

**The 600 Group PLC**  
**Annual Report and Accounts 2020**

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## Chairman's statement

### Overview

The Group made significant strides forward in the first half of the FY20 year, eliminating the Group's UK final salary pension scheme, significantly de-risking the Group's balance sheet, opening the European Technology Centre in May 2019 as the new home of the re-launched Colchester Machine Tool Solutions and in June 2019 acquiring Control Micro Systems (CMS), a business highly complementary to the Group's existing laser division and bringing ever more sophisticated, value-added and custom solutions in the use of industrial lasers.

The second half of the year has, unfortunately, been dominated by the downturn in economic conditions, led by the global slowdown in the auto industry, concerns over a trade war between the USA and China and the significant worldwide disruption from the Coronavirus pandemic.

### Divisional overview

The benefits of the rationalisation of the UK Machine Tool division resulted in much improved performance for the year with revenues up 14% and increased operating margins. The final phase of this process was completed in the second half of the year with the sale of the Gamet bearings business and its associated freehold property. This rationalisation has also reduced operational risk and future capital expenditure requirements. The US Machine Tool business, however, suffered in an industry wide slowdown of some 12% and in addition with the Coronavirus pandemic affecting all areas in the last few months of the financial year, the Machine Tool division overall was unable to match the performance of the prior year.

The Industrial Laser division for the first time in over a decade encountered a contracting market place with global laser sales falling in the region of 12% and increased competition and price deflation in the standard laser sector of the industry. The acquisition of CMS helped revenue from June onwards and the existing TYKMA Electro brand made significant moves into more custom and higher specification work where its strengths in design and proprietary software provide greater opportunities for growth and enhanced margins. The acquisition of CMS has significantly enhanced capabilities and brought reduced cyclical customers into the Group. Whilst the move into higher specification work helped maintain gross margins it could not compensate for the fall in volumes in the standard product and the general market issues created in the last few months of the period by the Coronavirus pandemic. As a result, operating profit was lower than the prior year.

### Response to COVID-19

The Group has responded quickly to the Coronavirus pandemic adopting short time and home working. To help mitigate the financial effects, the Group has used government stimulus packages, post March 2020, including loans under the USA Government Paycheck Protection Program and the UK Coronavirus Large Business Interruption Scheme (CLBILS). Some staff have been furloughed under the UK Coronavirus Job Retention Scheme and many employees accepted temporary salary reductions. The Board has taken action to reduce overheads and deferred all non-critical capital expenditure.

The de-risking of the Group with the receipt of the surplus from the successful pension scheme buy out and the sale of the Gamet business and property has helped stabilise debt levels. Group debt is currently at \$13.8m, excluding lease liabilities but including the government loan assistance, which is broadly in line with that at the end of March 2020 and the Group is covenant compliant with adequate banking facilities.

Given the current circumstances no dividend will be paid this year.

### Group restructure

The Board has taken the decision to expand and enhance growth and oversight of the operations in the US by opening an office in Orlando, Florida. Orlando leads the US in photonics technology. Consequently, certain management functions will relocate there during the course of 2021. The Group will also continue to realise the synergies between the laser businesses in Ohio and Florida throughout 2021. The Group will remain UK domiciled and listed in London.

Neil Carrick, CFO, has decided that for personal reasons he will be unable to relocate to Orlando and will leave 600 Group. Neil joined the business in 2011 and has made a great contribution since his arrival, particularly in overseeing the buyout of the UK pension scheme and strengthening the Group's financial position. I would like to personally thank him for all his hard work. He leaves the business well-placed for the future.

I am pleased to announce that G. Mitchell (Mitch) Krasny, CPA, formerly CFO of technology companies, Ucell and Kcell, subsidiaries of Telia Company, Bulgaria Telecom, TV 3 Russia and CFO Eastern Europe and Russia for Millicom and Metromedia International will succeed Neil and be appointed a Director with effect from the end of the next Annual General Meeting. Mitch brings over 35 years of financial and operational experience in public and private companies.

To ensure an orderly handover, Neil will stay with the business and remain a Director until the conclusion of the next Annual General Meeting, which is expected to be held no later than 31 December 2020.

## Chairman's statement

### **People**

Our people are central in continuing the improvement of our business and their safety has been paramount in the recent months. I would like to thank all our employees for their ongoing support, commitment and dedication to The 600 Group during these difficult times. I am hopeful that the sacrifices made will help us to keep our teams together and come out of this well placed to reap the benefits when markets return to some normality.

### **Outlook**

Despite the short-term end-market weaknesses and macroeconomic uncertainty created by the Coronavirus pandemic, the Board continues to believe in the long-term fundamentals of the Group; in brand promotion, investment in new, higher end product capabilities and diversification into new markets and selective acquisitions. Whilst there continues to be reduced activity, the level of order backlog has returned to acceptable levels, given the circumstances, compared to the previous year. The Board have taken decisive action to reduce costs and to keep the workforce and technical competencies together to ensure the Group can react quickly as markets improve.

**Paul Dupee**  
**Executive Chairman**  
**19 November 2020**

## Strategic report

### Our businesses

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

Group businesses serve customers across a very broad range of industry sectors, from medical, pharmaceutical and education through to automotive, aerospace and defence equipment. A large proportion of revenue is derived from sales via third party distribution channels who support these industries locally.

The Group products are noted for their quality and reliability and consequently the Group benefits from a high degree of loyalty and repeat business. Given the large number of customers and established distributors in many countries there are no major sales concentrations of customers or products. In the year ended 28 March 2020 the top 20 customers, of which 15 were distributors, contributed 26% (2019 - 27%) of revenues.

### Revenues

Revenues are generated across many diverse geographical territories:

Percentage of worldwide revenues (by destination)	2020 %	2019 %
United States of America	66	65
United Kingdom	17	15
Europe (excluding UK)	7	10
Rest of the World	<u>10</u>	<u>10</u>
Total	100	100

### Macroeconomic and industry trends

#### 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.

The global industrial laser market is estimated to be in the region of \$5bn but given this is just the laser sources, the actual market for systems incorporating these lasers and associated equipment and software is estimated to be much larger in the region of \$15-\$20bn. The industry had seen mid-single digit increases until 2019 when a fall was recorded. Metal cutting is by far the largest application by value and the market is dominated by China which is the largest producer and consumer of industrial lasers. The fall in the overall market in 2019 is estimated to be in the region of 12% and largely driven by Chinese decline in cutting systems which mirrors the decline in machine tools, both of which are heavily influenced by Chinese demand.

The laser marking and micro-materials processing 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. It is for this reason the Group has focused on the higher end custom products where its strengths in design and proprietary software provide greater opportunities to grow and enhance margin and where the acquisition of CMS during the year has significantly enhanced these capabilities.

The Coronavirus pandemic industry predictions for the laser industry are similar to machine tools with a rapid decline followed by recovery later in 2020 and a return to normal growth through 2021.

#### Machine tools and precision engineered components

The worldwide machine tool industry was estimated by Oxford Economics at nearly \$85bn in annual sales in its Spring 2020 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 which typically lag the main cycle of the economy. 2019 had already seen a global decline of 10% in machine tool consumption and the industry has been severely affected by the Coronavirus pandemic, with estimates of a fall of 28% in World machine tool consumption in the calendar year 2020. However, growth is expected to return in 2021 with a predicted rebound of 33% improvement.

The global market is dominated by China with consumption of \$29bn but this is largely served domestically with China also being the largest producer. The USA is the second largest consumer of machine tools at \$9.6bn followed by Germany at \$7.8bn.

### Our main markets

The main markets we operate in are the USA, Europe and Australia. All these markets had already seen a degree of demand weakness towards the end of 2019 led by Global automotive weakness and the GM strike in the USA and then Boeing's decision to halt production of its 737 MAX aircraft in January 2020. The Global effects of the Coronavirus pandemic have impacted all areas in which the Group operates and it remains to be seen if the predicted pick up in 2021 becomes reality. In addition the possibility of disruption remains due to the ongoing Brexit issues in the UK, and concerns in the USA over tariffs and a trade war with China.

### Activity in the 2019/20 financial year

#### Industrial laser systems

The existing TYKMA ElectroX business continued to see increased competition and price deflation in the lower end standard products sector and although there was a significant increase in custom higher specification sales and a further improvement in gross margins, this was not sufficient to offset the effects of the volume decline from the standard products. The standard product business was also affected by the overall decline in the laser market for the first time in over a decade with Europe and the Far East sales being affected in particular by the decline in the automotive sector. The US market weakened with trade war concerns with China, the General Motors strike and latterly Boeing halting aircraft production. The Coronavirus pandemic further compounded these problems and affected the last few months of the financial year and into the FY21 year.

The acquisition of Control Micro Systems Inc. (CMS) in June 2019 significantly enhanced the Laser Division's competencies in the more sophisticated value-add custom solutions for customers. The business brought vision and robotic capabilities and industry leading positions in the high growth precision medical equipment and pharmaceuticals markets. Whilst these industries are less affected by the capital goods cycles the economic conditions and effects of the Coronavirus pandemic slowed the pace of new projects in this part of the business. The sales organisation has integrated well with the existing business and engineering and software capabilities are being shared to improve services and capabilities for customers.

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

Results for the financial year were as follows:

	2020	2019
	\$ 000	\$ 000
Revenues	23,695	20,592
Underlying operating profit	1,689	2,563
Underlying operating margin	7.1%	12.4%

Underlying operating profit is before adjusting items, which are explained in note 32 Alternative Performance Measurers and set out in note 3.

#### Machine tools and precision engineered components

This division operates from sites in the UK, USA, and Australia providing 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 name Pratt Burnerd. 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's overall revenue was down on the prior year by 2.4%, but this was against the backdrop of a Global industry fall of over 10% in the year to December 2019 and the beginning of the Coronavirus pandemic shutdowns in the last few months of the financial year. Consequently operating margins reduced to 7.4% from the prior year's 8.1%.

The UK operation performed very well in its first full year of business as the re-launched "Colchester Machine Tool Solutions" from the new site in West Yorkshire. The new European Technology Centre integrates a modern, open plan office environment, enhanced manufacturing and warehousing space as well as serving as a dedicated year-round product showroom, demonstration and customer training capability to showcase the business' increasingly innovative product range.

Revenue was up 14% and operating margins improved again from 6.7% to 7.9%. The business had a good order book at the start of 2020 as a result of increased direct sales in the UK which allowed it to continue to operate fairly normally until the end of April when the business then took advantage of Government assistance and furloughed a number of employees as orders reduced with many customers shutting down or restricting site access.

## Strategic report

The move of premises was part of the restructuring of the UK operation which saw a de-risking of operations and reduction in the requirement for ongoing capital expenditure by the outsourcing of further manufacturing. The process was completed towards the end of the year with the sale of the Gamet Bearings operation and its associated property 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. The assets held for sale were separately disclosed at their expected fair value in the Statement of Financial Position at 30 March 2019.

The US machine tool business struggled in a weak market place affected by concerns over tariffs and a trade war with China, the General Motors strike late in 2019 and the Boeing delay to production of its 737 MAX aircraft in January 2020. As a result of COVID shutdowns in the USA, orders started to reduce towards the end of the FY20 financial year and action has been taken to reduce costs and take advantage of Government schemes. As a result of the near 10% fall in revenues in FY20, operating margins reduced to 8.1% from the previous year's 9.3%.

The Australian machine tools business also struggled in an Asian market that bore the brunt of the Global machine tool contraction in addition to difficult economic conditions within Australia. Consequently, a small operating loss was generated for the year. The business is restructuring following a number of retirements and will aim to leverage the Colchester Machine Tool Solutions rebranding in areas where the brand name remains well known.

The financial results of these activities were as follows:

	2020	2019
	\$ 000	\$ 000
Revenues	43,511	44,575
Underlying operating profit	3,216	3,610
Underlying operating margin	7.4%	8.1%

### Group Results

Revenue from continuing operations increased by 3.1% to \$67.2m (2019: \$65.2m) and Group profit before tax and adjusting items was \$1.1m (2019: \$4.1m). The loss before tax after adjusting items was \$0.63m (2019: profit \$4.3m).

### Changes in accounting standards

The Group has adopted the new leasing accounting standard in the year, IFRS 16, which has required all former operating leases to now be recognised on the balance sheet as right of use assets and a corresponding liability created for the future payments. The new standard has been adopted from 31 March 2019 under the modified retrospective approach and therefore comparative figures have not been restated. The rental payments for these leases are no longer reported in the Consolidated Income Statement and are replaced by depreciation of the right of use asset and an interest charge on the lease liabilities. Full details of the effects of this change can be found in note 22.

### 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 32 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 and a profit of \$0.8m has been recorded in the Income Statement as the final cash refund of surplus of \$5.2m, net of tax, was higher than originally expected.

As a result of the outsourcing of manufacturing in the UK, the existing premises were vacated and a sublet was in the process of being completed when the premises flooded in February 2020. Given this issue and the uncertainty over economic conditions as a result of the Coronavirus pandemic it is not known if a sub-let can now be achieved and consequently the right of use asset has been impaired resulting in a further charge in the year of \$0.4m. A further provision has been recognised in the year relating to the unavoidable costs associated with the ongoing lease, resulting in a charge of \$0.4m.

Acquisition costs on CMS and abortive costs on a further two acquisitions in the year were \$0.7m and costs in relation to duty and tariff misdeclarations between 2016 and 2019 which were discovered in TYKMA were \$0.3m. Amortisation of the intangible assets acquired through the CMS deal of \$0.3m is also included in adjusting items.

## Strategic report

In the prior year before the buy-out of the Group pension scheme was completed 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 was shown in adjusting items within operating profit in the prior year.

In the prior year a credit of \$1.26m was 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 arose as a pension accounting entry under the required standard due to the surplus in the scheme recorded in the balance sheet.

In the prior year the carrying value of the amortised cost of the loan notes was re-assessed and a net credit of \$0.82m arose in financial income as a result of the extension of these instruments by a further two years. The current year includes amortisation cost of \$0.5m as an adjusting item in financial expense.

An amount of \$0.5m (2019 \$0.96m) has been recorded to reduce the value of the Gamet assets sold in line with proceeds of sale.

### Taxation

As a result of adjustments to deferred taxes and taxable losses in the current year there is a credit for taxation of \$1.2m (2019 charge of \$0.07m) on pre adjusting items profit.

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 that 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 Federal taxation on their profits at the rate of 21% but also suffer State taxes which increases their overall composite rate to 25%.

### Net profit and earnings per share

The total continuing amount attributable to equity holders of the parent for the current financial year amounted to a profit of \$0.6m (2019: \$4.2m profit) with pre-adjusting items profit of \$2.3m (2019: \$4m). The total loss including the effects of the Gamet discontinued operation is \$0.4m (2019: profit \$3.1m).

Underlying basic earnings from continuing operations before adjusting items and related taxation were 1.97 cents (equivalent to 1.55p) per share (2019: 3.53 cents, equivalent to 2.69p) and basic earnings per share were a profit of 0.51 cents (equivalent to 0.40p) (2019: 3.75 cents profit, equivalent to 2.88p) see note 9.

