



# **The 600 Group PLC** Annual Report & Accounts 2022

[www.600group.com](http://www.600group.com)



## Who We Are

The 600 Group PLC is focused on the global industrial laser technology industry. Our market leading businesses have a diversified, blue-chip customer base to whom we design and supply industrial laser systems for applications in end-markets ranging from industrial and aerospace to medical and pharmaceuticals.

VISIT US ONLINE

[www.600group.com](http://www.600group.com)

## Position Statement

The 600 Group supports industries through the manufacture and distribution of world-class industrial systems and solutions.

## Mission

An enduring commitment to quality, innovation, and service to drive value for our customers and shareholders.

## Vision

Proactively address future industrial challenges through a continually expanding portfolio of solutions.

**600**  
G R O U P



[www.permanentmarking.com](http://www.permanentmarking.com)



[www.cmslaser.com](http://www.cmslaser.com)

**SECRETARY**

Neil Carrick

**REGISTERED OFFICE**

42 Berkeley Square  
London  
W1J 5AW

**REGISTERED NUMBER**

00196730

**REGISTRAR**

Link Group  
10th Floor  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

**AUDITOR**

BDO LLP

**BANKERS**

Bank of America  
HSBC Bank plc

**BROKER & NOMINATED ADVISOR**

Cenkos Securities plc



600 Group Board of Directors

# We Stand For

## Service

Our success relies not only on our world-class reputation for providing solutions, but on the relationships we have with our customers. No matter the industry, we personalize our service and solutions to meet our customers' unique business requirements.

## Innovation

To exceed industry expectations, we operate ahead of the curve by expanding our portfolio of companies and solutions.

## Quality

We put the same meticulous attention to detail into every product and service in our group, from a standard product to the most complex, custom engineered systems. This commitment to quality is the baseline that guarantees world-class outcomes for customers.

**The 600 Group PLC**  
**Annual Report and Accounts 2022**

Chairman's statement	2
Strategic report	3
CFO Statement	8
Corporate governance	9
Audit committee report	11
Directors report	12
Statement of directors' responsibilities	15
Independent auditor's report to the members of The 600 Group PLC	16
Consolidated income statement	23
Consolidated statement of comprehensive income	24
Consolidated statement of financial position	25
Consolidated statement of changes in equity	26
Consolidated cash flow statement	27
Group accounting policies	28
Notes relating to the consolidated financial statements	37
Company statement of financial position	69
Company statement of changes in equity	70
Company accounting policies	71
Notes relating to the company financial statements	73
Company information	77

## Chairman's statement

Fiscal 2022 was a truly transformative year for The 600 Group PLC. After more than 100 years of owning and operating various, often unrelated, businesses in a number of industries in various countries around the world, the group has simplified itself and is now engaged in only one line of business with current manufacturing and executive facilities in only one country, the United States. The group has transitioned from being a leveraged manufacturer of legacy products in mature industries to a business that was debt free at the date of the machine tool disposal and is now focused, flexible and embracing 21st century technology with inherent attractive growth rates and ample opportunities, both internal and external, to expand its existing capabilities.

The sale of our machine tool business, concluded in April, allowed us to redeem all long-term debt while we remain with significant credit facilities. This enables us to support the increased level of activity in our remaining division, Industrial Lasers, where revenues increased by 50% and year-end order book has grown by 24%.

During the pandemic, our divisional management has done an excellent job of balancing the challenges faced including adjusting to supply chain issues, managing personnel absentees and shortages, and taking advantage of government programs including PPP in the US and the furlough and loan schemes in the UK. This could not have been accomplished without the hard work and dedication of our superb work force whom the Board congratulate on a job well done under very trying circumstances.

Having fundamentally changed the business, we must now leverage our strengths including our enviable position in laser systems manufacturing, our strong distribution network, our proprietary intellectual property, our diversified, blue chip customer base, our strong financial position, our buoyant order book and our committed and talented employees. We must also take advantage of the large addressable market available to us and look for synergies within our technology base.

The last few years-- simplification of the business, the pandemic, the supply chain disruptions, the relocation of the head office--have created an opportunity for The 600 Group to thrive and prosper. It is now up to the board, the management and our employees to take advantage of that opportunity.

**Paul Dupee**  
**Chairman**  
**30 September 2022**

### Our business

The 600 Group PLC ("the Group") is a leading engineering group focused on the global industrial laser technology industry. Our market leading businesses have a diversified, blue-chip customer base to whom we design and supply industrial laser systems for applications in end-markets ranging from industrial and aerospace to medical and pharmaceuticals. The Group operates from locations in North America and sells 21% of its products and services worldwide. The Group has important relationships directly with customers and also with a number of distributors Worldwide.

Given the large number of customers and established distributors in many countries there are no major sales concentrations of customers or products. Sales are split evenly between direct customers and distributors and in the year ended 31 March 2022, the top 20 customers, of which 9 (2021: 10) were distributors, contributed 43% (2021: 23%) of revenues.

### Revenues (Continuing activities)

Revenues are generated across many diverse geographical territories:

Percentage of worldwide revenues (by destination)	2022 %	2021 %
United States of America	79.0	84.3
United Kingdom	0.4	0.6
Far East	12.5	1.8
Europe (excluding UK)	5.2	6.9
Rest of the World	<u>2.9</u>	<u>6.4</u>
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 \$5.6bn 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. Whilst there continues to be post pandemic global issues with increased inflation and the Ukraine war leading to energy price increases the laser processing markets have shown resilience in recent years to Global market changes.

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 volumes to continue to increase at high single digit percentage levels going forward.

#### Our main markets

The main market we operate in is the USA. As with all Global markets demand reduced as a result of the COVID-19 global pandemic but saw a rapid increase as lockdowns ended. Supply chain issues have created delays in deliveries and inflationary pressures have resulted in cost increases. The Group has bought forward inventory and passed on cost increases where possible to mitigate these factors.

The possibility of disruption remains due to the ongoing effects of COVID-19 and possible new outbreaks and variants. Increased inflationary pressures from fuel costs and the risk of recession have more recently arisen and may create further demand issues in the Global markets.

(continued)

## Activity in the year

### Industrial laser systems

Following a fall in activity of 10% during the pandemic both CMS and TYKMA ElectroX experienced significant increased order activity leading to record levels of order book.

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 and the higher end large projects undertaken by the CMS business returned. Both businesses continued to take advantage of the USA Paycheck Protection Program (PPP) scheme at the start of the year to keep teams and key skills together which allowed them to respond quickly to the significant increase in activity. This was the second round of benefits coming from this program. Both businesses have continued to recruit additional personnel throughout the year as activity continued to increase.

The completion of the upgraded proprietary software for TYKMA ElectroX will provide upgrade opportunities to customers going forward as well as adding new functionality and compatibility with other systems and operations.

Results for Continuing activities of the Laser Division for the financial year were as follows:

	2022	2021
	\$ 000	\$ 000
Revenues	31,960	21,331
Underlying operating profit	4,109	1,836
Underlying operating margin	12.9%	8.6%

Underlying operating profit is before adjusting items, which are explained in note 29 Alternative Performance Measures and set out in note 3.

### Discontinued Activity - Machine tools division

Following the agreed sale of the Division in March 2022, this activity is treated as discontinued with the assets and liabilities shown as held for sale in current assets and current liabilities in the Consolidated Statement of Financial Position.

The revenue generated by this in the year ended 31 March 2022 was \$37.0m and a profit of \$0.8m after tax and adjusting items. The total of assets and liabilities held for sale, detailed in note 30, are \$32m and \$13.8m.

### Group Results

Revenue from continuing operations represents the Laser Division and as a result of record order books increased by 50% to \$32.0m (2021: \$21.3m). Group profit before tax and adjusting items including the continuing central costs was \$0.8m (2021: loss \$1.3m). The profit before tax after adjusting items was \$0.2m (2021: loss \$2.8m).

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

Costs incurred on the disposal of the Machine Tool Division up to 31 March 2022 were \$0.4m.

Amortisation of the intangible assets acquired through the CMS deal of \$0.3m (2021: \$0.3m) are also included in adjusting items.

As a result of the extension of the repayment date of the loan notes in August 2021 the amortisation of the loan note discount and costs were required to be recalculated to take account of the additional period which resulted in a net credit of \$0.03m (2021: \$0.6m charge) and this is also included in adjusting items. The loan notes were repaid from the proceeds of the Machine Tool division sale in April 2022.



(continued)

### **Taxation**

The current year tax recorded in the P&L was a credit of \$0.3m (2021: charge of \$1.4m). The majority of this amount relates to deferred taxation movements with only \$0.08m actually paid in State taxes. There was no Federal tax expense in the USA. There is no USA deferred tax recognised as management has made the determination that it is more likely than not that the net deferred tax assets will not be realized in the short to medium term and therefore have placed a valuation allowance against those deferred tax assets. There were no significant penalties or interest recognized during the year or accrued at year-end.

The UK holding company continues to benefit from previous tax losses with \$1.6m of deferred tax asset not recorded on the balance sheet. No taxation is payable in the UK. There are substantial deferred tax assets in the USA of \$2.5m 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 \$0.5m (2021: loss of \$4.2m) with pre-adjusting items profit of \$1.1m (2021: loss \$3.0m).

Underlying basic earnings from continuing operations before adjusting items were 0.93 cents (equivalent to 0.68p) per share (2021: loss 2.53 cents, equivalent to 1.93p loss) and basic earnings per share from continuing operations were 0.41 cents (equivalent to 0.30p) (2021: 3.58 cents loss, equivalent to 2.73p loss) - see note 9 for details.

### **Financial position and utilisation of resources**

#### **Cash flow**

Cash generated from operations before working capital movements was \$3.4m (2021: \$1.6m).

Working capital increased during the year in response to the increased revenues and supply chain constraints in particular inventories increasing by \$3.8m. Receivables also increased \$3.9m due to the sales growth in the year.

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 (\$10.7m) 8% loan notes which were repaid in April 2022.

Capital expenditure was \$0.8m, higher than prior year (2021: \$0.5m) to support the strong sales growth across the organization.

#### **Net borrowings**

Group net debt at 31 March 2022 excluding lease liabilities was \$17.0m (of which \$0.7m was in discontinued entities held for sale) against \$12.7m in the prior year.

In order to provide headroom through the COVID-19 pandemic, on 21 August 2020, the 600 UK Limited machine tools subsidiary drew down a £1.2m (\$1.7m) 3-year term loan with a bullet repayment on 15 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. The loan was repaid on completion of the Machine Tools Division sale in April 2022.

Net bank indebtedness of \$6.3m at 31 March 2022 (2021: \$4.8m) was all cleared in April 2022 following the receipt of the proceeds on the Machine Tool Division sale. The USA working capital credit line was increased to \$10m to facilitate additional requirements to support the substantial order increases during the year and was reduced in April 2022 to \$7.5m following the sale of Machine tools.

The extension of the repayment date of the loan notes to 14 August 2023 was agreed in August 2021 but the notes were repaid in April 2022 following completion of the Machine Tool Division sale. The associated warrants to subscribe for new ordinary shares at 20p were similarly extended to the same date and remain outstanding. The loan notes are shown net of unamortised discounting and costs and also amounts disclosed in equity reserve which amount to \$0.2m in the current financial year (2021: \$0.2m).

