating to the consolidated financial statements

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Notes relating to the consolidated financial statements

12. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill $000	Trademarks $000	Development Expenditure $000	IT Software $000	Total $000
Cost					
At 31 March 2018	10,329	312	406	-	11,047
Additions	-	-	1,200	199	1,399
Disposals	-	-	(639)	-	(639)
Foreign exchange	-	-	15	-	15
At 30 March 2019	**10,329**	**312**	**982**	**199**	**11,822**
Amortisation and impairment					
At 31 March 2018	-	256	55	-	311
Amortisation	-	45	28	-	73
Foreign exchange	-	(1)	-	-	(1)
At 30 March 2019	-	**300**	**83**	-	**383**
Net book value					
At 30 March 2019	**10,329**	**12**	**899**	**199**	**11,439**
At 31 March 2018	10,329	56	351	-	10,736

The additions to Development Expenditure of $1,200k in the period and $87k in the prior period related primarily to internal development.

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

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

	2019 $000	2018 $000
Operating expenses	**73**	71

Notes relating to the consolidated financial statements

12. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT OF GOODWILL

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

Sensitivity to changes in assumptions

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

13. INVESTMENTS

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

ENGLAND & WALES:

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

All subsidiary undertakings in England & Wales have their registered offices at Lowfields Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9DA except Coborn Insurance Company Limited, whose registered office is PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU.

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

US:

600 Group Inc
Clausing Industrial, Inc
TYKMA Inc

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

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

REST OF THE WORLD:

600 Machine Tools (Pty) Ltd – (Australia)

600 Machine Tools (Pty) Ltd's principal activity is the design and distribution of machine tools and precision engineered components. The registered office address is 27 Foundry Road, 7 Hills, New South Wales, Australia.

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

Notes relating to the consolidated financial statements

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	
	2019	2018 Restated	**2019**	2018	**2019**	2018 Restated
	$000	$000	**$000**	$000	**$000**	$000
Decelerated capital allowances	**950**	1,216	**-**	-	**950**	1,216
Short-term timing differences	**344**	347	-	-	**344**	347
Tax losses	**2,585**	2,958	-	-	**2,585**	2,958
Overseas tax losses	**699**	614	-	-	**699**	614
Employee benefits	**-**	-	**(2,292)**	(18,752)	**(2,292)**	(18,752)
Revaluations and rolled over gains	**-**	**-**	**(249)**	(268)	**(249)**	(268)
Net tax assets/(liabilities)	**4,578**	5,135	**(2,541)**	(19,020)	**2,037**	(13,885)

MOVEMENT IN DEFERRED TAX DURING THE PERIOD

	As at 1 April 2018 $000	IFRS 15 & 9 Adjustments	Restated As at 1 April 2018 $000	Income statement $000	Statement of comprehensive income $000	Exchange Fluctuations $000	**As at 30 March 2019 $000**
Decelerated capital allowances	1,216	-	1,216	(167)	**-**	(99)	**950**
Short-term timing differences	314	33	347	(3)	**-**	**-**	**344**
Tax losses	2,958	-	2,958	(166)	**-**	(207)	**2,585**
Overseas tax losses	614	-	614	85	**-**	-	**699**
Employee benefits	(18,752)	-	(18,752)	60	15,071	1,329	**(2,292)**
Revaluations and rolled over gains	(268)	-	(268)	-	-	19	**(249)**
	(13,918)	33	(13,885)	(191)	15,071	1,042	**2,037**

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

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

US deferred tax is provided at 25% (2018: 21%) including an allowance for State/local taxes of 4%

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:

	2019	2018
	$000	$000
Advance corporation tax recoverable	2,588	2,340
Tax losses	1,986	3,647

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

15. INVENTORIES

	2019 $000	2018 $000
Raw materials and consumables	**63**	135
Work in progress	**1,264**	2,139
Finished goods and goods for resale	**17,703**	17,686
	19,030	19,960

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

Inventories included within Cost of Sales amounted to $38.4m (2018: $38.1m)

During the period inventory provisions have increased by $643,000 (2018: decreased by $942,000). Following the impairment provisions, inventories are valued at lower of cost and net realisable value.

16. TRADE AND OTHER RECEIVABLES

	2019 $000	2018 $000
Trade receivables	**7,599**	8,113
Other debtors	**540**	425
Other prepayments and accrued income	**1,024**	1,188
	9,163	9,726

	2019 $000	2018 $000
Taxation	**294**	-

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

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

	2019 $000	2018 $000
Current (not overdue)	**5,823**	6,743
Overdue:		
– 0–3 months overdue	**1,771**	1,671
– 3–6 months overdue	**11**	429
– 6–12 months overdue	**90**	31
– more than 12 months overdue	**40**	53
Total gross trade receivables before provision	**7,735**	8,927

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

At 30 March 2019 the lifetime expected loss provision for trade receivables is as follows:

	current	0-3 months	3-6 months	6-12 months	over 12 months	
Expected loss ratio	0%	0%	53%	100%	100%	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	5,823	1,771	11	90	40	7,735
Loss provision	-	-	6	90	40	136

Movement in the loss provision for trade receivables has been included in cost of sales in the consolidated statement of comprehensive income and receivables are shown net of allowance. In the previous period's impairment was assessed under IAS 39 but has been amended under IFRS 9 based upon the loss experience over the past five years.

The movement in the loss provision has been as follows:

	2019	2018
	$000	$000
At 30 /31 March under IAS 39	**274**	274
Restated on adoption of IFRS 9 (note 35)	**43**	-
Opening provision for impairment	**317**	274
Exchange difference on opening balance	**(12)**	(111)
Utilised in the period/unused provision released	**(169)**	-
Provided in the period	**-**	111
Closing provision	**136**	274

Notes relating to the consolidated financial statements

17. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED ACTIVITIES

The Gamet Bearings business is a separate operation within the UK, manufacturing precision bearings. As part of the strategy to reduce the Group's exposure to manufacturing and the requirement for ongoing capital expenditure the business is in the process of being sold to another bearing manufacturer in the UK. The operations of this business are shown as discontinued in both the current and comparative period and all revenue and costs have been removed from the Consolidated Income Statement and replaced by the after-tax profit or loss from the discontinued operation shown after the results of continuing operations.