### Financial position and utilisation of resources

#### Cash flow

Cash generated from operations before working capital movements was \$3.1m (2019: \$4.8m).

Working capital remains under control and stock levels were unchanged from the prior year despite the acquisition of CMS during the year. Trade receivables and payables decrease reflects the deterioration in trading conditions in the last quarter of the year which was exacerbated by the start of the Coronavirus pandemic.

Interest paid (excluding the effect of lease accounting) reduced slightly to \$1.1m (2019: \$1.2m) although the largest component of this is fixed, being the interest on the £8.5m (\$9.6m) 8% loan notes.

Capital expenditure consisted of the final stages of development work on the upgrading of the industrial laser division proprietary software of \$0.4m, demonstration and showroom equipment for the laser business of \$0.1m, and machine shop equipment and fixtures to finalise the new European Technology Centre in the UK for \$0.3m. The development and fit out expenditure will not repeat and the sale of the Gamet business and outsourcing of manufacturing has significantly reduced future capital expenditure requirements.

The business and asset sale of the discontinued Gamet Bearings operation was concluded in October 2019 with the receipt of \$0.45m and the Colchester property sale completed in February 2020 with a further \$0.5m of proceeds received.

The \$10m consideration for CMS was funded by \$4m of the \$5.2m of pension scheme refund along with the utilisation of existing credit lines and a new \$3.25m 5-year term loan from Bank of America plus the issue of \$1m of shares to the CMS founder, Tim Miller, who remains with the business.

Dividends of \$1.1m were paid during the year (2019: \$1.1m).

### Net borrowings

Group net debt at 28 March 2020 excluding lease liabilities is largely unchanged on the prior year at \$14.2m (2019 \$14.5m) and comprised net bank indebtedness of \$4.8m (2019: \$5m) and the discounted amount outstanding on the loan notes of \$9.4m (2019: \$9.5m). The loan notes are shown net of un-amortised discounting and costs and also amounts disclosed in equity reserve which amount to \$0.2m in the current financial year (2019: \$0.2m).



## Strategic report

Working capital facilities totaling \$10.6m were renewed with HSBC and Bank of America during the year and are due to be reviewed in the normal course over the next few months and are expected to be continued on the same basis. An additional term loan of \$3.25m was taken out to help fund the acquisition of CMS in June 2019. The mortgage on the Gamet building of \$0.3m was repaid on the sale of the property in February 2020. The Group maintains a mixture of term loans and revolving working capital facilities with maturities between 1 and 4 years. Headroom on bank facilities was \$8.7m at the year-end (2019: \$8.7m) and all financial covenants in place were met during the year.

Subsequent to the year end the Group has taken advantage of Government schemes and has received \$2.2m of loans across our three USA businesses under the Paycheck Protection Program. These loans may be forgiven dependent on expenditure on certain items and employment numbers with any amount not forgiven repayable as a 2 year loan at 1% interest rate. The UK machine tools business received a \$1.5m loan under the Coronavirus Large Business Interruption Loan Scheme with a 3 year bullet repayment in September 2023 and 1.92% interest.

The £8.5m (\$9.6m) 8% loan notes maturity was 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.

Gearing (excluding lease accounting) amounted to 50% of aggregate net assets (2019: 49%).

### 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 pages 1 to 2 and the Strategic Report on pages 3 to 9.

The financial position of the Group, liquidity, cash flows and borrowing facilities are described in the Strategic Report. Note 26 to the Financial Statements also sets out the Group's objectives, policies and processes for measuring and managing its capital and financial risk management. Details of its financial instruments, exposure to foreign exchange, credit and interest rate risk is also covered in note 26. Further details on the Group's cash and bank borrowings are included in notes 18,19 and 25.

The UK bank facilities with HSBC have no specific financial covenants. Trade loans and invoice financing need to be backed by the assets they are funding. There are no covenants in respect of the new Coronavirus Large Business Interruption Loan scheme (CLBILS) taken out in August 2020. The borrowings with Bank of America are subject to adjusted EBITDA to a fixed charge and to senior debt and an overall asset cover test. The short term trade and credit facilities are due to be reviewed over the coming months and are expected to continue in the ordinary course of business on the same terms.

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and assumptions, which take account of reasonably possible changes in trading activity and considering the existing banking facilities, including discussion with the Bank of America on the possibility of covenant adjustments should this be required, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements.

The continuing uncertainty of the impact of the Covid-19 pandemic on the Group has been considered as part of the Group's adoption of the going concern basis. Whilst all facilities remain open there are reduced working hours and staffing levels in place in certain areas. Operating costs have been reduced, government employment assistance schemes and government loans have been utilised where available.

As part of their assessment the Directors have considered downside scenarios that reflect the current unprecedented uncertainty in the worldwide markets the Group operates in and which are considered to be severe but plausible. Revenue deductions of 25% against the 2020 financial year and 30% against the pre pandemic 2019 year have been considered against which mitigating actions of headcount reduction, utilisation of government assistance, pay reductions and cash preservation actions including reductions in capital expenditure and deferral of taxation have been applied.

The results of these scenarios show that there is sufficient liquidity in the businesses for a period of at least 12 months from the date of approval of these financial statements. Lenders remain supportive and have indicated a willingness to assist with covenant changes in the event that flexibility may be required in the short term.

In the most severe case where revenue falls are greater than 30% and lenders elect not to provide covenant flexibility, and trigger a repayment of outstanding debt, then without further mitigating actions or additional funding the Group maybe unable to realise assets and discharge liabilities in the normal course of business.

Having undertaken this work, the Directors are of the opinion 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 consolidated financial statements.

### Retirement benefits

The UK pension scheme buy-out was completed in late April 2019 and the remaining surplus in the scheme of \$8.3m repaid to the Group after deduction of 35% tax with the Group receiving the net \$5.2m at the end of May 2019. As a result of the accounting surplus on the UK scheme at 30 March 2019 being \$7.5m, a profit on disposal of the pension scheme of \$0.8m is recorded in the consolidated income statement in adjusting items and associated taxation of \$0.3m is recognised through other comprehensive income.

The US retiree health scheme and pension fund deficits increased slightly to \$1.3m (2019: \$1.2m).

## Strategic report

### 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 revenue and underlying operating profit.

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

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. Revenue targets are to outperform the market forecasts by 1% (3% market forecast for 2020) and achieve a 10% underlying operating margin target.

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

KPI	2020	2019
Revenue (annual growth rate)	3.1%	1.9%
Underlying operating margin (% of revenue)	4.1%	8.1%

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 3 to 5.

### S172 of the Companies Act

Disclosures relating to S172 of the Companies Act came into force on 1 January 2019 and require specific reference to how the Directors promote the success of the Company for the benefit of its members as a whole.

The Group takes decisions for the long term and aims to uphold the highest standards of conduct and expect all employees, at every level, to do the same. The Directors are aware that in order for the business to grow in the longer term the needs and views of customers, employees and local communities in which we operate have to be considered as well as our suppliers and the shareholders to whom we are accountable. This report and that of corporate governance sets out how we manage our relationships with these groups.

The Directors consider the effects of S172 in all its decisions and the impact on any specific group in relation to the subject matter is also considered. The key decision in the year was the acquisition of CMS which required the Directors to consider in particular not only the funders of the acquisition but the employees of the existing laser business and how the CMS operation would integrate into the existing structures, with particular emphasis on the sales and marketing capabilities of TYKMA Electrox. The acquisition significantly enhanced the technical capabilities of the laser division and as such was seen to provide longer term prospects in the high growth medical and pharmaceutical markets which would benefit shareholders in the long term.

The Directors consider the interest of the Group's employees and other stakeholders, including the impact of its activities on the community, environment and the Group's reputation when making decisions. The directors, acting fairly between members, and acting in good faith, considers what is most likely to promote the success of the Group for its shareholders in the long term.

Further information in relation to each specific consideration of the Directors is set out below:

Consideration	Further information
The likely consequence of any decision in the long term;	Page 10 sets out the corporate governance and management framework and the strategy update is included in the Outlook section of the Executive Chairman's statement on page 1 and point 1 of the QCA code on page 11
The interests of the company's employees	Page 11 sets out the consideration of the interests of the employees
The need to foster the company's business relationships with suppliers, customers and others,	The operating review on pages 3 to 6 discusses the need to foster the business's external relationships
The impact of the company's operations on the community and the environment	The operating review on 3 pages 6 to discusses these issues along with the environmental reporting within the Director's report on page 15
The desirability of the company maintaining a reputation for high standards of business conduct, and	The corporate governance report on pages 10 to 12 sets out how the Directors promote this.
The need to act fairly as between members of the company	Pages 8 to 9 set out the company's values whilst the corporate governance report on pages 10 to 12 considers relations with members

## Strategic report

### Principal 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 and the Coronavirus pandemic during the financial year are examples of factors which have resulted in changes in demand. The Directors seek to ensure that 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. Delays in the shipment of goods as a result of Brexit may affect lead times and create some disruption. 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 eighth largest producer nation of machine tools, with global production valued at almost US \$2.1 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.

### 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.

### Other 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**  
**19 November 2020**

## 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](http://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 9 years, he continues to provide a valuable input into Board discussion with his engineering and manufacturing background and significant experience in the Far East and remains independent of thought.

The Directors met 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 13.

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 17-19.

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.**

Details of the Board members and how it functions are included in The Board description in the Corporate Governance report on page 10.

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 is a New York-qualified lawyer and was a partner in the tax practice of Allen and Overy LLP. He has significant experience of multinational tax planning, particularly involving 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](http://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.

## Audit Committee report

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 new lease accounting standards of IFRS 16 and the application of IFRS 15 (Revenue from contracts with customers) to the emerging new revenue stream of custom laser jobs in both the newly acquired CMS and in TYKMA.

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.

One of the key priorities of the Audit Committee is the safeguarding of the Group's assets, both physical, such as inventory and intangible, such as software and intellectual property. This is achieved through implementation of policies and procedures and regular checks to ensure these are in operation.

In response to the Covid-19 pandemic, implementation of daily reporting of key business metrics and staff attendances and sickness was overseen by the Audit Committee with a particular emphasis on cash control and forecasting.

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**  
**19 November 2020**

## Directors report

The Directors present their report to the members, together with the audited financial statements for the 52 week period ended 28 March 2020, 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.

### 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 25.

### 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 9. This analysis includes comments on the position of the Group at the end of the financial period, consideration of the principal risks and uncertainties facing the business and the key performance indicators which are monitored in relation to the achievement of the strategy of the business.

### Research and development

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

### Interests in share capital

At 30 October 2020, 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	10,600,000	9.02
Mr T Miller	4,500,000	3.83
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 25 September 2019. This authority remains valid until the conclusion of the next Annual General Meeting.



## Directors report

### **Directors**

Details of the current Directors of the Company are shown on page 10.

The beneficial interests of the directors in the share capital of the Company at 28 March 2020 are shown in the Remuneration Report on pages 17 to 19.

No Director has a beneficial interest in the shares or debentures of any other Group undertaking.

### **Social, Community and human rights employment policies**

The group remains committed to developing policies in line with best practice. Equal opportunities are provided for all, irrespective of gender, age, sexual orientation, ethnic origin, religious beliefs or disability.

All reasonable efforts are made to support employees who become disabled, either in their current role or in alternative suitable work.

### **Sustainability 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 including consideration of alternatives in the design of new products and processes 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 and recycle material wherever possible.

### **Annual quantity of emissions**

The data for the annual quantity of emissions has been collated for all subsidiaries and the group is considered to be a low energy user.

### **Dividend**

Dividends of 0.5p (0.7cents) per ordinary share was paid on 30 September 2019 and of 0.25p (0.325cents) was paid on 10 January 2020. Given the current situation no dividend is recommended for the remainder of the year.

### **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.

### **Reappointment of auditor**

A resolution reappointing BDO LLP as the statutory auditor will be proposed at the Annual General Meeting in December 2020.

On behalf of the Board

**Neil Carrick**  
**Finance Director**  
**19 November 2020**

## 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**  
**19 November 2020**

## Remuneration report

As an AIM listed company The 600 Group plc is not required to prepare a remuneration report in accordance with Directors Report Regulations of the Companies Act 2006, however the Directors recognise the importance and support the principles of the Regulations. The Auditor is not required to report to the shareholders on the remuneration report, but the table of Directors' emoluments on page 18 and the table of Directors' share options on page 19 do form part of the audited accounts.

### **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 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**

No bonus was earned in the year under this scheme and the scheme has been suspended as a result of the Coronavirus pandemic.

#### **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. 900,000 nil cost options were issued to 11 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 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. 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.

## Remuneration report

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 28 March 2020 in the ordinary shares of the Company were as follows:

	At 28 March 2020 Number	At 30 March 2019 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	400,000

P R Dupee's interest in the 23.5m shares arises from his position as Managing Partner of Haddeo Partners LLP, which owns these shares.

In addition, Haddeo Partners LLP holds 5,050,000 warrants and N R Carrick's wife 250,000 warrants which can be used to either convert their loan notes into shares or to purchase shares for a cash consideration.

### Audited Information

#### Directors' emoluments

	Salary \$	Fees \$	Pension \$	Bonus \$	All benefits in kind \$	Total 2020 \$	Total 2019 \$
P R Dupee	416,500	-	-	-	-	416,500	420,000
N R Carrick	220,572	-	20,018	-	25,364	265,954	405,328
D Zissman	-	41,593	-	-	-	41,593	43,230
S J Rutherford	-	41,593	-	-	-	41,593	43,230
S E Fiamma	-	45,815	-	-	-	45,815	46,200
<b>Total</b>	<b>637,072</b>	<b>129,001</b>	<b>20,018</b>	<b>-</b>	<b>25,364</b>	<b>811,455</b>	<b>957,988</b>

Mr Dupee's salary was increased to £300,000 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 aggregate employers NIC relating to directors was \$39,765 (2019: \$59,174)

## Remuneration report

### Directors' share options

Details of share options at 28 March 2020 and 30 March 2019 for each Director who held office during the year are as follows:

	Number of options at 30 March 2019	Granted	Exercised	Lapsed/ forfeited	Number of options at 28 March 2020
N Carrick	3,150,000	-	-	-	<b>3,150,000</b>
P Dupee	1,000,000	-	-	-	<b>1,000,000</b>
S Rutherford	500,000	-	-	-	<b>500,000</b>
D Zissman	500,000	-	-	-	<b>500,000</b>
S Fiamma	500,000	-	-	-	<b>500,000</b>

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 \$93,000 (2019: \$45,000).

The share price at 28 March 2020 was 7.38p (9.37cents) and the highest and lowest prices during the period were 21.60p (27.45cents) and 7.38p (9.37cents) respectively.

On behalf of the Board

**Stephen Fiamma**

**Chairman of the Remuneration Committee.**

**19 November 2020**

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

### Opinion

We have audited the financial statements of The 600 Group Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 28 March 2020 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated cash flow statement and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, 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 28 March 2020 and of the Group's loss 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 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) that 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.

