Annual Report & Accounts 2021

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

Company Number 00196730

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Chairman's statement

Overview

It should come as no surprise that the Coronavirus pandemic has changed business as we know it. As we deal with the significant impact on our top-line – with revenues falling by just over 20% to $53.6m – we remain optimistic as we maintained our *underlying pre-tax profit of $1.1m and our skilled workforce, due in large part to our operational cost savings and government assistance programs. Because of our ability to anticipate and respond quickly, the Group is now seeing a considerable increase in demand as well as improved size and quality of the order books.

As we continue to navigate our new business normal and capitalise on the growth of our North American presence, we are also actively seeking to expand our laser business – with US markets being a priority. With our team of innovators and expert engineers, we are confident in our ability to impact this market. We are excited about the possibilities that lie ahead and what this means for both our company and our valued investors.

Divisional Overview

The UK Machine Tool business suffered a significant revenue decrease of 38% and closed temporarily altogether in May of 2020 as a result of lockdowns across the UK and Europe.

Following the closure, we furloughed staff and took advantage of the UK Coronavirus Job Retention Scheme. Doing so allowed us to implement a number of cost reduction measures and preserve the core skill base of our business. From online machine demonstrations to virtual showroom visits, we have continued to respond to the changing circumstances we are experiencing and, as a result, generated a 2% net operating margin against the 8% margin of the previous year.

Although the US Machine Tool business experienced a similar downturn, we acted quickly and utilized the Paycheck Protection Program (PPP). We remained open and quickly recovered with a 20% reduction in revenue while returning a slightly improved net operating profit over the previous year.

The Industrial Laser division faced a similar outcome with site visit restrictions and a lack of trade shows which limited sales and new business opportunities. However, we again responded with online demos and implemented necessary cost reductions while taking advantage of the Paycheck Protection Program (PPP). While the market for large, high-end custom machines manufactured by the CMS business acquired in June 2019 remained difficult, the move of TYKMA away from a primarily commodity product focus to a custom machine focus helped maintain revenue and improve operating margins.

Our Borrowings

Group net debt (excluding IFRS16 lease liabilities) and including the second round of $2.2m of PPP funding loans was $12.7m as of March 31, 2021, compared to $14.2m at the end of March 2020. The first round of PPP loans of $2.2m were forgiven at the start of March 2021, and the second round of loans are on the same terms and available for forgiveness starting in September of this year. These are dependent on employment terms, payroll expenditure and certain facility costs with any amount not forgiven repayable over a two-year period at an interest rate of 1%. We also reached an agreement with our loan note holders in July 2021 to extend the repayment date to 14 August 2023. This will provide adequate time for the Group to recover from the pandemic and organise refinancing.

Our People

At the very core of our business is our people. While this pandemic has presented its own set of challenges, we have also found ample opportunity to grow and reinvigorate our company at every level. We believe it's the hard work, dedication and support of our employees that has opened the doors to our newest initiatives, and ultimately, our future.

Our Future

Orderbooks have seen a notable uptick since March 2021, with particularly strong activity in the higher-margin laser division. So while the pandemic continues to affect many aspects of our everyday business and some questions remain, one thing is certain: Our management teams have responded better than we could have ever thought possible and our ability to overcome has resulted in a leaner, more efficient organization; one that takes advantage of the operational goals that lie ahead and turns every challenge into a new opportunity. The Board continues to believe in our long-term fundamentals of brand promotion, investment in new, higher-end product capabilities and diversification into new markets with selective acquisitions.

Paul Dupee
Chairman
1 September 2021

*Underlying profit is before adjusting items, which are explained in note 30 Alternative Performance Measures and set out in note 3

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 31 March 2021 the top 20 customers, of which 11 (2020: 15) were distributors, contributed 24% (2020: 26%) of revenues.

Revenues
Revenues are generated across many diverse geographical territories:

Percentage of worldwide revenues (by destination)	2021 %	2020 %
United States of America	70	66
United Kingdom	14	17
Europe (excluding UK)	7	7
Rest of the World	9	10
Total	100	100

Macroeconomic and industry trends

Industrial laser systems
The use of industrial lasers for material processing continues to expand worldwide with laser systems now becoming a mainstream manufacturing process. Applications include laser machining, including cutting and drilling, marking, ablation and a host of other niche processes. 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 number relates just to 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 was estimated to be in the region of 12% and largely driven by Chinese decline in cutting systems which mirrored the decline in machine tools, both of which are heavily influenced by Chinese demand. The effects of the COVID-19 pandemic led to significant reductions in volumes in the early part of 2020 but as China, in particular, opened up, volumes recovered and the overall market was estimated to be similar to that of 2019 as a result. The European and American markets however were slower to recover and took until Q1 of 2021 to show significant signs of a return to more normal levels of activity.

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 of products and components. 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 thus whilst unit volumes have continued to increase, revenue has been held back. It is for this reason the Group took the decision to focus 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 in June 2019 significantly enhanced these capabilities.

Industry predictions for the laser industry expect the recovery in volumes to continue through 2021 with the overall increase ranging from 10% to 15%.

Machine tools and precision engineered components
The worldwide machine tool industry was estimated by Oxford Economics in their Spring 2021 report at around $74bn for the 2019 calendar year but with a fall in 2020 of around 15% due to the effects of the pandemic and then a rebound of around the same amount in 2021 expected. 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.

The global market is dominated by China with consumption of $22.3bn in 2019 but this is largely served domestically with China also being the largest producer. The USA is the second largest consumer of machine tools at $9.8bn followed by Germany at $8bn.

Our main markets
The main markets we operate in are the USA, Europe and Australia. All these markets suffered reduced demand as a result of the COVID-19 global pandemic. These markets have shown a gradual improvement from late in 2020 and into 2021 with a significant improvement seen from March 2021 onwards. The possibility of disruption remains due to the ongoing effects of COVID-19 and possible new outbreaks and variants.

Activity in the year

Industrial laser systems
All areas of the business were affected by the COVID-19 pandemic with revenue falling 10% on the previous year. Operations did remain open with staff working flexibly and from home as required to meet demand as it occurred.

The existing TYKMA Electrox business continued to move more into the custom higher specification market as increased competition and price deflation continued in the lower end standard products sector. The higher end large projects undertaken by the CMS business suffered delays in customer decisions on new projects and both businesses took advantage of the USA Paycheck Protection Program (PPP) scheme to keep teams and key skills together during periods of reduced demand. Cost reduction measures were introduced, along with online machine demonstrations and remote working to keep sales activity moving.

Activity levels did gradually pick up and the businesses experienced a significant uplift in activity and orders from March 2021 onwards, particularly in the higher margin large custom units. The integration of the sales operations of TYKMA and CMS and other back-office functions has progressed well with each operating unit benefitting from the increased operational facilities and the cross fertilisation of skills and ideas. Work has also continued on the development of the proprietary software for TYKMA / Electrox which will provide upgrade opportunities to customers going forward as well as adding new functionality and compatibility with other systems and operations.

Results for the financial year were as follows:

	2021	**2020**
	$ 000	$ 000
Revenues	21,331	23,695
Underlying operating profit	1,836	1,689
Underlying operating margin	8.6%	7.1%

Underlying operating profit is before adjusting items, which are explained in note 30 Alternative Performance Measures 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 also severely affected by the COVID-19 pandemic with a fall of 26% on the previous year. The UK operation suffered the worst effects with the plant closed for the month of May 2020 and staff furloughed and working remotely as required. Site visits in the UK and Europe became extremely difficult and the business responded with online machine demonstrations and showroom visits. UK revenue fell by 38% on the prior year and consequently operating margins reduced down to 2% against 8% for the prior year.

Work on establishing a German operation for Colchester has continued during the year and a new lease on premises near Dusseldorf was entered into in May 2021 to provide a direct sales and service operation alongside the existing distribution infrastructure in this important European market.

The US machine tool business struggled similarly with the effects of the pandemic but has come out of the downturn more quickly than the UK with overall revenues only falling 20% on the prior year and is now back to pre-pandemic levels of activity. The business also took advantage of the PPP scheme, initiated cost savings and furloughed workers as required, but has been able to keep core skills together and has responded quickly to the increasing demand.

The Australian machine tools business was not immune to the pandemic and was forced to implement cost savings and furloughed staff, taking advantage of Government assistance schemes and was able to match the previous year's revenue with an improvement in operating margins.

The financial results of these activities were as follows:

	2021	2020
	$ 000	$ 000
Revenues	32,219	43,511
Underlying operating profit	2,801	3,216
Underlying operating margin	8.7%	7.4%

Group Results

Revenue from continuing operations reduced by just over 20% to $53.6m (2020: $67.2m) and Group profit before tax and adjusting items was $1.1m (2020: $1.1m). The profit before tax after adjusting items was $0.09m (2020: loss $0.63m).

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 30 alternative performance measures and set out in note 3. All adjusting items are taken into account in the GAAP figures in the Income Statement.

As a result of the outsourcing of manufacturing in the UK, the existing premises were vacated and, given the uncertainty over economic conditions as a result of the Coronavirus pandemic, it was not known if a sub-let could be achieved. Consequently the right of use asset was impaired and unavoidable costs associated with the ongoing lease were provided for in the prior year, totalling $0.8m. An assignment of the lease for the remaining term was agreed in February 2021 and consequently a number of these provisions are no longer required, resulting in a credit of $0.6m this year.

As part of the ongoing restructuring of the Australian operation the freehold premises in Brisbane were sold in October 2020, generating a profit of $0.5m and proceeds of $1.7m.

Abortive costs on acquisitions it was decided not to proceed with as a consequence of the pandemic were $0.1m (2020: $0.7m including acquisition costs on CMS) and the cost of the Group restructure with certain management functions moving to Orlando Florida was $0.9m, including the compensation for loss of office of the CFOs and COO.

Amortisation of the intangible assets acquired through the CMS deal of $0.3m (2020: $0.3m) and the amortisation of the loan note discount and costs of $0.6m (2020: $0.5m) are also included in adjusting items.

In the prior year the buy-out of the Group pension scheme was completed, in April 2019, and a profit of $0.8m was recorded in the Income Statement as the final cash refund of surplus of $5.2m, net of tax, was higher than originally estimated.

Taxation

The current year charge for taxation is $2.7m. This is made up of deferred tax entries and provisions for current tax in the USA. No taxation was actually paid in the year. The recoverability of US losses in the near term were re-assessed in light of the recent trading results and the fact that the PPP forgiveness is not taxable resulting in the carrying value of the deferred tax asset in the balance sheet being reduced by $2.3m. In the prior year as a result of adjustments to deferred taxes and taxable losses there was a credit for taxation of $1.2m.

The UK businesses continue to benefit from substantial previous tax losses and no taxation is payable in the UK. There are substantial deferred tax assets in the UK of $3.8m and $2.4m in the US that are not recorded on the balance sheet. 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 loss of $2.6m (2020: profit of $0.6m) with pre-adjusting items loss of $1.8m (2020: profit $2.3m).

Underlying basic earnings from continuing operations before adjusting items and related taxation were a loss of 1.53 cents (equivalent to 1.17p) per share (2020: 1.97 cents profit, equivalent to 1.55p) and basic earnings per share were a loss of 2.19 cents (equivalent to 1.67p) (2020: 0.51 cents profit, equivalent to 0.40p) - see note 9 for details.

Financial position and utilisation of resources

Cash flow
Cash generated from operations before working capital movements and PPP forgiveness was $1.6m (2020: $3.1m).

Working capital reduced during the year in response to the reduced revenues due to the COVID-19 pandemic with in particular inventories reducing by $1.9m ($2.3m at a fixed exchange rate). Inventory levels have increased since the year end in response to the substantial increase in order activity.

Interest paid on borrowings was in line with the previous year at $1.1m with the largest component of this being the fixed interest on the £8.5m ($11.2m) 8% loan notes.

Capital expenditure consisted of the final stages of development work on the upgrading of the industrial laser division proprietary software of $0.2m, plus demonstration and rental laser systems capitalised and applications lab equipment for the laser business of $0.5m.

