

600 UK Limited

Annual Report and Accounts

Registered number 00144979

Year ended 28 March 2020



Contents

Company information	1
Strategic report	2
Report of the directors	8
Statement of Directors' responsibilities	9
Independent auditor's report to the members of 600 UK Limited	10
Profit and loss account	13
Statement of comprehensive income	14
Balance sheet	15
Statement of changes in equity	16
Notes relating to the financial statements	17

Company information
for the Period Ended 28 March 2020

Directors: P R Dupee
J Wright (appointed 10/02/2021)

Company Secretary: A D Tearne

Registered Office: Lowfields Way
Lowfields Business Park
Elland
West Yorkshire
HX5 9DA

Company Registration Number: 144979

Auditor: BDO LLP
3 Hardman Street
Manchester
M3 3AT

Bankers: HSBC Bank PLC
HSBC House, 4th Floor
1 Bond Court
Leeds
LS1 2JZ

Strategic report

Our business

600 UK Limited is part of The 600 Group PLC which is a diversified engineering group with a world class reputation in the design, manufacture and distribution of machine tools, precision engineered components and industrial laser systems. There are also spares, accessories and service operations which support the significant number of machines sold. Sales are made worldwide, with a mix of direct sales and distribution in Europe and a network of distributors in other key end-user markets.

The benefits of the rationalisation of the UK Machine Tool division resulted in much improved performance for the year with revenues up 18% 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.

It has 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 servicing as a dedicated year-round product showroom, demonstration and customer training capability to showcase the business' increasingly innovative product range.

The company has responded quickly to the Coronavirus pandemic adopting short time and home working. To help mitigate the financial effects, the company has used the Coronavirus Large Business Interruption Loan Scheme (CLBILS). Some staff have been furloughed under the Job Retention Scheme and many employees accepted temporary salary reductions. Action to reduce overheads and defer all non-critical capital expenditure was taken.

Macroeconomic and industry trends

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

The worldwide machine tool industry was estimated by Oxford Economics at nearly US\$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 and typically lags 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 aims and objectives

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

Strategic report (continued)

We will achieve this by:

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

Routes to market and customers

By product category

Approximately 77% of revenues derived from the sale of metal turning machine tools and other machine tools. 5% of the revenue was generated by the sale of industrial laser systems. The sale of precision engineered components for use in metal turning contributed approximately 5% and the remainder of revenues, amounting to approximately 13%, is derived largely from after sales support in spare parts and services.

By industry sector (including customer concentration)

600 UK Limited serves customers across a very broad range of industry sectors, from niche markets for technical education of young engineering apprentices, where our products are considered as the benchmark, through to high volume production of automotive, aerospace and defence equipment. A high proportion of revenues are derived from sales via third party distribution channels, in respect of which it is more difficult to track the industry dispersion of end-user customers.

The company benefits from a high degree of loyalty and repeat business via established distributors in many countries and territories. In the period ended 28 March 2020 the largest single customer, a distributor, contributed approximately 7% of revenues. The top 20, of which 13 were distributors, amounted to 44% of revenues.

By geographical territory of destination

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

<i>Percentage of worldwide revenues (by destination)</i>	2020 %	2019 %
United Kingdom	68	49
Europe (excluding UK)	24	35
Rest of the World	7	12
North America	1	4
Total	<u>100</u>	<u>100</u>

Strategic report (continued)

Key performance indicators (KPI's)

The company 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 on underlying profitability.

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

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

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

KPI	2020	2019
Revenue (annual growth rate)	17.5%	1.3%
Gross margin (% of revenue)	28.2%	29.6%

Key business risks

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

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

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

Taiwan is ranked by Gardner Research as the 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 whole Group. The company mitigates 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 company carries appropriate insurance.

Strategic report (continued)

Additionally, supply sources in India are being developed as a consequence and an increasing amount of product is now made in the USA as well.

Laws and regulations – the company 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") – the Company's 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 company's business activities. These risks are mitigated by the utilisation of physical and embedded security systems, regular back-ups and comprehensive disaster recovery plans.

Treasury and risk management

Financial risks

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

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

Foreign currency risk is managed by matching payments and receipts in foreign currency to minimise exposure. Foreign currency is bought to match liabilities as they fall due where currency receipts are insufficient to match the liability.