Working capital facilities totaling \$13.9m were renewed with HSBC UK, Bank of America and Westpac Australia during the year and would have been due to be reviewed in the normal course in early 2023 however all but the \$7.5m working capital line from Bank of America were repaid and extinguished in April 2022. All financial covenants in place were met during the year.

#### **Retirement benefits**

The US retiree health scheme and pension fund deficits decreased to \$0.8m (2021: \$1.0m) during the current year. These liabilities are included in liabilities held for sale as part of the Machine Tool Division disposal which was completed in April 2022 and the liabilities transferred as part of that process.

(Continued)

**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% (5% 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 on continuing operations is set out as follows:

KPI	2022	2021
Revenue (annual growth rate)	50%	(10%)
Underlying operating margin (% of revenue)	5.8%	(0.8%)

All figures are pre adjusting items on continuing operations.

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 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 decision to dispose of the Machine Tool Division. These considerations involved all staff as well as customers and suppliers of the Group along with bank and loan note funders.

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;	<i>Pages 9 to 10</i> 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 2, the CFO statement on page 8 and point 1 of the QCA code on page 10.
the interests of the group's employees;	Page 10 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 Corporate Governance report on pages 9 and 10 discusses these issues along with the environmental reporting within the Director's report on page 13.
the desirability of the group maintaining a reputation for high standards of business conduct; and	The corporate governance report on pages 9 and 10 sets out how the Directors promote this.

the need to act fairly between members of the group.	The corporate governance report on pages 9 and 10 considers relations with members and the Group's values.
--	--

(Continued)

### 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. The Directors seek to ensure that overall risk is mitigated by avoiding excessive concentration of exposure to any given 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 can affect lead times and create some disruption.

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

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

### Market risks

The Group's main exposure to market risk arises from increases in input costs in so far as it is unable to pass them on to customers through price increases. The Group 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 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 with different vendors and in different geographic regions have also been put in place.

### Other risks and uncertainties

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 and Global recessionary risk.

The Directors have taken steps to ensure that all of the Group's 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.

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.

Paul Dupee

Chairman

30 September 2022

## CFO Statement

### Chief Financial Officer Statement

The year ended 31 March 2022 was pivotal on the positioning of The 600 Group. The sale of the Machine Tool Division, signed in early March 2022 and closed on 11 April 2022, repositioned the Group as a pure laser machine manufacturer. It moreover allowed the Group considerably strengthening the Group's balance sheet. 2022 also marked a year of recovery from the impact of the COVID-19 restrictions which is reflected in the revenue growth (+29%) and order intake increase (+29%), including discontinued operations.

#### Current year review

The Laser Division delivered the strongest performance. Revenue increased 49.8% driven by strong organic order intake growth of 35.9%. While both companies (Tykma and CMS) grew its order intake, CMS led the group with an increase of 68.3% which was highly impacted by the order received from Goe Goe for four pill driller machines that totalled \$4.3m. Profit in the Laser Division grew 123.1% which was the result of a strong customer demand, including the large contract mentioned before and its operational agility in spite of supply chain disruptions. However, there was a reduction in gross margin (-2.5%) as a result of product mix and increased costs of supplies.

The discontinued Machine Tool Division also saw some growth, with revenue increase of 14.9%. Growth was observed in the European affiliates (+25.5%) and Clausing (+8.3%) but not in Australia (-3.7%). Order intake was the main reason for this revenue increase with a total growth of 23.3%. Similarly, to the revenue, the order intake patterns were substantially increased in Europe (+48.1%) and Clausing (+14.7%), however the Australian affiliate saw its orders reduced by -11.1%. Despite the growth in revenue, profitability in the division declined -47.1% to \$1.9m (2021: \$2.8m). This profit decline was influenced by the decrease in margins (-1.1%), which reflects the general increase in raw materials, and increase overheads as a consequence of the ease on the pandemic.

The operating profit margin for the overall Group was 5.4% (2021: 4.9%). The Laser Division generated an operating profit of 12.9% that represents an increase of 4.2% vs previous year while the Machine Tool Division delivered an operating profit of 5.2% which is a decline of -2.2% vs prior year.

#### Statement of financial position

With the considerable growth of the Group's top line and the increased challenges with supply chain across the world, our working capital was increased \$3.8m on inventories plus \$3.9m on trade receivables. This increase was partially funded by the increase in trade creditors of \$2.9m. The remaining part of it was financed by the increase in the short-term loans.

The sale of the Machine Tool Division, \$21.0m price on a cash and debt free basis, closed on 11 April 2022 with the collection of funds. This amount (minus the escrow accounts of \$0.4m, brokerage and legal fees) was used to pay the loan notes (£8.5m), HSBC CLBILS Covid loan in the UK (£1.2m), the Bank of America CMS remaining acquisition loan of \$1.6m and the revolving line of credit with Bank of America of \$4.2m.

Because the Machine Tool Division sale closed immediately after year end, the balance sheet included in the annual report does not reflect the above movements.

#### Next year outlook

Entering the new year with all long term debt paid off and the business focused 100% on the Laser Division, the Group is now in the unique position of being able to look for options to expand its portfolio within this line of business. The 2023 financial year has started strongly, with a record order book in place and the Group currently reviewing several potential business propositions

#### Conclusion

The 600 Group delivered a solid financial performance, despite global challenges and international economic and political uncertainty including the COVID pandemic and, more recently, the conflict in Ukraine. Despite this, trading has remained encouraging thus far in the FY23 year.

**Rui Lopes**  
**Chief Financial Officer**  
**30 September 2022**

## 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 has formulated corporate governance policies around the principles contained in the QCA (Quoted Companies Alliance) corporate governance code which is appropriate for smaller companies.

The QCA code was revised at the end of April 2018 and the Board has set out on the Company's website ([www.600group.com](http://www.600group.com)) and in the Annual Report how it addresses the ten principles of the code.

### The Board

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

The other Executive Directors are Rui Lopes, CFO and Don Haselton, president of the Laser Division.

The senior non-executive Director, Derek Zissman assisted by the two other non-executive Directors, Stephen Fiamma and Todd Riggs 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.

The Directors meet regularly during the year and utilise video conference as well as site visits to operating businesses. Local management teams 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 including Stephen Fiamma and Todd Riggs. The Audit Committee meets at least twice during the year to review both the interim and year end results before publication. 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 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.

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 particularly following the announcement of results and any significant events. 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 2021 AGM was open to members but as a result of COVID-19 restrictions attendance was not encouraged but questions in advance were requested with any replies posted on the Group website along with the results of proxy votes on each resolution at the AGM. The Company updates its website for all RNS (Regulatory News Service) announcements and has commissioned analyst research which is made available to all shareholders through the website.

### Social responsibility

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

### Risk management

The Audit Committee has overall responsibility for the monitoring of internal controls, approving accounting policies and agreeing the treatment of significant accounting issues. The consideration and documentation of risks and opportunities is undertaken on an annual basis as part of the budgeting process in which the full Board takes part. These matters are then monitored and adapted as required throughout the year by the means of regular meetings and conference calls between the Board and the divisional management teams. 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 has overall responsibility for the monitoring of internal controls, approving accounting policies and agreeing the treatment of significant accounting issues.

### 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 build on the Group's leading position in the Global industrial laser technology sector through organic growth and value-accretive acquisitions.

**2. Seek to understand and meet shareholder needs and expectations**

Regular contact is maintained with major shareholders particularly following the announcement of results and any significant events. 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. 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.

The Board is served by an Audit Committee headed by Derek Zissman and including Stephen Fiamma and Todd Riggs. The Audit Committee meets at least twice during the year to review both the interim and year end results before publication. 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 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.

Rui Lopes has held several executive finance positions over the past 15 years, most recently as Director of Halma PLC Safety Sector. Mr Lopes was previously Chief Financial Officer of Ocean Insight, Inc. (Halma company) between 2018 and 2021, Vice President at Accudynamics LLC (Halma company) between 2017 and 2018 and held senior finance roles at Smiths Medical (Smiths Group PLC) between 2006 and 2017.

Derek Zissman was a Vice Chairman of KPMG LLP and has considerable experience in both public and private companies throughout the world and extensive City and private equity experience.

Stephen 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.

Don Haselton has 45 years of industrial distribution experience with prior management roles with General Electric and Fadal Engineering. Don joined the Group as President of 600 Group Inc in 2006. In this role, Don has been part of the success of the 600 Group in North America and has also had responsibility for the Machine Tools and Laser Technology Businesses worldwide. He was appointed to the Board on 2 September 2021.

Todd Riggs is currently the Chief Operating and Financial Officer of Sellars Company, a profitably growing, privately held mid-sized manufacturer and marketer of proprietary nonwoven materials. He has substantial experience with private equity portfolio companies and has deep operational, financial, and strategic expertise. He was appointed to the Board on 2 September 2021.

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

**7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

The Board undertakes periodic reviews of its performance and effectiveness and that of individual Directors and of the wider senior management. Succession planning for both the Board and senior management is part of this review process.

**8. Promote a corporate culture that is based on ethical values and behaviours**

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

**9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**

The Board has put in place corporate governance policies appropriate to the size and complexity of the Group. The responsibility for corporate governance rests with the Board as a whole and policies are regularly reviewed and adapted as necessary to changing circumstances and feedback from both internal and external sources.

**10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Board communicates the governance policy in place through inclusion in the Annual Report and through the Group website ([www.600group.com](http://www.600group.com)). Regular contact is maintained with major shareholders. 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 and this has now become part of the routine controls of the senior management.

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, taxation and accounting assistance 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**  
**30 September 2022**

## Directors report

The Directors present their report to the members, together with the audited financial statements for the period ended 31 March 2022, which should be read in conjunction with the Chairman's Statement on the affairs of the Group (page 2), and Strategic Report (pages 3 to 7). 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 2021 are for the period ended 31 March 2021.

### Activities of the Group

Following the sale of 600 Group's legacy Machine Tools Division post year end, in April 2022, the Group's operations are focused on the design and supply of industrial laser systems for applications in end-markets ranging from industrial and aerospace to medical and pharmaceuticals.

### Result

The result for the period is shown in the Consolidated Income Statement on page 23.

### Business review

A balanced and comprehensive analysis of development and performance of the Group is contained in the Chairman's Statement, the Strategic Report and CFO statement on pages 2 to 8. This analysis includes comments on the position of the Group at the end of the financial period, consideration of the principal risks and uncertainties facing the business and the key performance indicators which are monitored in relation to the achievement of the strategy of the business.

### Post balance sheet events

The sale of the Group's Machine Tool Division for \$21m was completed on 11 April 2022. The activities of this division are shown as discontinued in the Consolidated Income Statement with the assets and liabilities shown as held for sale in the consolidated statement of financial position at 31 March 2022.

### 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 23 September 2022, 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	19.92
Mr A Perloff and the Maland Pension Fund Trustees	10,600,000	8.99
Pruta Securities (Jersey) Ltd	5,000,000	4.24
Phillip J Milton & Co PLC	4,598,964	3.90
Mr T Miller	4,500,000	3.81
Miton UK MicroCap Trust plc	3,846,154	3.26

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 28 September 2021. This authority remains valid until the conclusion of the next Annual General Meeting.