As part of the restructuring of the Australian machine tool business the Brisbane freehold premises were sold in October 2020 for $1.7m, generating a profit of $0.5m above its revalued amount. A lease of a smaller section of the building has been taken to maintain a sales and service operation in this important area.

Net borrowings
Group net debt at 31 March 2021 excluding lease liabilities reduced to $12.7m against $14.2m in the prior year.

The debt at 31 March 2021 includes $2.2m of second round Paycheck Protection Program loans (PPP) from the USA Government granted in March 2021 to the three USA businesses and which will become due for forgiveness in September 2021 based upon certain conditions, including payroll numbers and payments for payroll and rent. The initial loans of $2.2m granted in May 2020 were forgiven in February 2021 and included in the net operating expenses in the Consolidated Income Statement. Any amount not forgiven is repayable as a 2 year loan at 1% interest rate.

In order to provide headroom through these unprecedented times of the COVID-19 pandemic the UK machine tools business drew down a £1.2m ($1.7m) 3 year term loan with a bullet repayment on 1 September 2023 and interest at 1.92% under the Government backed Coronavirus Large Business Interruption Loan Scheme (CLBILS). There are no covenants on the loan.

Net bank indebtedness of $1.5m at 31 March 2021 (2020: $4.8m) includes cash in hand of $5.0m, the remaining $2.5m of term loan used to part finance the CMS acquisition in 2019 and the Government assistance loans from the UK and USA of $3.9m.

The £8.5m 8% Loan notes are GBP denominated and consequently on retranslation this year the balance is $11.2m compared to $9.4m at the previous year end. The extension of the repayment date of the loan notes to 14 August 2023 was agreed in July 2021 but as this was after the year end date, the loan notes are shown within current liabilities on the Consolidated Statement of Financial Position at 31 March 2021. The associated warrants to subscribe for new ordinary shares at 20p were similarly extended to the same date. 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 (2020: $0.2m).

Working capital facilities totaling $11.4m were renewed with HSBC UK, Bank of America and Westpac Australia during the year and are due to be reviewed in the normal course in early 2022. They are expected to be continued on the same basis. The Group maintains a mixture of term loans and revolving working capital facilities with maturities between 1 and 3 years. Headroom on bank facilities was $11.2m at the year-end (2020: $8.7m) with $5.0m cash in hand (2020: $2.9m) and all financial covenants in place were met during the year.

Gearing (excluding lease liabilities) amounted to 48% of aggregate net assets (2020: 50%).

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 this Strategic Report. Note 25 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, and of its exposure to foreign exchange, credit and interest rate risk is also covered in note 25. Further details on the Group's cash and bank borrowings are included in notes 17, 18 and 24.

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 $7.5m of short term trade and credit facilities are due to be reviewed again in February 2022 and are expected to continue in the ordinary course of business on the same terms. Given the UK and USA working capital facilities are largely un-drawn this creates significant headroom in bank facilities and as a result reasonable downside modelling does not create liquidity issues.

The Director's believe that the Group is well placed to manage its business risks and, after making enquiries of divisional management, including a review of forecasts and assumptions, which take account of reasonably possible changes in trading activity and considering the existing banking facilities and stress tests on covenants which continue to show headroom, 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. 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 was recorded in the consolidated income statement in adjusting items in the prior year and associated taxation of $0.3m recognised through other comprehensive income in the prior year.

The US retiree health scheme and pension fund deficits decreased to $1.0m (2020: $1.3m) during the current year.

Key performance indicators (KPIs)
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, KPIs 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. Given the Global effects of the COVID-19 pandemic, comparison against prior periods has been difficult and relatively meaningless, and market estimates have been very volatile and unpredictable. Revenue targets are to outperform the market forecasts by 1% (3% is considered a normal ongoing level of growth) and to achieve over a 10% underlying operating margin target.

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

KPI	2021	2020
Revenue (annual growth rate)	(20%)	3.1%
Underlying operating margin (% of revenue)	4.9%	4.1%

All figures are pre adjusting items.

These KPIs 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 expects 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

S172 of the Companies Act (continued)

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 stakeholder group in relation to the subject matter is also considered. The key decisions in the year related to the Group's response to the COVID-19 Global pandemic. This included the temporary closure of the UK manufacturing facility in May 2020, the furloughing of staff in all locations and in particular the safety of all employees and visitors to the various Group facilities. These considerations also involved both customers and suppliers of the Group along with bank and loan note funders. Regular updates were provided to staff and shareholders during the previous year.

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, consider 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;	Pages 10 to 12 set out the corporate governance and management framework and the strategy update is included in the Outlook section of the Chairman's statement on page 1 to 2 and point 1 of the QCA code on page 11.
the interests of the group's employees;	Page 11 sets out the consideration of the interests of the employees.
the need to foster the group'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 group's operations on the community and the environment;	The operating review on pages 3 to 6 to discusses these issues along with the environmental reporting within the Director's report on page 15.
the desirability of the group 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 between members of the group.	The corporate governance report on pages 10 to 12 considers relations with members and the Group's values.

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 COVID-19 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 and the Worldwide disruption to container traffic as a result of the pandemic and latterly the issues with the blockage in the Suez canal have and continue to affect lead times and create some disruption. The Directors are mindful that a small number of key manufacturing outsource partners of the machine tool division 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 $1.7 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 and Europe have been explored 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.

Principle risks (continued)

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.

Paul Dupee
Chairman
1 September 2021

Corporate governance

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

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

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

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

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

Mr Zissman has now been on the Board over 9 years but continues to bring independent views and contemporary working practices to the Board as a result of his roles as a non-executive director with a number of other listed companies.

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. He will not be seeking re-election at the forthcoming AGM.

The Directors met regularly during the year, albeit by video conference given the restriction created by the COVID-19 pandemic. Local management teams also presented to the Board on current and future business projects during the year.

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 by video conference. 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 three times during the year.

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

Directors
Paul Dupee*
Appointed to the Board as a non-executive Director on 2 February 2011, appointed Chairman on 14 September 2011. 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.

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 Revolution Beauty Group PLC (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, acquisitions, divestments and financings particularly involving the USA.

Stephen Rutherford*
A non-executive Director since 1 October 2007. 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. In normal circumstances individual shareholders attending the AGM engage directly with the Board in an open question and answer session before voting on the various resolutions. The 2020 AGM was not open to members as a result of COVID-19 restrictions but questions were submitted in advance and replies posted on the Group website along with the results of proxy votes on each resolution

Relations with shareholders (continued)
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 meetings and conference calls between the Board 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 meetings and conference calls between the Board 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.

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.

The QCA Code (continued)
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities (continued)
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, acquisitions, divestitures and financings 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). 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 by video conference twice and there were also meetings between the Audit Committee Chair 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.

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 meetings and conference calls between the Board 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 year's audit.

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

D Zissman
Chairman of the Audit Committee
1 September 2021

Directors' report

The Directors present their report to the members, together with the audited financial statements for the 52-week period ended 31 March 2021, which should be read in conjunction with the Chairman's Statement on the affairs of the Group (pages 1 to 2), and the Strategic Report (pages 3 to 9). The Annual Report incorporates the consolidated financial statements, prepared to 31 March of The 600 Group Plc (the Company) and all subsidiary undertakings (collectively, the Group). The results for 2020 are for the 52-week period ended 28 March 2020.

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

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

Business review
A balanced and comprehensive analysis of development and performance of the Group is contained in the Chairman's Statement and the Strategic Report on pages 3 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.

Post balance sheet events
The extension of the repayment date of the loan notes to 14 August 2023 was agreed in July 2021 with the related warrants also extended to this date. All other terms and conditions remain the same.

Dividend
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 25 to the financial statements.

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 27 August 2021, 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
Pruta Securities (Jersey) Ltd	5,000,000	4.26
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 11,747,334 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 22 December 2020. This authority remains valid until the conclusion of the next Annual General Meeting.

Directors
Details of the current Directors of the Company are shown on page 10.
Mr G M Krasny was appointed a Director on 22 December 2020 and resigned on 10 February 2021.
Mr N R Carrick resigned as a Director on 22 December 2020.

Service contracts

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 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 31 March 2021 in the ordinary shares of the Company were as follows:

	At 31 March 2021 Number	At 28 March 2020 Number
P R Dupee	**23,492,535**	**23,492,535**
S J Rutherford	**20,000**	**20,000**
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 which can be used to either convert their loan notes into shares or to purchase shares for a cash consideration.

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 from metered purchases of electricity and fuel consumed and measured as tonnes of CO_2 equivalent. Additionally a measure of CO_2 emitted from company operated vehicles has been included.

	MWH	CO2 (Tonnes)	CO2 Intensity (Tonnes Per Employee *)
Purchased electricity	1,085	251	1.33
Combustion of fuels	1,175	216	1.14
Use of Group operated vehicles		102	0.54
Total	2,260	569	3.01

*Calculated using the average number of employees in the year of 189

The Group has undertaken multiple actions in the year to improve efficiency and promote recycling of waste products. The ongoing design of new products and processes incorporates wherever possible opportunities to lower operating costs and waste for both the customer and in the production process for the Group. New developments and refurbishments include the use of energy efficient methods of building and lighting and heating.

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.

Reappointment of auditor

A resolution reappointing BDO LLP as the statutory auditor will be proposed at the Annual General Meeting in September 2021.

On behalf of the Board

Paul Dupee
Chairman
1 September 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006, 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.

Paul Dupee
Chairman
1 September 2021

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

We have audited the financial statements of The 600 Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the period ended 31 March 2021 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Review of the Audit Committee paper supporting the Group and the Parent Company assessment of going concern, ensuring this is consistent with underlying supporting documentation and that liquidity, headroom and covenant analysis is accurate;

- Consideration of the forecast income statement and cash flows of the Group for the next two financial years, to evaluate whether the forecasts are calculated on a reasonable basis with reference to historical performance and forecast accuracy, current business trends and pipeline/contract analysis;

- Confirmation of the available cash and financing facilities within the Group, and evaluation of management's downside sensitivities on cash flow headroom, incorporating a review of financial covenants and headroom analysis throughout the forecast period; and

- Discussion with the Group's primary banking provider regarding the borrowing facilities, expectation of renewal in the ordinary course of business and of the wider lender relationship.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

<table>
<tr><td>Coverage</td><td>93% (2020: 97%) of Group profit before tax
95% (2020: 96%) of Group revenue
98% (2020: 99%) of Group total assets</td></tr>
<tr><td>Key audit matters</td><td><table><tr><td></td><td>2021</td><td>2020</td></tr><tr><td>Carrying value of inventory</td><td>☒</td><td>☒</td></tr><tr><td>Impairment of goodwill and other intangibles</td><td>☒</td><td>☒</td></tr><tr><td>Revenue recognition</td><td>-</td><td>☒</td></tr></table>Revenue recognition was a key audit matter in the prior year due to changes in the revenue recognition policy on acquisition of a new subsidiary. It was not considered to be a key audit matter in the current year.</td></tr>
<tr><td>Materiality</td><td>Group financial statements as a whole

$159,000 (2020: $170,000) based on 0.3% of revenue (2019: 5% of average profit/loss before tax).</td></tr>
</table>

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. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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.

Our involvement with component auditors

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. Consistent with the previous year, travel restrictions imposed as a result of the Covid-19 outbreak prohibited travel for the purposes of reviewing component audit files and meeting with management in person. Instead the Group audit team obtained the necessary assurance through remote mechanisms, including most notably conference/video calls 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 exchange 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, supported by desktop review procedures by the Group audit team.

Assurance was obtained over other non-significant components by performing desktop review procedures applying the Group materiality level.