The directors have been in discussions for a number of months over the sale of the Gamet Bearings business and a disposal is expected to be completed during the Autumn of 2019.The assets for sale have been classified as held for sale in the consolidated statement of financial position at 30 March 2019 and consist of inventory, freehold property and plant equipment to the value of $1,108,000. An impairment loss of $961,000 on the measurement of the disposal group to fair value less cost to sell has been recognised and is included in adjusting items in loss attributable to discontinued activity in the consolidated income statement. The fair value of net asset are categorised as level 3 non-recurring fair value measurement. The valuation techniques and unobservable inputs used in determining the fair value of assets held for sale are market pricing data for similar assets.

Gamet Bearings discontinued operation	**Before Adjusting Items 52 weeks ended 30 March 2019 $000**	**Adjusting Items 52 weeks ended 30 March 2019 $000**	**After Adjusting Items 52 weeks ended 30 March 2019 $000**	Before Adjusting Items 52 weeks ended 31 March 2018 $000	Adjusting Items 52 weeks ended 31 March 2018 $000	After Adjusting Items 52 weeks ended 31 March 2018 $000
Revenue	**1,572**	**-**	**1,572**	1,573	-	1,573
Cost of sales	**(1,382)**	**-**	**(1,382)**	(1,053)	-	(1,053)
Gross profit/(loss)	**190**	**-**	**190**	520	-	520
Net operating expenses	**(336)**	**(961)**	**(1,297)**	(135)	-	(135)
(Loss)/profit before tax	**(146)**	**(961)**	**(1,107)**	385	-	385
Income tax (charge)	**-**	**-**	**-**	(73)	-	(73)
(Loss)/profit for the period	**(146)**	**(961)**	**(1,107)**	312	-	312

18. CASH AND CASH EQUIVALENTS

	2019 $000	2018 $000
Cash at bank	**818**	1,536
Short-term deposits	**130**	140
Cash and cash equivalents per statement of financial position and per cash flow statement	**948**	1,676

19. LOANS AND OTHER BORROWINGS

CURRENT:	**2019 $000**	2018 $000
Bank loans	**5,189**	4,984
Obligations under finance leases (note 22)	**127**	41
	5,316	5,025

NON-CURRENT:	**2019 $000**	2018 $000
Bank loans	**572**	842
8% Loan Notes	**9,517**	11,287
Obligations under finance leases (note 22)	**84**	122
	10,173	12,251

19. LOANS AND OTHER BORROWINGS (CONTINUED)

The $9.5m (£8.5m) of Loan Notes in place at the year-end were issued in three tranches in February, March and August 2015 with 43.95m convertible warrants attached to them. These warrants allow the holders to either convert the loan into shares or to purchase shares at 20p for a cash consideration. The loan has both debt and equity components and $195,000 is shown in equity reserve and the balance after deduction of associated costs and amortisation of $1.2m, is shown in non-current borrowings. Costs are amortised to the income statement over the term of the loan. The loan notes and the warrants expiration date was extended by two years to 14 February 2022. In accordance with IFRS 9 an adjustment to the carrying value of the amortised loan note cost was made and the corresponding amount credited to the income statement. The cost incurred will be amortised over the remaining term.

Facilities from HSBC include a $5m trade and invoice finance facility, of which $0.7m had been utilised at the year-end, and a mortgage for the Colchester property of $0.3m which will be repaid on a monthly basis through to March 2020, but will be repaid in full from the proceeds of the sale of the Gamet business.

US Dollar denominated term loans of $0.1m and $0.5m are to be repaid on a monthly basis through to March 2019 and April 2021 respectively in equal instalments with an interest rate of 2.25% above base, with revolving credit loans in addition of $7.5m.

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

20. TRADE AND OTHER PAYABLES

	2019 **$000**	2018 $000
Current liabilities:		
Trade payables	**4,292**	4,010
Social security and other taxes	**199**	405
Other creditors	**1,323**	1,347
Accruals	**1,743**	2,199
Contract liabilities	**538**	1,244
	8,095	9,205

	2019 **$000**	2018 $000
Taxation	**-**	291

21. PROVISIONS

	Onerous lease $000	Warranties $000	Total $000
Provision carried forward at 31 March 2018	**-**	**53**	**53**
Exchange differences	**-**	**(3)**	**(3)**
(Credited)/charged to income statement	**429**	**(9)**	**420**
Utilised in the period	**-**	**(23)**	**(23)**
Provision carried forward at 30 March 2019	**429**	**18**	**447**

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.

Onerous lease provisions

Following the move of the UK business to the new facility in Elland, a sub-let of the old premises is in the process of being negotiated and a consequent cost has been provided.

Notes relating to the consolidated financial statements

22. OBLIGATIONS UNDER FINANCE LEASES

The maturity of obligations under finance leases is as follows:

	2019 $000	2018 $000
Falling due:		
– within one year	**127**	41
– within two to five years	**84**	124
– less future finance charges	**-**	(2)
	211	163
Amounts falling due within one year	**127**	41
Amounts falling due after one year	**84**	122
	211	163

23. SHARE CAPITAL

	2019 $000	2018 $000
Allotted, called-up and fully paid:		
Ordinary shares of 1p each		
112,973,341 ordinary shares of 1p each on issue at start of the period (2018: 104,357,957 ordinary shares)	1,746	1,629
2017 - 8,615,384 ordinary shares of 1p each issued in September 2017	-	117
112,973,341 ordinary shares of 1p each on issue at end of period (2018: 104,357,957 ordinary shares of 1p)	1,746	1,746
Total Allotted, called-up and fully paid at the end of period	1,746	1,746

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

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

The Company has raised £8.5m ($9.6m) through the issue of loan notes. The loan notes maturity was extended by two years in February 2019 to end on 14 February 2022 and carry a coupon of 8% payable quarterly in arrears. The subscribers for loan notes also received warrants with an expiry date which was also extended by two years to 14 February 2022 to subscribe for 43.95m ordinary shares of 1p each in the Company at a price of 20p per Ordinary Share. The issue of the warrants occurred after approval was granted by the shareholders at a general meeting on 18 March 2015. 43.95m warrants remained outstanding at the year-end.

