The 600 Group PLC

Unaudited Interim Results for the six months ended 30 September 2021

The 600 Group PLC ("the Group"), the diversified industrial engineering company (AIM: SIXH), today announces its unaudited interim results for the six months ended 30 September 2021.

Financial highlights

- Revenues up 34% to $34.0m (FY21 H1: $25.4m)
- Underlying* operating profit of $1.4m (FY21 H1: $0.2m)
- Net debt, excluding leases and $2.2m of USA PPP funding now forgiven, of $14m (FY 20 H1: $16.7m, FY21 year end: $12.7m)
- Orderbook at record $23m – more than double that of the same time in the previous year and particularly strong in higher margin Laser business.

Strategic & operational highlights

- Strong recovery from the pandemic with the Group emerging as a leaner organization positioned for growth
  - Activity now back above pre-pandemic levels with record order book and enquiry pipeline
  - Particularly strong demand in higher-margin laser business – CMS winning large new orders including the largest in its history and as TYKMA Electrox continues to transition from commoditized products to a more custom machine focus
- Strengthened operations and diversified business in key markets
  - Integration of Laser Division processes – sales operation and distribution network now serves both TYKMA Electrox and CMS
  - Machine Tools Division established new German operation, a substantial market that diversifies revenues and is expected to make a maiden contribution to trading in the second half of the year
- Significant pipeline of opportunities ahead with the Group well positioned for growth in both divisions
  - Well positioned to capitalize on orderbook with improved balance sheet, strengthened operations and skilled workforce

*from continuing operations, before adjusting items.

Paul Dupee, Chairman of the Group, commented:

""*We have emerged from the pandemic with a record orderbook, strengthened operations and the foundations for sustained growth. The Group successfully retained our highly skilled workforce while transforming into a leaner, more efficient organization. This ensured we were able to seamlessly resume operations and capitalize on the growing orderbook for our market-leading products and services.*

"Industrial activity has now surpassed pre-pandemic levels and our forward sales are greater than ever before heading into the second half of the year. Growth is particularly strong in our laser division where we are benefitting from CMS' focus on high-end machines and the strategic pivot by TYKMA to manufacture higher-margin custom machines. As a result, our orderbook not only reflects increased demand for our products, but also an improvement in the quality of future earnings.

"While mindful of the ongoing uncertainty caused by COVID-19, the Board is increasingly confident of the outlook for the Group and excited about the opportunities ahead."

Enquiries:

The 600 Group PLC Paul Dupee, Executive Chairman Neil Carrick, Company Secretary	Tel: +1-407-818-1123 / 01924 415000
Instinctif Partners Tim McCall	Tel: 0207 457 2020
Cenkos Securities plc (Nominated Adviser and Broker) Ben Jeynes / Max Gould (Corporate Finance) Alex Pollen / Henry Nicol (Sales)	Tel: 020 7397 8900

The 600 Group Plc

Chairman's Statement for the six months ended 30 September 2021

Overview

The six-month period ended 30 September 2021 has seen the Group recover strongly from the impact of the COVID-19 pandemic with much improved order intake, which has been particularly strong in the higher-margin laser Division. Thanks to the operational cost savings and government assistance programs during the pandemic the businesses were able to keep their core teams and skilled workforces together. This has allowed the businesses to react quickly to the significant increase in activity now being seen which is above pre-pandemic levels.

Revenue was up 34% to $34m on the same period last year and the current order book at $23m is more than double that of the previous year, providing a strong base for the second half of the financial year. Working capital has increased to support the significant uplift in activity, although borrowings are on a par with the previous half year at $16.2m and include $2.2m of USA Government Paycheck Protection Program (PPP) loans which were subsequently forgiven in early November 2021 and will be shown as other income in the second half of the year.

Results

Revenue was up 34% at $34.0m (FY 21 H1: $25.4m) with net underlying operating profit (excluding adjusting items) at $1.4m (FY21 H1:$0.2m).

After taking account of interest on bank borrowings, loan notes and lease liabilities, the underlying profit for the Group pre-tax before adjusting items was $0.7m (FY21 H1: loss $0.6m) and a profit of $0.7m (FY 21 H1:loss $1.2m) after adjusting items.