Liquidity risk is managed by the company maintaining undrawn trade finance facilities in order to provide short term flexibility.

Interest rate risk is managed by holding a mixture of cash and borrowings in Sterling at floating rates of interest.

Market risks

The company'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 company does not undertake any hedging activity in this area and all materials and utilities are purchased in spot markets. The company 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 company is also aware of market risk in relation to the dependence upon a relatively small number of key vendors in its supply chain. This risk could be manifest in the event of a commercial or natural event leading to reduced or curtailed supply. The company 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.

Strategic report (continued)

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

Other principal risks and uncertainties

Pension funding risk was a significant risk but this has been eliminated by the buy-out contract securing all the scheme liabilities.

The remaining risks faced by the company 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 company'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 company being associated with another company that commits a significant breach of applicable regulations.

Results

Revenue

Revenue from continuing operations increased by 17.5% to £13.2m (2019: £11.3m). 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 the Government assistance scheme and furloughed a number of employees as orders reduced due to many customers shutting down or restricting site access.

Costs and margins

Gross margin decreased to 28.2% (2019: 29.6%) and operating expenses decreased by 41.4% to £1.98m (2019: £3.37m).

Development expenditure

During the financial year the company did not capitalise expenditure on the development of new products and software. No expenditure was capitalised in the previous financial year.

The amortisation charge to income in the current year in respect of development expenditure previously capitalised was £6,713 (2019: £6,712).

Profit before taxation

Profit before taxation amounted to £1.66m against the corresponding figure last year which was £0.91m. Interest receivable was £0.03m (2019: £0.98m).

Adjusting items

Certain items within net operating expenses are highlighted in note 5 Adjusting Items. In the current financial year, this was the net profit from the buy-out of the pension scheme which amounted to £0.63m. In the previous year, it was expenditure of £0.98m incurred on the scheme.

Taxation

The company incurred significant trading and capital losses in prior years in the UK and accordingly has no liability for taxation in the UK.

Strategic report (continued)

Going concern

The continuing uncertainty of the impact of Covid-19 pandemic has been considered. Whilst the facility remains open there are reduced working hours and staffing levels in place. Operating costs have been reduced, government employee schemes and government backed loans have been utilised too.

Despite national lockdowns, order activity has been consistently increasing since September 2020 as the government has allowed manufacturing businesses to remain open. Short term macroeconomic uncertainty remains combined with potential supply disruption created by Brexit and port congestion.


An operation is being established in Germany to promote the direct sale of higher specification machines, support the distribution businesses and to reduce the impact of Brexit in the European markets.

The Board has assessed the company's funding and liquidity position and further details can be found in the basis of preparation accounting policy note. The Directors confirm that, after having made appropriate enquiries and receiving confirmation of continued support from the holding Company, 600 Group plc, in that it does not intend to recall the inter-company loan beyond affordable levels, they have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparation of the financial statements.

Retirement Benefits

The UK pension scheme buy-out was completed in late April 2019 and the remaining surplus in the scheme of £4.1m was repaid to the Group after deduction of 35% tax.

By order of the board



Jonathan Wright
Director
30 March 2021

Lowfields Way
Lowfields Business Park
Elland
West Yorkshire
HX5 9DA

Directors' report

The directors present their annual report and the audited financial statements for the 52-week period ended 28 March 2020.

Dividend

No dividend was paid during the period (2019: £nil).

Directors

The directors who held office during and subsequent to the period were as follows:

Jonathan Wright (appointed 10 February 2021)

P R Dupee

Employees

It is the company's policy to employ and train disabled persons wherever their aptitudes and abilities allow and suitable vacancies are available. All employees are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers.

The company is committed to keeping employees as fully informed as possible with regard to the company's performance and prospects, and seeking their views, whenever practicable, on matters which particularly affect them as employees and future developments.

Political contributions

The company made no political donations or incurred any political expenditure during the year (2019: nil).

Research and development

The company policy is to design and develop products which will enable it to retain and improve its market position and profitability.

Future Outlook

Despite certain macro-economic and political uncertainties impacting customer sentiment, enquiry and quotation, activity remains stable with revenue visibility underpinned by an improved orderbook.