### Directors

Details of the current Directors of the Company are shown on page 9.

Mr R Lopes was appointed a Director on 28 February 2022.



## Directors report

### 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.

Mr Lopes has a service contract dated 28 February 2022 which has a notice period of one year.

Mr Haselton has a one year contract dated 15 July 2022.

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 2022 in the ordinary shares of the Company were as follows:

	At 31 March 2022 Number	At 31 March 2021 Number
P R Dupee	23,492,535	23,492,535
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.

Laser processing machines generally use less energy and have no consumable products required compared to more traditional processes for which they are replacing. The Group's disposal of its Machine Tool Division will significantly reduce the Group's energy consumption used in production.

### Streamlined Energy & Carbon Reporting (SECR)

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 CO2 equivalent. Additionally, a measure of CO2 emitted from company operated vehicles has been included.

	MWH	CO2 (Tonnes)	CO2 Intensity (Tonnes Per Employee *)
Purchased electricity	1,165	269	2.19
Combustion of fuels	1,035	190	1.54
Use of Group operated vehicles	69	42	0.34
<b>Total</b>	<b>2,269</b>	<b>501</b>	<b>4.07</b>

\*Calculated using the average number of employees in the year of 123

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.

## Directors report

### **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 2022.

On behalf of the Board

**Paul Dupee**  
**Chairman**  
**30 September 2022**

## 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 UK adopted international accounting 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 for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting 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**  
**30 September 2022**

## 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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice) and as applied in accordance with the provisions of the Companies Act 2006; 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 year ended 31 March 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement, the Group accounting policies, the notes relating to the consolidated financial statements, the Company statement of financial position, the Company statement of changes in equity, the Company accounting policies and the notes relating to the Company 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 UK adopted international accounting standards.

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 regarding liquidity, headroom and covenant analysis throughout the forecasted period;
- Consideration of the forecast income statement and cash flows of the Group's continuing activities 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 and agreement of the post balance sheet cash receipt following the sale of the machine tooling division. This was to ensure that management's assertions regarding repayment of existing Group liabilities and facilities had been actioned post year end in line with management's assumptions in their going concern assessment;
- 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
- Review of correspondence 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.

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

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 and the Parent Company'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

Coverage <sup>1</sup>	95% (2021: 98%) of Group profit before tax 96% (2021: 95%) of Group revenue 94% (2021: 99%) of Group total assets														
Key audit matters	<table><tr><td></td><td>2022</td><td>2021</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>Discontinued operations</td><td>☒</td><td>-</td></tr></table> <p>Carrying value of inventory was a key audit matter in the prior year due to the judgemental nature of provisioning against aged inventory. This type of stock was primarily within the machine tooling division, which was held for sale at year end and subsequently sold post balance sheet. Therefore, the risk of estimation uncertainty around valuation of this inventory was diminished.</p> <p>Impairment of goodwill and other intangibles was a key audit matter in the prior year due to the Group's poor performance and ongoing losses due to Covid 19. The Group has since returned to profits, reducing this judgement and inherent risk.</p>				2022	2021	Carrying value of inventory	-	☒	Impairment of goodwill and other intangibles	-	☒	Discontinued operations	☒	-
	2022	2021													
Carrying value of inventory	-	☒													
Impairment of goodwill and other intangibles	-	☒													
Discontinued operations	☒	-													
Materiality	Group financial statements as a whole  \$190,000 (2021: \$159,000) based on 0.3% of Group revenues (including discontinued operations) (2021: 0.3% of revenue).														

### 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.

The Group engagement team maintained that whilst the machine tooling division would be discontinued and held for sale at 31 March 2022, the nature of the operations and the relative size of the components within the division are still considered to be significant components regardless of their presentation in the financial statements. This is due to the fact that the discontinued operations would still be representing 12 months of results in the consolidated statement of comprehensive income and those entities were ultimately fully operational members of the Group throughout the year ended 31 March 2022. Those entities that were previously considered significant, would remain significant in our scoping and be subject to full scope audits, with only the valuation assertion of the balance sheet having reduced risk profile compared with previous years. For comparability, the division's revenues are also still within the Group's materiality assessment due to their significance of operations. In light of the above assessment, the Group audit consisted of five significant components (2021: Five) requiring full scope audits. Three out of five significant components operate in the USA and therefore involved BDO member firms as component auditors, the remaining two significant components operate in the UK and were fully audited by the Group engagement team. There were four non-significant components (2021: three), which were not subjected to full scope audits, but were subject to specific audit procedures on material and/or risk

<sup>1</sup> These are areas which have been subject to a full scope audit by the Group engagement team

driven balances. Three out of four non-significant components requiring specific audit procedures were performed by the group engagement team, with the final component being audited by a BDO member firm through agreed upon procedures due to its location of operations in Australia.

#### *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 determining the 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. The Group audit team visited both the US Component team and US management during the completion of component audits. Such visits had previously been restricted by Covid-19 imposed restrictions. The Group audit team reviewed the component auditors working papers and obtained the necessary assurances to support the Group audit opinion. The Group audit team also visited the trading premises of a significant component where we performed walkthroughs of key cycles and observed the trading warehouse and manufacturing functions accompanied by management.

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 performed by the Group audit team.

For remaining non-significant components, desktop review procedures were performed in order to consider if any financial statement areas required specific audit procedures due to their size or risk profile to ensure the Group obtained sufficient assurances by 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. This matter was 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 this matter.

Key audit matter		How the scope of our audit addressed the key audit matter
<b><i>Discontinued operations and division held for sale – Machine Tooling Division Sale</i></b>  <i>Notes 30 and 31 and the summary of accounting policies.</i>	The Group announced on 7 March 2022 that the Group had conditionally signed an agreement to sell its Machine tooling division. This division consists of four legal entities, of which two are significant components in the Group audit.	We reviewed legal documentation to identify the substance of the transaction and whether the Group had passed the risks and rewards of the entities over to the proposed buyer as at 31 March 2022.
	On 11 April 2022, the Group announced that all conditions of the sale had been met, and therefore the division had been sold.	We considered IFRS10 - <i>Consolidated financial statements</i> , criteria in this complex assessment of control and power. The conclusions drawn regarding control could not have passed under IFRS10, until the agreement became unconditional. This milestone was met on 11 April 2022.
	Due to the proximity to year end, this increased the complexity in disclosures and cut off considerations with regards to the timing of assets and liabilities being held for sale, and the timing of the control passing to the new buyer.	We reviewed completion documentation and agreed to post year end cash receipt of the consideration of \$21m, and challenged management on the possibility of claw backs from the buyer by reviewing post year end correspondences and likelihood of changes to consideration due. This challenge directly impacted the valuation of those assets held for
	The division represents circa 50% of the Group (both in revenues and assets), which therefore had significant Group audit	

	<p>team focus in considering the scoping of the respective audits of these components and the complexity of the relevant disclosures and cut off considerations and is therefore a key audit matter.</p> <p>IFRS5 - <i>Non-current Assets Held for Sale and Discontinued operations</i>, requires the valuation of assets held for sale to be held at the lower of their carrying amount or fair values less cost to sell. As such, the disclosures and values of assets held for sale at year end require impairment assessments at the balance sheet date which adds complexity and judgment to this key audit matter.</p>	<p>sale regarding the potential impairment assessment of assets and liabilities held for sale at year end for which we compared the net consideration calculated as outlined in note 31 to the net assets held for sale, noting no indicators of impairment. This also aided our audit work on the valuation assertion of financial statement areas that are inherently susceptible to management bias, such as stock valuation and expected credit losses, as the Group had recovered these via alternative means.</p> <p>We reviewed management's paper on IFRS10 control considerations and conclusions drawn in light of the above complexities.</p> <p>We considered <i>IFRS5 – Non-current Assets Held for Sale and Discontinued operations</i>, criteria for the timing of the division being disclosed as held for sale and challenged management on the timing of this to determine if any other cut off considerations may cause material impact to the financial statements.</p> <p>We reviewed the disclosures for both held for sale and discontinued operations and the respective primary statement presentation to check that it was in line with IFRS5 - <i>Non-current Assets Held for Sale and Discontinued operations</i></p> <p><b>Key observations:</b> Based on the work performed we considered management's disclosures and papers regarding this complex matter to be reasonable and appropriate to support the transaction.</p>
--	--	--

### 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	
	2022 \$	2021 \$	2022 \$	2021 \$
<b>Materiality</b>	190,000	159,000	25,000	25,000
<b>Basis for determining materiality</b>	0.3% of revenue (Including discontinued operations)	0.3% of revenue	5% of net assets, but capped at 13% of Group materiality for Group audit purposes.	5% of net assets, but capped at 16% of Group materiality for Group audit purposes.

<b>Rationale for the benchmark applied</b>	Revenue considered to be a stable metric for this Group in what has been a volatile period in the Group's performance history		Holding company therefore net asset basis of materiality applied.	
<b>Performance materiality</b>	133,000	111,300	17,500	17,500
<b>Basis for determining performance materiality</b>	70% of materiality	70% of materiality	70% of materiality	70% of materiality
	On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgement is that performance materiality for the financial statements should be 70%.			

#### *Component materiality*

We set materiality for each component of the Group based on a percentage of between 13% and 68% 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. 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 \$5,700 (2021: \$4,000). 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.

<b>Strategic report and Directors' report</b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>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</li> <li>the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>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.</p>
<b>Matters which we are required to report by exception</b>	<p>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:</p> <ul style="list-style-type: none"> <li>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</li> </ul>



	<ul style="list-style-type: none"> <li>• the Parent Company financial statements are not in agreement with the accounting records and returns; or</li> <li>• certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>• we have not received all the information and explanations we require for our audit.</li> </ul>
--	---

## 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 evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to improve performances and management bias in accounting estimates. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made in significant accounting estimates, in particular in relation to the Group's judgements on contract assets and liabilities and stock provisioning;
- Specific reviews over journal entries to revenue to ensure postings to revenue were reasonable, required and not arbitrarily improving performance;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Holding discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- Review of minutes of Board meetings throughout the period, to identify any inconsistencies with our audit work or matters of which we needed to be aware.