The total profit for the financial period on continuing activities was $1.8m (FY 21 H1: loss $1.1m), providing Basic earnings of 1.52 cents (equivalent to 1.10p) per share (FY 210 H1: loss 0.93 cents (equivalent to 0.78p loss). The underlying continuing earnings per share (excluding adjusting items) were 0.45c (equivalent to 0.33p) (FY 21 H1: loss 0.36c (equivalent to 0.29p loss).

Given the continuing Global uncertainty no dividend is proposed.

Financial position

Inventory levels have increased to support the significant uplift in activity but also as a result of supply issues where additional quantities are in transit due to extended delivery times as a consequence of container and transport issues. The Laser business has also brought forward several months of critical components to secure supply and also hedge against price increases. The machine tools Division has also invested in stock for the new German operation during this period. Inventory overall has increased by $5.4m since 31 March 2021 to $23.3m.

Trade and other receivables have also seen an increase from $8.6m at March 2021 to $9.8m. Receivables in Lasers, in particular on the custom higher specification sales, usually benefit from a significant deposit with order which helps to keep working capital lower in that Division.

Trade and other payables have increased in line with the revenue increase leaving the overall working capital increase at 23% ($4.2m).

Investment in new equipment and improvement to the facilities at CMS of $0.35m has been made during the period to bring more operations in house and help improve efficiencies as the volumes increase.

The three USA businesses took advantage in February 2021 of the second round of Government assistance under PPP legislation totaling $2.2m. These loans are included in debt at 30 September 2021 but were subsequently forgiven in early November 2021. The forgiveness will be shown in other income in the second half of the financial year.

Total debt, excluding leases, at 30 September 2021 was $16.2m against $12.7m at 31 March 2021 and $16.7m at 30 September 2020. The debt at 30 September 2021 includes the $2.2m of PPP funding which has subsequently been forgiven.

The UK machine tools business also continues to have a government assistance loan repayable in September 2023 under the Coronavirus Large Business Interruption Loan Scheme (CLBILS). The repayment date of the Sterling denominated loan notes of $10.8m was extended by 18 months to 14 August 2023 in July as were the 43.95m warrants to subscribe for ordinary shares at 20p.

Both Bank of America and HSBC continue to be very supportive during these difficult times and the annual reviews of the working capital facilities totaling $11m have recently been renewed for a further 12 months. There remains very limited utilization of these facilities and the Group remains covenant compliant.

Adjusting items

Adjusting Items have been noted separately to provide a clearer picture of the Group's underlying trading performance and are set out in note 4. The amortisation of acquisition intangibles relating to the acquisition of CMS of $0.2m has been recorded as an adjusting item in operating expenses as has the cost of prior periods unpaid duty in TYKMA. As a consequence of the extension of the repayment date of the loan notes a credit of $0.2m is recorded in financial income in respect of the adjustment to the carrying value of the amortised cost. The remaining discounted amount and costs will be amortised over the remaining term to August 2023 and the comparatives show the amortisation of the loan note discounting costs as adjusting items within finance costs. As a result of the change in the rate of UK Corporation tax from 19% to 25% there is a credit of $1.3m shown in adjusting items taxation reflecting the increased value of the deferred tax assets in the UK.

Operating activities

Industrial Laser systems

The industrial laser Division experienced significant order growth from March 2021 onwards. This was particularly strong in the higher margin custom products where CMS specialises and into which the TYKMA Electrox business has migrated from the more commodity end of the market.

The orderbook at the end of September 2021 was nearly $12m against just over $3m at the same time last year.
New machinery and improvements to the CMS site have been made during the period to improve efficiency and bring more operations in house. The Laser Division has also seen disruption and price increases in the supply chain. Several critical components including micro processing chips have been bought forward several months to secure supplies and hedge against price increases which has pushed up stockholding levels.

The Laser Division internal sales operation and distribution network now serves both TYKMA Electrox and CMS and further synergy benefits are being gained in cross fertilization of technology and product knowledge between the two businesses.