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### Revenue recognition

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#### **Key audit matter**

#### **Response**

As detailed in note 33 to the Group financial statements, the Group acquired a subsidiary, Control Micro Systems Inc. ("CMS"), during the current financial year. We considered the revenue streams and associated contractual obligations within CMS against the requirements of IFRS 15. This

Whilst the adoption of IFRS 15 *Revenue from contracts with customers* ("IFRS 15") was applied by the Group during the previous financial year CMS, being a privately owned US-incorporated company, had not previously applied this accounting standard.

The application of IFRS 15 in respect of revenue earned by CMS resulted in changes to the pattern of recognition of revenue within this component, specifically with respect to the sale of higher value 'bespoke' laser machines.

There are judgements involved in the application of the revenue recognition policy to CMS, including the pattern of recognition over the contract term and the estimation of contract margin.

In view of the time spent by the group and component audit teams on this area and the judgements involved we determined this to be a key audit matter.

highlighted a key distinction between 'standard' and 'bespoke' laser machines.

We evaluated management's assessment of the performance obligations in relation to these revenue streams, and challenged the key judgements made by management around the control of goods.

Specifically, we ensured there was sufficient evidence of the fact that bespoke machines cannot be sold to alternative parties, and that the contractual terms support this and the Group's right to receive payment for work done to date.

Contract costs, which determine the stage of completion of the contract, were substantively tested for a sample of contracts. Contract values were verified to underlying agreements and revenue in the year was recalculated.

Billings to date were also tested to confirm the contract asset or liability recognised at the reporting date.

Based on the work performed we considered revenue in respect of the bespoke contract sales to have been appropriately recognised.

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## Carrying value of inventories

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### **Key audit matter**

As described in note 30, *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 consumption rate and the stockholding at the reporting date.

This policy provides against inventory on an incremental basis reflecting the expected time to sell the goods in normal operating cycles. Judgements are present in the level of provision applied to each year of 'excess' stock, as well as the number of years beyond which provision is introduced.

Due to the significant value of inventory at the reporting date, and the estimation uncertainty in the calculation of the inventory provision, we have identified this as a key audit matter.

### **Response**

We tested the integrity of the provision calculations to check that they were using the underlying data correctly and calculating provision amounts accurately.

In doing this we attended inventory counts at all material stockholding locations, to verify the accuracy of underlying quantity data, as well as the overall condition of stock at the reporting date. We also performed substantive testing of inventory cost to confirm the accuracy and age.

We performed sensitivity analysis over the key judgements by testing the impact of reasonable changes in the level of provision applied to each age bracket, and by changing the period of time after which inventory provisions are introduced. In doing this we shortened the period of consumption and challenged management as to whether provisions were required against a sample of inventory lines that were not written down under the existing policy.

We also 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.

Based on the work performed we considered management's judgement on the level of inventory provision to be reasonable.

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## Impairment of goodwill

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### **Key audit matter**

As described in note 30, *Accounting estimates and judgements*, the Directors have assessed the recoverable value of goodwill at the reporting date.

The group's goodwill is classified into two cash generating units ('CGUs') corresponding to the operations supporting those assets. This results in recognition of \$10.3m of goodwill relating to the Tykma subsidiary, and a further \$2.8m relating to CMS, at 28 March 2020.

The discounted cash flow calculations used to consider the recoverable value of goodwill are based on the forecast future performance for these business areas. Following the Covid-19 outbreak there is increased uncertainty in these forecasts.

Other estimates are made in the impairment review calculations, including the discount rate applied to the cash flows and the growth rate into perpetuity.

Due to the estimation uncertainty in the calculation of the recoverable value of goodwill we have identified this as a key audit matter.

### **Response**

We reviewed the mechanical accuracy of management's goodwill impairment calculations, and considered the accuracy of key inputs including forecast cash flows and discount rate.

We performed an assessment of the cash flow forecasts by comparing them to the current year and using the post balance sheet period to retrospectively evaluate management's ability to forecast accurately.

We also considered the growth rate applied to the cash flow forecasts, challenging management on the basis of this and calculating the sensitivity of reasonable changes in this estimate.

We validated the inputs to the discount rate against external and internal sources of information as applicable, and performed sensitivity analysis on this to determine the discount rate required to change the impairment conclusion.

We did not identify any impairment of goodwill within reasonable sensitivities on the key areas of estimation.

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## 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.

Materiality for the Group financial statements as a whole was set at \$170,000 (2019: \$200,000). This represents 5% of statutory profit or loss before tax, averaged over the current and previous three financial years. Profit or loss before tax is deemed to be the measure of most interest to the users of the financial statements. Component materiality was set in the range of \$25,000 to \$130,000 (2019: \$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 was set at 70% (2019: 70%) 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 \$3,000 (2019: \$4,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Materiality for the parent company financial statements was capped at \$25,000 (2019: \$50,000) and it was agreed that 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.



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

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

As the majority of the Group's activity is conducted in the USA at three locations, the Group audit team involved local BDO member firms in these locations as component auditors. Full scope audits were conducted on these three significant components, with a high level of involvement by the Group audit team. This included, most notably, setting of materiality, risk identification 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 stages. In previous years this has included site visits and file reviews alongside component audit teams, however due to travel restrictions imposed as a result of the Covid-19 outbreak the required engagement was obtained through remote mechanisms for the current year audit. This included conference/video calls at planning, execution and completion stages of the audit with all BDO component audit teams and the local management teams. Remote file reviews were performed alongside component audit teams at the three significant locations, with subsequent calls and resolution of findings prior to reporting.

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

Assurance was obtained over other non-significant components 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 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view,

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

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](http://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: 19 November 2020

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 28 March 2020

		Before Adjusting Items 52 weeks ended 28 March 2020	Adjusting Items 52 weeks ended 28 March 2020	After Adjusting Items 52 weeks ended 28 March 2020	Before Adjusting Items 52 weeks ended 30 March 2019	Adjusting Items 52 weeks ended 30 March 2019	After Adjusting Items 52 weeks ended 30 March 2019
	Notes	\$000	\$000	\$000	\$000	\$000	\$000
<b>Continuing</b>							
Revenue	1	67,206	-	67,206	65,167	-	65,167
Cost of sales		(43,491)	(254)	(43,745)	(41,641)	-	(41,641)
<b>Gross profit</b>		<b>23,715</b>	<b>(254)</b>	<b>23,461</b>	23,526	-	23,526
Net operating expenses	2	(20,988)	(1,742)	(22,730)	(18,269)	(1,786)	(20,055)
Profit on disposal of pension scheme	29	-	809	809	-	-	-
<b>Operating profit/(loss)</b>		<b>2,727</b>	<b>(1,187)</b>	<b>1,540</b>	5,257	(1,786)	3,471
Financial income	6	5	22	27	35	2,077	2,112
Financial expense	6	(1,664)	(536)	(2,200)	(1,236)	-	(1,236)
<b>Profit/(loss) before tax</b>		<b>1,068</b>	<b>(1,701)</b>	<b>(633)</b>	4,056	291	4,347
Income tax (charge)/credit	7	1,228	-	1,228	(66)	(48)	(114)
<b>Profit for the period on continuing activities attributable to equity holders of the parent</b>		<b>2,296</b>	<b>(1,701)</b>	<b>595</b>	3,990	243	4,233
Loss on discontinued operations	17	(417)	(543)	(960)	(146)	(961)	(1,107)
<b>Profit/(loss) for the period attributable to the equity holders of the parent</b>		<b>1,879</b>	<b>(2,244)</b>	<b>(365)</b>	3,844	(718)	3,126
Basic earnings per share - continuing activities	9	1.97c		0.51c	3.53c		3.75c
Diluted earnings per share - continuing activities	9	1.92c		0.50c	3.50c		3.71c
Basic earnings per share	9	1.61c		(0.31c)	3.40c		2.77c
Diluted earnings per share	9	1.57c		(0.31c)	3.37c		2.74c

### Company Number 00196730

The accompanying accounting policies and notes on pages 30 to 73 form part of these Financial Statements.

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.

The Group has initially applied IFRS16 using the modified retrospective method. Under this method, the comparative information is not restated. See Accounting Policies note on page 36 and note 22.

**Consolidated statement of comprehensive income**  
For the 52-week period ended 28 March 2020

		52-week period ended	52-week period ended
		28 March	30 March
		2020	2019
	Notes	\$000	\$000
<b>(Loss)/profit for the period</b>		<b>(365)</b>	3,126
<b>Other comprehensive income/(expense)</b>			
<i>Items that will not be reclassified to the Income Statement:</i>			
Remeasurement of defined benefit asset	29	<b>(36)</b>	(43,083)
Property revaluation	11	<b>199</b>	-
Deferred taxation	14	<b>(282)</b>	15,071
<b>Total items that will not be reclassified to the Income Statement:</b>		<b>(119)</b>	(28,012)
<i>Items that are or may in the future be reclassified to the Income Statement:</i>			
Foreign exchange translation differences		<b>(606)</b>	(3,005)
<b>Total items that are or may in the future be reclassified to the Income Statement:</b>		<b>(606)</b>	(3,005)
<b>Other comprehensive expense for the period, net of income tax</b>		<b>(725)</b>	(31,017)
<b>Total comprehensive expense for the period</b>		<b>(1,090)</b>	(27,891)
<b>Attributable to:</b>			
Equity holders of the Parent Company		<b>(1,090)</b>	(27,891)

The accompanying accounting policies and notes on pages 30 to 73 form part of these Financial Statements.

The Group has initially applied IFRS16 using the modified retrospective method. Under this method, the comparative information is not restated. See Accounting Policies note on page 36 and note 22.

**Consolidated statement of financial position**  
As at 28 March 2020

Company Number 00196730

	Notes	As at 28 March 2020 \$000	As at 30 March 2019 \$000
<b>Non-current assets</b>			
Property, plant and equipment	11	4,060	3,435
Goodwill	12	13,174	10,329
Other Intangible assets	12	3,868	1,110
Right of use assets	22	9,060	-
Deferred tax assets	14	4,415	4,578
		<b>34,577</b>	19,452
<b>Current assets</b>			
Inventories	15	19,054	19,030
Trade and other receivables	16	8,084	9,163
Employee Benefits	29	-	7,459
Taxation	16	222	294
Deferred tax assets	14	1,148	-
Assets classified as held for sale	17	-	1,108
Cash and cash equivalents	18	2,878	948
		<b>31,386</b>	38,002
<b>Total assets</b>		<b>65,963</b>	57,454
<b>Non-current liabilities</b>			
Employee benefits	29	(1,261)	(1,239)
Loans and other borrowings	19	(11,654)	(10,173)
Lease liabilities	22	(8,344)	-
		<b>(21,259)</b>	(11,412)
<b>Current liabilities</b>			
Trade and other payables	20	(8,298)	(8,095)
Lease liabilities	22	(1,608)	-
Deferred tax liabilities	14	(236)	(2,541)
Provisions	21	(590)	(447)
Loans and other borrowings	19	(5,414)	(5,316)
		<b>(16,146)</b>	(16,399)
<b>Total liabilities</b>		<b>(37,405)</b>	(27,811)
<b>Net assets</b>		<b>28,558</b>	29,643
<b>Shareholders' equity</b>			
Called-up share capital	23	1,803	1,746
Share premium account		3,828	2,885
Revaluation reserve		1,348	1,149
Equity reserve		201	201
Translation reserve		(7,130)	(6,524)
Retained earnings		28,508	30,186
<b>Total equity</b>		<b>28,558</b>	29,643

The financial statements on pages 25 to 73 were approved by the Board of Directors on 19 November 2020 and were signed on its behalf by:

**NEIL CARRICK**  
Finance Director  
19 November 2020

**Consolidated statement of changes in equity**  
As at 28 March 2020

Company Number 00196730

	Ordinary share capital \$000	Share premium account \$000	Revaluation reserve \$000	Translation reserve \$000	Equity reserve \$000	Retained Earnings \$000	Total \$000
<b>At 31 March 2018</b>	<b>1,746</b>	<b>2,885</b>	<b>1,149</b>	<b>(3,519)</b>	<b>201</b>	<b>56,131</b>	<b>58,593</b>
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)
<b>At 30 March 2019</b>	<b>1,746</b>	<b>2,885</b>	<b>1,149</b>	<b>(6,524)</b>	<b>201</b>	<b>30,186</b>	<b>29,643</b>
Loss for the period	-	-	-	-	-	(365)	(365)
Other comprehensive income:							
Foreign currency translation	-	-	-	(606)	-	-	(606)
Property revaluation	-	-	199	-	-	-	199
Net defined benefit movement	-	-	-	-	-	(36)	(36)
Deferred tax	-	-	-	-	-	(282)	(282)
Total comprehensive income	-	-	199	(606)	-	(683)	(1,090)
Transactions with owners:							
Share capital subscribed for	57	943	-	-	-	-	1,000
Dividend	-	-	-	-	-	(1,088)	(1,088)
Credit for share-based payments	-	-	-	-	-	93	93
Total transactions with owners	57	943	-	-	-	(995)	5
<b>At 28 March 2020</b>	<b>1,803</b>	<b>3,828</b>	<b>1,348</b>	<b>(7,130)</b>	<b>201</b>	<b>28,508</b>	<b>28,558</b>

The accompanying accounting policies and notes on pages 30 to 73 form part of these Financial Statements.

The Group has initially applied IFRS16 using the modified retrospective method. Under this method, the comparative information is not restated. See Accounting Policies note on page 36 and note 22.

## Consolidated cash flow statement

For the 52-week period ended 28 March 2020

		52-week period ended 28 March 2020	52-week period ended 30 March 2019
	Notes	\$000	\$000
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period		(365)	3,126
<b>Adjustments for:</b>			
Amortisation	12	325	73
Depreciation	11	651	540
Depreciation of right of use assets		1,254	-
Net financial expense/(income)	6	2,173	(876)
Non-cash adjusting items		879	2,238
Loss/(profit) on disposal of property, plant and equipment		32	(461)
Loss on assets held for resale	17	127	-
Profit on disposal of pension fund	29	(809)	-
Equity share option expense	5	93	45
Income tax (credit)/expense	7	(1,228)	114
<b>Operating cash flow before changes in working capital and provisions</b>		<b>3,132</b>	<b>4,799</b>
Decrease/(increase) in trade and other receivables		2,587	(451)
Decrease/(increase) in inventories		67	(730)
Decrease in trade and other payables		(973)	(352)
Employee benefits contributions		(78)	(13)
Proceeds from Pension fund disposal	29	5,213	-
<b>Cash generated by operations</b>		<b>9,948</b>	<b>3,253</b>
Interest paid		(1,141)	(1,236)
Lease interest		(375)	-
Income tax received/(paid)		-	(125)
<b>Net cash flows from operating activities</b>		<b>8,432</b>	<b>1,892</b>
<b>Cash flows used in investing activities</b>			
Interest received		5	1
Proceeds from sale of property, plant and equipment		57	514
Proceeds from assets held for sale	17	926	-
Payment for acquisition of subsidiary, net of cash acquired	33	(6,072)	-
Purchase of property, plant and equipment	11	(649)	(1,245)
Development and IT software expenditure capitalised	12	(351)	(1,399)
Proceeds from sale of development expenditure		-	639
<b>Net cash flows used in investing activities</b>		<b>(6,084)</b>	<b>(1,490)</b>
<b>Cash flows used in financing activities</b>			
Dividends paid	8	(1,088)	(1,104)
Proceeds from external borrowing		1,928	2
Lease payments		(1,212)	-
Net finance (expenditure)/income		-	59
<b>Net cash flows used in financing activities</b>		<b>(372)</b>	<b>(1,043)</b>
Net increase/(decrease) in cash and cash equivalents	24	1,976	(641)
Cash and cash equivalents at the beginning of the period		948	1,676
Effect of exchange rate fluctuations on cash held		(46)	(87)
<b>Cash and cash equivalents at the end of the period</b>	<b>18</b>	<b>2,878</b>	<b>948</b>

The accompanying accounting policies and notes on pages 30 to 73 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 2020 are for the 52-week period ended 28 March 2020. The results for 2019 are for the 52-week period ended 30 March 2019.