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. We also applied a detailed risk assessment approach to our audit of revenue, by considering what could go wrong within each of the Group and Company's revenue streams and tailored our testing to responded to risks that we identified.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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

Gary Harding (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Manchester, UK  
30 September 2022

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

## Consolidated income statement

For the Year ended 31 March 2022

				RESTATED		
		Before Adjusting Items year ended 31 March 2022 \$000	Adjusting Items year ended 31 March 2022 \$000	After Adjusting Items year ended 31 March 2022 \$000	Before Adjusting Items year ended 31 March 2021 \$000	After Adjusting Items year ended 31 March 2021 \$000
<b>Continuing</b>						
<b>Revenue</b>	1	31,960	-	31,960	21,331	21,331
Cost of sales		(18,490)	76	(18,414)	(12,117)	(12,196)
<b>Gross profit</b>		13,470	76	13,546	9,214	9,135
Net operating expenses	2	(11,622)	(707)	(12,329)	(9,395)	(10,160)
<b>Operating profit/(loss)</b>		1,848	(631)	1,217	(181)	(1,025)
Financial expense	6	(1,081)	26	(1,055)	(1,153)	(1,795)
<b>Profit/(loss) before tax</b>		767	(605)	162	(1,334)	(2,820)
Income tax credit/(charge)	7	322	-	322	(1,639)	257
<b>Profit/(loss) for the period on continuing activities</b>		1,089	(605)	484	(2,973)	(4,202)
Profit on discontinued operations	30	1,027	(242)	785	1,177	1,629
<b>Profit/(loss) for the period attributable to the equity holders of the parent</b>		2,116	(847)	1,269	(1,796)	(2,573)
Basic earnings per share - continuing activities	9	0.93c		0.41c	(2.53c)	(3.58c)
Diluted earnings per share - continuing activities	9	0.91c		0.40c	(2.53c)	(3.58c)
Basic earnings per share	9	1.80c		1.08c	(1.53c)	(2.19c)
Diluted earnings per share	9	1.76c		1.06c	(1.53c)	(2.19c)

### Company Number 00196730

The accompanying accounting policies and notes on pages 28 to 68 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.

The prior year figures have been restated for the effects of the discontinued operations- see note 30.

# Consolidated statement of comprehensive income

For the period ended 31 March 2022

	year ended 31 March 2022 \$000	year ended 31 March 2021 \$000
<b>Profit/(loss) for the period</b>	<b>1,269</b>	<b>(2,573)</b>
<b>Other comprehensive income/(expense)</b>		
<i>Items that will not be reclassified to the Income Statement:</i>		
Re-measurement of defined benefit asset/(liability)	(349)	210
Deferred taxation credit/(charge)	106	(51)
<b>Total items that will not be reclassified to the Income Statement:</b>	<b>(243)</b>	<b>159</b>
<i>Items that are or may in the future be reclassified to the Income Statement:</i>		
Foreign exchange translation differences	903	514
<b>Total items that are or may in the future be reclassified to the Income Statement:</b>	<b>903</b>	<b>514</b>
<b>Other comprehensive income for the period, net of income tax</b>	<b>660</b>	<b>673</b>
<b>Total comprehensive income/(expense) for the period</b>	<b>1,929</b>	<b>(1,900)</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	1,929	(1,900)
Attributable to continuing activities	2,416	(5,433)
Attributable to discontinued activities	(487)	3,533
Equity holders of the Parent Company	1,929	(1,900)

The accompanying accounting policies and notes on pages 28 to 68 form part of these Financial Statements.

**Consolidated statement of financial position**  
As at 31 March 2022

Company Number 00196730

		As at 31 March 2022	As at 31 March 2021
	Notes	\$000	\$000
<b>Non-current assets</b>			
Property, plant and equipment	11	1,842	2,808
Goodwill	12	13,174	13,174
Other intangible assets	12	3,189	3,726
Right of use assets	21	1,473	8,988
Deferred tax assets	14	236	2,765
		<b>19,914</b>	<b>31,461</b>
<b>Current assets</b>			
Inventories	15	8,041	17,941
Trade and other receivables	16	6,587	8,570
Deferred tax assets	14	99	809
Taxation	16	291	-
Cash and cash equivalents	17	207	4,997
Assets held for sale	30	31,954	-
		<b>47,179</b>	<b>32,317</b>
<b>Total assets</b>		<b>67,093</b>	<b>63,778</b>
<b>Non-current liabilities</b>			
Employee benefits		-	(968)
Loans and other borrowings	18	(11,639)	(1,590)
Government loans	18	-	(1,656)
Lease liabilities	21	(1,081)	(7,801)
Provisions	20	(174)	(248)
		<b>(12,894)</b>	<b>(12,263)</b>
<b>Current liabilities</b>			
Trade and other payables	19	(6,227)	(8,162)
Lease liabilities	21	(486)	(1,505)
Taxation	19	-	(546)
Provisions	20	(178)	(188)
Government loans	18	-	(2,234)
Loans and other borrowings	18	(4,871)	(12,202)
Liabilities held for sale	30	(13,777)	-
		<b>(25,539)</b>	<b>(24,837)</b>
<b>Total liabilities</b>		<b>(38,433)</b>	<b>(37,100)</b>
<b>Net assets</b>		<b>28,660</b>	<b>26,678</b>
<b>Shareholders' equity</b>			
Called-up share capital	22	1,803	1,803
Share premium account		3,828	3,828
Equity reserve		201	201
Translation reserve		(5,713)	(6,616)
Retained earnings		28,541	27,462
<b>Total equity</b>		<b>28,660</b>	<b>26,678</b>

The financial statements on pages 23 to 68 were approved by the Board of Directors on 30 September 2022 and were signed on its behalf by:

Rui Lopes — Chief Financial Officer  
30 September 2022

**Consolidated statement of changes in equity**  
As at 31 March 2022

Company Number 00196730

	Ordinary share capital \$000	Share premium account \$000	Revaluation reserve \$000	Translation reserve \$000	Equity reserve \$000	Retained Earnings \$000	Total \$000
<b>At 28 March 2020</b>	<b>1,803</b>	<b>3,828</b>	<b>1,348</b>	<b>(7,130)</b>	<b>201</b>	<b>28,508</b>	<b>28,558</b>
Loss for the period	-	-	-	-	-	(2,573)	(2,573)
Foreign currency translation	-	-	-	514	-	-	514
Property disposal	-	-	(1,348)	-	-	1,348	-
Net defined benefit pension movement	-	-	-	-	-	210	210
Deferred tax	-	-	-	-	-	(51)	(51)
Total comprehensive Income/(expense)	-	-	(1,348)	514	-	(1,066)	(1,900)
Credit for share-based payments	-	-	-	-	-	20	20
Total transactions with owners	-	-	-	-	-	20	20
<b>At 31 March 2021</b>	<b>1,803</b>	<b>3,828</b>	<b>-</b>	<b>(6,616)</b>	<b>201</b>	<b>27,462</b>	<b>26,678</b>
Profit for the period	-	-	-	-	-	1,269	1,269
Foreign currency translation	-	-	-	903	-	-	903
Net defined benefit pension movement	-	-	-	-	-	(349)	(349)
Deferred tax	-	-	-	-	-	106	106
Total comprehensive income	-	-	-	903	-	1,026	1,929
Transactions with owners:							
Credit for share-based payments	-	-	-	-	-	53	53
<b>At 31 March 2022</b>	<b>1,803</b>	<b>3,828</b>	<b>-</b>	<b>(5,713)</b>	<b>201</b>	<b>28,541</b>	<b>28,660</b>

The accompanying accounting policies and notes on pages 28 to 68 form part of these Financial Statements.

## Consolidated cash flow statement

For the Year ended 31 March 2022

	period ended 31 March 2022	period ended 31 March 2021
	\$000	\$000
<b>Cash flows from operating activities</b>		
Profit/ (loss) for the period	1,269	(2,573)
<b>Adjustments for:</b>		
Amortisation	251	417
Depreciation	783	760
Depreciation of right of use assets	1,312	1,217
Net financial expense	1,371	2,138
PPP funding forgiven	(2,297)	(2,234)
Non-cash adjusting items	406	(357)
(Profit) on disposal of property, plant and equipment	-	(489)
Equity share option expense	53	20
Income tax charge	243	2,663
<b>Operating cash flow before changes in working capital and provisions</b>	<b>3,391</b>	<b>1,562</b>
Increase in trade and other receivables	(3,944)	(56)
(Increase)/decrease in inventories	(3,801)	1,887
Increase/(decrease) in trade and other payables	2,915	(631)
Employee benefit contributions	(60)	(118)
<b>Cash (used in)/generated from operations</b>	<b>(1,499)</b>	<b>2,644</b>
Interest paid	(1,069)	(1,126)
Lease interest	(311)	(373)
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(2,879)</b>	<b>1,145</b>
<b>Cash flows (used in)/ generated from investing activities</b>		
Interest received	24	3
Proceeds from sale of property, plant and equipment	225	1,745
Purchase of property, plant and equipment	(780)	(494)
Development and IT software expenditure capitalised	(54)	(228)
<b>Net cash flows (used in)/ generated from investing activities</b>	<b>(585)</b>	<b>1,026</b>
<b>Cash flows used in financing activities</b>		
PPP funding	-	4,468
Proceeds from/(repayment of) external borrowing	1,037	(5,063)
UK Government loan	-	1,656
Lease payments	(1,460)	(1,383)
<b>Net cash flows used in financing activities</b>	<b>(423)</b>	<b>(322)</b>
Net (decrease)/increase in cash and cash equivalents	(3,887)	1,849
Cash and cash equivalents at the beginning of the period	4,997	2,878
Effect of exchange rate fluctuations on cash held	181	270
<b>Cash and cash equivalents at the end of the period</b>	<b>1,291</b>	<b>4,997</b>
Consolidated cash flow statement includes all activity relating to continuing and discontinuing activity.		
Cash in discontinued entities (Assets held for sale)	1,084	
Cash in continuing entities	207	
<b>Cash and cash equivalents at the end of the period</b>	<b>1,291</b>	

# 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 2022 are for the year ended 31 March 2022. The results for 2021 are for the period ended 31 March 2021.

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 UK adopted 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 69 to 76.

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 27.

## 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:

New standards:

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

Amendments:

- IAS 1 - Classification of liabilities as current and non-current (effective from 1 January 2023).
- IAS 1 - Disclosure of accounting policies (effective from 1 January 2023).
- IFRS 3 - Business combinations (effective from 1 January 2022).
- IAS 16 - Property, plant and equipment (effective from 1 January 2022).
- IAS 37 - Provisions, contingent liabilities and contingent assets (effective from 1 January 2022).
- IAS 12 - Income Tax – Deferred tax related to assets and liabilities from a single transaction (effective from 1 January 2023).
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of accounting estimates (effective from 1 January 2023).

## 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.



## 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 2 and the Strategic Report on pages 3 to 7.

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 Coronavirus Large Business Interruption Loan scheme (CLBILS) taken out in August 2020. All borrowings with HSBC plus the loan notes, that were due in August 2023, were repaid in April 2022 on completion of the Machine Tool Division sale. The borrowings with Bank of America were similarly all repaid on completion of the Machine Tool Division sale but the \$7.5m short term trade and credit facilities were maintained. These facilities 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 at the end of August 2023 and are expected to continue in the ordinary course of business on the same terms. Given the USA working capital facilities are largely undrawn this creates headroom in bank facilities 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. The sale of the Machine Tool Division was agreed on 5 March 2022 through a sale and purchase agreement (SPA). This contract included articles (VI and VII) that govern the conditions precedent to closing and closing deliveries. Under Article VI there were several conditions that needed to occur before either party was required to close the transaction contemplated by the SPA. Although the Sellers satisfied many of their conditions precedent prior to March 31st (the biggest being the UK Shareholder Approval of The 600 Group PLC), the Buyer was not able to satisfy them all. For example, the Buyer was unable to satisfy its financing condition (Section 6.2(g)) or the issuance of the representation and warranty insurance policy (Section 6.2(i)) before 31 March but was able to satisfy these conditions prior to the 11 April outside date permitted in the SPA (Section 7.4(a)). Article VII of the SPA sets forth the many Closing deliveries that must be made by the parties for the transaction to be considered closed. While the Sellers were able to deliver most if not all the deliveries required pursuant to Section 7.2 prior to March 31st, the Buyer was not able to deliver its requirements under Section 7.3. The most important delivery of the Buyer was the payment of the purchase price (Section 7.3(b)) which did not occur until 11 April 2022.