24. RECONCILIATION OF NET CASH FLOW TO NET DEBT

	2019 $000	2018 $000
(Decrease)/increase in cash and cash equivalents	**(641)**	417
(Increase)/decrease in debt and finance leases	**(61)**	3,041
(Increase)/decrease in net debt from cash flows	**(702)**	3,458
Net debt at beginning of period	**(15,600)**	(17,090)
Loan note credit/(amortisation)	**982**	(243)
Exchange effects on net funds	**779**	(1,725)
Net debt at end of period	**(14,541)**	(15,600)

25. ANALYSIS OF NET DEBT

	At 31 March 2018 $000	Exchange movement $000	Other $000	Cash flows $000	**At 30 March 2019 $000**
Cash at bank and in hand	1,536	(77)	-	(641)	**818**
Term deposits (included within cash and cash equivalents on the balance sheet)	140	(10)	-	-	**130**
	1,676	(87)	-	(641)	**948**
Debt due within one year	(4,984)	42	-	(247)	**(5,189)**
Debt due after one year	(842)	25	-	245	**(572)**
Loan notes due after one year	(11,287)	788	982	-	**(9,517)**
Finance leases	(163)	11	-	(59)	**(211)**
Total	(15,600)	779	982	(702)	**(14,541)**

26. FINANCIAL INSTRUMENTS

Overview

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

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

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

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

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit losses experienced over the five-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), purchasing managers index and inflation rate as the key macroeconomic factors in the countries where the Group operates.

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

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

Non-current asset investments

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

Trade and other payables and receivables

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

Cash and cash equivalents

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

Long-term and short-term borrowings

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

Short-term deposits

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

Fair value hierarchy

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

Level 1: The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities.
Level 2: The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of forward foreign exchange and commodity contracts is determined using quoted forward exchange rates and commodity prices at the reported date and yield curves derived from quoted interest rates matching the maturities of the forward contracts.
Level 3: The fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of all financial instruments, throughout the reporting periods, approximate to their carrying values except for the Loan Notes which have a carrying value net of issued costs. The fair value is deemed to be the gross loan amount.

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, have less of an influence on credit risk. Geographically, there is a concentration of credit risk in the USA in respect of trade receivables.

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

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit losses experienced over the five year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Group operates.

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

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

	2019 **$000**	Restated 2018 $000
UK	**2,292**	2,781
North America	**4,673**	5,069
Australasia	**634**	263
	7,599	8,113

26. FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

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

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

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

The following are the contractual maturities of financial liabilities:

	2019 Carrying Amount $000	**Contractual cash flows $000**	**Less than 1 year $000**	**1–2 years $000**	**2–5 years $000**
Bank loan	**5,035**	**5,035**	**4,713**	**322**	**-**
Trade finance	**726**	**726**	**726**	**-**	**-**
8% loan notes	**9,517**	**9,517**	**-**	**-**	**9,517**
Finance lease obligations	**211**	**211**	**127**	**84**	**-**
Interest bearing financial liabilities	**15,489**	**15,489**	**5,566**	**406**	**9,517**
Trade and other payables	**7,896**	**7,896**	**7,896**	**-**	**-**
Financial liabilities	**23,385**	**23,385**	**13,462**	**406**	**9,517**

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

MARKET RISK

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

CURRENCY RISK

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

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

	2019			2018		
	Sterling	**US Dollars**	**Euro**	Sterling	US Dollars	Euro
	£000	**$000**	**€000**	£000	$000	€000
Trade receivables	**67**	**361**	**675**	236	382	695
Trade payables	**(10)**	**(64)**	**(432)**	(1)	(126)	(208)
Balance sheet exposure	**57**	**297**	**243**	235	256	487

Some Group operations on occasions also enter into commercial transactions in currencies other than their functional currencies. Exposures arising from the translation of foreign currency transactions are continually monitored and material exposures are managed where necessary through the use of forward contracts or options once cash flows can be identified with sufficient certainty. As at the year-end there were no forward contracts outstanding (2018: none). Exposures arising from the translation of intra-group lending are managed through the use of borrowings in the relevant foreign currency.

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

INTEREST RATE RISK

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

	Net cash/ borrowings in foreign currency	**Change if interest rates in foreign Currency change by 1%**
	$'000	**$'000**
US Dollar	**(4,216)**	**(1)**
AUS Dollar	**(370)**	**-**

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 30 March 2019, 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 $0.04m (2018: charge of $0.08m). A reduction of 100 basis points would have the equal and opposite effect. There is no further impact on shareholders' equity.

26. FINANCIAL INSTRUMENTS (CONTINUED)

HEDGING OF FLUCTUATIONS IN FOREIGN CURRENCY

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

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

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

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

SENSITIVITY ANALYSIS

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

FINANCIAL INSTRUMENTS

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

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

ASSETS AND LIABILITIES

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

The fair value of forward exchange contracts used at 30 March 2019 was a liability of $nil (2018: liability of $nil).

FINANCIAL ASSETS

The Group's financial assets comprise cash and trade receivables. The profile of the financial assets at 30 March 2019 and 31 March 2018 was:

	2019				2018 Restated			
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	**734**	**130**	**1,547**	**2,411**	680	140	2,822	3,642
US Dollars	**84**	**-**	**4,784**	**4,868**	460	-	4,994	5,454
Australian Dollars	**-**	**-**	**646**	**646**	396	-	256	652
Euros	**-**	**-**	**758**	**758**	-	-	855	855
	818	**130**	**7,735**	**8,683**	1,536	140	8,927	10,603

There is no interest received on floating rate financial assets.