The development of new techniques and technology is forefront to the Division and the Group is supportive of this through both internal R &D and the search for appropriate bolt on acquisitions.

The results of the division were as follows:

	FY22 H1 *$m*	**FY21 H1** *$m*
Revenues	15.2	9.85
Operating profit*	1.79	0.24
Operating margin*	11.8%	2.4%

*from continuing operations, before adjusting items.

Machine tools and precision engineered components

Machine tool activity globally has seen a bounce back from the effects of the COVID-19 pandemic and although there remains some concern over COVID variants, supply chain and transportation issues, the forecasts for the industry are for continued double digit growth through 2021 and 2022. Both the UK and USA operations experienced growth of over 25% against the same period in the prior year, but Australian volumes struggled, and the business made a small operating loss with much of the country in various lockdowns until very recently. The Divisional growth overall was 21% up on the same period last year.

Order intake remains strong and the Divisional orderbook at over $10m is up over 130% on the same time last year.

The German operation, in Dortmund, was established during the period, although only started trading in the second half of the financial year, with this reporting period incurring the set-up costs. This is an important market, almost the size of the USA, in machine tools and where the Colchester brand name is well known. The new operation will promote the direct sale of higher specification machines, support the existing distribution businesses and will reduce the impact of tariffs on UK to Europe sales.

All businesses have seen price increases in their supply chains and transportation cost increases and delivery issues due to container shortages, dock and lorry delays resulting from the increased global demand and labour shortages. Price increases and transport surcharges have largely had to be passed on to the end users.

The results of the division were as follows:

	FY22 H1	**FY21 H1**
	$m	*$m*
Revenues	18.81	15.55
Operating profit*	0.78	0.74
Operating margin*	4.2%	4.8%

*from continuing operations, before adjusting items.

Summary and outlook

The Group has seen a significant increase in activity in this first six months of the financial year and has a substantial order book and enquiry pipeline going into the second half of the year. The de-risking of the Group, both operationally and financially, in the recent past has created a platform from which it is now delivering on the strength of the Group's brands and technology and expanding the businesses into increasingly diversified higher margin niche markets worldwide.

Whilst there will continue to be concerns over COVID variants and supply chain disruption, given the strong orderbook activity and backlog the Board is confident that the fundamentals of brand promotion, investment in new, higher end product capabilities into new markets and selective acquisitions will lead to improved shareholder value in the future.

Paul Dupee
Chairman
15 November 2021
The 600 Group Plc

Condensed consolidated income statement (unaudited)

For the 26 week period ended 30 September 2021

	Before Adjusting Items 26 weeks ended 30 September 2021 $000	**Adjusting Items 26 weeks ended 30 September 2021 $000**	**After Adjusting Items 26 weeks ended 30 September 2021 $000**	Before Adjusting Items 26 weeks ended 30 September 2020 $000	Adjusting Items 26 weeks ended 30 September 2020 $000	After Adjusting Items 26 weeks ended 30 September 2020 $000	52 weeks ended 31 March 2021 $000
Continuing							
Revenue	**34,000**	**-**	**34,000**	25,398	-	25,398	53,550
Cost of sales	**(21,769)**	**-**	**(21,769)**	(16,405)	-	(16,405)	(34,554)
Adjusting items in cost of sales	**-**	**(74)**	**(74)**	-	-	-	(79)
Gross profit	**12,231**	**(74)**	**12,157**	8,993	-	8,993	18,917
Net operating expenses	**(10,787)**	**-**	**(10,787)**	(8,821)	-	(8,821)	(16,376)
Adjusting Items in operating expenses	**-**	**(149)**	**(149)**	-	(370)	(370)	(313)
Operating profit/(loss)	**1,444**	**(223)**	**1,221**	172	(370)	(198)	2,228
Bank interest	**7**	**-**	**7**	6	-	6	3
Loan note amortisation adjustment	**-**	**186**	**186**	-	-	-	-
Financial income	**7**	**186**	**193**	6	-	6	3
Bank and other interest	**(535)**	**-**	**(535)**	(555)	-	(555)	(1,126)
Interest on lease liabilities	**(185)**	**-**	**(185)**	(191)	-	(191)	(373)
Loan note amortisation	**-**	**-**	**-**	-	(300)	(300)	(642)
Financial expense	**(720)**	**-**	**(720)**	(746)	(300)	(1,046)	(2,141)
Profit/(Loss) before tax	**731**	**(37)**	**694**	(568)	(670)	(1,238)	90
Income tax (charge)/credit	**(197)**	**1,286**	**1,089**	140	-	140	(2,663)
Profit/(Loss) for the period attributable to equity holders of the parent	**534**	**1,249**	**1,783**	(428)	(670)	(1,098)	(2,573)
Basic EPS	**0.45c**		**1.52c**	(0.36c)		(0.93c)	(2.19c)
Diluted EPS	**0.45c**		**1.49c**	(0.36c)		(0.93c)	(2.19c)