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.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Carrying value of inventories *Notes 15, 28 and the summary of accounting policies.*	As described in note 28, Accounting estimates and judgements, the Directors consider there to be significant estimation uncertainty in the calculation of inventory provisions. 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. 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.	We tested the integrity of the provision calculations to check that they were using the underlying data correctly and calculating provision amounts in accordance with the Group's inventory provision estimate. In doing this we attended inventory counts at all material stockholding locations across the Group, to test the accuracy of underlying quantity data, as well as the overall condition of stock at the reporting date. We also performed testing of inventory purchases to confirm the accuracy of cost and age. To consider the existence of any instances of bias in the estimate, we challenged management on any inventory lines which were not provided against, but which were expected to be under the provision estimate methodology. We did this by understanding and corroborating the reasons for the conclusion reached in respect of these inventory lines. We further considered the existence of management bias by considering the consistency of the methodology from the prior year, and performed a retrospective review on a sample of stock lines from the prior year to consider the realised value or movement in provision in the current year. We further tested the realised sales price on a sample of machine inventory lines to check that inventory was being held at the lower of cost and net realisable value, and therefore that no further provisions were required on these items. *Key observations:* Based on the work performed we considered management's judgement on the level of inventory provision to be reasonable.
Impairment of goodwill and other intangibles *Notes 12, 28 and the summary of accounting policies.*	As described in note 28, Accounting estimates and judgements, the Directors have assessed the recoverable value of goodwill at the reporting date, concluding that no impairment exists on current carrying values. The discounted cash flow calculations used to consider the recoverable	We reviewed the mechanical accuracy of management's impairment calculations, including spreadsheet integrity and appropriate calculation of discounting and terminal value, amongst other lesser points. We also considered the accuracy of key inputs including forecast cash flows and discount rate, corroborating to

	value of goodwill are based on the forecast future performance for these business areas. Due to the recent period of difficult trading and wider economic conditions 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 and intangibles, as well as the significant carrying value associated to them, we have identified this as a key audit matter.	management information and calculations. Using valuation experts we assessed the reasonableness of inputs to the discount rate against external and internal sources of information, as applicable, in order to create a benchmark discount rate. We performed sensitivity analysis on this to determine the discount rate required to change the impairment conclusion. We performed an assessment of the cash flow forecasts by comparing to both the current year and the judgements made in previous years' impairment reviews, to assess management's accuracy in this area. We corroborated short to medium term growth to business plans as well as order books and, to an extent, post year end performance. We also considered the terminal growth rate applied to the cash flow forecasts, challenging management on the basis of this by drawing comparison to long-term inflation forecasts, and calculating the sensitivity of reasonable changes in this estimate. *Key observations:* We did not identify any impairment of goodwill within reasonable sensitivities on the key areas of estimation.

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, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

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. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		**Parent company financial statements**	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Materiality	159,000	170,000	25,000	25,000
Basis for determining materiality	0.3% of revenue	5% of average profit before tax*	5% of net assets, but capped at 16% of group materiality for	5% of net assets, but capped at 15% of group materiality for

			group audit purposes.	group audit purposes.
Rationale for the benchmark applied	Revenue was considered to be a more suitable benchmark given continued volatility in profit for the year.	Profit before tax was considered to be the measure of most interest to the users of the financial statements.	Holding company therefore net asset basis of materiality applied.	
Performance materiality	111,300	119,000	17,500	17,500
Basis for determining performance materiality	70% of materiality	70% of materiality	70% of materiality	70% of materiality

**averaged across the FY20 year end and the three preceding periods*

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.

Component materiality

We set materiality for each component of the Group based on a percentage of between 16% and 82% (2020: 15% to 76%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from $25,000 to $130,000 (2020: $25,000 to $130,000). In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $4,000 (2019: $3,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required	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:

to report by exception	• 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, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The audit team was structured with the appropriate experience and competence, including component audit teams, and specialists were used where further specific knowledge was required including in areas relating to laws and regulations, for example an independent tax review.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group, the industries and geographies in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Group's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, company law and tax legislation in the jurisdictions within which the group operates, and we considered the extent to which non-compliance might have a material effect on the financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary.

We made enquiries of management, the Directors and of component audit teams as to the risks of non-compliance and any instances thereof, as well as the risk of fraud and irregularity, which was updated regularly throughout the audit. We also addressed the risk of management override of internal controls, including in particular areas of accounting estimates for evidence of bias, and the testing of journal entries processed during and subsequent to the year end and thereby further evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
1 September 2021

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 31 March 2021

	Notes	Before Adjusting Items 52 weeks ended 31 March 2021 $000	Adjusting Items 52 weeks ended 31 March 2021 $000	After Adjusting Items 52 weeks Ended 31 March 2021 $000	Before Adjusting Items 52 weeks ended 28 March 2020 $000	Adjusting Items 52 weeks ended 28 March 2020 $000	After Adjusting Items 52 weeks ended 28 March 2020 $000
Continuing							
Revenue	1	**53,550**	**-**	**53,550**	67,206	-	67,206
Cost of sales		**(34,554)**	**(79)**	**(34,633)**	(43,491)	(254)	(43,745)
Gross profit		**18,996**	**(79)**	**18,917**	23,715	(254)	23,461
Net operating expenses	2	**(16,376)**	**(765)**	**(17,141)**	(20,988)	(1,742)	(22,730)
Profit on disposal of property	3	**-**	**452**	**452**	-	-	-
Profit on disposal of pension scheme	27	**-**	**-**	**-**	-	809	809
Operating profit		**2,620**	**(392)**	**2,228**	2,727	(1,187)	1,540
Financial income	6	**3**	**-**	**3**	5	22	27
Financial expense	6	**(1,499)**	**(642)**	**(2,141)**	(1,664)	(536)	(2,200)
Profit/(loss) before tax		**1,124**	**(1,034)**	**90**	1,068	(1,701)	(633)
Income tax (charge)/credit	7	**(2,920)**	**257**	**(2,663)**	1,228	-	1,228
(Loss)/profit for the period on continuing activities		**(1,796)**	**(777)**	**(2,573)**	2,296	(1,701)	595
Loss on discontinued operations		**-**	**-**	**-**	(417)	(543)	(960)
(Loss)/profit for the period attributable to the equity holders of the parent		**(1,796)**	**(777)**	**(2,573)**	1,879	(2,244)	(365)
Basic earnings per share - continuing activities	9	**(1.53c)**		**(2.19c)**	1.97c		0.51c
Diluted earnings per share - continuing activities	9	**(1.53c)**		**(2.19c)**	1.92c		0.50c
Basic earnings per share	9	**(1.53c)**		**(2.19c)**	1.61c		(0.31c)
Diluted earnings per share	9	**(1.53c)**		**(2.19c)**	1.57c		(0.31c)

Company Number 00196730

The accompanying accounting policies and notes on pages 29 to 70 form part of these Financial Statements.

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

Consolidated statement of comprehensive income

For the 52-week period ended 31 March 2021

	Notes	**52-week period ended 31 March 2021 $000**	52-week period ended 28 March 2020 $000
Loss for the period		**(2,573)**	(365)
Other comprehensive income/(expense)			
Items that will not be reclassified to the Income Statement:			
Re-measurement of defined benefit asset	27	**210**	(36)
Property revaluation	11	**-**	199
Deferred taxation	14	**(51)**	(282)
Total items that will not be reclassified to the Income Statement:		**159**	(119)
Items that are or may in the future be reclassified to the Income Statement:			
Foreign exchange translation differences		**514**	(606)
Total items that are or may in the future be reclassified to the Income Statement:		**514**	(606)
Other comprehensive income/(expense) for the period, net of income tax		**673**	(725)
Total comprehensive expense for the period		**(1,900)**	(1,090)
Attributable to:			
Equity holders of the Parent Company		**(1,900)**	(1,090)

The accompanying accounting policies and notes on pages 29 to 70 form part of these Financial Statements.

Consolidated statement of financial position

As at 31 March 2021

Company Number 00196730

	Notes	**As at 31 March 2021**	As at 28 March 2020
		$000	$000
Non-current assets			
Property, plant and equipment	11	**2,808**	4,060
Goodwill	12	**13,174**	13,174
Other intangible assets	12	**3,726**	3,868
Right of use assets	21	**8,988**	9,060
Deferred tax assets	14	**2,765**	4,415
		31,461	34,577
Current assets			
Inventories	15	**17,941**	19,054
Trade and other receivables	16	**8,570**	8,084
Taxation	16	**-**	222
Deferred tax assets	14	**809**	1,148
Cash and cash equivalents	17	**4,997**	2,878
		32,317	31,386
Total assets		**63,778**	65,963
Non-current liabilities			
Employee benefits	27	**(968)**	(1,261)
Loans and other borrowings	18	**(1,590)**	(11,654)
Government loans	18	**(1,656)**	-
Lease liabilities	21	**(7,801)**	(8,344)
Provisions	20	**(248)**	-
		(12,263)	(21,259)
Current liabilities			
Trade and other payables	19	**(8,162)**	(8,298)
Lease liabilities	21	**(1,505)**	(1,608)
Deferred tax liabilities	14	**-**	(236)
Taxation	19	**(546)**	-
Provisions	20	**(188)**	(590)
Government loans	18	**(2,234)**	-
Loans and other borrowings	18	**(12,202)**	(5,414)
		(24,837)	(16,146)
Total liabilities		**(37,100)**	(37,405)
Net assets		**26,678**	28,558
Shareholders' equity			
Called-up share capital	22	**1,803**	1,803
Share premium account		**3,828**	3,828
Revaluation reserve		**-**	1,348
Equity reserve		**201**	201
Translation reserve		**(6,616)**	(7,130)
Retained earnings		**27,462**	28,508
Total equity		**26,678**	28,558

The financial statements on pages 29 to 70 were approved by the Board of Directors on 1 September 2021 and were signed on its behalf by:

PAUL DUPEE
Chairman
1 September 2021

Consolidated statement of changes in equity

Company Number 00196730

As at 31 March 2021

	Ordinary share capital $000	Share premium account $000	Revaluation reserve $000	Translation reserve $000	Equity reserve $000	Retained Earnings $000	Total $000
At 30 March 2019	1,746	2,885	1,149	(6,524)	201	30,186	29,643
Loss for the period	-	-	-	-	-	(365)	(365)
Other comprehensive income/(expense):							
Foreign currency translation	-	-	-	(606)	-	-	(606)
Property revaluation	-	-	199	-	-	-	199
Net defined benefit movement	-	-	-	-	-	(36)	(36)
Deferred tax	-	-	-	-	-	(282)	(282)
Total comprehensive expense	-	-	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
At 28 March 2020	**1,803**	**3,828**	**1,348**	**(7,130)**	**201**	**28,508**	**28,558**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(2,573)**	**(2,573)**
Other comprehensive income/(expense):							
Foreign currency translation	**-**	**-**	**-**	**514**	**-**	**-**	**514**
Property disposal	**-**	**-**	**(1,348)**	**-**	**-**	**1,348**	**-**
Net defined benefit movement	**-**	**-**	**-**	**-**	**-**	**210**	**210**
Deferred tax	**-**	**-**	**-**	**-**	**-**	**(51)**	**(51)**
Total comprehensive expense	**-**	**-**	**(1,348)**	**514**	**-**	**(1,066)**	**(1,900)**
Transactions with owners:							
Dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Credit for share-based payments	**-**	**-**	**-**	**-**	**-**	**20**	**20**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**20**	**20**
At 31 March 2021	**1,803**	**3,828**	**-**	**(6,616)**	**201**	**27,462**	**26,678**

The accompanying accounting policies and notes on pages 29 to 70 form part of these Financial Statements.