We are constantly seeking to leverage our industry-recognised brands and expand our worldwide distribution network. The introduction of new and innovative products to widen the customer base continues to be a clear focus for the management team.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will, therefore, continue in office.

By order of the board



Jonathan Wright

Director

30 March 2021

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Independent Auditor's Report to the Members of 600 UK Limited

Opinion

We have audited the financial statements of 600 UK Limited ("the Company") for the 52 week period ended 28 March 2020 which comprise the profit and loss account, the statement of other comprehensive income, the balance sheet and the statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation 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 Company's affairs as at 28 March 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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, 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.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of 600 UK Limited

(continued)

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 Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 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:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of 600 UK Limited

(continued)

Use of our report

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

BDO LLP

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK

30 March 2021

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

Profit and loss account

for the 52 week period ended 28 March 2020

	Note	52-weeks ended 28 March 2020 £'000	52-weeks ended 30 March 2019 £'000
Turnover	2	13,219	11,250
Cost of Sales		(9,495)	(7,917)
Gross Profit		3,724	3,333
Net operating expenses	3	(1,977)	(3,374)
Operating Profit / (loss)		1,747	(41)
Financial income	8	27	984
Financial expenses	9	(118)	(38)
Profit before tax		1,656	905
Income tax credit	10	228	257
Profit from continuing activities		1,884	1,162
Discontinued activities	23	(648)	(845)
Profit for the period		1,236	317

The notes on pages 17 to 36 form part of these accounts.

Statement of other comprehensive income
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
Profit for the period		1,236	317
Other comprehensive income/(expense)			
<i>Items that will not be reclassified to the Income Statement:</i>			
Remeasurement of the net defined benefit assets	20	-	(33,028)
Pension interest		(16)	-
Tax on profit of pension disposal		(221)	11,554
Total items that will not be reclassified to the Income Statement		(237)	(21,474)
Other comprehensive (expense)/income for the period, net of income tax		(237)	(21,474)
Total comprehensive income/(expense) for the period		999	(21,157)
Attributable to:			
Equity holders of the Parent Company		999	(21,157)
Total recognised income/(expense)		999	(21,157)

The notes on pages 17 to 36 form part of these accounts.

Balance sheet
at 28 March 2020

Company number: 144979

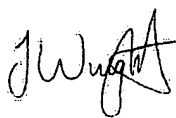
	Note	At 28 March 2020		At 30 March 2019	
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	11		7		14
Tangible assets	12		578		392
Investments	13		2,312		2,312
Deferred tax	18		394		-
Right of use assets	24		3,370		-
			6,661		2,718
Current assets					
Stocks	14	4,111		4,758	
Debtors	15	2,593		2,508	
Deferred tax	18	2,521		2,687	
Cash at bank and in hand		1,488		307	
Employee benefits	20	-		5,723	
Assets held for sale	23	-		845	
		10,713		16,828	
Current liabilities: Trade and other creditors	16	(22,230)		(26,349)	
Net current liabilities			(11,517)		(9,521)
Total assets less current liabilities			(4,856)		(6,803)
Non-current liabilities: Borrowings	17		(3,171)		(268)
Provisions	18		-		(1,955)
Net liabilities			(8,027)		(9,026)
Capital and reserves					
Called up share capital	19		100		100
Other reserve			15		15
Retained deficit			(8,142)		(9,141)
			(8,027)		(9,026)

These financial statements were approved by the board of directors on 30 March 2021 and were signed on its behalf by:

Jonathan Wright

Director

30 March 2021



The notes on pages 17 to 36 form part of these accounts.

Statement of changes in equity
at 28 March 2020

	Ordinary share capital £'000	Other reserve £'000	Retained earnings £'000	Total Equity £'000
At 31 March 2018	100	15	12,016	12,131
Profit for the period	-	-	317	317
Other comprehensive income:				
Remeasurement of the net defined benefit assets	-	-	(33,028)	(33,028)
Deferred taxation	-	-	11,554	11,554
Total comprehensive income	-	-	(21,157)	(21,157)
At 30 March 2019	100	15	(9,141)	(9,026)
Profit for the period	-	-	1,236	1,236
Other comprehensive income:				
Tax on profit of pension disposal	-	-	(221)	(221)
Interest on Pension	-	-	(16)	(16)
Total comprehensive income	-	-	999	999
At 28 March 2020	100	15	(8,142)	(8,027)

The notes on pages 17 to 36 form part of these accounts.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

600 UK Limited is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The accounts are prepared to the Saturday nearest to the company's accounting reference date of 31 March. 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.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- IAS 1 requirement to prepare and present a third balance sheet.