Condensed consolidated statement of comprehensive income (unaudited)

For the 26 week period ended 30 September 2021

	26 weeks Ended 30 September 2021 $000	26 weeks Ended 30 September 2020 $000	52 weeks Ended 31 March 2021 $000
Profit/(Loss) for the period	**1,783**	(1,098)	(2,573)
Other comprehensive (expense)/income:			
Items that will not be reclassified to the Income Statement:			
Re-measurement of the net defined benefit asset	**-**	3	210
Property revaluation	**-**	441	-
Deferred taxation	**-**	-	(51)
Total items that will not be reclassified to the Income Statement:	**-**	444	159
Items that are or may in the future be reclassified to the Income Statement:			
Foreign exchange translation differences	**205**	41	514
Total items that are or may be reclassified subsequently to the Income Statement:	**205**	41	514
Other comprehensive income for the period, net of income tax	**205**	485	673
Total comprehensive income/(expenses) for the period	**1,988**	(613)	(1,900)

Condensed consolidated statement of financial position (unaudited)

As at 30 September 2021

	As at 30 September 2021 $000	As at 30 September 2020 $000	As at 31 March 2021 $000
Non-current assets			
Property, plant and equipment	**2,918**	2,876	2,808
Goodwill	**13,174**	13,174	13,174
Other Intangible assets	**3,561**	3,723	3,726
Deferred tax assets	**4,140**	4,415	2,765
Right of use assets	**8,252**	8,712	8,988
	32,045	32,900	31,461
Current assets			
Inventories	**23,306**	18,735	17,941
Trade and other receivables	**9,791**	7,473	8,570
Taxation	**-**	75	-
Deferred tax assets	**809**	1,463	809
Assets classified as held for sale	**-**	1,563	-
Cash and cash equivalents	**2,072**	3,450	4,997
	35,978	32,759	32,317
Total assets	**68,023**	65,659	63,778
Non-current liabilities			
Employee benefits	**(1,090)**	(1,271)	(968)
Loans and other borrowings	**(12,040)**	(14,325)	(1,590)
Government Loans	**(1,616)**	(1,549)	(1,656)
Lease Liabilities	**(7,139)**	(8,336)	(7.801)
Provisions	**(203)**	-	(248)
	(22,088)	(25,481)	(12,263)
Current liabilities			
Trade and other payables	**(10,559)**	(5,956)	(8,162)
Deferred tax liability	**-**	(195)	-
Lease liabilities	**(1,471)**	(1,222)	(1,505)
Taxation	**(368)**	-	(546)
Provisions	**(201)**	(613)	(188)
Government Loans	**(2,234)**	(2,234)	(2,234)
Loans and other borrowings	**(2,398)**	(2,008)	(12,202)
	(17,231)	(12,228)	(24,837)
Total liabilities	**(39,319)**	(37,709)	(37,100)
Net assets	**28,704**	27,950	26,678
Shareholders' equity			
Called-up share capital	**1,803**	1,803	1,803
Share premium account	**3,828**	3,828	3,828
Revaluation reserve	**-**	1,789	-
Equity reserve	**201**	201	201
Translation reserve	**(6,411)**	(7,089)	(6,616)
Retained earnings	**29,283**	27,418	27,462
Total equity	**28,704**	27,950	26,678