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.

In Control Micro Systems Inc (CMS) and increasingly in the TYKMA Electrox business sales are of higher specification jobs. These custom machines are produced to customers' specific requirements which can take several months to complete and consequently these machine sales are 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

## Group accounting policies (continued)

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.

Smaller machines and spares 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.

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

### 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 one operating segment, being Industrial Laser Systems, with the Machine Tools and Precision Engineered Components Division being discontinued following the sale agreed in March 2022.

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 29 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 statement of financial position. Both these schemes were disposed of as part of the Machine Tool Division disposal completed in April 2022 and the deficit is shown within the liabilities held for disposal in the 31 March 2022 statement of financial position.

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

### WITHIN PROFIT FROM DISCONTINUED 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 DISCONTINUED 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;
- obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred: and,
- 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%.

### PLANT AND EQUIPMENT

Plant and equipment are held at cost less depreciation. Profits or losses on disposals are calculated using the carrying value in the balance sheet.

Depreciation is calculated to write off the cost of 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:

- Leasehold improvements – over residual terms of the lease
- Plant and machinery – 10 to 20%
- Fixtures, fittings, tools and equipment – 10 to 33.3%

### 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.

## Group accounting policies (continued)

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.

Notes to the Income Statement have been restated for the prior year to reflect only continuing activities.

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, which 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 losses for its trade receivables as required by IFRS 9. Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

### COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and gains and losses related to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

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

### 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.

## Group accounting policies (continued)

### 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; or
- 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 give rise to payments on specified dates that are solely payment of principal and interest on the principal amount outstanding.

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

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

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

In making the assessment, the Group considers, inter alia, contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse

## Group accounting policies (continued)

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, 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 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.



## Group accounting policies (continued)

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 15 September 2023, although this loan was repaid in April 2022 on completion of the Machine Tool Division sale.

### 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 consolidated income.

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.

## Group accounting policies (continued)

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

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

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

### **ACQUISITIONS AND DISPOSALS OF NON-CONTROLLING INTERESTS**

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

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

### **NON-CONTROLLING INTERESTS**

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

### **DIVIDENDS**

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

### **RESERVES**

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

### **SHARE PREMIUM ACCOUNT**

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

### **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 one operating segment, being Industrial Laser Systems, with the Machine Tools and Precision Engineered Components Division being discontinued following the sale agreed in March 2022.

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.

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

	Continuing		Discontinued		
				Machine tools & precision engineered components	Group Total
Year ended 31 March 2022	Industrial laser systems	Head Office & unallocated	Total		
Segmental analysis of revenue	\$000	\$000	\$000	\$000	\$000
Total revenue	31,960	-	31,960	37,024	68,984
Segmental analysis of operating profit/(loss) before Adjusting Items	4,109	(2,261)	1,848	1,908	3,756
Adjusting Items	76	(707)	(631)	(242)	(873)
Group operating profit/(loss)	4,185	(2,968)	1,217	1,666	2,883
Other segmental information:					
Reportable segment assets	20,466	14,673	35,139	31,954	67,093
Reportable segment liabilities	(9,040)	(15,616)	(24,656)	(13,777)	(38,433)
Fixed asset additions	577	33	610	170	780
Depreciation and amortisation	924	446	1,370	976	2,346

## Notes relating to the consolidated financial statements

### 1. SEGMENT INFORMATION (CONTINUED)

	Continuing		Discontinued		Group Total
	Industrial laser systems \$000	Head Office & unallocated \$000	Total \$000	Machine tools & precision engineered components \$000	
Year ended 31 March 2021					
Segmental analysis of revenue					
Total revenue	21,331	-	21,331	32,219	53,550
Segmental analysis of operating profit/(loss) before Adjusting Items	1,836	(2,017)	(181)	2,801	2,620
Adjusting Items	(79)	(765)	(844)	452	(392)
Group operating profit/(loss)	1,757	(2,782)	(1,025)	3,253	2,228
Other segmental information:					
Reportable segment assets	13,424	16,998	30,422	33,469	63,891
Reportable segment liabilities	(5,586)	(20,187)	(25,773)	(10,781)	(36,554)
Fixed asset additions	432	114	546	176	722
Depreciation and amortisation	1,016	371	1,387	1,007	2,394

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 for continuing operations	2022		2021	
	\$000	%	\$000	%
North America	31,960	100.0	21,331	100.0
Disaggregation of revenue by origin for discontinued operations	2022		2021	
	\$000	%	\$000	%
UK	12,913	34.8	10,131	31.4
Other European	504	1.4	-	-
North America	21,069	56.9	19,453	60.4
Australasia	2,538	6.9	2,635	8.2
Total	37,024	100.0	32,219	100.0

## Notes relating to the consolidated financial statements

### 1. SEGMENT INFORMATION (CONTINUED)

Disaggregation of revenue by destination for continuing operations:

	2022		2021 (RESTATED)	
	\$000	%	\$000	%
Revenue:				
UK	126	0.4	127	0.6
Other European	1,666	5.2	1,466	6.9
North America (USA)	25,257	79.0	17,982	84.3
Africa	5	0.0	10	0.0
Australasia	7	0.0	39	0.2
Central America	264	0.8	1,044	4.9
Middle East	657	2.1	280	1.3
Far East	3,978	12.5	383	1.8
	<b>31,960</b>	<b>100.0</b>	<b>21,331</b>	<b>100.0</b>

Disaggregation of revenue by origin for discontinued operations

	2022		2021 (RESTATED)	
	\$000	%	\$000	%
Revenue:				
UK	8,005	21.6	7,315	22.7
Other European	4,848	13.1	2,372	7.4
North America (USA)	21,078	56.9	19,488	60.5
Africa	245	0.7	230	0.7
Australasia	2,546	6.9	2,390	7.4
Central America	10	0.0	74	0.2
Middle East	58	0.2	18	0.1
Far East	234	0.6	333	1.0
	<b>37,024</b>	<b>100.0</b>	<b>32,220</b>	<b>100.0</b>

Disaggregation of revenue by product group for continuing operations:

	2022		2021 (RESTATED)	
	\$000	%	\$000	%
<b>Sector</b>				
Lasers	29,462	92.2	19,544	91.6
Laser spares and service	2,498	7.8	1,787	8.4
<b>Total</b>	<b>31,960</b>	<b>100.0</b>	<b>21,331</b>	<b>100.0</b>

#### Timing of revenue recognition

Products and services transferred at a point in time	16,679	52.2	11,936	56.0
Products and services transferred over time	15,281	47.8	9,395	44.0
<b>Total</b>	<b>31,960</b>	<b>100.0</b>	<b>21,331</b>	<b>100.0</b>

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

Assets and liabilities related to contracts with customers:

## Notes relating to the consolidated financial statements

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

	<b>2022</b>	2021
	<b>\$000</b>	\$000
Current contract liabilities relating to deposits from customers	<b>2,668</b>	624

	<b>2022</b>	2021
	<b>\$000</b>	\$000
Current contract assets relating to amounts due from customers	<b>2,104</b>	344

## Notes relating to the consolidated financial statements

### 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:

	2022	2021
	\$'000	\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	444	385

### 2. NET OPERATING EXPENSES

		Restated
	2022	2021
	\$000	\$000
Notes		
– government assistance forgiven	1,451	1,456
<b>Total other operating income</b>	<b>1,451</b>	<b>1,456</b>
	2022	2021
	\$000	\$000
– administration expenses	13,073	10,851
– adjusting Items	707	765
<b>Total operating expenses</b>	<b>13,780</b>	<b>11,616</b>
<b>Total net operating expenses</b>	<b>12,329</b>	<b>10,160</b>

## Notes relating to the consolidated financial statements

### 3. ADJUSTING ITEMS

	RESTATED	
	2022	2021
	\$000	\$000
<b>Items included in cost of sales:</b>		
US Tariffs & Duty charges relating to prior years (d)	76	(79)
	<b>76</b>	<b>(79)</b>
<b>Items included in operating expenses:</b>		
Restructuring cost	-	(928)
Unavoidable lease cost	-	350
Right of use asset impairment	-	227
Acquisitions cost	-	(71)
Cost related to sale of the Machine Tool Division (a)	(364)	-
Amortisation of intangible assets acquired (b)	(343)	(343)
	<b>(707)</b>	<b>(765)</b>
	<b>(631)</b>	<b>(844)</b>
<b>Items included in financial (income)/expense:</b>		
Amortisation of Loan notes and costs (c)	(530)	(642)
Loan Note credit on extension of repayment date (c)	556	-
	<b>26</b>	<b>(642)</b>
Total adjusting items before tax	<b>(605)</b>	<b>(1,486)</b>
Income tax on adjusting items	-	257
<b>Total adjusting items after tax</b>	<b>(605)</b>	<b>(1,229)</b>

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 29 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:

- Cost related to the sale of the Machine Tool Division incurred before 31 March 2022.
- A charge of \$0.3m (2021: \$0.3m) arose as a result of amortisation of intangible assets acquired through the CMS Inc deal.
- A credit of \$0.03m resulted from the recalculation of the amortization of the loan notes and associated costs on the extension of the repayment date to 14 August 2023 in July 2021. Costs of amortization of \$0.6m were incurred in the prior year
- A credit resulted on the settlement of the prior year duty of \$0.07m in the year.

## Notes relating to the consolidated financial statements

### 4. OPERATING PROFIT

		Restated
	2022	2021
<b>Operating Profit/(loss) is stated after charging/(crediting):</b>	<b>\$000</b>	<b>\$000</b>
– depreciation of plant and equipment	882	524
– amortisation of development expenditure and trademarks	(23)	65
– amortisation of acquisition intangible	343	343
– depreciation of right of use assets	114	455
– Research and development cost expensed	981	-
– short term and low value lease expense	-	91
– (profit)/loss on sale of property, plant and equipment	-	15
– government assistance USA	(1,451)	(1,456)
<b>Auditor's remuneration:</b>		
– audit of these financial statements	140	72
– 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)	290	209
– tax advisory on the sale of the Machine Tool division	50	-
– other services relating to tax compliance	71	55
– other services relating to tax advisory	40	26

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

		RESTATED
	2022	2021
	<b>\$000</b>	<b>\$000</b>
<b>Staff costs:</b>		
– wages and salaries	9,359	7,610
– social security costs	470	383
– pension charges relating to defined contribution schemes	25	130
– equity share options expense	55	20
	<b>9,909</b>	<b>8,143</b>

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

		RESTATED
	2022	2021
	<b>Number</b>	<b>Number</b>
Management and administration	44	44
Production	67	48
Sales	12	10
<b>Total</b>	<b>123</b>	<b>102</b>

## Notes relating to the consolidated financial statements

### 5. PERSONNEL EXPENSES (CONTINUED)

#### Directors' emoluments

	Salary	Fees	Pension	Signing on bonus	Benefits in kind	Total 2022	Total 2021
	\$	\$	\$	\$	\$	\$	\$
P R Dupee	420,000	-	-	-	12,648	432,648	425,767
D Zissman	-	44,979	-	-	-	44,979	43,624
S E Fiamma	-	46,200	-	-	-	46,200	46,585
D Haselton (appointed 2 September 2021)	177,277	-	40,783	-	5,600	223,660	-
T Riggs (appointed 2 September 2021)	-	26,950	-	-	-	26,950	-
R Lopes (appointed 28 February 2022)	22,917	-	-	50,000	-	72,917	-
S J Rutherford (retired 28 September 2021)	-	22,490	-	-	-	22,490	43,624
G M Krasny (appointed 22.12.20, resigned 10.02.21)	-	-	-	-	-	-	160,995
N R Carrick (resigned 22.12.20)	-	-	-	-	-	-	264,057
<b>Total</b>	<b>620,194</b>	<b>140,619</b>	<b>40,783</b>	<b>50,000</b>	<b>18,248</b>	<b>869,844</b>	<b>984,652</b>

The aggregate employer's NIC relating to directors was \$36,782 (2021: \$33,252) and the aggregate US employer's taxes were \$23,165 (2021: \$14,028).