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

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL LIABILITIES

Financial liabilities comprise short-term loans, overdrafts, trade payables, obligations under finance leases, other creditors more than one-year, forward exchange contract liabilities and other provisions for liabilities and charges (excluding accrued post-retirement health care accrual and deferred tax provision). The profile of the Group's financial liabilities at 30 March 2019 and 31 March 2018 was:

	2019				2018			
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	**1,093**	**9,559**	**3,015**	**13,667**	976	11,316	2,913	15,205
US Dollars	**4,298**	**88**	**3,845**	**8,231**	4,850	20	5,301	10,171
Australian Dollars	**370**	**81**	**278**	**729**	-	114	330	444
Euro	**-**	**-**	**758**	**758**	-	-	256	256
	5,761	**9,728**	**7,896**	**23,385**	5,826	11,450	8,800	26,076

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

BORROWING FACILITIES

At 30 March 2019 and 31 March 2018, the Group had undrawn committed borrowing facilities as follows:

	2019 '000	2018 '000
UK	£3,736	£3,100
US	$3,702	$2,907
Australia	AUD$180	AUD$500

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2019 $000	Restated 2018 $000
Trade receivables	**9,163**	9,726
Cash and cash equivalents	**948**	1,676
Bank loan	**(5,761)**	(5,826)
Other loans	**(11,079)**	(11,908)
Finance lease obligations	**(211)**	(163)
Trade payables	**(7,896)**	(8,800)
	(14,836)	(15,295)

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 except the Loan Notes which are shown at their gross value of $11.079m (2018: $11.908m). Their carrying value in the accounts is shown net of issue costs.

27. CONTINGENT LIABILITIES

	2019 $000	2018 $000
Third-party guarantees	**193**	213

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

28. CAPITAL COMMITMENTS

	2019 $000	2018 $000
Capital expenditure contracted for but not provided in the accounts	**335**	-

29. OPERATING LEASE COMMITMENTS

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

	2019 $000	2018 $000
Land and buildings		
Within one year	**1,088**	730
More than one year and less than five years	**4,547**	2,907
Over five years	**7,458**	2,398
	13,093	6,035
Other		
Within one year	**-**	2
More than one year and less than five years	**-**	8
	-	10

30. EMPLOYEE BENEFITS

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

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

UK

In relation to the fund in the UK, the Group's funding policy is to ensure that assets are sufficient to cover accrued service liabilities. The liabilities of the scheme were secured with an insurance policy in July 2018 and the scheme was wound up in April 2019.

As the buy-out of the scheme was not completed until after the March 2019 year end, the accounting and disclosure for the UK Scheme are under IAS19 on the basis that the insurance policy securing the benefit is an asset of the scheme which matches the liabilities. The liabilities have been valued under the prescribed requirements of IAS19.

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 30 March 2019. The disclosures for the US schemes that follow refer to the US defined benefit scheme and the retirement healthcare benefit scheme.

30. EMPLOYEE BENEFITS (CONTINUED)

MORTALITY RATES

The mortality assumptions for the UK scheme are based on standard mortality tables CMI_2017 as used in the previous year with 1.75% p.a. long term improvement rates which allow for future mortality improvements.

The mortality rates for the US scheme are based on the RP-2014 Mortality Table for males and females adjusted to 2006 total dataset with improvement factor scale MP-2018.

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:

	2019	2018
	UK scheme	UK scheme
	% p.a.	% p.a.
Inflation under RPI	**3.60**	3.45
Inflation under CPI	**3.10**	2.95
Rate of increase to pensions in payment – RPI max 5%	**3.35**	3.25
Rate of increase to pensions in payment – RPI max 2.5%	**2.20**	2.15
Discount rate for scheme liabilities	**2.15**	2.50

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 30 March 2019 and 31 March 2018 were:

	2019		2018	
	US Schemes	**UK Schemes**	**US Schemes**	UK **Schemes**
	$000	**$000**	**$000**	$000
Assets	**939**	**236,952**	1,007	326,135
Liabilities	**(2,178)**	**(229,493)**	(2,232)	(271,816)
(Deficit)/surplus	**(1,239)**	**7,459**	(1,225)	54,319

30. EMPLOYEE BENEFITS (CONTINUED)

	Movement in net defined benefit asset (UK Scheme)					
	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	30 March 2019 $000	31 March 2018 $000	**30 March 2019 $000**	31 March 2018 $000	**30 March 2019 $000**	31 March 2018 $000
Opening balance:	(271,816)	(240,193)	326,135	305,870	54,319	65,677
Past service settlement cost	16,367	-	(17,644)	-	(1,277)	-
Remeasurement (loss)/gain	-	-	(40,504)	(7,048)	(40,504)	(7,048)
Experience gain/(loss)	8,091	-	-	-	8,091	-
Change in assumptions – financial	(11,565)	(9,053)	-	-	(11,565)	(9,053)
Change in assumptions – demographic	-	(3,620)	-	-	-	(3,620)
Interest (cost)/income	(5,849)	(6,149)	7,099	7,895	1,250	1,746
Exchange differences	18,890	(29,006)	(22,458)	35,480	(3,568)	6,474
Contributions paid by employer	-	-	713	143	713	143
Benefits paid	16,389	16,205	(16,389)	(16,205)	-	-
Closing balance:	(229,493)	(271,816)	236,952	326,135	7,459	54,319

	Movement in net defined benefit liability (US Schemes)					
	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	30 March 2019 $000	31 March 2018 $000	**30 March 2019 $000**	31 March 2018 $000	**30 March 2019 $000**	31 March 2018 $000
Opening balance:	**(2,232)**	(2,374)	**1,007**	1,085	**(1,225)**	(1,289)
Current service cost	**(58)**	(61)	**35**	38	**(23)**	(23)
Experience gain/(loss)	**(24)**	67	**6**	(5)	**(18)**	62
Interest (cost)/income	**(30)**	(33)	**-**	-	**(30)**	(33)
Contributions paid by employer	**-**	-	**57**	58	**57**	58
Benefits paid	**166**	169	**(166)**	(169)	**-**	-
Closing balance:	**(2,178)**	(2,232)	**939**	1,007	**(1,239)**	(1,225)

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

Notes relating to the consolidated financial statements

30. EMPLOYEE BENEFITS (CONTINUED)

Following a change to UK scheme rules in September 2012 any surplus after all liabilities have been paid is to be repaid to the Company and consequently the accounting surplus is recognised on the Group balance sheet under IFRIC 14. Given the net surplus after tax was received by the Company in May 2019 the surplus has been treated as a current asset in this year's Statement of Financial Position.