Consolidated cash flow statement

For the 52-week period ended 31 March 2021

	Notes	**52-week period ended 31 March 2021 $000**	52-week period ended 28 March 2020 $000
Cash flows from operating activities			
Loss for the period		**(2,573)**	(365)
Adjustments for:			
Amortisation	12	**417**	325
Depreciation	11	**760**	651
Depreciation of right of use assets	21	**1,217**	1,254
Net financial expense	6	**2,138**	2,173
PPP funding forgiven		**(2,234)**	
Non-cash adjusting items		**(357)**	879
(Profit)/loss on disposal of property, plant and equipment		**(489)**	32
Loss on assets held for resale		**-**	127
Profit on disposal of pension fund	27	**-**	(809)
Equity share option expense	5	**20**	93
Income tax charge / (credit)	7	**2,663**	(1,228)
Operating cash flow before changes in working capital and provisions		**1,562**	3,132
(Increase)/decrease in trade and other receivables		**(56)**	2,587
Decrease in inventories		**1,887**	67
Decrease in trade and other payables		**(631)**	(973)
Employee benefit contributions		**(118)**	(78)
Proceeds from Pension fund disposal	27	**-**	5,213
Cash generated by operations		**2,644**	9,948
Interest paid		**(1,126)**	(1,141)
Lease interest		**(373)**	(375)
Net cash flows from operating activities		**1,145**	8,432
Cash flows generated from/ (used in) investing activities			
Interest received		**3**	5
Proceeds from sale of property, plant and equipment		**1,745**	57
Proceeds from assets held for sale		**-**	926
Payment for acquisition of subsidiary, net of cash acquired		**-**	(6,072)
Purchase of property, plant and equipment	11	**(494)**	(649)
Development and IT software expenditure capitalised	12	**(228)**	(351)
Net cash flows generated from/(used in) investing activities		**1,026**	(6,084)
Cash flows used in financing activities			
Dividends paid	8	**-**	(1,088)
(Repayment of)/proceeds from external borrowing		**(5,063)**	1,928
US PPP grants		**4,468**	
UK CLBILS loans		**1,656**	-
Lease payments		**(1,383)**	(1,212)
Net cash flows used in financing activities		**(322)**	(372)
Net increase in cash and cash equivalents	23	**1,849**	1,976
Cash and cash equivalents at the beginning of the period		**2,878**	948
Effect of exchange rate fluctuations on cash held		**270**	(46)
Cash and cash equivalents at the end of the period	17	**4,997**	2,878

The accompanying accounting policies and notes on pages 29 to 70 form part of these Financial Statements

Group accounting policies

BASIS OF PREPARATION

The 600 Group PLC is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange.

The Group Consolidated Financial Statements incorporate accounts, prepared to the Group's accounting reference date of 31 March, of the Company and its subsidiary undertakings (together referred to as the Group). The results for 2021 are for the 52-week period ended 31 March 2021. The results for 2020 are for the 52-week period ended 28 March 2020.

Given more than 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 accounting standards in conformity with the requirements of the Companies Act 2006. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 71 to 80.

The preparation of financial statements in conformity with 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 28.

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:

- 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 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 25 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 25. Further details on the Group's cash and bank borrowings are included in notes 17,18 and 24.

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 $7.5m of short term trade and credit facilities are due to be reviewed again in February 2022 and are expected to continue in the ordinary course of business on the same terms. Given the UK and USA working capital facilities are largely un-drawn this creates significant headroom in bank facilities of $11.2m and as a result reasonable downside modelling does not create liquidity issues.

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries of divisional management including a review of forecasts and assumptions, which take account of reasonably possible changes in trading activity and considering the existing banking facilities and stress tests on covenants which continue to show headroom, 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. 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 to customers, either at a point in time or over-time depending on the characteristics of the contract, as the performance obligations to the customer are satisfied.

Revenue represents the invoiced value 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 Control Micro Systems Inc (CMS) during the prior 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 which can take several months to complete and consequently some machine sales are now recognised over time.

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 are treated differently for revenue recognition purposes 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 accounts for the revenue on these custom jobs over a period of time, as the performance obligation is satisfied. 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.

Service revenue is normally billed after a service visit has taken place and recognised at this point in time.

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.

Group accounting policies (continued)

REVENUE RECOGNITION FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Bill and hold arrangements (continued)

In these instances, machines are packaged ready for customer pick up and the customer acknowledges title to the machine has passed to them. There were no such machines treated in this way at the year-end (2020: 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 the sale is to an individual customer, rather than distributor or dealer, for a deposit to be taken with the order 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 19.

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, being the board, to allocate resources to the segments and to assess their performance.

The Board consider there to be two 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 Board assesses the performance of the operating segments based on a measure of underlying operating profit. This measurement basis excludes the effects of adjusting items from the operating segments. Head Office and unallocated represent central functions and costs.

ADJUSTING ITEMS

The directors have highlighted transactions which are material or 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 30 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 scheme 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 immediately through the statement of comprehensive income. The extent to which the schemes' liabilities exceed the assets is shown as a deficit in the balance sheet.

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

Group accounting policies (continued)

PENSIONS AND POST-RETIREMENT HEALTH BENEFITS (CONTINUED)

WITHIN PROFIT FROM OPERATIONS (CONTINUED)

period. To the extent that the changes to benefits vest immediately, past service costs are recognised immediately, in 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.

Goodwill is deemed to have an indefinite useful economic life and is therefore not amortised but instead subject to an annual impairment review, with any impairment losses being recognised immediately in the income statement.

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

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 trade facilities 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 loses 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.

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.

Group accounting policies (continued)

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI): (continued)

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

On adoption of IFRS 16 in the prior year the Group 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 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

Group accounting policies (continued)

LEASES (CONTINUED)

The Group's leasing activities and how these are accounted for (continued)

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.

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.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, although there remains uncertainty over timing or the amount of the obligation, and a reliable estimate can be made of the amount of the obligation.

IMPAIRMENT

The carrying amount of the Group's assets, other than inventories and deferred tax assets (see accounting policies above), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement. Those relating to revalued property are treated in accordance with IAS 16.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets of the unit (group of units) on a pro rata basis.

GOVERNMENT ASSISTANCE AND LOANS

Paycheck Protection Program assistance in the USA is recognised initially under IAS 20 as a government grant and included in outstanding debt within one year, given forgiveness is expected within 12 months. On forgiveness, the amount forgiven is recognised in net operating expenses in the Consolidated Income Statement over the period during which the expenditure was incurred in qualifying for the forgiveness. Amounts received in the UK and Australia for assistance during the COVID-19 pandemic, most notably income under the UK furlough scheme, have been recognised in net operating expenses as received against the qualifying expenditure. The UK CLBILS loan is recognised in debt with respect to the bullet repayment date of 1 September 2023.

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.

Group accounting policies (continued)

BUSINESS COMBINATIONS (CONTINUED)

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.

ACQUISTIONS AND DISPOSALS OF NON-CONTROLLING INTERESTS

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

NON-CONTROLLING INTERESTS

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

DIVIDENDS

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

RESERVES

A consolidated statement of changes in equity is shown on page 27.

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 Board of Directors. The Board review the Group's internal reporting in order to assess performance and allocate resources.

The Board consider there to be two operating segments being machine tools and precision engineered components, and industrial laser systems.

The Board 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, results and net assets by reportable segment:

	Continuing			
52 Weeks ended 31 March 2021	**Machine tools & precision engineered components**	**Industrial laser systems**	**Head Office & unallocated**	**Total**
Segmental analysis of revenue	**$000**	**$000**	**$000**	**$000**
Total revenue	**32,219**	**21,331**	**-**	**53,550**
Segmental analysis of operating profit/(loss) before Adjusting Items	**2,801**	**1,836**	**(2,017)**	**2,620**
Adjusting Items	**452**	**(79)**	**(765)**	**(392)**
Group operating profit/(loss)	**3,253**	**1,757**	**(2,782)**	**2,228**
Other segmental information:				
Reportable segment assets	**33,469**	**13,424**	**16,998**	**63,891**
Reportable segment liabilities	**(10,781)**	**(5,586)**	**(20,187)**	**(36,554)**
Fixed asset additions	**176**	**432**	**114**	**722**
Depreciation and amortisation	**1,007**	**1,016**	**371**	**2,394**

Notes relating to the consolidated financial statements (continued)

1. SEGMENT INFORMATION (CONTINUED)

52 Weeks ended 28 March 2020	Continuing					
Segmental analysis of revenue	Machine tools & precision engineered components $000	Industrial laser systems $000	Head Office & unallocated $000	Total $000	Discontinued $000	Group Total
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
Other segmental information:						
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

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	**2021**		2020	
	$000	**%**	$000	%
UK	**10,131**	**18.9**	16,453	24.5
North America	**40,784**	**76.2**	48,094	71.6
Australasia	**2,635**	**4.9**	2,659	3.9
	53,550	**100.0**	67,206	100.0

Notes relating to the consolidated financial statements (continued)

1. SEGMENT INFORMATION (CONTINUED)

Disaggregation of revenue by destination:

	2021		2020	
	$000	%	$000	%
Gross sales revenue:				
UK	**7,441**	**13.9**	11,500	17.1
Other European	**3,838**	**7.2**	5,032	7.5
North America (USA)	**37,469**	**70.0**	43,804	65.2
Africa	**240**	**0.4**	538	0.8
Australasia	**2,429**	**4.5**	2,561	3.8
Central America	**1,118**	**2.1**	1,101	1.6
Middle East	**299**	**0.6**	1,346	2.0
Far East	**716**	**1.3**	1,324	2.0
	53,550	**100.0**	67,206	100.0

Disaggregation of revenue by product group:

	2021		2020	
	$000	**%**	$000	%
Sector				
CNC lathes	**4,988**	**9.3**	6,282	9.4
Conventional lathes	**10,108**	**18.9**	13,968	20.8
CNC other	**896**	**1.7**	1,351	2.0
Conventional other	**7,025**	**13.1**	9,126	13.6
Workholding	**5,180**	**9.7**	6,611	9.8
Spares & service	**3,665**	**6.8**	3,120	4.6
Lasers	**19,901**	**37.2**	23,263	34.6
Laser spares and service	**1,787**	**3.3**	3,485	5.2
Total	**53,550**	**100.0**	67,206	100.0
Timing of revenue recognition				
Products and services transferred at a point in time	**45,784**	**85.5**	57,811	86.0
Products and services transferred over time	**7,766**	**14.5**	9,395	14.0
Total	**53,550**	**100.0**	67,206	100.0

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

Assets and liabilities related to contracts with customers:

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

	2021	2020
	$000	$000
Current contract liabilities relating to deposits from customers	**624**	385

	2021	2020
	$000	$000
Current contract assets relating to amounts due from customers	**344**	246

Notes relating to the consolidated financial statements (continued)

1. SEGMENT INFORMATION (CONTINUED)

Remaining performance obligations

The vast majority of the group's 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 brought forward contract liabilities:

	2021	2020
	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**385**	538

2. NET OPERATING EXPENSES

	2021	2020
	$000	$000
– government assistance	**2,989**	-
– other operating income	**26**	14
Total other operating income	**3,015**	14

	2021	2020
	$000	$000
– administration expenses	**16,263**	17,221
– distribution costs	**3,128**	3,781
– adjusting items (note 3)	**765**	1,742
Total operating expenses	**20,156**	22,744
Total net operating expenses	**17,141**	22,730

Notes relating to the consolidated financial statements (continued)

3. ADJUSTING ITEMS

	2021 $000	2020 $000
Items included in cost of sales:		
US Tariffs & Duty charges relating to prior years (h)	**(79)**	(254)
	(79)	(254)
Items included in operating expenses:		
Restructuring cost (j)	**(928)**	-
Unavoidable lease costs (b)	**350**	(378)
Right of use asset impairment (b)	**227**	(392)
Acquisition costs (e)	**(71)**	(684)
Amortisation of intangible assets acquired (f)	**(343)**	(288)
	(765)	(1,742)
Profit on disposal of Australian property (i)	**452**	-
Profit on sale of pension (a)	**-**	809
	(313)	(933)
Items included in financial (income)/expense:		
Pensions interest on surplus (c)	**-**	22
Financial income	**-**	22
Amortisation of Loan notes and costs (d)	**(642)**	(536)
Total adjusting items before tax	**(1,034)**	(1,701)
Income tax on adjusting items	**257**	-
Total adjusting items after tax	**(777)**	(1,701)
Loss on discontinued activity (g)	**-**	(543)

The directors have highlighted transactions which are material or 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 30 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:

a) 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.
b) As a result of the outsourcing of manufacturing in the UK, the existing premises were vacated and given the uncertainty over economic conditions as a result of the Coronavirus pandemic it was not known if a sub-let could be achieved. This was further compounded by a flooding event which prevented a deal with a prospective tenant and consequently the right of use asset was impaired and unavoidable costs associated with the ongoing lease were provided for in the prior year totalling $0.8m. During the current year an assignment of the lease for the remaining term was agreed in February 2021 and therefore a number of these provisions are no longer required, resulting in a credit of $0.6m this year.
c) A credit of $0.02m in 2020 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 arises as a pension accounting entry under the required standard due to the surplus in the scheme recorded in the balance sheet.
d) The amortisation of the loan note discount and costs amounted to $0.6m (2020: $0.5m). These are non-cash movements which unwind over the term of the notes.
e) Abortive costs on acquisitions it was decided not to proceed with as a consequence of the pandemic were $0.1m (2020: $0.7m on acquisition costs including CMS Inc.).
f) A charge of $0.3m (2020: $0.3m) arose as a result of amortisation of intangible assets acquired through the CMS Inc deal.
g) In the prior year a charge had been incurred of $0.5m which included additional costs for 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.
h) A charge of $0.1m (2020: $0.3m) was expensed in cost of sales relating to US duty and tariff charges from prior years
i) As part of the ongoing restructuring of the Australian operation the freehold premises in Brisbane were sold in October 2020 generating a profit of $0.5m and proceeds of $1.7m.
j) The cost of the Group restructure with certain management functions moving to Orlando Florida was $0.9m, including the compensation for loss of office of the CFOs and COO.