#### Directors' share options

Details of share options at 31 March 2022 and 31 March 2021 for each Director who held office during the year are as follows:

	Number of options at 31 March 2021	Issued prior to appointment	Exercised	Lapsed/ forfeited	Number of options at 31 March 2022
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
D Haselton	-	1,000,000	-	-	1,000,000

Options were all granted under the 600 Group PLC Deferred Share Plan and are exercisable between 3 and 10 years from date of grant.

- 2,000,000 options with an exercise price of 17p were granted on 7 April 2014;
- 1,000,000 options with an exercise price of 18p were granted on 6 August 2015; and
- 500,000 nil cost options were granted 15 September 2016.

No options were granted during the year to Directors. Don Haselton was elected Director on 2 September 2021 and owned 1m options before the election.

The charge to the Income Statement in respect of share-based payments was \$53,000 (2021: \$20,000).

The share price at 31 March 2022 was 14.75p (20.10cents) and the highest and lowest prices during the period were 16.50p (22.49cents) and 8.75p (11.93cents) respectively.

### 6. FINANCIAL EXPENSE

	2022	2021
	\$000	\$000
Bank overdraft and loan interest	(77)	(147)
Loan note interest	(914)	(897)
Finance charges	(1)	(11)
Lease interest	(89)	(98)
Financial expense before adjusting items	(1,081)	(1,153)
Amortisation of Loan notes and costs	(530)	(642)
Loan Note credit on extension of repayment date	556	-
<b>Financial expense</b>	<b>(1,055)</b>	<b>(1,795)</b>



## Notes relating to the consolidated financial statements

### 7. TAXATION

	2022 \$000	RESTATED 2021 \$000
UK Corporation tax at 19% (2021: 19%):		
- Prior Year:	283	-
Overseas taxation:		
– current period	8	(419)
Total tax credit/ (charge)	291	(419)
Deferred taxation:		
– current period	31	(1,054)
– prior period	-	91
Total deferred taxation credit/ (charge) (Note 14)	31	(963)
Taxation credited/(charged) to the income statement	322	(1,382)

The rate for Federal tax in the USA is 21% and in addition businesses suffer State taxes estimated at 4%.

#### TAX RECONCILIATION

The tax credit/charge assessed for the period is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 \$000	RESTATED 2021 \$000
Profit/(loss) before tax	162	(2,820)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	31	(536)
Effects of:		
– income not taxable and/or expenses not deductible	-	75
– overseas tax rates	-	97
– US state taxes	8	10
– amount in respect of prior periods	(283)	-
– tax losses utilised not previously recognised	(78)	-
– deferred tax de-recognised on losses in the period	-	1,736
Taxation credited/(charged) to the income statement	(322)	1,382

Deferred taxation balances are analysed in note 14.

## Notes relating to the consolidated financial statements

### 8. DIVIDENDS

No dividends have been proposed this year or last year.

### 9. EARNINGS PER SHARE

The calculation of the basic earnings per share for continuing operations of 0.41c (2021: loss 3.58c) is based on the earnings for the financial period attributable to the Parent Company's shareholders of a profit of \$484,000 (2021: loss \$4,202,000) and on the weighted average number of shares in issue during the period of 117,473,341 (2021: 117,473,341). At 31 March 2022, there were 3,790,000 (2021: 2,040,000) 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 2,496,578 (2021: 2,040,000) shares giving diluted earnings per share for continuing operations of 0.40c (2021: loss 3.58c). 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.

	RESTATED	
	2022	2021
<b>Weighted average number of shares</b>		
Issued shares at start of period	117,473,341	117,473,341
Effect of shares issued in the year	-	-
Weighted average number of shares at end of period	117,473,341	117,473,341
Weighted average number of the 3,790,000 (2021: 2,040,000) potentially dilutive shares	2,496,578	2,040,000
Total weighted average diluted shares	119,969,919	119,513,341
	<b>\$000</b>	<b>\$000</b>
Total post tax profit/(loss) - continuing operations	484	(4,202)
Total post tax profit/ (loss) including discontinued operations	1,269	(2,573)
Basic EPS – continuing operations	0.41c	(3.58c)
Diluted EPS – continuing operations	0.40c	(3.58c)
Total including discontinued operations		
Basic EPS	1.08c	(2.19c)
Diluted EPS	1.06c	(2.19c)
Underlying earnings	\$000	\$000
Total post tax profit/ (loss) - continuing operations	484	(4,202)
Adjusting items – per note 3	605	1,229
Underlying earnings after tax and adjusting items-continuing operations	1,089	(2,973)
Underlying basic EPS	0.93c	(2.53c)
Underlying diluted EPS	0.91c	(2.53c)

## Notes relating to the consolidated financial statements

### 10. EMPLOYEE SHARE OPTION SCHEMES

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

#### SHARE-BASED PAYMENTS EXPENSE

The Group recognised a total charge of \$53,000 (2021: \$20,000) in relation to equity-settled share-based payment transactions.

	2022	2021
	DSP	DSP
<b>The number and weighted average exercise price of share options</b>		
Number of options outstanding at beginning of period	8,190,000	8,400,000
Number of options granted in period	-	500,000
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	8,190,000
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.

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	2019	2018	2016	2015	2014	2012
	Grant	Grant	Grant	Grant	Grant	Grant	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

### 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements \$000	Plant and machinery \$000	Fixtures, fittings, tools and equipment \$000	Total \$000
<b>Cost or valuation</b>				
At 31 March 2021	<b>847</b>	<b>4,141</b>	<b>4,920</b>	<b>9,908</b>
Exchange differences	(4)	(27)	(12)	(43)
Additions during period	29	445	569	1,043
Disposals during period	-	(58)	-	(58)
Held for Sale	(388)	(1,710)	(2,382)	(4,480)
<b>At 31 March 2022</b>	<b>484</b>	<b>2,791</b>	<b>3,095</b>	<b>6,370</b>
<b>Depreciation</b>				
At 31 March 2021	<b>189</b>	<b>3,095</b>	<b>3,816</b>	<b>7,100</b>
Charge for period	48	269	467	784
Disposals during period	-	(26)	-	(26)
Held for Sale	(130)	(1,130)	(2,070)	(3,330)
<b>At 31 March 2022</b>	<b>107</b>	<b>2,208</b>	<b>2,213</b>	<b>4,528</b>
<b>Net book value</b>				
<b>At 31 March 2022</b>	<b>377</b>	<b>583</b>	<b>882</b>	<b>1,842</b>
At 31 March 2021	658	1,046	1,104	2,808

	Land and buildings Freehold \$000	Leasehold Improvements \$000	Plant and machinery \$000	Fixtures, fittings, tools and equipment \$000	Total \$000
<b>Cost or valuation</b>					
At 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)
<b>At 31 March 2021</b>	<b>-</b>	<b>847</b>	<b>4,141</b>	<b>4,920</b>	<b>9,908</b>
<b>Depreciation</b>					
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)
<b>At 31 March 2021</b>	<b>-</b>	<b>189</b>	<b>3,095</b>	<b>3,816</b>	<b>7,100</b>
<b>Net book value</b>					
<b>At 31 March 2021</b>	<b>-</b>	<b>658</b>	<b>1,046</b>	<b>1,104</b>	<b>2,808</b>
At 31 March 2020	963	688	1,238	1,171	4,060

## Notes relating to the consolidated financial statements

### 12. GOODWILL AND OTHER INTANGIBLE ASSETS

	Tykma	CMS	Total Goodwill	Customer relationships	Trademarks	Development Expenditure	IT Software	Total Other intangible	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cost</b>									
At 31 March 2021	10,329	2,845	13,174	2,743	312	1,138	661	4,854	18,028
Additions	-	-	-	-	-	1	53	54	54
Disposal	-	-	-	-	-	(282)	-	(282)	(282)
Foreign exchange	-	-	-	-	-	(3)	(31)	(34)	(34)
Held for Sale	-	-	-	-	-	(85)	-	(85)	(85)
<b>At 31 March 2022</b>	<b>10,329</b>	<b>2,845</b>	<b>13,174</b>	<b>2,743</b>	<b>312</b>	<b>769</b>	<b>683</b>	<b>4,507</b>	<b>17,681</b>
<b>Amortisation and impairment</b>									
At 31 March 2021	-	-	-	631	312	185	-	1,128	1,128
Amortisation	-	-	-	343	-	-	-	343	343
Disposal	-	-	-	-	-	(92)	-	(92)	(92)
Foreign exchange	-	-	-	-	-	(3)	-	(3)	(3)
(Held for Sale)	-	-	-	-	-	(58)	-	(58)	(58)
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>974</b>	<b>312</b>	<b>32</b>	<b>-</b>	<b>1,318</b>	<b>1,318</b>
<b>Net book value</b>									
<b>At 31 March 2022</b>	<b>10,329</b>	<b>2,845</b>	<b>13,174</b>	<b>1,769</b>	<b>-</b>	<b>737</b>	<b>683</b>	<b>3,189</b>	<b>16,363</b>
At 31 March 2021	10,329	2,845	13,174	2,112	-	953	661	3,726	16,900

	Tykma	CMS	Total Goodwill	Customer relationships	Trademarks	Development Expenditure	IT Software	Total Other intangible	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cost</b>									
At 31 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
<b>At 31 March 2021</b>	<b>10,329</b>	<b>2,845</b>	<b>13,174</b>	<b>2,743</b>	<b>312</b>	<b>1,138</b>	<b>661</b>	<b>4,854</b>	<b>18,028</b>
<b>Amortisation and impairment</b>									
At 28 March 2020	-	-	-	288	312	106	-	706	706
Amortisation	-	-	-	343	-	74	-	417	417
Foreign exchange	-	-	-	-	-	5	-	5	5
<b>At 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>631</b>	<b>312</b>	<b>185</b>	<b>-</b>	<b>1,128</b>	<b>1,128</b>
<b>Net book value</b>									
<b>At 31 March 2021</b>	<b>10,329</b>	<b>2,845</b>	<b>13,174</b>	<b>2,112</b>	<b>-</b>	<b>953</b>	<b>661</b>	<b>3,726</b>	<b>16,900</b>
<b>At 31 March 2020</b>	<b>10,329</b>	<b>2,845</b>	<b>13,174</b>	<b>2,455</b>	<b>-</b>	<b>924</b>	<b>489</b>	<b>3,868</b>	<b>17,042</b>

IT software relates to a new ERP system which was not implemented due to Machine Tool Division sale and written off in the following year.