As the consolidated financial statements of 600 Group PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 Financial Instrument Disclosures

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company has taken the exemption from producing its own consolidated financial statements as it is a wholly owned subsidiary of The 600 Group plc. The 600 Group Plc, includes the company in its consolidated financial statements. The consolidated financial statements of The 600 Group Plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from The 600 Group Plc, Lowfields Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9DA.

In the opinion of the directors it is appropriate to draw up the financial statements on the going concern basis as the parent company has given an undertaking to provide continued financial support to the company for a period of at least 12 months from the date on which the financial statements were signed.

Notes (continued)

1 Accounting policies (continued)

Basis of preparation (continued)

The Company meets its day to day working capital requirements through facilities agreed with HSBC Bank PLC which was renewed in September 2020. There are no new covenants in respect of the new Coronavirus Large Business Interruption Loan Scheme (CLBILS) taken out in August 2020.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts. Further information has been included on page 7 of the Strategic Report.

Turnover

Turnover represents the total of the amounts invoiced to customers outside the company for goods supplied and services rendered, excluding VAT, and after deducting discounts allowed and credit notes issued. Turnover is recognised at the point at which goods are supplied to customers.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. The cost of manufactured products consists of direct materials and direct labour with the addition of an appropriate proportion of production overheads.

Tangible assets

Property, plant and equipment are held at cost.

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

Fixtures and fittings	- Over the residual terms of the leases
Plant and machinery	- 10 to 20%
Tools and equipment	- 10 to 33%

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the contract or at contract rates. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or at the contract rate where covered by foreign exchange contracts and the gains or losses on translation are included in the profit and loss account.

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 company 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 rates used are between 2 and 5 years.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by IAS 12.

Pension costs

The UK pension scheme buy-out was completed in late April 2019 and the remaining surplus in the scheme, of £4.1m was repaid to the company after deduction of 35% tax.

Customer deposits

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 16 as Contract liabilities.

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 through the recognition on the balance sheet of the operating leases in respect of rented properties and vehicles.

The company has adopted IFRS 16 using the modified retrospective approach from 31 March 2019 and therefore has not restated comparatives for the 2019 comparative 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 24.

Notes (continued)

1 Accounting policies (continued)

Financial Instruments

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.

Financial assets and liabilities are recognised 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 and 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 the financial assets or financial liabilities at fair value through profit and 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 the 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.

Accounting estimates and judgements

Management discussed with the Audit committee the development, selection and disclosures of the accounting policies and estimates and the application of these policies and estimates.

The key sources of estimation and uncertainty are:

Deferred taxation

Note 18 contains details of the deferred taxation. Liabilities recognised are determined by the likelihood of settlement and the likelihood that assets are received based on assumption of future actions. The recognition of deferred tax 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 the strategic direction of the Group. Provisions are reviewed on the basis of historical usage of spare parts, components and raw materials. Calculation of the provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Notes (continued)

2 Segment Information

Geographical segmental analysis of revenue is shown by destination in the following table for continuing activities:

Segmental analysis by destination:	2020		2019	
	£000	%	£000	%
Gross sales revenue:				
UK	8,976	67.9	5,526	49.1
Other European	3,133	23.7	3,919	34.8
Africa	395	3.0	186	1.7
Far East	305	2.3	629	5.6
North America	196	1.5	502	4.5
Middle East	115	0.9	365	3.2
Australasia	97	0.7	95	0.8
Central and South America	2	0.0	28	0.3
Revenue	13,219	100.0	11,250	100.0

There are no customers that represent 10% or more of the company's revenues. All turnover and results are generated from the one principal activity.