Notes relating to the consolidated financial statements (continued)

4. OPERATING PROFIT

Operating profit is after charging/(crediting):	**2021**	2020
	$000	$000
– depreciation of plant and equipment	**760**	651
– amortisation of development expenditure and trademarks	**74**	37
– amortisation of acquisition intangible	**343**	288
– depreciation of Right of use assets	**1,217**	1,254
– short term and low value lease expense	**74**	91
– (profit)/loss on sale of property, plant and equipment	**(489)**	32
– government assistance USA	**(2,234)**	
– government assistance UK	**(555)**	
– government assistance Australia	**(195)**	-
Auditor's remuneration:		
– audit of these financial statements	**72**	70
– amounts receivable by auditor and its associates in respect of:		
– auditing of accounts of subsidiaries of the company pursuant to legislation (including that of countries and territories outside of the UK)	**209**	273
– other services relating to tax compliance	**55**	12
– other services relating to tax advisory	**26**	14

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

5. PERSONNEL EXPENSES

	2021	2020
	$000	$000
Staff costs:		
– wages and salaries	**11,971**	13,671
– social security costs	**1,068**	1,358
– pension charges relating to defined contribution schemes	**363**	394
– pension charges relating to defined benefit schemes	**57**	18
– equity share options expense	**20**	93
	13,479	15,534

In addition to the above staff costs, redundancy costs of $115,976 were incurred during the year (2020: $341,551).

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

	2021	2020
	Number	Number
Management and administration	**62**	77
Production	**73**	64
Sales	**54**	68
Total	**189**	209

Notes relating to the consolidated financial statements (continued)

5. PERSONNEL EXPENSES (CONTINUED)

Directors' emoluments

	Salary	Fees	Pension	Compensation for loss of office	Benefits in kind	**Total 2021**	Total 2020
	$	$	$	$	$	**$**	$
P R Dupee	**423,500**	**-**	**-**	**-**	**2,267**	**425,767**	416,500
D Zissman	**-**	**43,624**	**-**	**-**	**-**	**43,624**	41,593
S J Rutherford	**-**	**43,624**	**-**	**-**	**-**	**43,624**	41,593
S E Fiamma	**-**	**46,585**	**-**	**-**	**-**	**46,585**	45,815
N R Carrick (resigned 22.12 20)	**173,981**	**-**	**15,486**	**57,356**	**17,234**	**264,057**	265,954
G M Krasny (appointed 22.12.20, resigned 10.02.21)	**28,495**	**-**	**-**	**132,500**	**-**	**160,995**	-
Total	**625,976**	**133,833**	**15,486**	**189,856**	**19,501**	**984,652**	811,455

Mr Dupee, Mr Fiamma and Mr Krasny were all paid in US Dollars. 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 employer's NIC relating to directors was $33,252 (2020: $39,765) and the aggregate US employer's taxes were $14,028 (2020: nil).

G M Krasny was paid an additional salary of $62,035 before being appointed as a director and N R Carrick was paid an additional salary of $61,158 after resigning as a director.

Directors' share options

Details of share options at 31 March 2021 and 28 March 2020 for each Director who held office during the year are as follows:

	Number of options at 28 March 2020	Granted	Exercised	Lapsed/ forfeited	**Number of options at 31 March 2021**
P Dupee	1,000,000	-	-	-	**1,000,000**
S Rutherford	500,000	-	-	-	**500,000**
D Zissman	500,000	-	-	-	**500,000**
S Fiamma	500,000	-	-	-	**500,000**
N Carrick	3,150,000	-	-	-	**3,150,000**
G M Krasny	-	-	-	-	**-**

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; and
- 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 $20,000 (2020: $93,000).

The share price at 31 March 2021 was 8.75p (11.47cents) and the highest and lowest prices during the period were 11.00p (14.42cents) and 7.38p (9.67cents) respectively.

Notes relating to the consolidated financial statements (continued)

6. FINANCIAL INCOME AND EXPENSE

	2021	2020
	$000	$000
Bank and other interest	**3**	5
Interest on employee benefit surplus	**-**	22
Financial income	**3**	27
Bank overdraft and loan interest	**(172)**	(315)
Other loan interest	**(907)**	(918)
Loan note interest	**(642)**	(536)
Finance charges	**(12)**	(12)
Lease interest	**(373)**	(375)
Interest on employee benefit liabilities	**(35)**	(44)
Financial expense	**(2,141)**	(2,200)

Notes relating to the consolidated financial statements (continued)

7. TAXATION

	2021	2020
	$000	$000
Current tax:		
- UK Corporation tax at 19% (2020: 19%):		
Overseas taxation:		
– current period	**(526)**	151
Total current tax (charge)/credit	**(526)**	151
Deferred taxation:		
– current period	**(1,929)**	891
– effect of rate change in UK	**-**	143
– prior period	**(208)**	43
Total deferred taxation (charge) / credit (Note 14)	**(2,137)**	1,077
Taxation (charged)/credited to the income statement	**(2,663)**	1,228

The rate for deferred tax in the UK was changed from 17% to 19% in the prior year and remains at 19% in the current year. The rate for Federal tax in the USA is 21% and in addition businesses suffer State taxes estimated at 4%.

TAX RECONCILIATION
The tax charge assessed for the period is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021	2020
	$000	$000
Profit/(loss) before tax	**90**	(633)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**17**	(120)
Effects of:		
– income not taxable and/or expenses not deductible	**297**	68
– overseas tax rates	**169**	55
– property disposal	**(250)**	-
– US state taxes	**43**	60
– utilisation of discontinued business losses	**-**	(243)
– deferred tax prior period adjustment	**208**	(43)
– impact of rate change in the UK on deferred tax	**-**	(143)
– tax losses utilised not previously recognised	**-**	(4)
– deferred tax de-recognised/ (recognised) on losses in the period	**2,179**	(858)
Taxation charged/ (credited) to the income statement	**2,663**	(1,228)

Deferred taxation balances are analysed in note 14.

Notes relating to the consolidated financial statements (continued)

8. DIVIDENDS

No dividends have been proposed this year.

	2021	2020
	$000	$000
Final Dividend paid September 2019 (0.5p/share)	-	725
Interim Dividend paid January 2020 (0.25p/share)	-	363
Total	-	1,088

9. EARNINGS PER SHARE

The calculation of the basic loss per share for continuing operations of (2.19c) (2020: profit 0.51c) is based on the earnings for the financial period attributable to the Parent Company's shareholders of a loss of ($2,573,000) (2020: profit $595,000) and on the weighted average number of shares in issue during the period of 117,473,341 (2020: 116,450,053). At 31 March 2021, there were 2,040,000 (2020: 8,400,000) potentially dilutive shares (share options or warrants with an exercise price below the average share price for the year) with a weighted average effect of 2,040,000 (2020: 2,877,486) shares giving a diluted loss per share for continuing operations of (2.19c) (2020: profit 0.50c). In accordance with IAS 33 – Earnings per Share, the Group shows no dilutive impact in respect of its share options and Deferred Share Plan for the year ended 31 March 2021 as their conversion to ordinary shares would decrease the loss per share from continuing operations.

	2021	2020
Weighted average number of shares		
Issued shares at start of period	**117,473,341**	112,973,341
Effect of shares issued in the year	**-**	3,476,712
Weighted average number of shares at end of period	**117,473,341**	116,450,053
Weighted average number of the 2,040,000 (2020: 8,400,000) potentially dilutive shares	**2,040,000**	2,877,486
Total weighted average diluted shares	**119,513,341**	119,327,539

	$000	$000
Total post tax (loss)/profit - continuing operations	**(2,573)**	595
Total post tax loss including discontinued operations	**(2,573)**	(365)
Basic EPS	**(2.19c)**	0.51c
Diluted EPS	**(2.19c)**	0.50c
Total including discontinued operations		
Basic EPS	**(2.19c)**	(0.31c)
Diluted EPS	**(2.19c)**	(0.31c)
Underlying earnings	**$000**	$000
Total post tax (loss)/profit - continuing operations	**(2,573)**	595
Adjusting items – per note 3	**777**	1,701
Underlying earnings after tax and adjusting items	**(1,796)**	2,296
Underlying basic EPS	**(1.53c)**	1.97c
Underlying diluted EPS	**(1.53c)**	1.92c

Notes relating to the consolidated financial statements (continued)

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 $20,000 (2020: $93,000) in relation to equity-settled share-based payment transactions.

	2021 DSP	2020 DSP
The number and weighted average exercise price of share options		
Number of options outstanding at beginning of period	**8,400,000**	7,500,000
Number of options granted in period	**500,000**	900,000
Number of options forfeited/lapsed in period	**(710,000)**	-
Number of options exercised in period	**-**	-
Number of options outstanding at end of period	**8,190,000**	8,400,000
Number of options exercisable at end of period	**6,650,000**	6,650,000

On 31 March 2021, 500,000 nil cost options were granted and 710,000 nil cost options lapsed as a result of employees leaving the group.

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:

	2021 Grant	2019 Grant	2018 Grant	2016 Grant	2015 Grant	2014 Grant	2012 Grant
Fair value	**8.75p**	14p	14p	10p	4p	4p	4p
Share price at grant	**8.75p**	18p	17p	10p	18p	17p	10p
Exercise price	**0p**	0p	0p	0p	18p	17p	10p
Dividend yield	**0%**	5%	5%	0%	0%	0%	0%
Expected volatility	**7%**	6%	5%	50%	50%	25%	50%
Expected life	**3.0 years**	3.0 years	3.0 years	3.0 years	3.0 years	3.0 years	3.0 years
Risk-free interest rate	**0.70%**	1.36%	1.36%	1.36%	1.36%	4.08%	4.08%
Number of shares under option	**500,000**	900,000	850,000	500,000	1,000,000	3,400,000	1,750,000

Notes relating to the consolidated financial statements (continued)

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Freehold $000	Leasehold Improvements $000	Plant and machinery $000	Fixtures, fittings, tools and equipment $000	Total $000
Cost or valuation					
At 28 March 2020	981	847	3,912	4,511	10,251
Exchange differences	238	11	258	48	555
Transfers between classes	-	(44)	(196)	240	-
Additions during period	-	33	192	269	494
Disposals during period	(1,219)	-	(25)	(148)	(1,392)
At 31 March 2021	**-**	**847**	**4,141**	**4,920**	**9,908**
Depreciation					
At 28 March 2020	18	159	2,674	3,340	6,191
Exchange differences	4	3	209	24	240
Transfers between classes	-	(14)	(78)	92	-
Charge for period	4	41	295	420	760
Disposals during period	(26)	-	(5)	(60)	(91)
At 31 March 2021	**-**	**189**	**3,095**	**3,816**	**7,100**
Net book value					
At 31 March 2021	**-**	**658**	**1,046**	**1,104**	**2,808**
At 28 March 2020	963	688	1,238	1,171	4,060

The freehold property was disposed of during the period, therefore freehold property had a net book value at 31 March 2021 of $nil (2020: $963,000).