Given two thirds of the revenues and a large proportion of expenditure is either in US 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 74 to 83.

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 28 March 2020:

- IFRS 16- Leases (effective for accounting periods on or after 1 January 2019)

Adoption of IFRS 16 has resulted in the group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases previously classified as operating leases, under previous accounting requirements the group did 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 applied the modified retrospective adoption method in IFRS 16, and, therefore, only recognised leases on balance sheet as at 31 March 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and depreciation on its right-of-use assets.

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 30.

### 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 17 insurance contracts including amendments to IFRS 17 (issued 25 June 2020) (effective from 1 January 2023)

IAS 1 (amendments) classification of liabilities as current and non-current (effective from 1 January 2022)

Annual Improvements to IFRSs 2018-20 Cycle (effective from 1 January 2022)

IFRS 3 (amendments) Business combinations (effective from 1 January 2022)

IAS 16 (amendments) Property, plant and equipment (effective from 1 January 2022)

IAS 37 (amendments) Provisions, contingent liabilities and contingent assets (effective from 1 January 2022)

IFRS 4 (amendments) Insurance contracts – deferral of IFRS 9 (effective from 1 January 2021)

### 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.



## Group accounting policies (continued)

### 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 3 to 9.

The financial position of the Group, liquidity, cash flows and borrowing facilities are described in the Strategic Report. Note 26 to the Financial Statements also sets out the Group's objectives, policies and processes for measuring and managing its capital and financial risk management. Details of its financial instruments, exposure to foreign exchange, credit and interest rate risk is also covered in note 26. Further details on the Group's cash and bank borrowings are included in notes 18,19 and 25.

The UK bank facilities with HSBC have no specific financial covenants. Trade loans and invoice financing need to be backed by the assets they are funding. There are no covenants in respect of the new Coronavirus Large Business Interruption Loan scheme (CLBILS) taken out in August 2020. The borrowings with Bank of America are subject to adjusted EBITDA to a fixed charge and to senior debt and an overall asset cover test. The short term trade and credit facilities are due to be reviewed over the coming months and are expected to continue in the ordinary course of business on the same terms.

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and assumptions, which take account of reasonably possible changes in trading activity and considering the existing banking facilities, including discussion with the Bank of America on the possibility of covenant adjustments should this be required, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements.

The continuing uncertainty of the impact of the Covid-19 pandemic on the Group has been considered as part of the Group's adoption of the going concern basis. Whilst all facilities remain open there are reduced working hours and staffing levels in place in certain areas. Operating costs have been reduced, government employment assistance schemes and government loans have been utilised where available.

As part of their assessment the Directors have considered downside scenarios that reflect the current unprecedented uncertainty in the worldwide markets the Group operates in and which are considered to be severe but plausible. Revenue deductions of 25% against the 2020 financial year and 30% against the pre pandemic 2019 year have been considered against which mitigating actions of headcount reduction, utilisation of government assistance, pay reductions and cash preservation actions including reductions in capital expenditure and deferral of taxation have been applied.

The results of these scenarios show that there is sufficient liquidity in the businesses for a period of at least 12 months from the date of approval of these financial statements. Lenders remain supportive and have indicated a willingness to assist with covenant changes in the event that flexibility may be required in the short term.

In the most severe case where revenue falls are greater than 30% and lenders elect not to provide covenant flexibility, and trigger a repayment of outstanding debt, then without further mitigating actions or additional funding the Group maybe unable to realise assets and discharge liabilities in the normal course of business.

Having undertaken this work, the Directors are of the opinion 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 consolidated financial statements.

### 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 at 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.

### REVENUE RECOGNITION FROM CONTRACTS WITH CUSTOMERS

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.

### Sale of goods and services

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 the appointed shipping agent.

As a result of the acquisition of CMS during the year and the shift in sales in the TYKMA Electrox business to higher specification jobs a number of custom machines are now produced to customers' specific requirements and can take several months to complete.

## Group accounting policies (continued)

Given that these machines are built to customers individual specific requirements and could not practically be sold or used by anyone else without significant modification and there is an enforceable right to payment for performance on the machine completed to date they have been treated differently from the standard products. These machines are produced over an extended period, often several months, with the efforts to complete this work judged to be made evenly over the design and build process. As a result the Group has adopted a policy of accounting for the revenue on these custom jobs over a period of time. Any installation, commissioning or spares in connection with these machines are recognised at the point of provision of those services or materials and are not spread over the build process.

Sales of spares are 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. There were no such machines treated in this way at the year end (2019: none).

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 is recognised under the normal 'ex-works' rule.

### 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 'custom' 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 revenue recognised to date on custom machines exceeds the invoiced value a contract asset will be recorded to recognise the excess contractual entitlement for work carried out to date. Contract assets are reviewed at the period end for any indications of impairment in value.

### Revenue disclosures

In addition to the disaggregation of revenue provided by geography for origin and destination, a disaggregation by category of product sold and product sold at a point in time compared to over time is included in note 1.

## SEGMENT ANALYSIS

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

The 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 the 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.

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 32 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 calculations are performed by a qualified actuary using the projected unit method. Remeasurements are recognised

## Group accounting policies (continued)

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. The buy-out of the UK scheme 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%.

### 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. In the year to March 2020 the Group's properties were revalued. The valuations were performed by independent valuers, CRBE Valuations Pty Limited, 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 lease
- 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

## Group accounting policies (continued)

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 of 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 the simplified approach to recognise lifetime expected credit losses for its trade receivables as required by IFRS 9. 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.

### 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 considers 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

## Group accounting policies (continued)

### 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 and contract assets and liabilities.

#### *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.

## Group accounting policies (continued)

### 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 interest 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

The Group has initially adopted IFRS 16 *Leases* from 31 March 2019. The effect of initially applying this standard is to increase both the assets and liabilities of the Group through the recognition on the balance sheet of the operating leases in respect of rented properties and vehicles.

The group has adopted IFRS 16 using the modified retrospective approach from 31 March 2019 and therefore has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 31 March 2019.

Details of the accounting policy for leases is shown in note 22.

### 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.



## Group accounting policies (continued)

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.

Identified intangible assets with a finite life are valued under IFRS 3 using estimates of useful lives and discounted cash flows of expected income.

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. In accordance with IFRS 3 intangibles with a finite life are amortised, between 1-8 years on a straight line basis.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

#### *Acquisitions prior to 1 January 2010:*

For acquisitions prior to 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

### ACQUISITIONS AND DISPOSALS OF NON-CONTROLLING INTERESTS

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

Prior to the adoption of IAS 27 (2008), goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

### NON-CONTROLLING INTERESTS

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

### DIVIDENDS

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

### RESERVES

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

### SHARE PREMIUM ACCOUNT

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

### REVALUATION RESERVE

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

### 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:

52 Weeks ended 28 March 2020	Continuing			Total \$000	Discontinued \$000	Group Total
	Machine tools & precision engineered components \$000	Industrial laser systems \$000	Head Office & unallocated \$000			
Segmental analysis of revenue	\$000	\$000	\$000	\$000	\$000	
Total revenue	43,511	23,695	-	67,206	830	68,036
Segmental analysis of operating profit/(loss) before Adjusting Items	3,216	1,689	(2,178)	2,727	(417)	2,310
Adjusting Items	-	(254)	(933)	(1,187)	(543)	(1,730)
Group operating profit/(loss)	3,216	1,435	(3,111)	1,540	(960)	580
<b>Other segmental information:</b>						
Reportable segment assets	35,073	14,164	16,726	65,963	-	65,963
Reportable segment liabilities	(18,085)	(6,990)	(12,330)	(37,405)	-	(37,405)
Fixed asset additions	368	330	302	1,000	-	1,000
Depreciation and amortisation	901	883	446	2,230	-	2,230



## Notes relating to the consolidated financial statements

### 1. SEGMENT INFORMATION (CONTINUED)

52 Weeks ended 30 March 2019	Continuing					Discontinued	Group Total
	Machine tools & precision engineered components	Industrial laser systems	Head Office & unallocated	Total			
Segmental analysis of revenue	\$000	\$000	\$000	\$000	\$000	\$000	
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	28,126	9,492	18,728	56,346		1,108	57,454
Reportable segment liabilities	(11,131)	(4,496)	(12,184)	(27,811)		-	(27,811)
Fixed asset additions	686	559	-	1,245		-	1,245
Depreciation and amortisation	275	292	46	613		-	613

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:

#### Disaggregation of revenue by origin

	2020		2019	
	\$000	%	\$000	%
UK	16,453	24.5	14,249	21.8
North America	48,094	71.6	47,387	72.8
Australasia	2,659	3.9	3,531	5.4
	67,206	100.0	65,167	100.0

## Notes relating to the consolidated financial statements

### 1. SEGMENT INFORMATION (CONTINUED)

Disaggregation of revenue by destination:

	2020		2019	
	\$000	%	\$000	%
Gross sales revenue:				
UK	11,500	17.1	9,507	14.6
Other European	5,032	7.5	6,951	10.7
North America (USA)	43,804	65.2	42,534	65.2
Africa	538	0.8	644	1.0
Australasia	2,561	3.8	3,370	5.2
Central America	1,101	1.6	126	0.2
Middle East	1,346	2.0	485	0.7
Far East	1,324	2.0	1,550	2.4
	<b>67,206</b>	<b>100.0</b>	65,167	100.0

Disaggregation of revenue by product group:

	2020		2019	
	\$000	%	\$000	%
<b>Sector</b>				
CNC lathes	6,282	9.4	4,761	7.3
Conventional lathes	13,968	20.8	13,941	21.4
CNC other	1,351	2.0	1,209	1.9
Conventional other	9,126	13.6	11,587	17.8
Workholding	6,611	9.8	7,062	10.8
Spares & service	3,120	4.6	5,620	8.6
Lasers	23,263	34.6	19,814	30.4
Laser spares and service	3,485	5.2	1,173	1.8
<b>Total</b>	<b>67,206</b>	<b>100.0</b>	65,167	100.0

#### Timing of revenue recognition

Products and services transferred at a point in time	57,811	65,167
Products and services transferred over time	9,395	-
<b>Total</b>	<b>67,206</b>	65,167

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.

	<b>2020</b>	2019
	<b>\$000</b>	\$000
Current contract liabilities relating to deposits from customers	<b>385</b>	538
	<b>2020</b>	2019
	<b>\$000</b>	\$000
Current contract assets relating to amounts due from customers	<b>246</b>	-

## 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:

	2020	2019
	\$'000	\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	<b>538</b>	1,244

### 2. NET OPERATING EXPENSES

	2020	2019
	\$000	\$000
– other operating income	<b>14</b>	12
<b>Total other operating income</b>	<b>14</b>	12
	2020	2019
	\$000	\$000
– administration expenses	<b>17,221</b>	14,469
– distribution costs	<b>3,781</b>	3,812
– adjusting items (note 3)	<b>1,742</b>	1,786
<b>Total operating expenses</b>	<b>22,744</b>	20,067
<b>Total net operating expenses</b>	<b>22,730</b>	20,055

### 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 32 alternative performance measures and set out below. All adjusting items are taken into account in the GAAP figures in the Income Statement.

The items below correspond to the table below;

- The buy-out of the Group pension scheme was completed in April 2019 and a profit of \$0.8m was recorded as the amount received was higher than the carrying value of the asset previously recognised. 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 and 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.
- As a result of the outsourcing of manufacturing in the UK in the prior year, the existing premises were vacated, and a sublet was in the process of negotiation. However due to flooding at the site these negotiations failed to be completed and as a result a right of use asset impairment charge of \$0.4m has been recognised in the year, in addition to a provision for associated unavoidable costs, including amortisation and interest under IFRS 16 totaling \$0.4m. In the prior year an onerous lease charge of \$0.4m was recognised and was subsequently incorporated into the right of use asset impairment on adoption of IFRS 16.
- A credit of \$22K (2019: credit of \$1.26m) 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 net adjustment to the carrying value of the amortised loan note costs on their extension in the prior year is shown as a credit of \$0.8m in financial income with the corresponding charge of \$0.5m for the year shown in financial expense. These are non cash movements and relate to the discounting of the loan notes and associated costs which unwind over the term of the notes.
- A charge of \$0.7m was incurred as a result of the acquisition of Control Micro Systems Inc for legal and professional fees.
- A charge of \$0.3m arose as a result of amortisation of intangible assets acquired through the Control Micro Systems Inc deal.
- In the prior period a charge of \$0.96m has been recorded against the value of the Gamet Bearings assets held for sale to bring their carrying value into line with the expected proceeds of sale, less costs to sell. In the current year a charge has been incurred of \$0.5m which included additional costs of the closure of the Gamet business in October 2019 as well as a loss on disposal as a result of receiving less than originally anticipated.
- A charge of \$0.3m was expensed in cost of sales relating to US duty and tariff charges from prior years

## Notes relating to the consolidated financial statements

### 3. ADJUSTING ITEMS (CONTINUED)

Adjusting items

	2020	2019
	\$000	\$000
<b>Items included in cost of sales:</b>		
US Tariffs & Duty charges relating to prior years (h)	(254)	-
	(254)	-
<b>Items included in operating expenses:</b>		
Pensions charge (a)	-	(1,277)
Pensions legal costs (a)	-	(78)
Onerous lease provision (b)	-	(431)
Unavoidable lease costs (b)	(378)	-
Right of use asset impairment (b)	(392)	-
Acquisition costs (e)	(684)	-
Amortisation of intangible assets acquired (f)	(288)	-
Profit on sale of pension (a)	809	-
	(933)	(1,786)
<b>Items included in financial (income)/expense:</b>		
Pensions interest on surplus (c)	22	1,255
Adjustment to loan notes (d)	-	822
Financial income	22	2,077
Amortisation of Loan notes and costs (d)	(536)	-
Total adjusting items before tax	(1,701)	291
Income tax on adjusting items	-	(48)
<b>Total adjusting items after tax</b>	<b>(1,701)</b>	<b>243</b>
Loss on discontinued activity (g)	(543)	(961)

### 4. OPERATING PROFIT/(LOSS)

<b>Operating profit/(loss) is after charging/(crediting):</b>	2020	2019
	\$000	\$000
– depreciation of assets, including those held under finance leases	651	540
– amortisation of development expenditure and trademarks	37	73
– amortisation of acquisition intangible	288	-
– amortisation of Right of use assets	1,254	-
– short term and low value leases	91	-
– hire of plant	-	5
– other operating lease rentals	-	28
– loss on sale of property, plant and equipment	32	461
<b>Auditor's remuneration:</b>		
– audit of these financial statements	70	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)	273	122
– other services relating to tax compliance	12	45
– other services relating to tax advisory	14	24

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

	2020	2019
	\$000	\$000
Staff costs:		
– wages and salaries	13,671	11,616
– social security costs	1,358	1,370
– pension charges relating to defined contribution schemes	394	454
– pension charges relating to defined benefit schemes	18	30
– equity share options expense	93	45
	<b>15,534</b>	<b>13,515</b>

In addition to the above staff costs, redundancy costs of \$341,551 were incurred during the year due to the closure of the Gamet business (2019: \$74,670). 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 17-19).