Consolidated statement of changes in equity (unaudited)

As at 30 September 2021

	Ordinary share capital $000	Share premium account $000	Revaluation reserve $000	Translation reserve $000	Equity reserve $000	Retained Earnings $000	Total $000
At 28 March 2020	1,803	3,828	1,348	(7,130)	201	28,508	28,558
Loss for the period	-	-	-	-	-	(1,098)	(1,098)
Other comprehensive income:							
Foreign currency translation	-	-	-	41	-	-	41
Property revaluation	-	-	441	-	-	-	441
Net defined benefit movement	-	-	-	-	-	3	3
Total comprehensive income	-	-	441	41	-	(1,095)	(613)
Transactions with owners:							
Credit for share-based payments	-	-	-	-	-	5	5
Total transactions with owners	-	-	-	-	-	5	5
At 30 September 2020	1,803	3,828	1,789	(7,089)	201	27,418	27,950
Loss for the period	-	-	-	-	-	(1,475)	(1,475)
Other comprehensive income:							
Foreign currency translation	-	-	-	473	-	-	473
Property revaluation	-	-	(1,789)	-	-	1,348	(441)
Net defined benefit movement	-	-	-	-	-	207	207
Deferred tax	-	-	-	-	-	(51)	(51)
Total comprehensive income	-	-	-	473	-	29	(1,287)
Transactions with owners:							
Credit for share-based payments	-	-	-	-	-	15	15
Total transactions with owners	-	-	-	-	-	15	15
At 31 March 2021	**1,803**	**3,828**	**-**	**(6,616)**	**201**	**27,462**	**26,678**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**1,783**	**1,783**
Other comprehensive income:							
Foreign currency translation	**-**	**-**	**-**	**205**	**-**	**-**	**205**
Total comprehensive income	**-**	**-**	**-**	**205**	**-**	**1,783**	**1,988**
Transactions with owners:							
Credit for share-based payments	**-**	**-**	**-**	**-**	**-**	**38**	**38**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**38**	**38**
At 30 September 2021	**1,803**	**3,828**	**-**	**(6,411)**	**201**	**29,283**	**28,704**

Condensed consolidated cash flow statement (unaudited)
For the 26 week period ended 30 September 2021

	26 weeks ended 30 September 2021 $000	26 weeks ended 30 September 2020 $000	52 weeks ended 31 March 2021 $000
Cash flows from operating activities			
Profit/(loss) for the period	**1,783**	(1,098)	(2,573)
Adjustments for:			
Amortisation of intangible assets	**207**	206	417
Depreciation	**383**	375	760
Depreciation of IFRS16 Right of use assets	**637**	586	1,217
Net financial expense/(income)	**527**	1,040	2,138
PPP Funding forgiven	**-**	-	(2,234)
Non-cash adjusting items	**74**	-	(357)
(Profit)/loss on disposal of fixed assets	**19**	(9)	(489)
Equity share option expense	**38**	5	20
Income tax expense/(credit)	**(1,089)**	(140)	2,663
Operating cash flow before changes in working capital and provisions	**2,579**	965	1,562
(Increase) /decrease in trade and other receivables	**(1,280)**	799	(56)
(Increase)/decrease in inventories	**(5,519)**	675	1,887
Increase/(Decrease) in trade and other payables	**2,274**	(2,728)	(631)
Employee benefit contributions	**(60)**	(9)	(118)
Cash (used in)/generated from operations	**(2,006)**	(298)	2,644
Interest paid	**(535)**	(554)	(1,126)
Lease interest	**(185)**	(191)	(373)
Net cash flows from operating activities	**(2,726)**	(1,043)	1,145
Cash flows from investing activities			
Interest received	**7**	6	3
Proceeds from sale of property, plant and equipment	**-**	81	1,745
Purchase of property, plant and equipment	**(531)**	(180)	(494)
Development expenditure capitalised	**(58)**	(38)	(228)
Net cash from investing activities	**(582)**	(131)	1,026
Cash flows from financing activities			
Proceeds from/(Net repayment of) external borrowing	**1,096**	(1,479)	(5,063)
Government assistance loans	**-**	2,234	4,468
UK CLBILS Loans	**-**	1,549	1,656
IFRS 16 Lease payments	**(586)**	(674)	(1,383)
Net cash flows from financing activities	**510**	1,630	(322)
Net (decrease)/increase in cash and cash equivalents	**(2,798)**	456	1,849
Cash and cash equivalents at the beginning of the period	**4,997**	2,878	2,878
Effect of exchange rate fluctuations on cash held	**(127)**	116	270
Cash and cash equivalents at the end of the period	**2,072**	3,450	4,997