Notes relating to the consolidated financial statements (continued)

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
Cost or valuation					
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)
At 28 March 2020	**981**	**847**	**3,912**	**4,511**	**10,251**
Depreciation					
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)
At 28 March 2020	**18**	**159**	**2,674**	**3,340**	**6,191**
Net book value					
At 28 March 2020	**963**	**688**	**1,238**	**1,171**	**4,060**
At 30 March 2019	894	626	619	1,296	3,435

Notes relating to the consolidated financial statements (continued)

12. GOODWILL AND OTHER INTANGIBLE ASSETS

	Tykma $000	CMS $000	**Total Goodwill $000**	Customer relationships $000	Trademarks $000	Development Expenditure $000	IT Software $000	**Total Other intangible $000**	**Total $000**
Cost									
At 28 March 2020	10,329	2,845	**13,174**	2,743	312	1,030	489	**4,574**	**17,748**
Additions	-	-	**-**	-	-	114	114	**228**	**228**
Disposal	-	-	**-**	-	-	(12)	-	**(12)**	**(12)**
Foreign exchange	-	-	**-**	-	-	6	58	**64**	**64**
At 31 March 2021	**10,329**	**2,845**	**13,174**	**2,743**	**312**	**1,138**	**661**	**4,854**	**18,028**
Amortisation and impairment									
At 28 March 2020	-	-	**-**	288	312	106	**-**	**706**	**706**
Amortisation	-	-	**-**	343	-	74	-	**417**	**417**
Foreign exchange	-	-	**-**	-	-	5	-	**5**	**5**
At 31 March 2021	**-**	**-**	**-**	**631**	**312**	**185**	**-**	**1,128**	**1,128**
Net book value									
At 31 March 2021	**10,329**	**2,845**	**13,174**	**2,112**	**-**	**953**	**661**	**3,726**	**16,900**
At 28 March 2020	10,329	2,845	13,174	2,455	-	924	489	3,868	17,042

The additions to Development Expenditure of $114k in the period and $51k in the prior period related primarily to internal development.

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

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

	2021 $000	2020 $000
Operating expenses	**417**	325

Notes relating to the consolidated financial statements (continued)

12. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTING OF GOODWILL

The Group has undertaken its annual impairment testing of Goodwill as at 31 March 2021 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 Electrox and CMS are identified as separate CGUs. Budgets and revised forecasts, which take into account the recovery of the markets from the effects of the Covid-19 pandemic and the expected uplift in order activity in the Group's businesses from March 2021 have been prepared by all business units covering the two years to March 2023. 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 increased revenue and profitability in the year to March 2022 with further growth in 2023 and thereafter a return to more normal terminal 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 post-tax weighted average cost of capital, which is adjusted for CGU risk factors, resulting in a rate of 13%.

The forecasts do not result in any impairment.

Sensitivity to changes in assumptions

Whilst future uncertainty 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 Bordage, St Peter Port, Guernsey, GY1 4AU.

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

US:

600 Group Inc
Clausing Industrial, Inc
TYKMA Inc
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 has a registered office at 3963 Emerald Drive, Kalamazoo, Michigan 49001, US.
600 Group Inc has a registered office at 200 S. Orange Avenue, Suite 2170, Orlando Florida 32801 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.

Colchester GmbH* – (Germany)

A new corporation has been established in Germany for the distribution of machine tools and precision engineered components with its registered office at AM Herdicksbach 29, 45731 Waltrop, Germany.

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.

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	
	2021	2020	**2021**	2020	**2021**	2020
	$000	$000	**$000**	$000	**$000**	$000
Decelerated capital allowances	**956**	735	**-**	-	**956**	735
Short-term timing differences	**6**	322	**-**	-	**6**	322
Tax losses	**2,612**	2,195	**-**	-	**2,612**	2,195
Overseas tax losses	**-**	2,154	**-**	-	**-**	2,154
Employee benefits	**-**	157	**-**	-	**-**	157
Revaluations and rolled over gains	**-**	-	**-**	(236)	**-**	(236)
Net tax assets/(liabilities)	**3,574**	5,563	**-**	(236)	**3,574**	**5,327**

	Assets		Liabilities	
	2021	2020	**2021**	2020
	$000	$000	**$000**	$000
Due within one year	**809**	1,148	**-**	(236)
Due after one year	**2,765**	4,415	**-**	-
Total	**3,574**	5,563	**-**	(236)

MOVEMENT IN DEFERRED TAX DURING THE PERIOD

	As at 28 March 2020	Income statement	Exchange Fluctuations	**As at 31 March 2021**
	$000	$000	$000	**$000**
Decelerated capital allowances	735	**107**	**114**	**956**
Short-term timing differences	322	**(317)**	**1**	**6**
Tax losses	2,195	**134**	**283**	**2,612**
Overseas tax losses	2,154	**(2,154)**	**-**	**-**
Employee benefits	157	**(157)**	-	**-**
Revaluations and rolled over gains	(236)	**250**	**(14)**	-
	5,327	**(2,137)**	**384**	**3,574**

The rate of UK corporation is 19% . The deferred tax assets and liabilities at the balance sheet date have been calculated based on this rate**.** The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from 1 April 2023. This rate has not been substantively enacted at the balance sheet date, as a result deferred tax balances as at 31 March 2021 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended rate the impact to the closing DT position would be to increase the deferred tax asset by $1.28m. US deferred tax is provided at 25% (2020: 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:

	2021	**2020**
	$000	**$000**
Tax losses	6,230	2,422

There is no expiry date for the recoverability of the tax losses.

15. INVENTORIES

	2021 $000	2020 $000
Raw materials and consumables	**-**	382
Work in progress	**1,320**	851
Finished goods and goods for resale	**16,621**	17,821
	17,941	19,054

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 considerations, including customer demand.

Inventories included within Cost of Sales amounted to $30.1m (2020: $38.8m).

During the period inventory provisions have increased by $140,000 (2020: decreased by $1,164,000). Following the impairment provisions, inventories are valued at lower of cost and net realisable value.

16. TRADE AND OTHER RECEIVABLES

	2021 $000	2020 $000
Trade receivables	**5,149**	**6,153**
Other debtors	**1,361**	**772**
Other prepayments	**1,716**	**913**
Contract assets	**344**	**246**
	8,570	**8,084**

	2021 $000	2020 $000
Taxation	**-**	**222**

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:

	2021 $000	2020 $000
Current (not overdue)	**4,312**	4,999
Overdue:		
– 0–3 months overdue	**761**	1,133
– 3–6 months overdue	**159**	58
– 6–12 months overdue	**(4)**	17
– more than 12 months overdue	**24**	37
Total gross trade receivables before provision	**5,252**	6,244

Notes relating to the consolidated financial statements (continued)

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

At 31 March 2021 the lifetime expected loss provision for trade receivables is as follows:

31 March 2021	**current**	**0-3 months**	**3-6 months**	**6-12 months**	**over 12 months**	
Expected loss ratio	**0%**	**0%**	**52%**	**100%**	**100%**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross carrying amount	**4,312**	**761**	**159**	**(4)**	**24**	**5,252**
Loss provision	**-**	**-**	**83**	**(4)**	**24**	**103**

28 March 2020	current	0-3 months	3-6 months	6-12 months	over 12 months	
Expected loss ratio	0%	0%	63%	100%	100%	Total
	$'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 group's 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:

	2021	2020
	$000	$000
Opening provision for impairment	**91**	136
Exchange difference on opening balance	**7**	(2)
On acquisition	**-**	82
Charged in the period/(unused provision released)	**23**	(125)
Utilised in the period	**(18)**	-
Closing provision	**103**	91

17. CASH AND CASH EQUIVALENTS

	2021	2020
	$000	$000
Cash at bank and in hand	**4,287**	2,755
Short-term deposits – restricted cash	**710**	123
Cash and cash equivalents per statement of financial position and per cash flow statement	**4,997**	2,878

Included within cash and cash equivalents at 31 March 2021 is an amount totaling $138,000 (2020: $123,000) 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. Also included is an amount totaling $572,000 (2020: nil) in a secured account at Westpac Bank Australia as security for trade facilities.

18. LOANS AND OTHER BORROWINGS

CURRENT:	2021 $000	2020 $000
Bank loans and trade facilities	**977**	5,414
8% Loan notes	**11,225**	-
	12,202	5,414

NON-CURRENT:	2021 $000	2020 $000
Bank loans	**1,590**	2,217
8% Loan notes	**-**	9,437
	1,590	11,654

Government loans	2021 $000	2020 $000
Current	**2,234**	-
Non-current	**1,656**	-
	3,890	-

The $11.225m (£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 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 2019, 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. Subsequent to the year end a further extension of the loan note repayment date to 14 August 2023 was agreed, in July 2021.

Facilities from HSBC include a $3.5m trade and invoice finance facility, of which nothing was utilised at the year-end (2020: $nil). The mortgage for the Colchester property was repaid on 6 February 2020 in full from the proceeds of the sale of the Gamet business.

On 21 August 2020 a loan of $1.7m (£1.2m) was taken out under the Government Coronavirus Large Business Interruption Loan Scheme by the UK machine tool business with interest at 1.92% and a bullet repayment of 1 September 2023.

Facilities from the Bank of America include a US Dollar denominated term loan of $0.1m repaid on a monthly basis through to September 2021 in equal instalments with an interest rate of 2.25% above base and a revolving credit facility of an additional $7.5m. A further loan for $3.25m was taken to part fund the acquisition of CMS Inc in the prior year and is being repaid on a monthly basis through to June 2024 in equal instalments, with an interest rate of 2.25% above base. $2.3m was outstanding at 31 March 2021 (2020: $2.8m).

In March 2021 each of the three USA businesses received Government loans under the Paycheck Protection Program totalling $2.2m. Amounts under the loan agreement may be forgiven dependent on expenditure and payroll numbers within 24 week of receipt of funds, with any balance not forgiven repaid over a 2 year period at a 1% interest rate. It is assumed these loans will be forgiven and amounts are included within debt due within one year.

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

Notes relating to the consolidated financial statements (continued)

19. TRADE AND OTHER PAYABLES

	2021	2020
	$000	$000
Current liabilities:		
Trade payables	**3,792**	3,424
Social security and other taxes	**344**	576
Other creditors	**1,254**	1,468
Accruals	**2,148**	2,445
Contract liabilities	**624**	385
	8,162	8,298

	2021	2020
	$000	$000
Taxation	**546**	-

20. PROVISIONS

	Unavoidable lease costs	Warranties	Dilapidations	Total
	$000	$000	$000	$000
Provision carried forward at 28 March 2020	**304**	**136**	**150**	**590**
Exchange differences	**36**	**3**	**-**	**39**
Credited to the income statement	**(73)**	**-**	**-**	**(73)**
Utilised in the period	**(120)**	**-**	**-**	**(120)**
Provisions due within one year	**49**	**139**	**-**	**188**
Provisions due after one year	**98**	**-**	**150**	**248**
Total provisions at 31 March 2021	**147**	**139**	**150**	**436**

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.

Unavoidable lease costs

During the year, the old Heckmondwike premises lease was reassigned to a third party, therefore releasing the group of the lease liability. In the prior year provisions had been created to cover the unavoidable costs associated with the lease, however as a result of the reassignment of the lease these provisions were reduced. The remaining provision shown for unavoidable lease costs relates to compensating payments due to the landlord in excess of the reassigned lease that is set to expire at the end of September 2023.