	Expected return on assets UK scheme					
	Long-term rate of return expected at 30 March 2019 % p.a.	**Value at 30 March 2019 $m**	**Long-term rate of return expected at 31 March 2018 % p.a.**	**Value at 31 March 2018 $m**	**Long-term rate of return expected at 1 April 2017 % p.a.**	**Value at 1 April 2017 $m**
Equities	**-**	**-**	**2.5**	**-**	2.55	10.5
Property	**-**	**-**	**2.5**	**0.6**	2.55	6.3
LDI funds	**2.5**	**8.3**	**2.5**	**203.1**	2.55	244.4
Bonds	**-**	**-**	**2.5**	**106.9**	2.55	1.6
Absolute Return	**-**	**-**	**2.5**	**11.5**	2.55	40.2
Insurance policy	**-**	**228.3**	**-**	**-**	-	-
Other/cash	**2.5**	**0.4**	**2.5**	**4.0**	2.55	2.9
Combined	**2.5**	**237.0**	**2.5**	**326.1**	2.55	305.9

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

Investments are included at fair value as follows:

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

The assumed long-term rate of return on each asset class is equal to the discount rate applied to liabilities. The assets held within the US pension scheme amount to $939m (2018: $1,007m) and are held mainly in bonds.

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

	2019			2018		
	US schemes $000	**UK scheme $000**	**Total $000**	US schemes $000	UK scheme $000	Total $000
Included within operating profit:						
– current service cost	**8**	**-**	**8**	9	-	9
– Settlements (adjusting items)	**-**	**1,277**	**1,277**	-	-	-
Included within financial expense:						
– interest on pension liabilities	**45**	**-**	**45**	47	-	47
Included within financial income:						
– interest on pension surplus (adjusting items)	**-**	**(1,255)**	**(1,255)**	-	**(1,741)**	**(1,741)**

The settlements figure of $1,277,000 relates to liability reduction exercises during the year which had an actuarial cost but given this had a beneficial effect on the purchase cost of the insurance policy it was supported by the Company. These resulted in actuarial adjustments to the pension liabilities, which are processed through the Consolidated Income Statement.

30. EMPLOYEE BENEFITS (CONTINUED)

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

	2019			2018		
	US schemes $000	**UK scheme $000**	**Total $000**	US Schemes $000	UK scheme $000	Total $000
Return on plan assets	**(6)**	**(40,504)**	**(40,510)**	(6)	(7,048)	(7,054)
Experience gain/(loss) on liabilities	**45**	**8,947**	**8,992**	68	-	68
Change in assumptions - financial	**-**	**(11,565)**	**(11,565)**	-	(9,053)	(9,053)
Change in assumptions - demographic	**-**	**-**	**-**	-	(3,620)	(3,620)
Amounts recognised during the period	**39**	**(43,122)**	**(43,083)**	62	(19,721)	(19,659)
Exchange adjustment	**-**	**(1,601)**	**(1,601)**	-	4,118	4,118
Balance brought forward	**1,784**	**31,312**	**33,096**	1,722	46,915	48,637
Balance carried forward	**1,823**	**(13,411)**	**(11,588)**	1,784	31,312	33,096

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

	2019		2018	
	US Schemes $000	**UK Scheme $000**	US schemes $000	UK scheme $000
Present value of defined benefit obligation	**(2,178)**	**(229,493)**	(2,232)	(271,816)
Fair value of scheme assets	**939**	**236,952**	1,007	326,135
(Deficit)/surplus in the scheme	**(1,239)**	**7,459**	(1,225)	54,319
Experience adjustments on the scheme liabilities	**45**	**8,947**	68	-
Experience adjustments on scheme assets	**(6)**	**-**	(6)	-
Exchange differences	**-**	**(3,568)**	-	6,474

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

Sensitivity Analysis:

The calculation of the defined benefit obligation is sensitive to the assumptions set out above.

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

	2019	2018
Discount rate	**2.8%**	3.0%
Future salary increases	**-**	-
RPI inflation assumption	**1.8%**	2.0%
Post-retirement mortality rate changed by one year	**4.2%**	4.0%

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 30 March 2016 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Notes relating to the consolidated financial statements

31. ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discussed with the Audit Committee the development, selection and disclosures of the Group's accounting policies and estimates and the application of these policies and estimates. The accounting policies are set out on pages 28 to 36.

The key sources of estimation and uncertainty are:

FINANCIAL INSTRUMENTS

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

PENSIONS

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

DEFERRED TAXATION

Note 14 contains details of the Group's deferred taxation. Liabilities recognised are determined by the likelihood of settlement and the likelihood that assets are received 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. Provisions are reviewed on the basis of historical usage of spare parts, components and raw materials. Calculations of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

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.

GOODWILL

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

ASSETS HELD FOR SALE

The Gamet Bearings freehold property and plant equipment have been valued at fair value less cost to sell on the basis of the ongoing negotiations for the sale of the business.

32. RELATED PARTY TRANSACTIONS

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

Mr P Dupee is the managing partner of Haddeo Partners LLP who have received $84,888 in interest payments during the financial year (2018: $84,175) in respect of their respective holding of the loan notes. At the year-end Haddeo Partners LLP held £810,000 ($1,055,724) of loan notes. In addition, the wife of Mr N Carrick, the Group Finance Director, also held £50,000 ($65,168) of loan notes. Further details on the loan notes can be found in note 19.