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

	2020	2019
	Number	Number
Management and administration	77	57
Production	64	72
Sales	68	64
Total	<b>209</b>	<b>193</b>

### 6. FINANCIAL INCOME AND EXPENSE

	2020	2019
	\$000	\$000
Bank and other interest	5	35
Interest on employee benefit surplus	22	1,255
Loan note and net adjustment	-	822
<b>Financial income</b>	<b>27</b>	<b>2,112</b>
Bank overdraft and loan interest	(315)	(236)
Other loan interest	(918)	(948)
Loan note interest	(536)	-
Other finance charges	-	(1)
Finance charges	(12)	(6)
Lease interest	(375)	-
Interest on employee benefit liabilities	(44)	(45)
<b>Financial expense</b>	<b>(2,200)</b>	<b>(1,236)</b>

## Notes relating to the consolidated financial statements

### 7. TAXATION

	2020 \$000	2019 \$000
Current tax:		
- UK Corporation tax at 19% (2019: 19%):		
Overseas taxation:		
– current period	151	77
<b>Total current tax credit</b>	<b>151</b>	<b>77</b>
Deferred taxation:		
– current period	891	92
– effect of rate change in UK	143	-
– prior period	43	(283)
<b>Total deferred taxation credit/(charge) (Note 14)</b>	<b>1,077</b>	<b>(191)</b>
<b>Taxation credited/(charged) to the income statement</b>	<b>1,228</b>	<b>(114)</b>

The rate for deferred tax in UK was changed from 17% to 19% in the current year. The rate for Federal tax in the USA is 21%.

#### TAX RECONCILIATION

The tax (credit)/charge assessed for the period is higher than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 \$000	2019 \$000
(Loss)/profit before tax	<b>(633)</b>	4,347
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	<b>(120)</b>	826
Effects of:		
– income not taxable and/or expenses not deductible	68	274
– overseas tax rates	55	14
– pension fund surplus taxed at higher rate	-	3
– US state taxes	60	166
– utilisation of discontinued business losses	<b>(243)</b>	(140)
– deferred tax prior period adjustment	<b>(43)</b>	-
– impact of rate change in the UK on deferred tax	<b>(143)</b>	290
– tax losses utilised not previously recognised	<b>(4)</b>	(912)
– additional deferred tax recognised on losses in the period	<b>(858)</b>	(124)
– R&D claims in the USA (prior periods)	-	(283)
<b>Taxation (credited)/charged to the income statement</b>	<b>(1,228)</b>	114

Deferred taxation balances are analysed in note 14.

## Notes relating to the consolidated financial statements

### 8. DIVIDENDS

No dividends have been proposed this year. In the prior year a final dividend of 0.5p was paid on 30 September 2019 to holders on the register at 30 August 2019.

	2020	2019
	\$000	\$000
Final Dividend paid September 2019 (0.5p/share)	<b>725</b>	-
Interim Dividend paid January 2020 (0.25p/share)	<b>363</b>	-
Final Dividend paid September 2018 (0.5p/share)	-	736
Interim Dividend paid December 2018 (0.25p/share)	-	368
<b>Total</b>	<b>1,088</b>	<b>1,104</b>

### 9. EARNINGS PER SHARE

The calculation of the basic earnings per share of 0.51c (2019: 3.75c) is based on the earnings for the financial period attributable to the Parent Company's shareholders of a profit of \$595,000 (2019: \$4,233,000) and on the weighted average number of shares in issue during the period of 116,450,053 (2019: 112,973,341). At 28 March 2020, there were 8,400,000 (2019: 7,500,000) potentially dilutive shares on option with a weighted average effect of 2,877,486 (2019: 1,191,415) shares giving a diluted earnings per share of 0.50c (2019: 3.71c).

	2020	2019
<b>Weighted average number of shares</b>		
Issued shares at start of period	<b>112,973,341</b>	112,973,341
Effect of shares issued in the year	<b>3,476,712</b>	-
Weighted average number of shares at end of period	<b>116,450,053</b>	112,973,341
Weighted average number of the 8,400,000 (2019: 7,500,000) potentially dilutive shares	<b>2,877,486</b>	1,191,415
<b>Total weighted average diluted shares</b>	<b>119,327,539</b>	<b>114,164,756</b>
Total post tax earnings - continuing operations	<b>595</b>	4,233
Total post tax earnings including discontinued operations	<b>(365)</b>	3,126
Basic EPS	<b>0.51c</b>	3.75c
Diluted EPS	<b>0.50c</b>	3.71c
Total including discontinued operations		
Basic EPS	<b>(0.31c)</b>	2.77
Diluted EPS	<b>(0.31c)</b>	2.74
Underlying earnings	<b>\$000</b>	\$000
Total post tax earnings - continuing operations	<b>595</b>	4,233
Adjusting items – per note 3	<b>1,701</b>	(243)
Underlying earnings after tax	<b>2,296</b>	3,990
Underlying basic EPS	<b>1.97c</b>	3.53c
Underlying diluted EPS	<b>1.92c</b>	3.50c

## Notes relating to the consolidated financial statements

### 10. EMPLOYEE SHARE OPTION SCHEMES

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

#### SHARE-BASED PAYMENTS EXPENSE

The Group recognised a total charge of \$93,000 (2019: \$45,000) in relation to equity-settled share-based payment transactions.

	2020	2019
	DSP	DSP
<b>The number and weighted average exercise price of share options</b>		
Number of options outstanding at beginning of period	<b>7,500,000</b>	6,650,000
Number of options granted in period	<b>900,000</b>	<b>850,000</b>
Number of options forfeited/lapsed in period	-	-
Number of options exercised in period	-	-
Number of options outstanding at end of period	<b>8,400,000</b>	<b>7,500,000</b>
Number of options exercisable at end of period	<b>6,650,000</b>	<b>6,150,000</b>

On 27 November 2018, 800,000 nil cost options were granted and further 50,000 nil cost options on 29 March 2019. During the year on 21 June 2019 400,000 nil cost options were granted and a further 500,000 nil cost options on 17 July 2019.

All options are exercisable in 3 years from the date of grant.

#### 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	2018	2016	2015	2014	2012
	Grant	Grant	Grant	Grant	Grant	Grant
Fair value	<b>14p</b>	14p	10p	4p	4p	4p
Share price at grant	<b>18p</b>	17p	10p	18p	17p	10p
Exercise price	<b>0p</b>	0p	0p	18p	17p	10p
Dividend yield	<b>5%</b>	5%	0%	0%	0%	0%
Expected volatility	<b>6%</b>	5%	50%	50%	25%	50%
Expected life	<b>3.0 years</b>	3.0 years	3.0 years	3.0 years	3.0 years	3.0 years
Risk-free interest rate	<b>1.36%</b>	1.36%	1.36%	1.36%	4.08%	4.08%
Number of shares under option	<b>900,000</b>	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
<b>Cost or valuation</b>					
At 30 March 2019	921	734	3,201	4,357	9,213
Exchange differences	(139)	(12)	(17)	(104)	(272)
Revaluation	199	-	-	-	199
Transfers between classes	-	-	7	(7)	-
Additions during period	-	79	284	286	649
Addition on acquisition	-	46	544	85	675
Disposals during period	-	-	(107)	(106)	(213)
<b>At 28 March 2020</b>	<b>981</b>	<b>847</b>	<b>3,912</b>	<b>4,511</b>	<b>10,251</b>
<b>Depreciation</b>					
At 30 March 2019	27	108	2,582	3,061	5,778
Exchange differences	(15)	(1)	(64)	(34)	(114)
Transfers between classes	-	-	(2)	2	-
Charge for period	6	52	217	376	651
Disposals during period	-	-	(59)	(65)	(124)
<b>At 28 March 2020</b>	<b>18</b>	<b>159</b>	<b>2,674</b>	<b>3,340</b>	<b>6,191</b>
<b>Net book value</b>					
<b>At 28 March 2020</b>	<b>963</b>	<b>688</b>	<b>1,238</b>	<b>1,171</b>	<b>4,060</b>
At 30 March 2019	894	626	619	1,296	3,435

The freehold property has been revalued at year end based on market value. The freehold property had a net book value of \$963,000 (2019: \$894,000) and is charged as security for borrowing facilities.

## Notes relating to the consolidated financial statements

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

	Land and buildings Freehold \$000	Leasehold improvements \$000	Plant and machinery \$000	Fixtures, fittings, tools and equipment \$000	Total \$000
<b>Cost or valuation</b>					
At 31 March 2018	1,713	703	14,487	3,891	20,794
Exchange differences	(125)	(1)	(917)	(22)	(1,065)
Transfers between classes	-	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)
<b>At 30 March 2019</b>	<b>921</b>	<b>734</b>	<b>3,201</b>	<b>4,357</b>	<b>9,213</b>
<b>Depreciation</b>					
At 31 March 2018	104	80	13,710	2,789	16,683
Exchange differences	(6)	-	(873)	(16)	(895)
Transfers between classes	-	(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)
<b>At 30 March 2019</b>	<b>27</b>	<b>108</b>	<b>2,582</b>	<b>3,061</b>	<b>5,778</b>
<b>Net book value</b>					
<b>At 30 March 2019</b>	<b>894</b>	<b>626</b>	<b>619</b>	<b>1,296</b>	<b>3,435</b>
At 31 March 2018	1,609	623	777	1,102	4,111

## Notes relating to the consolidated financial statements

### 12. GOODWILL AND OTHER INTANGIBLE ASSETS

	Tykma	CMS	Total Goodwill	Customer relationships	Trademarks	Development Expenditure	IT Software	Total Other intangible	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cost</b>									
At 30 March 2019	10,329	-	<b>10,329</b>	-	312	982	199	<b>1,493</b>	<b>11,822</b>
Additions	-	-	-	-	-	51	300	<b>351</b>	<b>351</b>
Acquisition	-	2,845	<b>2,845</b>	2,743	-	-	-	<b>2,743</b>	<b>5,588</b>
Foreign exchange	-	-	-	-	-	(3)	(10)	<b>(13)</b>	<b>(13)</b>
<b>At 28 March 2020</b>	<b>10,329</b>	<b>2,845</b>	<b>13,174</b>	<b>2,743</b>	<b>312</b>	<b>1,030</b>	<b>489</b>	<b>4,574</b>	<b>17,748</b>
<b>Amortisation and impairment</b>									
At 30 March 2019	-	-	-	-	300	83	-	<b>383</b>	<b>383</b>
Amortisation	-	-	-	288	12	25	-	<b>325</b>	<b>325</b>
Foreign exchange	-	-	-	-	-	(2)	-	<b>(2)</b>	<b>(2)</b>
<b>At 28 March 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>288</b>	<b>312</b>	<b>106</b>	<b>-</b>	<b>706</b>	<b>706</b>
<b>Net book value</b>									
<b>At 28 March 2020</b>	<b>10,329</b>	<b>2,845</b>	<b>13,174</b>	<b>2,455</b>	<b>-</b>	<b>924</b>	<b>489</b>	<b>3,868</b>	<b>17,042</b>
At 30 March 2019	10,329	-	10,329	-	12	899	199	1,110	11,439

The additions to Development Expenditure of \$51k in the period and \$1,200k in the prior period related primarily to internal development.

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

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

	2020	2019
	\$000	\$000
Operating expenses	<b>325</b>	<b>73</b>

## Notes relating to the consolidated financial statements

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

#### IMPAIRMENT TESTING OF GOODWILL

The Group has undertaken its annual impairment testing of Goodwill as at 28 March 2020 which compares the book value against the recoverable amount from the continued use or sale of the related business.

The recoverable amount of each cash generating unit (CGU) is assessed on a value in use basis by calculating the net present value of cash flows derived from individual financial plans of the business. Tykma and CMS are identified as separate CGU's. Budgets and revised forecasts, which take into account the possible effects of the Covid-19 pandemic have been prepared by all business units covering the two years to March 2022. Cashflow projections are part of this process and the forecasts are consistent with those used in the evaluation of Going Concern. The revised forecast assumes reduced revenue and profitability in the year to March 2021 and March 2022 before a return to budgeted levels of activity thereafter with annual growth rates of 3% in line with local industry forecasts. A terminal value calculation is used to estimate the cashflow after year five. 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 13%.

The Covid-19 pandemic has created unprecedented economic and social effects and the impact on the Group's operations during this time cannot be forecast with reasonable certainty and accordingly the impairment of non-financial assets is considered a key source of estimation and uncertainty. The revised forecasts reflect a severe downside scenario but do not result in any impairment.

#### Sensitivity to changes in assumptions

Whilst an even worse scenario as a result of the Covid-19 pandemic cannot be ruled out, 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 600 Limited; 600 Bearings Limited; T S Harrison & Sons Limited; The Richmond Machine Tool Company Limited; 600 Lathes Limited and Coborn Insurance Company 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 Bordinge, 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  
Control Micro Systems Inc

Clausing Industrial, Inc's principal activity is the design and distribution of machine tools and precision engineered components. TYKMA Inc's and Control Micro Systems Inc principal activities are 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. Control Micro Systems Inc has a registered office of 4420-A Metric Drive Winter Park, Florida 32792, 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	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Decelerated capital allowances	735	950	-	-	735	950
Short-term timing differences	322	344	-	-	322	344
Tax losses	2,195	2,585	-	-	2,195	2,585
Overseas tax losses	2,154	699	-	-	2,154	699
Employee benefits	157	-	-	(2,292)	157	(2,292)
Revaluations and rolled over gains	-	-	(236)	(249)	(236)	(249)
Net tax assets/(liabilities)	5,563	4,578	(567)	(2,541)	5,327	2,037

	Assets		Liabilities	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Due within one year	1,148	-	(236)	(2,541)
Due after one year	4,415	4,578	-	-
Total	5,563	4,578	(236)	(2,541)

#### MOVEMENT IN DEFERRED TAX DURING THE PERIOD

	As at	On acquisition	Income	Pension scheme	Exchange	As at
	30 March					28 March
	2019					2020
	\$000	\$000	\$000	\$000	\$000	\$000
Decelerated capital allowances	950	(197)	42	-	(60)	735
Short-term timing differences	344	-	(21)	-	(1)	322
Tax losses	2,585	-	(246)	-	(144)	2,195
Overseas tax losses	699	-	1,455	-	-	2,154
Employee benefits	(2,292)	-	(153)	2,464	138	157
Revaluations and rolled over gains	(249)	-	-	-	13	(236)
	2,037	(197)	1,077	2,464	(54)	5,327

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 further reductions are not now expected. The deferred tax assets and liabilities at the balance sheet date have been calculated based on this rate.