3 Net operating expenses

	52 week period ended 28 March 2020 £'000	52 week period ended 30 March 2019 £'000
Net operating expenses:		
Administration expenses	777	697
Distribution costs	1,834	1,702
Pension (gain)/charge (see note 5)	(634)	975
	<u>1,977</u>	<u>3,374</u>

Notes (continued)

4 Operating profit/(loss)

	52 week period ended 28 March 2020 £'000	52 week period ended 30 March 2019 £'000
<i>Operating profit/(loss) is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit fees	20	20
Depreciation of owned fixed assets	62	125
Amortisation of development expenditure	7	7
Hire of other assets	19	41
Lease expense	-	69
Exchange differences	17	(75)
Pension (gain)/charge (note 5)	(634)	975

5 Adjusting items

	52 week period ended 28 March 2020 £'000	52 week period ended 30 March 2019 £'000
Pension (gain)/costs	(634)	975
	(634)	975
Profit on sale of UK pension scheme reconciliation		
Net defined benefit asset 30 March 2019	5,723	
Payment to employer before tax	(6,357)	
Profit on sale of UK pension scheme	(634)	

The buy-out of the pension scheme completed in April 2019 and a profit of £634k was recorded as the amount received was higher than the carrying value of the asset previously recognised.

6 Remuneration of directors

No director received any emoluments in the current or preceding period in respect of their direct services to the company (2019: none). The remuneration of the directors for their service to The 600 Group PLC can be found in the statutory accounts of that company.

Notes (continued)

7 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2020	2019
Management and administration	6	7
Production	26	30
Selling and distribution	20	14
	<hr/>	<hr/>
	52	51
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	52 week period ended 28 March 2020	52 week period ended 30 March 2019
	£'000	£'000
Wages and salaries	1,864	2,390
Social security costs	200	269
Net pension scheme charge	72	89
	<hr/>	<hr/>
	2,136	2,748
	<hr/>	<hr/>

8 Financial income

	52 week period ended 28 March 2020	52 week period ended 30 March 2019
	£'000	£'000
Net interest on net defined benefit plan assets	-	958
Bank interest income	27	26
	<hr/>	<hr/>
	27	984
	<hr/>	<hr/>

Notes (continued)

9 Financial expense

	52 week period ended 28 March 2020 £'000	52 week period ended 30 March 2019 £'000
Bank loan interest	-	37
Lease liability interest	118	1
	<hr/>	<hr/>
	118	38
	<hr/>	<hr/>

10 Taxation

	52 week period ended 28 March 2020 £'000	52 week period ended 30 March 2019 £'000
Recognised in profit and loss:		
Current tax:		
Corporation tax at 19% (2019: 19%):	-	-
Prior period	-	-
	<hr/>	<hr/>
Total current tax	-	-
Deferred taxation		
Current period	(228)	(257)
Relating to prior periods	-	-
Total deferred taxation	<hr/> (228) <hr/>	<hr/> (257) <hr/>
Taxation credited to the profit and loss account	<hr/> (228) <hr/>	<hr/> (257) <hr/>
Recognised in equity:		
Deferred taxation charge/(credit) on pension scheme	221	(11,554)
	<hr/>	<hr/>

Notes (continued)

10 Taxation (continued)

Tax reconciliation

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

	52 week period ended 28 March 2020 £'000	52 week period ended 30 March 2019 £'000
Profit on ordinary activities before tax	1,656	905
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	315	172
Effects of:		
(Income not taxable)/expenses not deductible	(120)	(203)
Losses utilised	(107)	(148)
Pension fund surplus taxed as higher rate	-	3
Deferred tax not previously recognised	-	(333)
Effect of change in deferred tax rate	(316)	252
Tax credit for the period	(228)	(257)

Deferred taxation balances are analysed in note 18.