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

	2022	2021
	\$000	\$000
Operating expenses	251	417

## Notes relating to the consolidated financial statements

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

#### IMPAIRMENT TESTING OF GOODWILL

The Group has undertaken its annual impairment testing of Goodwill as at 31 March 2022 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 Electroxx 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 2022 have been prepared by all business units covering the two years to March 2024. 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 2023 with further growth in 2024 and thereafter a return to more normal terminal growth rates of 5% 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 13.26%.

The forecasts do not result in any impairment.

#### Sensitivity to changes in assumptions

Whilst future uncertainty as a result of the Covid-19 pandemic and geopolitical instability 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\*; Electroxx Laser Limited\*; Pratt Burnerd International Limited; Electroxx Limited\*; The Colchester Lathe Company Limited; Crawford Collets Limited; 600 Machine Tools Limited; 600 Controls Limited; Pratt 600 Limited; 600 Bearings Limited; T S Harrison & Sons Limited; The Richmond Machine Tool Company Limited; 600 Lathes Limited and Coborn Insurance Company Limited.

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

600 UK Limited's principal activity is the design and distribution of machine tools and precision engineered components. Electroxx 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.

With the sale of the Machine Tool Division, in April 2022, the remaining UK entities in the Group (The 600 Group Plc, Electroxx Laser Limited, Electroxx Limited, The 600 Group (Overseas) Limited) moved their UK address to 42 Berkeley Square, London. Coborn Insurance Company Limited continues to be registered in Guernsey.

#### 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. This entity was sold as part of the Machine Tool Division exit with the completion of the deal in April 2022.

TYKMA Inc's 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 address is 27 Foundry Road, 7 Hills, New South Wales, Australia. This entity was sold as part of the Machine Tool Division exit with the completion of the deal on 11 April 2022.

## Notes relating to the consolidated financial statements

Colchester GmbH\* – (Germany)

A corporation established in Germany for the distribution of machine tools and precision engineered components with its registered office at AM Herdicksbach 29, 45731 Waltrop, Germany. This entity was sold as part of the Machine Tool Division exit with the completion of the deal on 11 April 2022.

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

## Notes relating to the consolidated financial statements

### 14. DEFERRED TAX ASSETS AND LIABILITIES

#### RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets	
	2022	2021
	\$000	\$000
Decelerated capital allowances	41	956
Short-term timing differences	-	6
Tax losses	294	2,612
Net deferred tax assets	335	3,574

	Assets	
	2022	2021
	\$000	\$000
Due within one year	99	809
Due after one year	236	2,765
Total	335	3,574

#### MOVEMENT IN DEFERRED TAX DURING THE PERIOD

	As at 31 March 2021	Transfer to assets held for sale	Income statement	Exchange Fluctuations	As at 31 March 2022
	\$000	\$000	\$000	\$000	\$000
Decelerated capital allowances	956	(915)	-	-	41
Short-term timing differences	6	(6)	-	-	-
Tax losses	2,612	(2,336)	31	(13)	294
	3,574	(3,257)	31	(13)	335

The rate of UK corporation is 19% but an increase to 25% by April 2023 had been substantively enacted at the balance sheet date. UK deferred tax has therefore been measured at a blended rate of 23%. US deferred tax is provided at 25% (2021: 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:

	2022	2021
	\$000	\$000
Tax losses	4,142	6,230

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



## Notes relating to the consolidated financial statements

### 15. INVENTORIES

	2022	2021
	\$000	\$000
Work in progress	2,890	1,320
Finished goods and goods for resale	5,151	16,621
Total	8,041	17,941

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 for the continuing operations only amounted to \$14.7m (2021: \$9.1m).

During the period inventory provisions have decreased by \$95,889 (2021: decreased by \$59,747). Following the impairment provisions, inventories are valued at lower of cost and net realisable value.

### 16. TRADE AND OTHER RECEIVABLES

	2022	2021
	\$000	\$000
Trade receivables	3,424	5,149
Other debtors	411	1,361
Other prepayments	648	1,716
Contract assets	2,104	344
Total	6,587	8,570

	2022	2021
	\$000	\$000
Taxation	291	-

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:

	2022	2021
	\$000	\$000
Current (not overdue)	2,347	4,312
Overdue:		
– 0–3 months overdue	981	761
– 3–6 months overdue	143	159
– 6–12 months overdue	(4)	(4)
– more than 12 months overdue	9	24
Continuing Operations	3,476	5,252

## Notes relating to the consolidated financial statements

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

At 31 March 2022 the lifetime expected loss provision for trade receivables for continuing operations only:

31 March 2022	current	0-3 months	3-6 months	6-12 months	over 12 months	
Expected loss ratio	0%	0%	33%	100%	100%	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount	2,347	981	143	(4)	9	3,476
Loss provision	-	-	47	(4)	9	52

  

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

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 for continuing operations only:

	2022	2021
	\$000	\$000
Opening provision for impairment	103	91
Exchange difference on opening balance	(3)	7
(Released)/Charged in the period	29	23
Utilised in the period	(22)	(18)
Held for Sale	(55)	-
Closing provision	52	103

### 17. CASH AND CASH EQUIVALENTS

	2022	2021
	\$000	\$000
Cash at bank and in hand	75	4,287
Short-term deposits – restricted cash	132	710
Cash position for continuing operations	207	4,997
Discontinued operations cash and cash equivalents	1,084	-
Cash and cash equivalents per cash flow statement	1,291	4,997

Included within cash and cash equivalents at 31 March 2022 is an amount totaling \$132,000 (2021: \$710,000) held in a secured account at Barclays Bank plc in favour of Commercial Union Assurance Company plc, which can only be used to pay claims and related expenses within a subsidiary of the group.

## Notes relating to the consolidated financial statements

### 18. LOANS AND OTHER BORROWINGS

#### CURRENT:

	2022	2021
	\$000	\$000
Bank loans and trade facilities	4,871	977
8% Loan notes	-	11,225
	4,871	12,202

#### NON-CURRENT:

	2022	2021
	\$000	\$000
Bank loans	921	1,590
8% Loan notes	10,718	-
	11,639	1,590

#### Government loans

	2022	2021
	\$000	\$000
Current	-	2,234
Non-current	-	1,656
	-	3,890

The \$10.7m (£8.1m) accounting value of loan notes in place at the year-end were issued in three tranches in February, March and August 2015 with 43.95m convertible warrants attached to them. These warrants allow the holders to either convert the loan into shares or to purchase shares at 20p for a cash consideration. The loan has both debt and equity components and \$195,000 is shown in an equity reserve and the balance, after deduction of associated costs and amortisation of \$0.8m, is shown in non-current borrowings. Costs are amortised to the income statement over the term of the loan. The loan notes and the warrants' expiration date were extended in July 2021 to 14 August 2023. 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 the loan notes were repaid from the proceeds of the Machine Tool Division disposal. The warrants remain outstanding until 14 August 2023.

Facilities from the Bank of America include a revolving credit facility of \$10m which was reduced to \$7.5m following the sale of the Machine Tool Division in April 2022. A term loan for \$3.25m was taken to part fund the acquisition of CMS Inc in 2020 and is being repaid on a monthly basis through to June 2024 in equal instalments, with an interest rate of 2.25% above base. A total of \$5.8m was outstanding at 31 March 2022 (2021: \$2.3m) all of which was paid back to Bank of America with the proceeds from the sale of the Machine Tool Division in April 2022.

On 21 August 2020 a loan of \$1.6m (£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. This loan was repaid in April 2022 from the proceeds of the Machine Tool Division sale.

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

### 19. TRADE AND OTHER PAYABLES

	2022	2021
	\$000	\$000
Current liabilities:		
Trade payables	2,962	3,792
Social security and other taxes	16	344
Other creditors	35	1,254
Accruals	546	2,148
Contract liabilities	2,668	624
<b>Total</b>	<b>6,227</b>	<b>8,162</b>
	2022	2021
	\$000	\$000
Taxation	-	546

### 20. PROVISIONS

	Unavoidable lease costs	Warranties	Dilapidations	Total
	\$000	\$000	\$000	\$000
<b>Total provisions at 31 March 2021</b>	<b>146</b>	<b>140</b>	<b>150</b>	<b>436</b>
Exchange differences	(6)	1	-	(5)
Utilised in the period	(58)	-	-	(58)
Asset Held for Sale	-	(21)	-	(21)
<b>Provisions due within one year</b>	<b>58</b>	<b>120</b>	<b>-</b>	<b>178</b>
<b>Provisions due after one year</b>	<b>24</b>	<b>-</b>	<b>150</b>	<b>174</b>
<b>Total provisions at 31 March 2022</b>	<b>82</b>	<b>120</b>	<b>150</b>	<b>352</b>

The timing of warranty payments is 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.

The dilapidations provision relates to leasehold premises.

## Notes relating to the consolidated financial statements

### 21. LEASES

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

	Property \$000	Vehicles \$000	Plant and machinery \$000	Total \$000
<b>Cost or valuation</b>				
<b>At 31 March 2021</b>	<b>11,088</b>	<b>188</b>	<b>71</b>	<b>11,347</b>
Exchange differences	(229)	(9)	(1)	(239)
Additions during period	721	-	-	721
Disposals in period	(33)	-	-	(33)
Held for sale	(8,723)	(179)	(67)	(8,969)
<b>At 31 March 2022</b>	<b>2,824</b>	<b>-</b>	<b>3</b>	<b>2,827</b>
<b>Depreciation</b>				
<b>At 31 March 2021</b>	<b>2,211</b>	<b>113</b>	<b>35</b>	<b>2,359</b>
Exchange difference	(31)	(5)	(1)	(37)
Disposals in the period	(33)	-	-	(33)
Charge for period	1,293	5	13	1,311
Held for sale	(2,086)	(113)	(47)	(2,246)
<b>At 31 March 2022</b>	<b>1,354</b>	<b>-</b>	<b>-</b>	<b>1,354</b>
<b>Net book value</b>				
<b>At 31 March 2022</b>	<b>1,470</b>	<b>-</b>	<b>3</b>	<b>1,473</b>
At 31 March 2021	8,876	75	37	8,988

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

Lease liabilities	31 March 2022 \$000	31 March 2021 \$000
<b>Current</b>	<b>486</b>	<b>1,505</b>
<b>Non-Current</b>	<b>1,081</b>	<b>7,801</b>
<b>Total</b>	<b>1,567</b>	<b>9,306</b>

During the year lease payments amounted to \$1.588m (2021: \$1.569m).