Notes relating to the consolidated financial statements (continued)

21. LEASES

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

	Property	Vehicles	Plant and machinery	Total
	$000	$000	$000	$000
Cost or valuation				
At 28 March 2020	**10,746**	**102**	**66**	**10,914**
Transfer between classes*	(74)	74	-	-
Exchange differences	595	21	3	619
Additions during period	605	30	29	664
Disposals in period	(803)	(28)	(16)	(847)
At 31 March 2021	**11,069**	**199**	**82**	**11,350**
Depreciation				
At 28 March 2020	**1,777**	**56**	**21**	**1,854**
Exchange difference	115	9	2	126
Impairment charged in the period	(227)	-	-	(227)
Disposals in the period	(576)	(19)	(13)	(608)
Charge for period	1,130	68	19	1,217
At 31 March 2021	**2,219**	**114**	**29**	**2,362**
Net book value				
At 31 March 2021	**8,850**	**85**	**53**	**8,988**
At 28 March 2020	8,969	46	45	9,060

*Correction of prior year misstatement no impact on net book value.

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

Lease liabilities	**31 March 2021**	28 March 2020
	$000	$000
Current	**1,505**	1,608
Non-Current	**7,801**	8,344
Total	**9,306**	9,952

During the year lease payments amounted to $1.756m (2020: $1.525m), of which $373K (2020: $375K) was in respect of interest charges.

The undiscounted payments under the leases fall due as follows:

	31 March 2021	28 March 2020
	$000	$000
Up to one year	**1,505**	1,608
One to five years	**5,157**	5,562
Over five years	**4,427**	4,426
Total undiscounted payments due under leases	**11,089**	11,596

22. SHARE CAPITAL

	2021	2020
	$000	$000
Allotted, called-up and fully paid:		

Ordinary shares of 1p each		
117,473,341 ordinary shares of 1p each on issue at start of the period (2020: 112,973,341 ordinary shares)	**1,803**	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 (2020: 117,473,341 ordinary shares of 1p)	**1,803**	1,803
Total Allotted, called-up and fully paid at the end of the period	**1,803**	1,803

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 ($11.7m at year end rate) 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. Subsequent to the year end the loan notes repayment date was extended to 14 August 2023 and the warrant expiry date was also extended to this date.

23. RECONCILIATION OF NET CASH FLOW TO NET DEBT

	2021 $000	2020 $000
Increase/(decrease) in cash and cash equivalents	**1,849**	(952)
Decrease/(increase) in debt and lease liabilities	**6,820**	(341)
Decrease/(increase) in net debt from cash flows	**8,669**	(1,293)
Net debt at beginning of period	**(24,142)**	(14,541)
Effect of transition to IFRS 16	**-**	(9,755)
Cash and debt through acquisition	**-**	1,451
Government assistance loans USA	**(2,234)**	-
Government assistance loans UK	**(1,656)**	-
Loan note amortisation	**(675)**	(421)
Lease liabilities increase	**(502)**	(74)
Exchange effects on net funds	**(1,451)**	491
Net debt at end of period	**(21,991)**	(24,142)

24. ANALYSIS OF NET DEBT

	At 28 March 2020 $000	Exchange movement $000	Other $000	Cash flows $000	At 31 March 2021 $000
Cash at bank and in hand	2,755	255	-	1,277	**4,287**
Term deposits (included within cash and cash equivalents on the balance sheet)	123	15	-	572	**710**
	2,878	270	-	1,849	**4,997**
Debt due within one year	(5,414)	-	-	4,437	**(977)**
Loan notes due within one year	-	-	(11,225)	-	**(11,225)**
Debt due after one year	(2,217)	-	-	627	**(1,590)**
Loan notes due after one year	(9,437)	(1,113)	10,550	-	**-**
Government assistance loans USA	-	-	-	(2,234)	**(2,234)**
Government assistance loans UK	-	-	-	(1,656)	**(1,656)**
Lease liabilities	(9,952)	(608)	(502)	1,756	**(9,306)**
Total	(24,142)	(1,451)	(1,177)	4,779	**(21,991)**

25. FINANCIAL INSTRUMENTS

Overview

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

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

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

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

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

The Group 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 (continued)

25. 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:

	2021	2020
	$000	$000
UK	**1,241**	2,249
North America	**3,748**	3,672
Australasia	**160**	232
	5,149	6,153

Contract assets of $344K (2020: $246K) relating to North America were recognised at the year end but were not impaired.

25. FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

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

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

Typically, the Group ensures that it has sufficient cash or 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:

	2021				
	Carrying Amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years
	$000	$000	$000	$000	$000
Bank loan	**2,381**	**2,381**	**164**	**2,217**	**-**
Bank trade facilities	**186**	**186**	**186**	**-**	**-**
8% loan notes	**11,225**	**11,729**	**11,729**	**-**	**-**
Government assistance loans	**3,890**	**3,890**	**2,234**	**-**	**1,656**
Lease Liabilities	**9,306**	**11,089**	**1,505**	**1,462**	**8,122**
Interest bearing financial liabilities	**26,988**	**29,275**	**15,818**	**3,679**	**9,778**
Trade and other payables	**7,819**	**7,819**	**7,819**	**-**	**-**
Financial liabilities	**34,807**	**37,094**	**23,637**	**3,679**	**9,778**

	2020				
	Carrying Amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years
	$000	$000	$000	$000	$000
Bank loan	3,067	3,067	850	2,217	-
Bank trade facilities	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	14,805	14,223	8,413

MARKET RISK

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

25. FINANCIAL INSTRUMENTS (CONTINUED)

CURRENCY RISK

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the 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:

	2021			2020		
	Sterling	**US Dollars**	**Euro**	Sterling	US Dollars	Euro
	£000	**$000**	**€000**	£000	$000	€000
Trade receivables	**-**	**40**	**116**	-	154	471
Trade payables	**(20)**	**(27)**	**(149)**	(17)	(364)	(499)
Balance sheet exposure	**(20)**	**13**	**(33)**	(17)	(210)	(28)

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 (2020: none). Exposures arising from the translation of intra-group lending are managed through the use of borrowings in the relevant foreign currency.

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

INTEREST RATE RISK

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

	Net cash/ borrowings in foreign currency	**Change if interest rates in foreign Currency change by 1%**
	$'000	**$'000**
US Dollar	**(4,746)**	(48)
GB Pound	**1,951**	20
AUS Dollar	**1,341**	13

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 31 March 2021, 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 $0.02m (2020: charge of $0.07m). 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 (continued)

25. 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 (2020 – 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 31 March 2021 was a liability of $nil (2020: 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 31 March 2021 and 28 March 2020 was:

	2021				2020			
Currency	**Floating rate financial assets $000**	**Fixed rate financial assets $000**	**Financial assets on which no interest is earned $000**	**Total $000**	Floating rate financial assets $000	Fixed rate financial assets $000	Financial assets on which no interest is earned $000	Total $000
Sterling	**3,481**	**138**	**1,114**	**4,733**	1,896	123	2,090	4,109
US Dollars	**17**	**-**	**5,463**	**5,480**	729	-	4,410	5,139
Australian Dollars	**789**	**572**	**211**	**1,572**	130	-	241	371
Euros	**-**	**-**	**170**	**170**	-	-	521	521
	4,287	**710**	**6,958**	**11,955**	2,755	123	7,262	10,140

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 (continued)

25. 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 31 March 2021 and 28 March 2020 was:

	2021				2020			
Currency	**Floating rate financial liabilities $000**	**Fixed rate Financial Liabilities $000**	**Financial liabilities on which no interest is paid $000**	**Total $000**	Floating rate financial liabilities $000	Fixed rate financial liabilities $000	Financial liabilities on which no interest is paid $000	Total $000
Sterling	**-**	**17,317**	**2,681**	**19,998**	-	14,278	2,796	17,074
US Dollars	**186**	**9,382**	**4,804**	**14,372**	7,631	4,959	4,220	16,810
Australian Dollars	**-**	**103**	**159**	**262**	-	152	155	307
Euro	**-**	**-**	**175**	**175**	-	-	551	551
	186	**26,802**	**7,819**	**34,807**	7,631	19,389	7,722	34,742

The floating rate financial liabilities comprise bank borrowings, trade finance and overdrafts that bear interest rates based on local currency base interest rates. The fixed rate financial liabilities comprise of loan notes at 8%, lease liabilities and government assistance loans that bear interest rates based on local currency base rates.

BORROWING FACILITIES

At 31 March 2021 and 28 March 2020, the Group had undrawn committed borrowing facilities as follows:

	2021 '000	2020 '000
UK	**£2,848**	£2,848
US	**$7,314**	$3,657
Australia	**AUD$500**	AUD$500

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2021 $000	2020 $000
Trade and other receivables	**8,570**	8,084
Cash and cash equivalents	**4,997**	2,878
Bank loan	**(2,567)**	(7,631)
Government assistance loans	**(3,890)**	-
Loans notes	**(11,729)**	(10,492)
Lease obligations	**(11,089)**	(11,596)
Trade and other payables	**(8,162)**	(8,298)
	(23,870)	(27,055)

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 $11.089m (2020: $11.596m) and the Loan Notes which are shown at their gross value of $11.729m (2020: $10.492m). Their carrying value in the accounts is shown net of discounting and issue costs.

Notes relating to the consolidated financial statements (continued)

26. CONTINGENT LIABILITIES

	2021	2020
	$000	$000
Third-party guarantees	**204**	183

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

27. 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 were valued under the prescribed requirements of IAS19 prior to disposal.

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.

27. EMPLOYEE BENEFITS (CONTINUED)

MORTALITY RATES

The mortality rates for the US scheme are based on the PRI-2012 (2020: PRI-2012) Mortality Table for males and females adjusted to total dataset with improvement factor scale MP-2020 (2020: MP 2019).

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:

	2021	2020
	% p.a.	% p.a.
Discount rate for scheme liabilities - US scheme	**2.71**	2.83

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 31 March 2021 and 28 March 2020 were:

	2021	2020
	US Schemes	US Schemes
	$000	$000
Assets	**957**	834
Liabilities	**(1,925)**	(2,095)
(Deficit)	**(968)**	(1,261)

	Movement in net defined benefit liability (US Schemes)					
	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	31 March 2021	28 March 2020	**31 March 2021**	28 March 2020	**31 March 2021**	28 March 2020
	$000	$000	**$000**	$000	**$000**	$000
Opening balance:	**(2,095)**	(2,178)	**834**	939	**(1,261)**	(1,239)
Current service cost	**(8)**	(55)	**-**	31	**(8)**	(24)
Experience gain/(loss)	**76**	(3)	**134**	(55)	**210**	(58)
Interest cost	**(58)**	(29)	**23**	-	**(35)**	(29)
Contributions paid by employer	**-**	-	**126**	89	**126**	89
Benefits paid	**160**	170	**(160)**	(170)	**-**	-
Closing balance:	**(1,925)**	(2,095)	**957**	834	**(968)**	(1,261)

The US actuary has recommended minimum deficit reduction payments of $78,000 are required each calendar year (2020: $78,000). No payments were overdue at the period-end.

The assets held within the US pension scheme amount to $0.957m (2020: $0.834m) and are held mainly in bonds.

Notes relating to the consolidated financial statements (continued)

27. EMPLOYEE BENEFITS (CONTINUED)

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

	2021			2020		
	US schemes $000	**UK scheme $000**	**Total $000**	US schemes $000	UK scheme $000	Total $000
Included within operating profit:						
– current service cost	**8**	**-**	**8**	9	-	9
- Profit on sale of UK pension scheme	**-**	**-**	**-**	-	809	809
Included within financial expense:						
– interest on pension liabilities	**35**	**-**	**35**	44	-	44
Included within financial income:						
– interest on pension surplus (note 3)	**-**	**-**	**-**	-	(22)	(22)

In the prior year the UK pension scheme was disposed of resulting in a profit of $809K and a cash receipt of $5,213K.