Notes relating to the condensed consolidated financial statements
For the 26-week period ended 30 September 2021

1. Basis of preparation and accounting policies

These interim consolidated financial statements have been prepared using accounting policies based on International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 31 March 2021 Annual Report. The financial information for the half years ended 30 September 2021 and 30 September 2020 does not constitute statutory accounts within the meaning of Section 434 (3) of the Companies Act 2006 and both periods are unaudited.

The annual financial statements of The 600 Group Plc ('the Group') are prepared in accordance with International accounting standard in conformity with the requirements of the Companies Act 2006. The comparative financial information for the year ended 31 March 2021 included within this report does not constitute the full statutory Annual Report for that period. The statutory Annual Report and Financial Statements for 2021 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 March 2021 was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) - (3) of the Companies Act 2006.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2021 annual financial statements.

2. 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 Board to allocate resources to the segments and to assess their performance.
The chief operating decision maker has been identified as the Board.

The Board consider there to be two continuing 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 operating profit/(loss). This measurement basis excludes the effects of Adjusting Items from the operating segments. Head Office and unallocated represent central functions and costs.

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

	Continuing			
26 Weeks ended 30 September 2021	**Machine Tools & Precision Engineered Components**	**Industrial Laser Systems**	**Head Office & unallocated**	**Group Total**
Segmental analysis of revenue	**$000**	**$000**	**$000**	**$000**
Total revenue	**18,806**	**15,194**	**-**	**34,000**
Operating profit/(loss) pre- adjusting items	**780**	**1,791**	**(1,127)**	**1,444**
Adjusting items	**-**	**(74)**	**(149)**	**(223)**
Group operating profit/(loss)	**780**	**1,717**	**(1,276)**	**1,221**
Other segmental information:				
Reportable segment assets	**31,627**	**19,745**	**16,651**	**68,023**
Reportable segment liabilities	**(10,045)**	**(8,515)**	**(20,759)**	**(39,319)**
Intangible & Property, plant and equipment additions	**40**	**478**	**71**	**589**
Depreciation and amortisation	**497**	**505**	**225**	**1,227**

2. SEGMENT ANALYSIS (continued)

26 Weeks ended 30 September 2020	Continuing			
	Machine Tools & Precision Engineered Components	Industrial Laser Systems	Head Office & Unallocated	Total
Segmental analysis of revenue	$000	$000	$000	$000
Total revenue	15,551	9,847	-	25,398
Operating profit/(loss) pre adjusting items	737	238	(803)	172
Adjusting items	-	-	(370)	(370)
Group operating profit/(loss)	737	238	(1,173)	(198)
Other segmental information:				
Reportable segment assets	34,542	14,602	16,515	65,659
Reportable segment liabilities	(19,802)	(5,250)	(12,657)	(37,709)
Intangible & Property, plant and equipment additions	76	135	-	211
Depreciation and amortisation	494	497	176	1,167

52 Weeks ended 31 March 2021	Continuing			
	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)
Intangible & Property, plant and equipment additions	176	432	114	722
Depreciation and amortisation	1,007	1,016	371	2,394

3. NET OPERATING EXPENSES

	30 September 2021	30 September 2020	31 March 2021
	$000	$000	$000
– government assistance	**62**	380	2,989
– other operating income	**7**	10	26
Total other operating income	**69**	390	3,015

	30 September 2021	30 September 2020	31 March 2021
	$000	$000	$000
– administration expenses	**9,058**	7,741	16,263
– distribution costs	**1,798**	1,470	3,128
– adjusting items (note 4)	**149**	370	313
Total operating expenses	**11,005**	9,581	19,704
Total net operating expenses	**10,936**	9,191	16,689