US deferred tax is provided at 25% (2019: 25%) 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:

	2020	2019
	\$000	\$000
Advance corporation tax recoverable	2,588	2,588
Tax losses	2,422	1,986

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

## Notes relating to the consolidated financial statements

### 15. INVENTORIES

	2020	2019
	\$000	\$000
Raw materials and consumables	382	63
Work in progress	851	1,264
Finished goods and goods for resale	17,821	17,703
	<b>19,054</b>	19,030

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 \$38.8m (2019: \$38.4m)

During the period inventory provisions have decreased by \$1,164,000 largely as a result of sale of the Gamet business (2019: increased by \$643,000). Following the impairment provisions, inventories are valued at lower of cost and net realisable value.

### 16. TRADE AND OTHER RECEIVABLES

	2020	2019
	\$000	\$000
Trade receivables	6,153	7,599
Other debtors	772	540
Other prepayments	913	1,024
Contract assets	246	-
	<b>8,084</b>	9,163

	2020	2019
	\$000	\$000
Taxation	222	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:

	2020	2019
	\$000	\$000
Current (not overdue)	4,999	5,823
Overdue:		
– 0–3 months overdue	1,133	1,771
– 3–6 months overdue	58	11
– 6–12 months overdue	17	90
– more than 12 months overdue	37	40
Total gross trade receivables before provision	<b>6,244</b>	7,735

## Notes relating to the consolidated financial statements

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

At 28 March 2020 the lifetime expected loss provision for trade receivables is as follows:

	current	0-3 months	3-6 months	6-12 months	over 12 months	Total
Expected loss ratio	0%	0%	63%	100%	100%	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount	4,999	1,133	58	17	37	6,244
Loss provision	-	-	37	17	37	91

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. As the groups historical credit loss experience over the past five years does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further analysed.

There has been no change in the estimation technique or significant assumptions made during the current reporting period. The movement in the loss provision has been as follows:

	2020	2019
	\$000	\$000
Opening provision for impairment	136	317
Exchange difference on opening balance	(2)	(12)
On acquisition	82	-
Utilised in the period/unused provision released	(125)	(169)
Closing provision	91	136

## Notes relating to the consolidated financial statements

### 17. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Gamet Bearings business was 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 and trading assets were sold in October 2019 to another bearing manufacturer in the UK with the Colchester site closed and the freehold sold separately in February 2020. 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 assets for sale were classified as held for sale in the consolidated statement of financial position at 30 March 2019 and consisted of inventory, freehold property and plant equipment to the value of \$1.1m. An impairment loss of \$0.96m on the measurement of the disposal group to fair value less cost to sell was recognised in the prior year and additional provision was required in the current year of \$0.5m. These amounts are included in adjusting items in loss attributable to discontinued activity in the consolidated income statement. The fair value of net asset were 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. The operating cash outflows in the year were \$0.96m (2019: outflow \$1.1m) and nil (2019: nil) for investing and financing activities.

	Before		After	Before		After
	Adjusting	Adjusting	Adjusting	Adjusting	Adjusting	Adjusting
	Items	Items	Items	Items	Items	Items
	52 weeks	52 weeks	52 weeks	52 weeks	52 weeks	52 weeks
	ended	ended	ended	ended	ended	ended
	28 March	28 March	28 March	30 March	30 March	30 March
	2020	2020	2020	2019	2019	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Revenue	830	-	830	1,572	-	1,572
Cost of sales	(422)	-	(422)	(1,382)	-	(1,382)
Gross profit	408	-	408	190	-	190
Net operating expenses	(825)	(543)	(1,368)	(336)	(961)	(1,297)
Loss before tax	(417)	(543)	(960)	(146)	(961)	(1,107)
Income tax	-	-	-	-	-	-
<b>Loss for the period</b>	<b>(417)</b>	<b>(543)</b>	<b>(960)</b>	<b>(146)</b>	<b>(961)</b>	<b>(1,107)</b>

The loss on disposal of assets held for sale at the prior year end amounted to \$127K and is included within the \$543K adjusting items above.

	\$000
Asset Held for resale 30 March 2019	1,108
Exchange variance	(55)
Proceeds received	(926)
Loss on disposal	(127)
Assets Held for resale 28 March 2020	-

### 18. CASH AND CASH EQUIVALENTS

	2020	2019
	\$000	\$000
Cash at bank and in hand	2,755	818
Short-term deposits – restricted cash	123	130
Cash and cash equivalents per statement of financial position and per cash flow statement	2,878	948

Included within cash and cash equivalents at 28 March 2020 is an amount totalling \$123,000 (2019: \$130,000) held in a secured account at Barclays Bank plc in favour of Commercial Union Assurance Company plc, which can only be used to pay claims and related expenses within a subsidiary of the group.



## Notes relating to the consolidated financial statements

### 19. LOANS AND OTHER BORROWINGS

CURRENT:	2020	2019
	\$000	\$000
Bank loans and overdrafts	5,414	5,189
Obligations under finance leases	-	127
	<b>5,414</b>	<b>5,316</b>
<b>NON-CURRENT:</b>	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
Bank loans	2,217	572
8% Loan notes	9,437	9,517
Obligations under finance leases	-	84
	<b>11,654</b>	<b>10,173</b>

### 19. LOANS AND OTHER BORROWINGS (CONTINUED)

The \$10.5m (£8.5m) nominal value 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 an equity reserve and the balance after deduction of associated costs and amortisation of \$0.8m, 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, during the prior year, 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 nothing was utilised at the year-end (2019 \$0.7m). The mortgage for the Colchester property had been repaid on 6 February 2020 in full from the proceeds of the sale of the Gamet business (2019: \$0.3m). Subsequent to the year end on 21 August 2020 a loan of \$1.6m was taken out under the Coronavirus Large Business Interruption Loan Scheme by the UK machine tool business with interest at 1.92% and a bullet repayment in three years.

Facilities from the Bank of America include a US Dollar denominated term loan of \$0.25m repaid on a monthly basis through to April 2021 in equal instalments with an interest rate of 2.25% above base and a revolving credit facility of an additional \$7.5m. During the current period a further loan for \$3.25m was taken to part fund the acquisition of Control Micro Systems Inc and is being repaid on a monthly basis through to June 2024 in equal instalments with an interest rate of 2.25% above base with \$2.8m outstanding at 28 March 2020. Subsequent to the year end each of the three USA businesses received loans under the Paycheck Protection Program in May 2020 totalling \$2.2m. Amounts under the loan agreement may be forgiven dependent on expenditure and payroll numbers, with any balance repaid over a 2 year period at a 1% interest rate.

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

	2020	2019
	\$000	\$000
Current liabilities:		
Trade payables	3,424	4,292
Social security and other taxes	576	199
Other creditors	1,468	1,323
Accruals	2,445	1,743
Contract liabilities	385	538
	<b>8,298</b>	<b>8,095</b>

## Notes relating to the consolidated financial statements

### 21. PROVISIONS

	Unavoidable lease costs \$000	Onerous lease \$000	Warranties \$000	Dilapidations \$000	Total \$000
Provision carried forward at 30 March 2019	-	429	18	-	447
Exchange differences	-	(23)	(2)	-	(25)
Charged to income statement	378	-	-	-	378
Transferred on adoption of IFRS 16	-	(406)	-	-	(406)
On acquisition of subsidiary	-	-	120	150	270
Utilised in the period	(74)	-	-	-	(74)
<b>Provision carried forward at 28 March 2020</b>	<b>304</b>	<b>-</b>	<b>136</b>	<b>150</b>	<b>590</b>

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 the old premises were in the process of being sub-let when they were flooded and consequently the right of use asset has been fully impaired, the provisions at the year end includes expected unavoidable costs for the remainder of the lease.

### 22. LEASES

The Group has initially adopted IFRS 16 *Leases* from 31 March 2019. The effect of initially applying this standard is to increase both the assets and liabilities of the Group through the recognition on the balance sheet of the operating leases in respect of rented properties, plant and machinery and vehicles.

The group has adopted IFRS 16 using the modified retrospective approach from 31 March 2019 and therefore has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 31 March 2019.

#### Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 31 March 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 March 2019 was 3.69%.

	<b>\$000</b>
Operating lease commitments disclosed as at 30 March 2019	<b>13,093</b>
Discounted using the lessee's incremental borrowing rate at the date of initial application	<b>(3,328)</b>
Other short term operating leases	<b>(87)</b>
<b>Lease liability recognised as at 31 March 2019</b>	<b>9,678</b>
Of which are:	
Current lease liabilities	<b>1,199</b>
Non-current lease liabilities	<b>8,479</b>
<b>Lease liability recognised as at 31 March 2019</b>	<b>9,678</b>

At the date of acquisition CMS held \$1.477m of right of use assets, all of which related to building leases.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 March 2019.

## Notes relating to the consolidated financial statements

### 22. LEASES (CONTINUED)

The right of use assets relate to the following asset types:

	Property \$000	Vehicles \$000	Plant and machinery \$000	Total \$000
<b>Cost or valuation</b>				
At 30 March 2019	-	-	-	-
Effect on transition to IFRS 16	9,584	27	67	9,678
Exchange differences	(315)	(1)	(1)	(317)
Additions during period	-	76	-	76
Addition on acquisition	1,477	-	-	1,477
<b>At 28 March 2020</b>	<b>10,746</b>	<b>102</b>	<b>66</b>	<b>10,914</b>
<b>Depreciation</b>				
At 30 March 2019	-	-	-	-
Effect on transition to IFRS 16	429	-	-	429
Exchange difference	(59)	-	-	(59)
Impairment charged in the period	230	-	-	230
Charge for period	1,177	56	21	1,254
<b>At 28 March 2020</b>	<b>1,777</b>	<b>56</b>	<b>21</b>	<b>1,854</b>
<b>Net book value</b>				
<b>At 28 March 2020</b>	<b>8,969</b>	<b>46</b>	<b>45</b>	<b>9,060</b>
At 30 March 2019	-	-	-	-

The lease liabilities at the year-end were as follows:

	Current \$000	Non-current \$000	28 March 2020 Total \$000
Lease liabilities	1,608	8,344	9,952
<b>Lease liabilities</b>	<b>1,608</b>	<b>8,344</b>	<b>9,952</b>

During the year lease payments amounted to \$1.525m, of which \$375K was in respect of interest charges. The undiscounted payments under the leases fall due as follows:

	28 March 2020 \$000
Up to one year	1,608
One to five years	5,562
Over five years	4,426
<b>Total undiscounted payments due under leases</b>	<b>11,596</b>

The change in accounting policy affected the following items in the balance sheet on 31 March 2019:

	31 March 2019 \$000
Right of use assets	9,678
Lease liabilities	(9,678)
<b>Net impact upon retained earnings</b>	<b>-</b>

The introduction of IFRS16 did not have an impact upon the Group's recognised deferred tax balances.

## Notes relating to the consolidated financial statements

### 22. LEASES (CONTINUED)

#### Impact on segment disclosures and earnings per share

Adjusted EBITDA, segment assets and segment liabilities for March 2020 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The impact on the segments affected by the change in policy are:

	Adjusted EBITDA	Segment assets	Segment liabilities
	\$000	\$000	\$000
Machine Tools & Precision Engineered Components	904	7,174	(7,290)
Industrial Laser Systems	430	1,886	(1,925)
Head Office & unallocated	191	-	(601)
Total	1,525	9,060	(9,816)

EBITDA for the period was increased by \$1.52m and Basic Earnings per share was reduced by 0.01c for the twelve months to 28 March 2020 as a result of the adoption of IFRS 16. At year end the right of use asset in the Head Office segment had been fully impaired as per note 3.

#### Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 31 March 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application: and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

#### The Group's leasing activities and how these are accounted for.

The Group leases various factories, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 5 years for equipment and 5-15 years for properties. These may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 31 March 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (where they exist within a lease):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

## Notes relating to the consolidated financial statements

### 22. LEASES (CONTINUED)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of workshop equipment, office furniture and machines.

### 23. SHARE CAPITAL

	2020	2019
	\$000	\$000
<b>Allotted, called-up and fully paid:</b>		
<b>Ordinary shares of 1p each</b>		
112,973,341 ordinary shares of 1p each on issue at start of the period (2019: 112,973,341 ordinary shares)	1,746	1,746
June 2019 – 4,500,000 ordinary shares of 1p each issued as part of the acquisition of CMS Inc	57	-
117,473,341 ordinary shares of 1p each on issue at end of period (2019: 112,973,341 ordinary shares of 1p)	1,803	1,746
<b>Total Allotted, called-up and fully paid at the end of the period</b>	<b>1,803</b>	<b>1,746</b>

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.

4,500,000 shares were issued on 21 June 2019 for 17.5p (22.2c) of which \$57,132 was allocated to share capital and \$942,868 to share premium.

The Company has raised £8.5m (\$9.7m) 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

	2020	2019
	\$000	\$000
(Decrease)/increase in cash and cash equivalents	(952)	(641)
(Increase)/decrease in debt and finance leases	(341)	(61)
(Increase)/decrease in net debt from cash flows	(1,293)	(702)
Net debt at beginning of period	(14,541)	(15,600)
Effect of transition to IFRS 16	(9,755)	-
Cash and debt through acquisition	1,451	-
Loan note credit/(amortisation)	(421)	982
Lease liabilities increase	(74)	-
Exchange effects on net funds	491	779
Net debt at end of period	(24,142)	(14,541)

## Notes relating to the consolidated financial statements

### 25. ANALYSIS OF NET DEBT

	At 30 March 2019 \$000	Exchange movement \$000	Effect on transition to IFRS 16 \$000	Cash and debt on acquisition \$000	Other \$000	Cash flows \$000	At 30 March 2020 \$000
Cash at bank and in hand	818	(39)	-	2,928	-	(952)	2,755
Term deposits (included within cash and cash equivalents on the balance sheet)	130	(7)	-		-	-	123
	948	(46)	-	2,928	-	(952)	2,878
Debt due within one year	(5,189)	41	-	-	-	(266)	(5,414)
Debt due after one year	(572)	17	-	-	-	(1,662)	(2,217)
Loan notes due after one year	(9,517)	501	-	-	(421)	-	(9,437)
Finance leases	(211)	-	211	-	-	-	-
Lease liabilities	-	(22)	(9,966)	(1,477)	(74)	1,587	(9,952)
<b>Total</b>	<b>(14,541)</b>	<b>491</b>	<b>(9,755)</b>	<b>1,451</b>	<b>(495)</b>	<b>(1,293)</b>	<b>(24,142)</b>

### 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 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.

## Notes relating to the consolidated financial statements

### 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 and contract assets.

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:

	2020	2019
	\$000	\$000
UK	2,249	2,292
North America	3,672	4,673
Australasia	232	634
	<b>6,153</b>	<b>7,599</b>

Contract assets of \$246K (2019: nil) relating to North America were recognised at the year end but were not impaired.