Notes (continued)

11 Intangible Assets

	Development Expenditure £'000
Cost	
At 30 March 2019	43
	<hr/>
At 28 March 2020	43
	<hr/> <hr/>
Amortisation	
At 30 March 2019	29
Charge for financial period	7
	<hr/>
At 28 March 2020	36
	<hr/> <hr/>
Net Book value	
At 30 March 2019	14
	<hr/> <hr/>
At 28 March 2020	7
	<hr/> <hr/>

Notes (continued)

12 Tangible assets

	Land and Buildings	Plant and Machinery	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 30 March 2019	11	1,332	92	1,435
Additions	62	101	85	248
At 28 March 2020	73	1,433	177	1,683
Depreciation				
At 30 March 2019	-	1,042	1	1,043
Charge for financial period	5	49	8	62
At 28 March 2020	5	1,091	9	1,105
Net book value				
At 30 March 2019	11	290	91	392
At 28 March 2020	68	342	168	578

Notes (continued)

13 Fixed asset investments

	Shares in subsidiary undertakings 2020 £'000	Shares in subsidiary undertakings 2019 £'000
Cost and net book value brought forward	<u>2,312</u>	<u>2,312</u>
Cost and net book value carried forward	<u>2,312</u>	<u>2,312</u>

The names of the company's subsidiary undertakings and the company's interests therein during the year ended 28 March 2020 are as follows:

Shares in subsidiaries	Activity	Proportion held by the company	Country of Incorporation
Electrox Laser Limited Lowfields Business Park Elland West Yorkshire HX5 9DA	Sale of Laser systems	100%	UK

14 Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	3	48
Work in progress	139	791
Finished goods and goods for resale	3,969	3,919
	<u>4,111</u>	<u>4,758</u>

During the year the company conducted a review of the net realisable value of its stock carrying values due to which a decrease of £0.63m provision was required largely as a result of the sale of the Gamet business (2019: increased provision of £0.68m). £7.9m of cost of sales for the year related to stock (2019: £6.8m).

Notes (continued)

15 Debtors

	2020 £'000	2019 £'000
Trade debtors (after provision)	1,805	1,559
Amounts owed by parent and fellow subsidiary undertakings	355	467
Other debtors	25	30
Prepayments and accrued income	408	452
	<u>2,593</u>	<u>2,508</u>

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

	2020 £000	2019 £000
Current (not overdue and no provision held)	1,562	1,491
Overdue but no provision held:		
– 0–3 months overdue	58	47
– 3–6 months overdue	137	8
– 6–12 months overdue	6	-
– more than 12 months overdue	63	136
Total gross trade receivables before provision	<u>1,826</u>	<u>1,682</u>

As at 28 March 2020, there was a provision of £21k made against debtors (2019: £123k).

16 Current liabilities: Trade and other creditors

	2020 £'000	2019 £'000
Trade creditors	1,161	907
Trade finance	-	557
Bank loan	-	35
Amounts owed to parent company	19,935	24,184
Finance leases	-	11
Lease liabilities (note 24)	246	-
Other taxes and social security	413	95
Contract liabilities	189	164
Accruals	286	396
	<u>22,230</u>	<u>26,349</u>

Notes (continued)

17 Non-current liabilities: Borrowings

	2020	2019
	£'000	£'000
Bank loan	-	247
Lease liabilities (note 24)	3,171	-
Finance leases	-	21
	3,171	268

The Bank loan consisted of a mortgage from HSBC on the Colchester freehold site which was repaid in March 2020.

18 Deferred taxation

The period end deferred taxation balance comprises:

	2020	2019
	Provided	Provided
	£'000	£'000
Assets:		
Decelerated capital allowances and other revenue items	818	818
Tax losses	2,097	1,869
	2,915	2,687
Included in current assets	2,521	2687
Included in assets over 1 year	394	-
	2,915	2,687
Liabilities:		
Employee benefits – pension scheme surplus (included in provisions)	-	(1,955)

Notes (continued)

18 Deferred taxation (continued)

Analysis of net deferred tax:

	30 March 2019	Recognised in income	Pension Scheme Disposal	28 March 2020
	£'000	£'000	£'000	£'000
Decelerated capital allowances	818	-	-	818
Employee benefits	(1,955)	-	1,955	-
Tax value of loss carry forwards recognised	1,869	228	-	2,097
	<u>732</u>	<u>228</u>	<u>1,955</u>	<u>2,915</u>

There is an unrecognised deferred tax asset of £1,125,000 (2019: £965,000) in respect of losses.

Deferred tax has been provided for at the rate of 19% (2019 – 17%).