Mr D Grimes, the former Divisional Managing Director of Industrial Laser Systems, is party to a trust which owns the property rented by TYKMA Inc. in the US and which received $143,750 rent and associated property costs during the period (2018: $161,500).

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.

33. ALTERNATIVE PERFORMANCE MEASURES

The Directors assess the performance of the Group by a number of measures and frequently present results on an 'underlying' basis, which excludes adjusting items. The Directors believe the use of these 'non-GAAP measures' provide a better understanding of underlying performance of the Group. In addition, discontinued operations are excluded from underlying figures.

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

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

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

Underlying operating profit

	2019 $000	Restated 2018 $000
Operating profit	**3,471**	1,778
Adjusting items included in net operating expenses (see note 3)	**1,786**	-
Underlying operating profit	**5,257**	1,778

Underlying profit for the period from continuing activities		
Profit for the period	**4,233**	**2,593**
Adjusting items included in net operating expenses (see note 3)	**1,786**	-
Adjusting items included in Financial income	**(2,077)**	(1,741)
Adjusting items included in Financial expense	**-**	290
Profit on disposal of ProPhotonix	**-**	(1,256)
Tax effect of rate change in USA	**-**	630
Tax on adjusting items	**48**	609
Underlying profit for the period	**3,990**	**1,125**

Underlying EPS

A reconciliation of underlying EPS is included in note 9

34. POST BALANCE SHEET EVENTS

On 23 April 2019 the buyout of the UK final schemes liabilities was completed with the Pension Insurance Corporation PLC.

On the 29 May 2019, the company received $5.2m (£4.1m) from the completion of the buyout of the 600 Group Pension Scheme, after deduction of statutory 35% tax.

On 30 May 2019 the UK final salary scheme terminated, and the scheme was wound up and trustees discharged.

On 21 June 2019 the group acquired 100% of the voting equity of Control Micro Systems Inc., a company based in Florida USA, manufacturing Laser systems.

The book value of the net assets acquired are as follows:

	$000
Plant and equipment	790
Inventories	1,541
Receivables	851
Cash	2,938
Payables	(1,173)
Total	4,947

At the date of approval of these financial statements, a detailed assessment of the fair value of the identifiable net assets had not been completed.

	$000
Fair value of consideration paid	10,000

The Gamet Bearings business is held for sale at the 30 March 2019 and has not been sold at the date of these financial statements.

35. IMPACT ON THE FINANCIAL STATEMENTS OF CHANGES IN ACCOUNTING POLICIES AND DISCONTINUED ACTIVITIES

As a result of changes in the group's accounting policies, prior year financial statements had to be restated.

As explained below IFRS 9 was applied retrospectively with restatement of comparative information.

The following tables show the adjustments to each line item, but line items not affected have not been included.

In addition, the classification of the Gamet Bearings business as discontinued requires comparative information to be adjusted and this has been included in order to provide the correct restated figures.

	31 March 2018 As originally presented	IFRS 15 ($)	IFRS 9 ($)	Discontinued ($)	31 March 2018 Restated ($)
	$'000	$'000	$'000	$'000	$'000
Revenue	66,014	(497)	-	(1,573)	63,944
Cost of sales	(43,736)	363	(43)	1,053	(42,363)
Gross profit	22,278	(134)	(43)	(520)	21,581
Net operating expenses	(19,938)	-	-	135	(19,803)
Operating Profit	2,340	(134)	(43)	(385)	1,778
Profit before Tax	3,865	(134)	(43)	(385)	3,303
Income Tax	(816)	25	8	73	(710)
Profit from continuing activities	3,049	(109)	(35)	(312)	2,593
Loss/profit from discontinued activities	-	-	-	312	312
Profit for the Period	3,049	(109)	(35)	-	2,905
Earnings per share	2.80c	-	-	-	2.67c

During the year ended 1 April 2017 and 31 March 2018, the retranslation of non-US Dollar functional currency entities has been split between equity reserves. A change in accounting policy has been adopted not to retranslate other equity reserves but to present net assets at closing rates and income statement items at average rates within the translation reserve. As such, an adjustment has been made between the equity reserves; there is no impact to total equity.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)

	31 March 2018 As originally presented	IFRS 15 2017 reverse	IFRS 15 2018	IFRS 9	Discontinued	2017 Changes In accounting policy	2018 Changes In accounting policy	31 March 2018 Restated
	$'000		$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax assets	5,102	-	25	8	-	-	-	5,135
Inventories	19,597	-	363	-	-	-	-	19,960
Trade and other receivables	10,266	-	(497)	(43)	-	-	-	9,726
Net assets	58,737	-	(109)	(35)	-	-	-	58,593
Revaluation reserve	759	-	-	-	-	352	38	1,149
Translation reserve	(4,565)	-	-	-	-	(885)	1,931	3,519
Retained earnings	57,711	(103)	(6)	(35)	-	533	(1,969)	56,131
Total equity	58,737	(103)	(6)	(35)	-	-	-	58,593

35. IMPACT ON THE FINANCIAL STATEMENTS OF CHANGES IN ACCOUNTING POLICIES AND DISCONTINUED ACTIVITIES (CONTINUED)

	1 April 2017 As originally presented	IFRS 15	IFRS 9	Discontinued	Changes In accounting policy	1 April 2017 Restated
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax assets	4,359	24	-	-	-	4,383
Inventories	15,935	226	-	-	-	16,161
Trade and other receivables	9,312	(353)	-	-	-	8,959
Net assets	64,294	(103)	-	-	-	64,191
Revaluation reserve	797	-	-	-	352	1,149
Translation reserve	(6,724)	-	-	-	(885)	(7,609)
Retained earnings	65,461	(103)	-	-	533	65,891
Total equity	64,294	(103)	-	-	-	64,191