## Notes relating to the consolidated financial statements

### 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:

	2020				
	Carrying	Contractual	Less than	1-2 years	2-5 years
	Amount	cash flows	1 year		
	\$000	\$000	\$000	\$000	\$000
Bank loan	3,067	3,067	850	2,217	-
Bank overdraft	4,564	4,564	4,564	-	-
8% loan notes	9,437	10,492	-	10,492	-
Lease Liabilities	9,952	11,596	1,669	1,514	8,413
Interest bearing financial liabilities	27,020	29,719	7,083	14,223	8,413
Trade and other payables	7,722	7,722	7,722	-	-
Financial liabilities	34,742	37,441	18,805	14,223	8,413

	2019				
	Carrying	Contractual	Less than	1-2 years	2-5 years
	Amount	cash flows	1 year		
	\$000	\$000	\$000	\$000	\$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

#### 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.



## Notes relating to the consolidated financial statements

### 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:

	2020			2019		
	Sterling £000	US Dollars \$000	Euro €000	Sterling £000	US Dollars \$000	Euro €000
Trade receivables	-	154	471	67	361	675
Trade payables	(17)	(364)	(499)	(10)	(64)	(432)
Balance sheet exposure	(17)	(210)	(28)	57	297	243

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 (2019: 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:

	Change if Net cash/ borrowings in foreign currency \$'000	interest rates in foreign Currency change by 1% \$'000
US Dollar	(6,909)	(70)
AUS Dollar	130	-

The impact of interest rate risk on the Group's result is due to changes in interest rates on net floating rate cash and cash equivalents and borrowings. On 28 March 2020, 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 \$0.07m (2019: charge of \$0.04m). A reduction of 100 basis points would have the equal and opposite effect. There is no further impact on shareholders' equity.

## Notes relating to the consolidated financial statements

### 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 and generally have maturities of less than one year. There were no contracts outstanding at the period end (2019 – none).

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.

#### 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, trade and other debtors, trade finance, trade and other creditors, contract assets and liabilities, overdrafts and cash. These financial instruments are used for the purpose of funding the Group's operations.

#### ASSETS AND LIABILITIES

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

The fair value of forward exchange contracts used at 28 March 2020 was a liability of \$nil (2019: liability of \$nil).

#### FINANCIAL ASSETS

The Group's financial assets measured at amortised cost comprise cash, trade receivables, other debtors and contract assets. The profile of the financial assets at 28 March 2020 and 30 March 2019 was:

	2020				2019				Total
	Floating rate financial assets \$000	Fixed rate financial assets \$000	on which no interest is earned \$000	Financial assets Total \$000	Floating rate financial assets \$000	Fixed rate financial assets \$000	on which no interest is earned \$000	Financial assets Total \$000	
Currency									
Sterling	1,896	123	2,090	4,109	734	130	1,547	2,411	
US Dollars	729	-	4,410	5,139	84	-	4,784	4,868	
Australian Dollars	130	-	241	371	-	-	646	646	
Euros	-	-	521	521	-	-	758	758	
	<b>2,755</b>	<b>123</b>	<b>7,262</b>	<b>10,140</b>	<b>818</b>	<b>130</b>	<b>7,735</b>	<b>8,683</b>	

There is no interest received on floating rate financial assets.

The fixed 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 expected credit loss provisions.

## Notes relating to the consolidated financial statements

### 26. FINANCIAL INSTRUMENTS (CONTINUED)

#### FINANCIAL LIABILITIES

Financial liabilities measured at amortised cost comprise short-term loans, overdrafts, trade and other payables, lease obligations, other creditors more than one-year, contract liabilities and other provisions for liabilities and charges (excluding accrued post-retirement health care accrual). The profile of the Group's financial liabilities at 28 March 2020 and 30 March 2019 was:

	2020				2019			
	Floating rate		Fixed rate		Floating rate		Fixed rate	
	financial	Financial	on which		financial	financial	on which	
	liabilities	Liabilities	no interest	is paid	liabilities	liabilities	is paid	Total
Currency	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Sterling	-	14,278	2,796	17,074	1,093	9,559	3,015	13,667
US Dollars	7,631	4,959	4,220	16,810	4,298	88	3,845	8,231
Australian Dollars	-	152	155	307	370	81	278	729
Euro	-	-	551	551	-	-	758	758
	<b>7,631</b>	<b>19,389</b>	<b>7,722</b>	<b>34,742</b>	<b>5,761</b>	<b>9,728</b>	<b>7,896</b>	<b>23,385</b>

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

#### BORROWING FACILITIES

At 28 March 2020 and 30 March 2019, the Group had undrawn committed borrowing facilities as follows:

	2020	2019
	'000	'000
UK	<b>£2,848</b>	£3,736
US	<b>\$3,657</b>	\$3,702
Australia	<b>AUD\$500</b>	AUD\$180

#### FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2020	2019
	\$000	\$000
Trade and other receivables	<b>8,084</b>	9,163
Cash and cash equivalents	<b>2,878</b>	948
Bank loan	<b>(7,631)</b>	(5,761)
Loans notes	<b>(10,492)</b>	(11,079)
Lease obligations	<b>(11,596)</b>	(211)
Trade and other payables	<b>(8,298)</b>	(7,896)
	<b>(27,055)</b>	(14,836)

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 Lease obligations which are shown at the undiscounted value of \$11.596m and the Loan Notes which are shown at their gross value of \$10.492m (2019: \$11.079m). Their carrying value in the accounts is shown net of issue costs.

## Notes relating to the consolidated financial statements

### 27. CONTINGENT LIABILITIES

	2020	2019
	\$000	\$000
Third-party guarantees	183	193

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

	2020	2019
	\$000	\$000
Capital expenditure contracted for but not provided in the accounts	-	335

### 29. EMPLOYEE BENEFITS

The Group operates a USA defined benefit pension scheme. The assets of this scheme are held in separate trustee-administered funds.

The benefits from the scheme are based upon years of pensionable service and pensionable remuneration of the employee as defined under the scheme provisions. The scheme is funded by contributions from the employee and from the employing company over the period of the employees' service. Contributions are determined by an independent qualified actuary based upon annual valuations in the US.

#### UK

The buy-out of the scheme was completed in April 2019. The accounting and disclosure for the UK Scheme in the prior year and until buy out 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 disclosures for the US schemes that follow refer to the US defined benefit scheme and the retirement healthcare benefit scheme.

## Notes relating to the consolidated financial statements

### 29. EMPLOYEE BENEFITS (CONTINUED)

#### MORTALITY RATES

The mortality rates for the US scheme are based on the PRI-2012 (2019: RP-2014) Mortality Table for males and females adjusted to total dataset with improvement factor scale MP-2019(2019: 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:

	2020	2019
	% p.a.	% p.a.
Inflation under RPI – UK scheme	<b>n/a</b>	3.60
Inflation under CPI – UK scheme	<b>n/a</b>	3.10
Rate of increase to pensions in payment – RPI max 5% - UK scheme	<b>n/a</b>	3.35
Rate of increase to pensions in payment – RPI max 2.5% - UK scheme	<b>n/a</b>	2.20
Discount rate for scheme liabilities - UK scheme	<b>n/a</b>	2.15
Discount rate for scheme liabilities - US scheme	<b>2.83</b>	3.50

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 28 March 2020 and 30 March 2019 were:

	2020		2019	
	US Schemes \$000	UK Schemes \$000	US Schemes \$000	UK Schemes \$000
Assets	<b>834</b>	-	939	236,952
Liabilities	<b>(2,095)</b>	-	(2,178)	(229,493)
(Deficit)/surplus	<b>(1,261)</b>	-	(1,239)	7,459

## Notes relating to the consolidated financial statements

### 29. EMPLOYEE BENEFITS (CONTINUED)

#### Movement in net defined benefit asset (UK Scheme)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	28 March	30 March	28 March	30 March	28 March	30 March
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance:	<b>(229,493)</b>	(271,816)	<b>236,952</b>	326,135	<b>7,459</b>	54,319
Liabilities extinguished / (assets distributed) on settlements	<b>220,416</b>	16,367	<b>(219,610)</b>	(17,644)	<b>806</b>	(1,277)
Remeasurement (loss)/gain	-	-	<b>(1,449)</b>	(40,504)	<b>(1,449)</b>	(40,504)
Experience gain/(loss)	<b>(1,117)</b>	8,091	-	-	<b>(1,117)</b>	8,091
Change in assumptions – financial	<b>2,543</b>	(11,565)	-	-	<b>2,543</b>	(11,565)
Interest (cost)/income	<b>(386)</b>	(5,849)	<b>408</b>	7,099	<b>22</b>	1,250
Exchange differences	<b>5,635</b>	18,890	<b>(5,819)</b>	(22,458)	<b>(184)</b>	(3,568)
Contributions paid by employer	-	-	-	713	-	713
Payment to employer	-	-	<b>(8,080)</b>	-	<b>(8,080)</b>	-
Benefits paid	<b>2,402</b>	16,389	<b>(2,402)</b>	(16,389)	-	-
Closing balance:	-	(229,493)	-	236,952	-	7,459

#### Movement in net defined benefit liability (US Schemes)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	28 March	30 March	28 March	30 March	28 March	30 March
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Opening balance:</b>	<b>(2,178)</b>	(2,232)	<b>939</b>	1,007	<b>(1,239)</b>	(1,225)
Current service cost	<b>(55)</b>	(58)	<b>31</b>	35	<b>(24)</b>	(23)
Experience gain/(loss)	<b>(3)</b>	(24)	<b>(55)</b>	6	<b>(58)</b>	(18)
Interest (cost)/income	<b>(29)</b>	(30)	-	-	<b>(29)</b>	(30)
Contributions paid by employer	-	-	<b>89</b>	57	<b>89</b>	57
Benefits paid	<b>170</b>	166	<b>(170)</b>	(166)	-	-
<b>Closing balance:</b>	<b>(2,095)</b>	(2,178)	<b>834</b>	939	<b>(1,261)</b>	(1,239)

The US actuary has recommended minimum deficit reduction payments of \$78,000 are required each calendar year. (2019: \$82,000). No payments were overdue at the period-end.

## Notes relating to the consolidated financial statements

### 29. EMPLOYEE BENEFITS (CONTINUED)

The net surplus after tax was received by the Company in May 2019.

	Expected return on assets UK scheme					
	Long-term		Long-term		Long-term	
	rate of return		rate of return		rate of return	
	expected at	Value at	expected at	Value at	expected at	Value at
	28 March	28 March	30 March	30 March	31 March	31 March
	2020	2020	2019	2019	2018	2018
% p.a.	\$m	% p.a.	\$m	% p.a.	\$m	
Equities	-	-	-	-	2.5	-
Property	-	-	-	-	2.5	0.6
LDI funds	-	-	2.5	8.3	2.5	203.1
Bonds	-	-	-	-	2.5	106.9
Absolute Return	-	-	-	-	2.5	11.5
Insurance policy	-	-	-	228.3	-	-
Other/cash	-	-	2.5	0.4	2.5	4.0
Combined	-	-	2.5	237.0	2.5	326.1

The LDI funds referred to related to Liability Driven Investment funds which had been increasingly utilised by the pension scheme. LDI funds represented investments in a Liability Driven Investment fund via a Pooled Investment Vehicle. With the exception of cash, the remaining scheme investments comprised of Pooled Investment Vehicles.

Investments were included at fair value as follows:

Pooled Investment Vehicles which were not traded on active markets, but where the investment manager had provided a monthly trading price, were 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 was equal to the discount rate applied to liabilities.

The assets held within the US pension scheme amount to \$0.834m (2019: \$0.939m) and are held mainly in bonds.

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

	2020			2019		
	US	UK	Total	US	UK	Total
	schemes	scheme		schemes	scheme	
	\$000	\$000	\$000	\$000	\$000	\$000
Included within operating profit:						
– current service cost	9	-	9	8	-	8
– settlements (adjusting items)	-	-	-	-	1,277	1,277
- Profit on sale of UK pension scheme	-	809	809	-	-	-
Included within financial expense:						
– interest on pension liabilities	44	-	44	45	-	45
Included within financial income:						
– interest on pension surplus (note 3)	-	(22)	(22)	-	(1,255)	(1,255)

The settlements figure of \$1,277,000 in the prior year relates to liability reduction exercises 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.

## Notes relating to the consolidated financial statements

### 29. EMPLOYEE BENEFITS (CONTINUED)

	\$000
<b>Profit on sale of UK pension scheme reconciliation</b>	
Net defined benefit asset 30 March 2019	7,459
Exchange variance	(188)
Payment to employer before tax	(8,080)
<b>Profit on sales of UK pension scheme</b>	<b>809</b>
<b>Cash received reconciliation</b>	
Cash received reconciliation	\$000
Payment to employer before tax	8,080
Less tax (taken at source)	(2,867)
<b>Cash received</b>	<b>5,213</b>

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

	2020			2019		
	US schemes \$000	UK scheme \$000	Total \$000	US Schemes \$000	UK scheme \$000	Total \$000
Return on plan assets	55	(1,448)	(1,393)	(6)	(40,504)	(40,510)
Experience gain/(loss) on liabilities	3	(1,117)	(1,114)	45	8,947	8,992
Change in assumptions - financial		2,543	2,543	-	(11,565)	(11,565)
Amounts recognised during the period	58	(22)	36	39	(43,122)	(43,083)
Exchange adjustment	-	-	-	-	(1,601)	(1,601)
Eliminated on disposal of UK scheme	-	13,433	13,433	-	-	-
Balance brought forward	1,823	(13,411)	(11,588)	1,784	31,312	33,096
Balance carried forward	1,881	-	1,881	1,823	(13,411)	(11,588)

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

	2020		2019	
	US Schemes \$000	UK Scheme \$000	US schemes \$000	UK scheme \$000
Present value of defined benefit obligation	(2,095)	-	(2,178)	(229,493)
Fair value of scheme assets	834	-	939	236,952
(Deficit)/surplus in the scheme	(1,261)	-	(1,239)	7,459
Experience adjustments on the scheme liabilities	55	-	45	8,947
Experience adjustments on scheme assets	3	-	(6)	-
Exchange differences	-	-	-	(3,568)

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%.

	2020	2019
Discount rate	0.07%	2.8%
Future salary increases	-	-
RPI inflation assumption	-	1.8%
Post-retirement mortality rate changed by one year	-	4.2%



## Notes relating to the consolidated financial statements

### 30. ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discussed with the Audit Committee the development, selection and disclosure of the Group's accounting policies and estimates and the application of these policies and estimates. The accounting policies are set out on pages 30 to 37.

The key sources of estimation 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 29 contains information about the principal actuarial assumptions used in the determination of the net assets for defined benefit obligations.

#### DEFERRED TAXATION

Note 14 contains details of the Group's deferred taxation. Liabilities recognised are determined by the likelihood of settlement and the likelihood that assets are received 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. Calculation 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 13% being the calculation of the Group's weighted average cost of capital.