Profit on sale of UK pension scheme reconciliation	**$000**
Net defined benefit asset 30 March 2019	**7,459**
Exchange variance	**(188)**
Payment to employer before tax	**(8,080)**
Profit on sales of UK pension scheme	**(809)**

Cash received reconciliation	**$000**
Payment to employer before tax	**8,080**
Less tax (taken at source)	**(2,867)**
Cash received	**5,213**

Amounts recognised in other comprehensive income are as follows:

	2021	2020
	US Schemes $000	US Schemes $000
Return on plan assets	**134**	55
Gains on liabilities	**76**	3
Amounts recognised during the period	**210**	58

Notes relating to the consolidated financial statements (continued)

28. 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 29 to 37.

The key sources of estimation uncertainty are:

FINANCIAL INSTRUMENTS

Note 25 contains information about the assumptions and estimates and the risk factors relating to interest rate and foreign currency exposures.

PENSIONS

The Directors have employed the services of a qualified, independent actuary in assessing pension assets and liabilities. However they note that final liabilities and asset returns may differ from actuarial estimates and therefore the pension liability may differ from that included in the financial statements. Note 27 contains information about the principal actuarial assumptions used in the determination of the net deficit 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 given recent trading during COVID-19 and the fact that the PPP assistance in the US is not taxable all assets were de-recognised during the year.

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.

29. RELATED PARTY TRANSACTIONS

Detailed disclosure of the individual remuneration of Board members is included in note 5. The Board members are regarded as the Key Management Personnel of both the Company and the Group.

Mr P Dupee is the managing partner of Haddeo Partners LLP who have received $84,953 in interest payments during the financial year (2020: $82,361) in respect of their respective holding of the loan notes. At the year-end Haddeo Partners LLP held £810,000 ($1,117,664) of loan notes. Further details on the loan notes can be found in note 18.

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

30. 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

	2021 $000	2020 $000
Operating profit	**2,228**	1,540
Adjusting items included in net operating expenses (see note 3)	**392**	1,187
Underlying operating profit	**2,620**	2,727

Underlying (loss)/profit for the period from continuing activities

	2021 $000	2020 $000
(Loss)/profit for the period	**(2,573)**	595
Adjusting items included in cost of sales and net operating expenses (see note 3)	**392**	1,187
Adjusting items included in Financial income	**-**	(22)
Adjusting items included in Financial expense	**642**	536
Tax on adjusting items	**(257)**	-
Underlying (loss)/ profit for the period on continuing activities	**(1,796)**	2,296

Underlying EPS

A reconciliation of underlying EPS is included in note 9.

Net debt excluding IFRS 16 leases liabilities

	2021 $000	2020 $000
Net debt (see note 24)	**(21,991)**	(24,124)
Lease liabilities	**9,306**	9,952
Net debt excluding IFRS 16 lease liabilities	**(12,685)**	(14,172)

31. POST BALANCE SHEET EVENTS

The extension of the repayment date of the loan notes to 14 August 2023 was agreed in July 2021 with the related warrants also extended to this date. All other terms and conditions remain the same. As this was after the year end date the loan notes are shown within current liabilities on the Consolidated Statement of Financial Position as at 31 March 2021.

Company statement of financial position

As at 31 March 2021

Company Number 00196730

	Notes	As at 30 March 2021 $000	As at 28 March 2020 $000
Non-current assets			
Fixed assets		**1**	3
Intangible assets		**661**	489
Investments	**3**	**11,895**	10,611
		12,557	11,103
Current assets			
Trade and other receivables	4	**48,570**	47,093
Cash and cash equivalents		**78**	33
		48,648	47,126
Total assets		**61,205**	58,229
Current liabilities			
Trade and other payables	**5**	**(15,861)**	(4,501)
Lease liabilities	**6**	**-**	(602)
		(15,861)	(5,103)
Non-current liabilities			
Trade and other payables	**5**	**(98)**	(9,741)
		(98)	(9,741)
Total liabilities		**(15,959)**	(14,844)
Net assets		**45,246**	43,385
Shareholders' equity			
Called-up share capital	**7**	**1,803**	1,803
Share premium account		**3,828**	3,828
Equity reserve		**201**	201
Profit and loss account		**39,414**	37,553
		45,246	43,385

Included in the profit and loss account is a loss for the year of $971K (prior year loss $1,259K). The accompanying accounting policies and notes on pages 73 to 80 form part of these Financial Statements.

The financial statements on pages 71 to 80 were approved by the Board of Directors on 1 September 2021 and were signed on its behalf by:

PAUL DUPEE
Chairman
1 September 2021

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

Company statement of changes in equity

Company Number 00196730

As at 31 March 2021

	Ordinary share capital $000	Share premium account $000	Equity reserve $000	Retained Earnings $000	Total $000
At 30 March 2019	**1,746**	**2,885**	**201**	**41,615**	**46,447**
Loss for the period	-	-	-	(1,259)	(1,259)
Other comprehensive loss:	-	-	-	-	-
Foreign currency translation	-	-	-	(1,808)	(1,808)
Total comprehensive loss	-	-	-	(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
At 28 March 2020	**1,803**	**3,828**	**201**	**37,553**	**43,385**
Loss for the period	**-**	**-**	**-**	**(971)**	**(971)**
Other comprehensive income:	**-**	**-**	**-**	**-**	**-**
Foreign currency translation	**-**	**-**	**-**	**2,812**	**2,812**
Total comprehensive income	**-**	**-**	**-**	**1,841**	**1,841**
Transactions with owners:					
Credit for share-based payments	**-**	**-**	**-**	**20**	**20**
Total transactions with owners	**-**	**-**	**-**	**20**	**20**
At 31 March 2021	**1,803**	**3,828**	**201**	**39,414**	**45,246**

The accompanying accounting policies and notes on pages 73 to 80 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 Company’s accounting reference date of 31 March. The results for 2020 are for the 52-week period ended 28 March 2020 and the results for 2021 are for the 52-week period ended 31 March 2021, 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;
- 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

On adoption of IFRS 16 in the prior year, 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.

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.

TAXATION (CONTINUED)

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.

Company accounting policies (continued)

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 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 31 March 2021 no provision for expected credit loss was recognised having made this assessment.

Notes relating to the company financial statements

1. PERSONNEL EXPENSES

	2021 $000	2020 $000
Staff costs:		
– wages and salaries	**394**	1,396
– social security costs	**45**	80
– pension charges	**20**	25
– equity share options expense	**20**	93
	479	1,594

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

	2021 Number	2020 Number
Head office function	**6**	8

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 Personnel expenses note 5 on page 44.

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.

	2021 $000	2020 $000
Final Dividend paid September 2019 (0.5p/share)	**-**	725
Interim Dividend paid January 2020 (0.25p/share)	**-**	363
Total	**-**	1,088

Notes relating to the company financial statements (continued)

3. INVESTMENTS

	Shares In Group Undertakings $000	Total $000
Cost:		
At 28 March 2020	**47,169**	**47,169**
Additions in the period	**33**	**33**
Exchange variance	**5,559**	**5,559**
At 31 March 2021	**52,761**	**52,761**
Provisions		
At 28 March 2020	**36,558**	**36,558**
Exchange variance	**4,308**	**4,308**
At 31 March 2021	**40,866**	**40,866**
Net book values		
At 31 March 2021	**11,895**	**11,895**
At 28 March 2020	10,611	10,611

In the prior year the investments of Gamet Bearings Limited and The 600 Group Pension Trustees Limited were disposed of. In the current year a new corporation was set up in Germany – Colchester GmbH.

	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)
At 28 March 2020	47,169	47,169
Provisions		
At 30 March 2019	41,331	41,331
Exchange variance	(4,773)	(4,773)
At 28 March 2020	36,558	36,558
Net book values		
At 28 March 2020	10,611	10,611
At 30 March 2019	11,342	11,342

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 Bordage, St Peter Port, Guernsey, GY1 4AU.

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

US:

600 Group Inc
Clausing Industrial, Inc
TYKMA Inc
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 has a registered office at 3963 Emerald Drive, Kalamazoo, Michigan 49001, US.
600 Group Inc has a registered office at 200 S. Orange Avenue, Suite 2170, Orlando Florida 32801 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.

Colchester GmbH – (Germany)

A new corporation has been established in Germany for the distribution of machine tools and precision engineered components with its registered office at AM Herdicksbach 29, 45731 Waltrop, Germany.

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 31 March 2021 or the year ended 28 March 2020.

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

	2021	2020
	$000	$000
Amounts owed by subsidiary undertakings[1]	**48,243**	46,669
Deferred tax	**277**	107
Other debtors	**50**	317
	48,570	47,093

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

5. TRADE AND OTHER PAYABLES

	2021 $000	2020 $000
Current liabilities:		
Trade payables	**122**	87
Amounts owed to subsidiary undertakings[1]	**4,150**	3,944
8% loan notes	**11,225**	-
Accruals and deferred income	**315**	470
Unavoidable lease costs	**49**	-
	15,861	4,501

	2021 $000	2020 $000
Non-current liabilities:		
8% loan notes	**-**	9,437
Unavoidable lease costs	**98**	304
	98	9,741

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

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

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

The $11.225m (£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 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 2019, 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. Subsequent to the year end a further extension of the loan note repayment date to 14 August 2023 was agreed, in July 2021.

Unavoidable lease costs

During the year, the old Heckmondwike premises lease was reassigned to a third party, therefore releasing the group of the lease liability. In the prior year provisions had been created to cover the unavoidable costs associated with the lease, however as a result of the reassignment of the lease these provisions were reduced. The remaining provision shown in the unavoidable lease costs relates to compensating payments due to the landlord in excess of the reassigned lease that is set to expire at the end of September 2023.

6. LEASES LIABILITIES

Right of use assets	**2021**
	$000
Cost	
At 28 March 2020	**803**
Disposal	**(803)**
Cost at 31 March 2021	**-**
Depreciation	
At 28 March 2020	**(803)**
Impairment charge in the period	**227**
Disposal	**576**
Total at 31 March 2021	**-**
Net book value at 31 March 2021	**-**
Net book value at 28 March 2020	**-**

	2021	2020
	$000	$000
Lease liabilities	**-**	602
	-	602

As a result of the reassignment of the lease on 1 February 2021, the prior year impairment of the lease asset was reversed, and the balance was offset against the lease liability as the asset was disposed of. The remaining balance of the lease liability was de-recognised along with the net value of provisions for unavoidable lease costs and was written back to the P&L, resulting in a credit of $577K. A provision, as per note 5, is in place to cover the remaining top up rental payments as per the agreement in the reassignment of the lease.

Lease payments up to the end of January 2021 amounted to $130K.

Notes relating to the company financial statements (continued)

7. SHARE CAPITAL

	2021	2020
	$000	$000
Allotted, called-up and fully paid:		
Ordinary shares of 1p each		
117,473,341 ordinary shares of 1p each on issue at start of the period (2020: 112,973,341 ordinary shares)	**1,803**	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: 117,473,341 ordinary shares of 1p)	**1,803**	1,803
Total Allotted, called-up and fully paid at the end of period	**1,803**	1,803

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 ($11.729m) 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. Subsequent to the year end the repayment date of the loan notes was extended to 14 August 2023 and the warrant expiry date was also extended to this date.

8. CONTINGENT LIABILITIES

	2021	2020
	$000	$000
Bank guarantees in respect of Group undertakings	204	183

9. PENSION

The Company makes contributions to defined contribution schemes for certain employees. The pension contribution charge for the Company amounted to $20,188 (2020: $24,785).

10. RELATED PARTY TRANSACTIONS

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

Mr P Dupee is the managing partner of Haddeo Partners LLP which has received $84,953 in interest payments during the financial year (2020: $82,361) in respect of holding of the loan notes. At the year-end Haddeo Partners LLP held £810,000 ($1,117,664) of loan notes. Further details on the loan notes can be found in note 18.

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

Company information

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