Company statement of financial position
As at 30 March 2019

Company Number 00196730

	Notes	As at 30 March 2019 $000	As at 31 March 2018 $000
Non-current assets			
Fixed assets		**3**	4
Intangible assets		**199**	-
Investments	3	**11,342**	12,193
		11,544	12,197
Current assets			
Trade and other receivables	4	**46,677**	50,671
Cash and cash equivalents		**313**	120
		46,990	50,791
Total assets		**58,534**	62,988
Current liabilities			
Trade and other payables	5	**(2,141)**	(2,406)
		(2,141)	(2,406)
Non-current liabilities			
Trade and other payables	5	**(9,946)**	(11,286)
		(9,946)	(11,286)
Total liabilities		**(12,087)**	(13,692)
Net assets		**46,447**	49,296
Shareholders' equity			
Called-up share capital	6	**1,746**	1,746
Share premium account		**2,885**	2,885
Revaluation reserve		**-**	-
Available for sale reserve		**-**	-
Equity reserve		**201**	201
Profit and loss account		**41,615**	44,464
		46,447	49,296

Included in the profit and loss is a profit for the year of $871K (prior year $2,246K). The financial statements on pages 72 to 79 were approved by the Board of Directors on 10 July 2019 and were signed on its behalf by:

NEIL CARRICK
Finance Director
10 JULY 2019

REGISTERED OFFICE
Lowfields Way
Lowfields Business Park
Elland
West Yorkshire
HX5 9DA

Company statement of changes in equity

Company Number 00196730

As at 30 March 2019

	Ordinary share capital $000	Share premium account $000	Revaluation reserve $000	Available for sale reserve $000	Equity reserve $000	Retained Earnings $000	Total $000
At 1 April 2017	**1,629**	**1,484**	**-**	**1,446**	**201**	**38,490**	**43,250**
Profit for the period	-	-	-	-	-	2,246	2,246
Other comprehensive income:							
Foreign currency translation	-	-	-	19	-	3,689	3,708
ProPhotonix disposal	-	-	-	(1,465)	-	-	(1,465)
Total comprehensive income	-	-	-	(1,446)	-	5,935	4,489
Share capital subscribed for	117	1,401	-	-	-	-	1,518
Credit for share-based payments	-	-	-	-	-	39	39
Total transactions with owners	117	1,401	-	-	-	39	1,557
At 31 March 2018	**1,746**	**2,885**	-	-	**201**	**44,464**	**49,296**
Profit for the period	-	-	-	-	-	871	871
Other comprehensive income:							
Foreign currency translation	-	-	-	-	-	(2,661)	(2,661)
Total comprehensive income	-	-	-	-	-	(1,790)	(1,790)
Transactions with owners:							
Share capital subscribed for	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(1,104)	(1,104)
Credit for share-based payments	-	-	-	-	-	45	45
Total transactions with owners	-	-	-	-	-	(1,059)	(1,059)
At 30 March 2019	**1,746**	**2,885**	-	-	**201**	**41,615**	**46,447**

The accompanying accounting policies and notes on pages 73 to 79 form part of these Financial Statements.

Company accounting policies

BASIS OF PREPARATION

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

BASIS OF ACCOUNTING

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

The financial statements have been prepared in accordance with FRS 101 “Reduced Disclosure Framework”. The accounts are prepared to the Saturday nearest to the Company’s accounting reference date of 31 March. The results for 2018 are for the 52-week period ended 31 March 2018. The results for 2019 are for the 52-week period ended 30 March 2019.

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

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

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

- IFRS 2 Share Based Payments in respect of group settled share-based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures and IFRS 15 revenue from contracts with customers.

NOTES ON INTERPRETATION OF ACCOUNTING STANDARDS

REVALUATION OF FIXED ASSETS

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

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:

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

LEASES

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

Company accounting policies

TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

CURRENCY TRANSLATION

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

INVESTMENTS

Investments in respect of subsidiaries are stated at cost less any impairment in value. Prior to the adoption of IFRS 9, investment in quoted shares are classified as available for sale and measured at fair value. Movements in fair value are recorded in the available for sale reserve until the shares are sold, in which case the available for sale reserve is recycled to other comprehensive income. Subsequent to the adoption of IFRS 9, investments in quoted shares are measured at fair value.

DIVIDENDS

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).

IFRS 9 - FINANCIAL INSTRUMENTS

IFRS 9 ‘Financial instruments’ replaces IAS 39 ‘Financial instruments: Recognition and Measurement’ with the exception of macro hedge accounting. The standard is effective for accounting periods beginning on or after 1st January 2018. The standard covers three elements:

- Classification and measurement: Changes to a more principle-based approach to classify financial assets as either held at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss, dependent on the business model and cash flow characteristics of the financial asset; and
- Impairment: Moves to an impairment model based on expected credit losses based on a three-stage approach;
- Hedge accounting: The IFRS 9 hedge accounting requirements are designed to allow hedge accounting to be more closely aligned with the company’s underlying risk management. A new International Accounting Standards Board (IASB) project is in progress to develop an approach to better reflect dynamic risk management in entities’ financial statements.

The company have applied IFRS 9 for the first time in the current year, in replacement of IAS 39. There is no impairment allowance for the receivables from subsidiary undertakings and loans to subsidiary undertakings for either the year ended 30 March 2019, or the year ended 31 March 2018.

Notes relating to the company financial statements

1. PERSONNEL EXPENSES

	2019 $000	2018 $000
Staff costs:		
– wages and salaries	**1,053**	882
– social security costs	**73**	58
– pension charges	**25**	24
– equity share options expense	**45**	39
	1,196	1,003

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

	2019 Number	2018 Number
Head office function	**6**	**6**

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

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

2. DIVIDENDS

A final dividend of 0.5p has been proposed, payable on 30 September 2019 to holders on the register at 31 August 2019.