#### LEASES

Extension option clauses are included in some of the lease agreements, but the Directors have assumed that these will not be exercised.

### 31. 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 \$82,361 in interest payments during the financial year (2019: \$84,888) in respect of their respective holding of the loan notes. At the year-end Haddeo Partners LLP held £810,000 (\$999,840) of loan notes. In addition, the wife of Mr N Carrick, the Group Finance Director, also held £50,000 (\$61,719) 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.

## Notes relating to the consolidated financial statements

### 32. 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 the 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

	2020 \$000	2019 \$000
Operating profit	1,540	3,471
Adjusting items included in net operating expenses (see note 3)	1,187	1,786
Underlying operating profit	2,727	5,257

#### Underlying profit for the period from continuing activities

Profit for the period	595	4,233
Adjusting items included in net operating expenses (see note 3)	1,187	1,786
Adjusting items included in Financial income	(22)	(2,077)
Adjusting items included in Financial expense	536	-
Tax on adjusting items		48
Underlying profit for the period	2,296	3,990

#### Underlying EPS

A reconciliation of underlying EPS is included in note 9

### 33. ACQUISITION OF CONTROL MICRO SYSTEMS INC (CMS)

On 21 June 2019, with an effective acquisition date of 1 June 2019, 600 Group PLC acquired the entire issued share capital of Control Micro Systems Inc ("CMS"), a provider of turnkey, custom-designed and fully-automated laser process machines and systems to a diverse base of US and international blue-chip customers across a range of industries, including industry-leading positions in the high-growth precision medical equipment, pharmaceutical and aerospace sectors, for a consideration of \$10m, comprising of \$9m in cash and \$1m of 600 Group plc shares

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	\$000
<b>Purchase consideration</b>	
Cash paid	9,000
4,500,000 600 Group plc ordinary shares	1,000
<b>Total purchase consideration</b>	<b>10,000</b>

## Notes relating to the consolidated financial statements

### 33. ACQUISITION OF CONTROL MICRO SYSTEMS INC (CMS) (CONTINUED)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Provisional Fair value \$000
Cash and cash equivalents	2,928
Cash investment	107
Plant and equipment	675
Customer relationships	2,743
Inventories	556
Trade and other receivables	1,527
Contract assets	138
Right of use assets	1,477
Lease liabilities	(1,477)
Trade and other payables	(524)
Contract liabilities	(457)
Provisions	(270)
Deferred Taxation	(197)
Taxes payable	(71)
Net identifiable assets acquired	7,155
Add: goodwill	2,845
Fair value of consideration paid	10,000

The goodwill is attributable to CMS's assembled workforce and its strong position and profitability in the pharmaceutical, healthcare and aerospace sectors. None of the goodwill is expected to be deductible for tax purposes.

#### Acquisition-related costs

Acquisition-related costs of \$0.7m are included in adjusting items within net operating expenses in the income statement.

#### Revenue and profit contribution

The acquired business contributed revenues of \$7.3m and net profit of \$0.44m to the group for the period from 1 June 2019 to 28 March 2020. If the acquisition had occurred on 31 March 2019, it is estimated that consolidated revenue and consolidated profit after tax, on continuing activities, for the year ended 28 March 2020 would have been \$68.9m and \$0.5m respectively.

### 34. POST BALANCE SHEET EVENTS

The freehold property in Brisbane, Australia was sold on 24 October 2020 for \$1.6m.

Subsequent to the year end the Group has taken advantage of Government schemes and has received \$2.2m of loans across the three USA businesses under the Paycheck Protection Program. These loans may be forgiven dependent on expenditure on certain items and employment numbers with any amount not forgiven repayable as a 2 year loan at 1% interest rate.

The UK machine tools business received a \$1.5m loan under the Coronavirus Large Business Interruption Loan Scheme with a 3 year bullet repayment in September 2023 and 1.92% interest.

**Company statement of financial position**  
As at 28 March 2020

Company Number 00196730

	Notes	As at 28 March 2020 \$000	As at 30 March 2019 \$000
<b>Non-current assets</b>			
Fixed assets		3	3
Intangible assets		489	199
Investments	3	10,611	11,342
		<b>11,103</b>	<b>11,544</b>
<b>Current assets</b>			
Trade and other receivables	4	47,093	46,677
Cash and cash equivalents		33	313
		<b>47,126</b>	<b>46,990</b>
<b>Total assets</b>		<b>58,229</b>	<b>58,534</b>
<b>Current liabilities</b>			
Trade and other payables	5	(4,501)	(2,141)
Lease liabilities	6	(602)	-
		<b>(5,103)</b>	<b>(2,141)</b>
<b>Non-current liabilities</b>			
Trade and other payables	5	(9,741)	(9,946)
		<b>(9,741)</b>	<b>(9,946)</b>
<b>Total liabilities</b>		<b>(14,844)</b>	<b>(12,087)</b>
<b>Net assets</b>		<b>43,385</b>	<b>46,447</b>
<b>Shareholders' equity</b>			
Called-up share capital	7	1,803	1,746
Share premium account		3,828	2,885
Equity reserve		201	201
Profit and loss account		37,553	41,615
		<b>43,385</b>	<b>46,447</b>

Included in the profit and loss account is a loss for the year of \$1,259K (prior year profit \$871K). The financial statements on pages 75 to 83 were approved by the Board of Directors on 19 November 2020 and were signed on its behalf by:

**NEIL CARRICK**  
Finance Director  
19 NOVEMBER 2020

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

**Company statement of changes in equity**  
As at 28 March 2020

Company Number 00196730

	Ordinary share capital \$000	Share premium account \$000	Equity reserve \$000	Retained Earnings \$000	Total \$000
<b>At 31 March 2018</b>	<b>1,746</b>	<b>2,885</b>	<b>201</b>	<b>44,464</b>	<b>49,296</b>
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)
<b>At 30 March 2019</b>	<b>1,746</b>	<b>2,885</b>	<b>201</b>	<b>41,615</b>	<b>46,447</b>
Loss for the period	-	-	-	(1,259)	(1,259)
Other comprehensive income:					
Foreign currency translation	-	-	-	(1,808)	(1,808)
Total comprehensive income	-	-	-	(3,067)	(3,067)
Transactions with owners:					
Share capital subscribed for	57	943	-	-	1,000
Dividends	-	-	-	(1,088)	(1,088)
Credit for share-based payments	-	-	-	93	93
Total transactions with owners	57	943	-	(995)	5
<b>At 28 March 2020</b>	<b>1,803</b>	<b>3,828</b>	<b>201</b>	<b>37,553</b>	<b>43,385</b>

The accompanying accounting policies and notes on pages 76 to 83 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 2019 are for the 52-week period ended 30 March 2019. The results for 2020 are for the 52-week period ended 28 March 2020, the functional currency of the company is GBP but these accounts are presented in rounded 000’s in US \$.

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

#### FIXED ASSETS

Property, plant and equipment are held at cost.

#### 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 lease
- fixtures, fittings, tools and equipment – 10 to 33.3%

#### LEASES

The Company has initially adopted IFRS 16 *Leases* from 31 March 2019. The effect of initially applying this standard is to increase both the assets and liabilities of the Company through the recognition on the balance sheet of the leases in respect of rented properties.

The Company has adopted IFRS 16 using the modified retrospective approach from 31 March 2019 and therefore has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 31 March 2019.

## 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 provisions for impairment in 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).

### FINANCIAL INSTRUMENTS

The company 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 company recognises amounts payable to and receivable from other group companies which are repayable on demand and do not incur interest. The recoverability of these balances is dependent upon the performance and value of the wider group, and at the year end of 28 March 2020 no provision for expected credit loss was recognised having made this assessment.

## Notes relating to the company financial statements

### 1. PERSONNEL EXPENSES

	2020	2019
	\$000	\$000
Staff costs:		
– wages and salaries	1,396	1,053
– social security costs	80	73
– pension charges	25	25
– equity share options expense	93	45
	<b>1,594</b>	<b>1,196</b>

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

	2020	2019
	Number	Number
Head office function	8	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 17 to 19.

### 2. DIVIDENDS

No dividends have been proposed this year. In the prior year a final dividend of 0.5p was paid on 30 September 2019 to holders on the register at 30 August 2019.

	2020	2019
	\$000	\$000
Final Dividend paid September 2019 (0.5p/share)	725	-
Interim Dividend paid January 2020 (0.25p/share)	363	-
Final Dividend paid September 2018 (0.5p/share)	-	736
Interim Dividend paid December 2018 (0.25p/share)	-	368
Total	<b>1,088</b>	<b>1,104</b>



## Notes relating to the company financial statements

### 3. INVESTMENTS

	Shares In Group Undertakings \$000	Total \$000
Cost:		
At 30 March 2019	52,673	52,673
Disposals in the period	(131)	(131)
Exchange variance	(5,373)	(5,373)
<b>At 28 March 2020</b>	<b>47,169</b>	<b>47,169</b>
Provisions		
At 30 March 2019	41,331	41,331
Exchange variance	(4,773)	(4,773)
<b>At 28 March 2020</b>	<b>36,558</b>	<b>36,558</b>
Net book values		
<b>At 28 March 2020</b>	<b>10,611</b>	<b>10,611</b>
At 30 March 2019	11,342	11,342

In the year the investments of Gamet Bearings Limited and The 600 Group Pension Trustees Limited were written off.

	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)
<b>At 30 March 2019</b>	<b>52,673</b>	<b>52,673</b>
Provisions		
At 31 March 2018	44,431	44,431
Exchange variance	(3,100)	(3,100)
<b>At 30 March 2019</b>	<b>41,331</b>	<b>41,331</b>
Net book values		
<b>At 30 March 2019</b>	<b>11,342</b>	<b>11,342</b>
At 31 March 2018	12,193	12,193

## Notes relating to the company financial statements

### 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 600 Limited; 600 Bearings Limited; T S Harrison & Sons Limited; The Richmond Machine Tool Company Limited; 600 Lathes Limited; 600 SPV1 Limited\*; 600 SPV2 Limited\* and Coborn Insurance Company 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 Bordinge, 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  
Control Micro Systems Inc

Clausing Industrial, Inc's principal activity is the design and distribution of machine tools and precision engineered components. TYKMA Inc and Control Micro Systems Inc's principal activities are 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. Control Micro Systems Inc has a registered office of 4420-A Metric Drive Winter Park, Florida 32792, 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 28 March 2020, or the year ended 30 March 2019.

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

	2020	2019
	\$000	\$000
Amounts owed by subsidiary undertakings <sup>1</sup>	46,669	46,408
Deferred tax	107	101
Other debtors	317	168
	<b>47,093</b>	<b>46,677</b>

<sup>1</sup> 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

	2020	2019
	\$000	\$000
Current liabilities:		
Trade payables	87	467
Amounts owed to subsidiary undertakings <sup>1</sup>	3,944	1,281
Accruals and deferred income	470	393
	<b>4,501</b>	<b>2,141</b>

	2020	2019
	\$000	\$000
Non-current liabilities:		
8% loan notes	9,437	9,517
Onerous lease provisions	-	429
Unavoidable lease costs	304	-
	<b>9,741</b>	<b>9,946</b>

<sup>1</sup> 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 \$10.5m (£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 \$0.8m, 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 in the prior year. The cost incurred will be amortised over the remaining term.

#### Onerous lease provisions and unavoidable lease costs

Following the move of the UK business to the new facility in Elland the old premises were in the process of being sub-let when they were flooded and consequently the right of use asset in the company was fully impaired as the property sublet negotiations broke down. A provision for unavoidable costs associated with the remainder of the lease has been provided in the year.

## Notes relating to the company financial statements

### 6. LEASES LIABILITIES

The company has initially adopted IFRS 16 *Leases* from 31 March 2019. The effect of initially applying this standard is to increase both the assets and liabilities of the Group through the recognition on the balance sheet of the operating leases in respect of rented properties.

The company has adopted IFRS 16 using the modified retrospective approach from 31 March 2019 and therefore has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 31 March 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 31 March 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 March 2019 was 3.35%, with the opening value being \$0.8m

The associated right-of-use assets were measured at the amount equal to the lease liability of \$0.8m, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 March 2019.

Right of use assets		<b>2020</b>	
			<b>\$000</b>
<hr/>			
Cost			
At 30 March 2019			-
Effect on transition to IFRS 16			<b>803</b>
<hr/>			
Cost at 28 March 2020			<b>803</b>
<hr/>			
Depreciation			
At 30 March 2019			-
Effect on transition to IFRS 16			<b>(431)</b>
Exchange difference			<b>(20)</b>
Depreciation			<b>(145)</b>
Impairment charged in the year			<b>(207)</b>
<hr/>			
Total			<b>(803)</b>
<hr/>			
Net book value			-
<hr/>			
		<b>2020</b>	2019
		<b>\$000</b>	\$000
<hr/>			
Lease liabilities		<b>602</b>	-
<hr/>			
		<b>602</b>	-
<hr/>			

The annual charge for depreciation of lease liabilities was \$145,115 and payments in the year were \$190,650.

## Notes relating to the company financial statements

### 7. SHARE CAPITAL

	2020	2019
	\$000	\$000
<b>Allotted, called-up and fully paid:</b>		
<b>Ordinary shares of 1p each</b>		
112,973,341 ordinary shares of 1p each on issue at start of the period (2019: 112,973,341 ordinary shares)	1,746	1,746
June 2019 – 4,500,000 ordinary shares of 1p each issued as part of the acquisition of CMS Inc	57	-
117,473,341 ordinary shares of 1p each on issue at end of period (2019: 112,973,341 ordinary shares of 1p)	1,803	1,746
<b>Total Allotted, called-up and fully paid at the end of period</b>	<b>1,803</b>	<b>1,746</b>

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.

### 8. CONTINGENT LIABILITIES

	2020	2019
	\$000	\$000
Bank guarantees in respect of Group undertakings	183	193

### 9. CAPITAL COMMITMENTS

	2020	2019
	\$000	\$000
Capital expenditure contracted for but not provided in the accounts	-	335

### 10. PENSION

The Company makes contributions to defined contribution schemes for certain employees. The pension contribution charge for the Company amounted to \$24,785 (2019: \$24,563).

### 11. RELATED PARTY TRANSACTIONS

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

Mr P Dupee is the managing partner of Haddeo Partners LLP which has received \$82,361 in interest payments during the financial year (2019: \$84,888) in respect of their respective holding of the loan notes. At the year-end Haddeo Partners LLP held £810,000 (\$999,840) of loan notes. In addition, the wife of Mr N Carrick, the Group Finance Director, also held £50,000 (\$61,719) 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

### **SECRETARY**

Neil Carrick

### **REGISTERED OFFICE**

Lowfields Way  
Lowfields Business Park  
Elland  
West Yorkshire  
HX5 9DA

### **REGISTERED NUMBER**

00196730

### **REGISTRAR**

Link Asset Services  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### **AUDITOR**

BDO LLP

### **BANKERS**

Bank of America  
HSBC Bank plc

### **Broker**

W H Ireland

### **NOMINATED Advisors**

Spark Advisory Partners Limited