4. ADJUSTING ITEMS

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

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

The items below correspond to the table below;

a) A charge of $0.07m was expensed in cost of sales relating to US duty and tariff charges from prior year
b) As a result of the outsourcing of manufacturing in the UK in the prior year, the existing premises were vacated and not sub-let at the time and therefore provisions were made for unavoidable costs in prior years, during the last financial year an assignment of the lease was agreed and many of these provisions were reversed resulting in a credit of $0.6m. During the current period some previously paid costs have been refunded in relation to the original premises costs.
c) The amortisation of the loan note costs and associated costs are shown in financial expense. These are non cash movements and relate to the discounting of the loan notes and associated costs which unwind over the term of the notes. In the current period a credit of $0.18m was recognised in financial income as the term of the notes were extended.
d) A charge was incurred as a result of the acquisition of Control Micro Systems Inc for legal and professional fees.
e) Amortisation of intangible assets, including customer relationships, acquired through the Control Micro Systems Inc deal.
f) Fees of $0.01m relating to historical legal claims were expensed in the period
g) Costs in relation to the Group reorganisation in prior periods relating to the transfer of management functions to Orlando Florida including the compensation for loss of office for the CFO's and COO.
h) Profit on the disposal of the freehold premise in Brisbane, Australia, sold in October 2020, generated a profit of $0.5m and proceeds of $1.7m.

	30 September 2021	30 September 2020	31 March 2021
	$000	$000	$000
Items included in cost of sales:			
US Tariffs & Duty charges relating to prior years (a)	**(74)**	-	(79)
	(74)	-	(79)
Items included in operating profit:			
Unavoidable lease costs (b)	**33**	-	350
Right of use impairment (b)	**-**	-	227
Restructuring costs (g)	**-**	(195)	(928)
Acquisition costs (d)	**-**	-	(71)
Amortisation of acquisition intangibles (e)	**(172)**	(175)	(343)
Legal costs (f)	**(10)**	-	-
Profit on disposal of Australian property (h)	**-**	-	452

	(149)	(370)	(313)
Items included in financial income/(expense):			
Amortisation of loan notes and associated expenses (c)	**186**	(300)	(642)
Total adjusting items before tax	**(37)**	(670)	(1,034)
Income tax on adjusting items	**1,286**	-	257
Total adjusting items after tax	**1,249**	(670)	(777)

5. FINANCIAL INCOME AND EXPENSE

	30 September 2021	30 September 2020	31 March 2021
	\$000	\$000	\$000
Bank and other interest	**7**	6	3
Loan note amortisation adjustment	**186**	-	-
Financial income	**193**	6	3
Bank overdraft and loan interest	**(36)**	(92)	(172)
Other loan interest	**(489)**	(463)	(907)
Finance charges on finance leases	**(10)**	-	(12)
Interest on employee benefit liabilities	**-**	-	(35)
IFRS 16 – Lease interest	**(185)**	(191)	(373)
Amortisation of loan note costs	**-**	(300)	(642)
Financial expense	**(720)**	(1,046)	(2,141)

6. TAXATION

	30 September 2021	30 September 2020	31 March 2021
	\$000	\$000	\$000
Current tax:			
Corporation tax at 25% (2020: 19%):	**-**	-	-
Overseas taxation:			
– current period	**(197)**	-	(526)
Total current tax charge	**(197)**	-	(526)
Deferred taxation:			
– current period	**-**	140	(1,929)
– effect of rate change in UK	**1,286**	-	-
– prior period	**-**	-	(208)
Total deferred taxation charge	**1,286**	140	(2,137)
Taxation charged/(credited) to the income statement	**1,089**	140	(2,663)

7. EARNINGS PER SHARE

The calculation of the basic earnings per share of 1.52c (2020:loss 0.93c) is based on the earnings for the financial period attributable to the Parent Company's shareholders of $1,783,000 (2020: loss $1,098,000) and on the weighted average number of shares in issue during the period of 117,473,341 (2020: 117,473,341). At 30 September 2021, there were 8,190,000 (2020: 7,780,000) potentially dilutive shares on option and 43,950,000 (2020: 43,950,000) share warrants exercisable at 20p. The weighted average effect of these as at 30 September 2021 was 2,100,375 shares (2020: 1,630,000) giving a diluted earnings per share of 1.49c (2020: loss 0.93c).