	2019 $000	2018 $000
Interim Dividend paid September 2018 (0.5p/share)	**736**	-
Final Dividend paid December 2018 (0.25p/share)	**368**	-
Total	**1,104**	-

Notes relating to the company financial statements

3. INVESTMENTS

	Shares In Group Undertakings $000	Total $000
Cost:		
At 31 March 2018	56,624	56,624
Disposals in the period	-	-
Exchange variance	(3,951)	(3,951)
At 30 March 2019	**52,673**	**52,673**
Provisions		
At 31 March 2018	44,431	44,431
Exchange variance	(3,100)	(3,100)
At 30 March 2019	**41,331**	**41,331**
Net book values		
At 30 March 2019	**11,342**	**11,342**
At 31 March 2018	12,193	12,193

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

3. INVESTMENTS (CONTINUED)

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

ENGLAND& WALES:

600 UK Limited*; The 600 Group (Overseas) Limited*; Electrox Laser Limited; Pratt Burnerd International Limited; Electrox Limited; The Colchester Lathe Company Limited; Crawford Collets Limited; 600 Machine Tools Limited; 600 Controls Limited; Pratt Gamet Limited; Gamet Bearings Limited; T S Harrison & Sons Limited; The Richmond Machine Tool Company Limited; 600 Lathes Limited; 600 SPV1 Limited*; 600 SPV2 Limited*; Coborn Insurance Company Limited and The 600 Group Pension Trustees Limited*.
All subsidiary undertakings in England & Wales have their registered offices at Lowfields Way, Lowfields Business Park, Elland, West Yorkshire HX5 9DA except Coborn Insurance Company Limited, whose registered office is PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU.
600 UK Limited's principal activity is the design and distribution of machine tools and precision engineered components. Electrox Laser Limited's principal activity is the design, manufacture and distribution of industrial laser systems. Coborn Insurance Company Limited is a captive insurance company and all other subsidiary undertakings in England & Wales are dormant or holding companies.

US:

600 Group Inc
Clausing Industrial, Inc
TYKMA Inc

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

REST OF THE WORLD:

600 Machine Tools (Pty) Ltd – (Australia)

600 Machine Tools (Pty) Ltd's principal activity is the design and distribution of machine tools and precision engineered components. The registered office is, 27 Foundry Road, 7 Hills, New South Wales, Australia.

The credit risk for receivables from subsidiary undertakings has not increased materially since the initial recognition

There is no impairment allowance for the receivables from subsidiary undertakings and loans to subsidiary undertakings for either the year ended 30 March 2019, or the year ended 31 March 2018.

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

4. TRADE AND OTHER RECEIVABLES

	2019	2018
	$000	$000
Amounts owed by subsidiary undertakings[1]	**46,408**	49,981
Deferred tax	**101**	430
Other debtors	**168**	260
	46,677	50,671

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

Notes relating to the company financial statements

5. TRADE AND OTHER PAYABLES

	2019 $000	2018 $000
Current liabilities:		
Trade payables	**467**	223
Amounts owed to subsidiary undertakings[1]	**1,281**	1,997
Accruals and deferred income	**393**	186
	2,141	2,406

	2019 $000	2018 $000
Non-current liabilities:		
8% loan notes	**9,517**	11,286
Provisions	**429**	-
	9,946	11,286

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

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

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

The $9.5m (£8.5m) of Loan Notes in place at the year-end were issued in three tranches in February, March and August 2015 with 43.95m convertible warrants attached to them. These warrants allow the holders to either convert the loan into shares or to purchase shares at 20p for a cash consideration. The loan has both debt and equity components and $195,000 is shown in equity reserve and the balance after deduction of associated costs and amortisation of $1.2m, is shown in non-current borrowings. Costs are amortised to the income statement over the term of the loan. The loan notes and the warrants expiration date was extended by two years to 14 February 2022. In accordance with IFRS 9 an adjustment to the carrying value of the amortised loan note cost was made and the corresponding amount credited to the income statement. The cost incurred will be amortised over the remaining term.

6. SHARE CAPITAL

	2019 $000	2018 $000
Allotted, called-up and fully paid:		
Ordinary shares of 1p each		
104,357,957 ordinary shares of 1p each on issue at start of the period (2018: 104,357,957 ordinary shares)	1,629	1,629
2017 –8,615,384 ordinary shares of 1p each issued in September 2017	117	117
112,973,341 ordinary shares of 1p each on issue at end of period (2018: 104,357,957 ordinary shares of 1p)	1,746	1,746
Total Allotted, called-up and fully paid at the end of period	1,746	1,746

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

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

The Company has raised £8.5m ($11.08m) through the issue of loan notes. The loan notes maturity was extended by two years in February 2019 to end on 14 February 2022 and carry a coupon of 8% payable quarterly in arrears. The subscribers for loan notes also received warrants with an expiry date which was also extended by two years to 14 February 2022 to subscribe for 43.95m ordinary shares of 1p each in the Company at a price of 20p per Ordinary Share. The issue of the warrants occurred after approval was granted by the shareholders at a general meeting on 18 March 2015. 43.95m warrants remained outstanding at the year-end.

7. CONTINGENT LIABILITIES

	2019	2018
	$000	$000
Bank guarantees in respect of Group undertakings	193	213

8. CAPITAL COMMITMENTS

	2019	2018
	$000	$000
Capital expenditure contracted for but not provided in the accounts	**335**	-

9. PENSION

The Company makes contributions to defined contribution schemes for certain employees. The pension contribution charge for the Company amounted to $24,563 (2018: $24,000).

10. RELATED PARTY TRANSACTIONS

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

Mr P Dupee is the managing partner of Haddeo Partners LLP which has received $84,888 in interest payments during the financial year (2018: $84,175) in respect of their respective holding of the loan notes. At the year-end Haddeo Partners LLP held £810,000 ($1,055,724) of loan notes. In addition, the wife of Mr N Carrick, the Group Finance Director, also held £50,000 ($65,168) of loan notes. Further details on the loan notes can be found in note 19.

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

Company information

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