19 Called up share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

All shares are of the same class, carry one vote each and the right to dividends, or return of capital in the event of a winding up event.

Share capital

Called up share capital reserve represents the nominal value of the shares issued.

Other reserve

Other reserve contains the revaluation of foreign currency.

Retained earnings

The profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

Notes (continued)

20 Employee benefits

The buy-out of the defined benefit pension scheme was completed in April 2019. The accounting and disclosure for the scheme in the prior year and until the 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.

The assets and liabilities of the scheme at 28 March 2020 and 30 March 2019 were:

	2020 £'000	2019 £'000
Assets	-	181,850
Liabilities	-	(176,127)
Surplus	-	5,723

The profit on disposal of the scheme was £634k as reported in Note 5 Adjusting items.

21 Related parties

The company is controlled by The 600 Group PLC, the immediate and ultimate parent company.

During the respective periods, the company transacted with its parent undertaking and fellow group undertakings as follows:

	Sales to 2020 £'000	Sales to 2019 £'000	Administrative expenses incurred from 2020 £'000	Administrative expenses incurred from 2019 £'000
Parent undertaking	-	-	415	432
Fellow group undertakings	275	497	-	-
	<u>275</u>	<u>497</u>	<u>415</u>	<u>432</u>

22 Ultimate holding company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of The 600 Group PLC which is incorporated in Great Britain and registered in England and Wales. The consolidated accounts of the group are available to the public and may be obtained by writing to the registered office of the ultimate holding company at Lowfields Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9DA.

Notes (continued)

23 Discontinued activities

The Gamet Bearings business is a separate operation within the UK, manufacturing precision bearings. As part of the strategy to reduce the Group's exposure to manufacturing and the requirement for ongoing capital expenditure, the business and trading assets were sold on 9 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 the comparative period and all revenue and costs have been removed from the Income Statement and replaced by the after-tax profit or loss from the discontinued operation shown after the results of continuing operations.

The assets were classified as held for sale in the statement of financial position at 30 March 2019 and consisted of inventory, freehold property and plant and equipment to the value of £845k.

	52-weeks ended 28 March 2020	52-weeks ended 30 March 2019
	£'000	£'000
Turnover	653	1,201
Cost of Sales	(332)	(1,055)
Gross Profit	321	146
Net operating expenses	(969)	(991)
(Loss) before tax	(648)	(845)

The loss on disposal of assets held for sale at the prior year end amounted to £100k and is included within the £648k loss from discontinued operations shown above.

	£'000
Assets held for resale 30 March 2019	845
Proceeds received	(745)
Loss on disposal	(100)
Assets held for resale 28 March 2020	-

Notes (continued)

24 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 through the recognition on the balance sheet of the operating leases in respect of rented properties and vehicles.

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.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the company recognised lease liabilities 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 an incremental bank borrowing rate as of 31 March 2019. The rate applied to the lease liabilities on 31 March 2019 was 3.35%.

	£000
Operating lease commitments disclosed as at 30 March 2019	4,050
Discounted using the lessee's incremental borrowing rate at the date of initial application	(435)
Other short term operating leases	(19)
Lease liability recognised as at 31 March 2019	3,596

The right of use assets:

Cost or valuation	£'000
At 30 March 2019	-
Effect on transition to IFRS16	3,596
Additions	60
At 28 March 2020	3,656
Depreciation	
At 30 March 2019	-
Charge for the period	286
At 28 March 2020	286
Net Book Value	
At 28 March 2020	3,370
At 30 March 2019	-

Notes (continued)

24 Leases (continued)

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

	28 March 2020
	£'000
Lease liabilities due within one year	246
Lease liabilities due after one year	3,171
	3,417

During the year lease payments amounted to £476k of which £118k was in respect of interest charges. The undiscounted payments under the leases fall due as follows:

	28 March 2020
	£'000
Up to one year	357
One to five years	1,247
Over five years	2,350
Total undiscounted payments due under leases	3,954

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	3,596
Lease liabilities	(3,596)
Net impact on retained earnings	-

Practical expedients applied

In applying IFRS 16 for the first time, the company 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 company 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 company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Notes *(continued)*

24 Leases *(continued)*

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

The company 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 provided by the bank.

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.

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.