	30 September 2021	30 September 2020	31 March 2021
Weighted average number of shares	**Shares**	Shares	Shares
Issued shares at start of period	**117,473,341**	117,473,341	117,473,341
Weighted average number of shares at end of period	**117,473,341**	117,473,341	117,473,341
Weighted average number of 8,190,000 (2020: 7,780,000) potentially dilutive shares	**2,100,375**	1,630,000	2,040,000
Total Weighted average diluted shares	**119,573,716**	119,103,341	119,513,341

	30 September 2021	30 September 2020	31 March 2021
	$000	$000	$000
Total post tax earnings - continuing operations	**1,783**	(1,098)	(2,573)
Basic EPS	**1.52c**	(0.93c)	(2.19c)
Diluted EPS	**1.49c**	(0.93c)	(2.19c)
Underlying earnings	**$000**	$000	$000
Total post tax earnings - continuing operations	**1,783**	(1,098)	(2,573)
Adjusting items – per note 4	**1,249**	(670)	777
Underlying earnings after tax	**534**	(428)	(1,796)
Underlying basic EPS	**0.45c**	(0.36c)	(1.53c)
Underlying diluted EPS	**0.45c**	(0.36c)	(1.53c)

8. RECONCILIATION OF NET CASH FLOW TO NET DEBT

	30 September 2021	30 September 2020	31 March 2021
	$000	$000	$000
(decrease)/increase in cash and cash equivalents	**(2,798)**	456	1,849
(decrease)/Increase in debt and finance leases	**(325)**	2,345	6,820
(decrease)/Increase in net debt from cash flows	**(3,123)**	2,801	8,669
Net debt at beginning of period	**(21,991)**	(24,142)	(24,142)
Government assistance loans USA	**-**	(2,234)	(2,234)
Government assistance loans UK	**-**	(1,549)	(1,656)
Lease liabilities increase	**(199)**	(221)	(502)
Loan costs amortization and adjustments	**181**	(305)	(675)
Exchange effects on net funds	**306**	(574)	(1,451)
Net debt at end of period	**(24,826)**	(26,224)	(21,991)

9. ANALYSIS OF NET DEBT

	At 31 March 2021 $000	Exchange/ Reserve movement $000	Other $000	Cash flows $000	**At 30 September 2021 $000**
Cash at bank and in hand	4,287	(124)	-	(2,769)	**1,394**
Short term deposits (included within cash and cash equivalents on the balance sheet)	710	(3)	-	(29)	**678**
	4,997	(127)	-	(2,798)	**2,072**
Debt due within one year	(977)	-	-	(1,421)	**(2,398)**
Debt due after one year	(1,590)	-	-	325	**(1,265)**
Loan Notes due within one year	(11,225)	269	10,956	-	**-**
Loan Notes due after one year	-	-	(10,775)	-	**(10,775)**
Lease liabilities	(9,306)	124	(199)	771	**(8,610)**
Government assistance loans	(3,890)	40	-	-	**(3,850)**
Total	(21,991)	306	(18)	(3,123)	**(24,826)**

10. FAIR VALUE

The group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

Trade and other receivables
Cash and cash equivalents
Trade and other payables
Loans and other borrowings

11. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the Group remain those set out in the 2021 Annual Report. Those which are most likely to impact the performance of the Group in the remaining period of the current financial year are the continuing issues surrounding the COVID-19 pandemic which may result in exposure to increased input costs, supply chain and delivery issues and a downturn in its customers' end markets, particularly in North America and Europe.

12. POST BALANCE SHEET EVENTS

On 11 November the three USA operations were all granted forgiveness of their second round loans under the USA Government Paycheck Protection Program ("PPP") which in total amounted to $2.2m. These amounts are expected to be included in other income in the Consolidated Income Statement for the year ended 31 March 2022.