The undiscounted payments under the leases fall due as follows for continuing operations only:

	31 March 2022 \$000	31 March 2021 \$000
Up to one year	486	1,505
One to five years	1,186	5,157
Over five years	-	4,427
<b>Total undiscounted payments due under continuing leases</b>	<b>1,672</b>	<b>11,089</b>

## Notes relating to the consolidated financial statements

### 22. SHARE CAPITAL

	2022	2021
	\$000	\$000
<b>Allotted, called-up and fully paid:</b>		
<b>Ordinary shares of 1p each</b>		
117,473,341 ordinary shares of 1p each on issue at start of the period (2021: 117,473,341 ordinary shares)	<b>1,803</b>	1,803
117,473,341 ordinary shares of 1p each on issue at end of period (2021: 117,473,341 ordinary shares of 1p)	<b>1,803</b>	1,803
<b>Total Allotted, called-up and fully paid at the end of the period</b>	<b>1,803</b>	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.

The Company has raised £8.5m (\$11.2m at year end rate) through the issue of loan notes. The loan notes' maturity was extended to 14 August 2023 in July 2021 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 to 14 August 2023 to subscribe for 43.95m ordinary shares of 1p each in the Company at a price of 20p per Ordinary Share. 43.95m warrants remained outstanding at the year-end. The loan notes were repaid on 11 April 2022 following the receipt of the proceeds for the Machine Tool Division sale.

### 23. RECONCILIATION OF NET CASH FLOW TO NET DEBT

	2022	2021
	\$000	\$000
(Decrease)/increase in cash and cash equivalents	<b>(3,887)</b>	1,849
Decrease in debt and lease liabilities	<b>734</b>	6,820
(Increase)/decrease in net debt from cash flows	<b>(3,153)</b>	8,669
Net debt at beginning of period	<b>(21,991)</b>	(24,142)
Government assistance loans USA	-	(2,234)
Government assistance loans UK	-	(1,656)
Loan note amortisation	<b>(530)</b>	(675)
Lease liabilities increase	<b>(118)</b>	(502)
Shareholder loan adjustment	<b>511</b>	-
Exchange effects on net funds	<b>419</b>	(1,451)
Net debt at end of period	<b>(24,862)</b>	(21,991)

## Notes relating to the consolidated financial statements

### 24. ANALYSIS OF NET DEBT

	At 31 March 2021	Exchange movement	Transfer	Other	Cash flows	Group Total At 31 March 2022	Transfer to held for sale	Continuing activities At 31 March 2022
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash at bank and in hand	4,287	175	-	-	(3,302)	1,160	(1,084)	76
Term Deposits	710	6	-	-	(585)	131	-	131
	4,997	181	-	-	(3,887)	1,291	(1,084)	207
Debt due within one year	(977)	-	-	-	(4,089)	(5,066)	196	(4,870)
Debt due after one year	(1,590)	(1)	-	-	664	(927)	6	(921)
Loan notes due within one year	(11,225)	526	10,718	(19)	-	-	-	-
Loan notes due after one year	-	-	(10,718)	-	-	(10,718)	-	(10,718)
Government Assistance loans	(3,890)	(78)	-	2,388	-	(1,580)	1,580	-
Lease liabilities	(9,306)	(209)	-	(118)	1,771	(7,862)	6,294	(1,568)
Total	(21,991)	419	-	2,251	(5,541)	(24,862)	6,992	(17,870)

### 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

### 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 is 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:

	2022 \$000	2021 \$000
UK	8	1,241
North America	3,416	3,748
Australasia	-	160
	3,424	5,149



## Notes relating to the consolidated financial statements

### 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:

	2022				
	Carrying	Contractual	Less than	1–2 years	2–5 years
	Amount	cash flows	1 year		
	\$000	\$000	\$000	\$000	\$000
Bank Loan	1,594	1,594	673	921	-
Bank Trade facilities	4,198	4,198	4,198	-	-
8% loan notes	10,718	11,180	-	11,180	-
Lease Liabilities	1,567	1,672	486	486	700
Interest bearing financial liabilities	<b>18,077</b>	<b>18,644</b>	<b>5,357</b>	<b>12,587</b>	<b>700</b>
Trade and other payables	<b>6,227</b>	<b>6,227</b>	<b>6,227</b>	-	-
Financial liabilities	<b>24,304</b>	<b>24,871</b>	<b>11,584</b>	<b>12,587</b>	<b>700</b>

  

	2021				
	Carrying	Contractual	Less than	1–2 years	2–5 years
	Amount	cash flows	1 year		
	\$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	<b>26,988</b>	<b>29,275</b>	<b>15,818</b>	<b>3,679</b>	<b>9,778</b>
Trade and other payables	<b>7,819</b>	<b>7,819</b>	<b>7,819</b>	-	-
Financial liabilities	<b>34,807</b>	<b>37,094</b>	<b>23,637</b>	<b>3,679</b>	<b>9,778</b>

#### MARKET RISK

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

## Notes relating to the consolidated financial statements

### 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:

	2022			2021		
	Sterling	US Dollars	Euro	Sterling	US Dollars	Euro
	£000	\$000	€000	£000	\$000	€000
Trade receivables	-	-	-	-	40	116
Trade payables	-	-	-	(20)	(27)	(149)
Balance sheet exposure	-	-	-	(20)	13	(33)

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 (2021: 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 \$'000	Change if interest rates in foreign Currency change by 1% \$'000
US Dollar	(5,762)	57.6
GB Pound	(10,540)	105.4
AUS Dollar	-	-

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 2022, 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 \$0.022m (2021: charge of \$0.02m). 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

### 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 (2021 – 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 2022 was a liability of \$nil (2021: 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 2022 and 31 March 2021 was:

Currency	2022				2021			
	Financial assets			Total	Financial assets			Total
	Floating rate	Fixed rate	on which		Floating rate	Fixed rate	on which	
	financial assets	financial assets	no interest is earned		financial assets	financial assets	no interest is earned	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Sterling	46	132	194	372	3,481	138	1,114	4,733
US Dollars	30	-	5,744	5,774	17	-	5,463	5,480
Australian Dollars	-	-	-	-	789	572	211	1,572
Euros	-	-	-	-	-	-	170	170
	76	132	5,938	6,146	4,287	710	6,958	11,955

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

### 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 2022 and 31 March 2021 was:

Currency	2022				2021			
	Floating rate		Fixed rate		Floating rate		Fixed rate	
	financial		Financial		financial		financial	
	liabilities	Liabilities	on which no interest is paid	Total	liabilities	liabilities	on which no interest is paid	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Sterling	-	10,718	522	11,240	-	17,317	2,681	19,998
US Dollars	4,198	3,161	5,705	13,064	186	9,382	4,804	14,372
Australian Dollars	-	-	-	-	-	103	159	262
Euro	-	-	-	-	-	-	175	175
	4,198	13,879	6,227	24,304	186	26,802	7,819	34,807

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 2022 and 31 March 2021, the Group had undrawn committed borrowing facilities as follows:

	2022	2021
	'000	'000
UK	£2,848	£2,848
US	\$5,802	\$7,314
Australia	-	AUD\$500

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

	2022	2021
	\$000	\$000
Trade and other receivables	5,939	8,570
Cash and cash equivalents	207	4,997
Bank loan	(5,792)	(2,567)
Government assistance loans	-	(3,890)
Loans notes	(11,180)	(11,729)
Lease obligations	(1,672)	(11,089)
Trade and other payables	(6,227)	(8,162)
	(18,725)	(23,870)

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 \$1.6m for continuing operations (2021: \$11.543m) and the Loan Notes which are shown at their gross value of \$11.180m (2021: \$11.729m). Their carrying value in the accounts is shown net of discounting and issue costs.

## Notes relating to the consolidated financial statements

### 26. CONTINGENT LIABILITIES

	2022	2021
	\$000	\$000
Third-party guarantees	197	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. 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 28 to 36.

The key judgements and 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.

#### 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 in the USA last year and the position remains the same in the current 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 13.26% 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.

#### DISCONTINUED OPERATIONS

The Machine Tool Division was determined to be discontinued operations on the signing of the sale agreement on 5 March 2022, with Timesavers Acquisitions LLC. The contract included a number of conditions which were not fulfilled until the completion date and collection of funds on 8 and 11 April 2022. The sale of the Division is therefore to be recognized in the year ended 31 March 2023 with the assets and liabilities of these entities held for sale at 31 March 2022.

Judgements were made, in the current year, in respect of Leases and Discontinued operations.

### 28. 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 \$88,322 in interest payments during the financial year (2021: \$84,953) in respect of their respective holding of the loan notes. At the year-end Haddeo Partners LLP held £810,000 (\$1,104,030) 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.

## Notes relating to the consolidated financial statements

### 29. 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.

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

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/(loss)

	2022 \$000	RESTATED 2021 \$000
Operating profit/(loss)	1,217	(1,025)
Adjusting items included in net operating expenses (see note 3)	631	844
Underlying operating profit	1,848	(181)

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

Profit/(Loss) for the period	1,269	(2,573)
Adjusting items included in cost of sales and net operating expenses (see note 3)	631	844
Discontinued activities	(785)	(1,629)
Adjusting items included in Financial expense	(26)	642
Tax on adjusting items	-	(257)
Underlying profit/(loss) for the period on continuing activities	1,089	(2,973)

#### Underlying EPS

A reconciliation of underlying EPS is included in note 9.

#### Net debt excluding IFRS 16 leases liabilities

Net debt (see note 24)	(24,862)	(21,991)
Lease Liabilities	7,862	9,306
Net Debt excluding leases	(17,000)	(12,685)
Discontinued activities net debt	698	-
Net debt excluding IFRS 16 lease liabilities- continuing activities	(16,302)	(12,685)

## Notes relating to the consolidated financial statements

### 30. DISCONTINUED OPERATIONS

The Consolidated Income statement reflects the profit after taxation of the Machine Tool Division as “discontinued operations”. The consolidated Statement of Financial Position reflects the entities to be sold as “Assets held for sale” and “liabilities held for sale”.

#### Assets and liabilities held for sale detail:

	Held for sale as at 31 March 2022 \$000
<b>Non-current assets</b>	
Property, plant and equipment	1,150
Other intangible assets	27
Right of use assets	6,722
	<b>7,899</b>
<b>Current assets</b>	
Inventories	13,929
Trade and other receivables	6,025
Deferred tax assets	3,017
Cash and cash equivalents	1,084
	<b>24,055</b>
<b>Total assets</b>	<b>31,954</b>
<b>Non-current liabilities</b>	
Employee benefits	(837)
Loans and other borrowings	(1,585)
Lease liabilities	(6,294)
	<b>(8,716)</b>
<b>Current liabilities</b>	
Trade and other payables	(4,845)
Taxation	1
Provisions	(21)
Loans and other borrowings	(196)
	<b>(5,061)</b>
<b>Total liabilities</b>	<b>(13,777)</b>
<b>Net assets</b>	<b>18,177</b>

## Notes relating to the consolidated financial statements

### 30. DISCONTINUED OPERATIONS (CONTINUED)

#### Discontinued Operations Income Statement

	Before		After		Before	
	Adjusting	Adjusting	Adjusting	Adjusting	Adjusting	Adjusting
	Items	Items	Items	Items	Items	Items
	year	year	year	year	year	year
	ended	ended	Ended	ended	ended	ended
	31 March	31 March	31 March	31 March	31 March	31 March
	2022	2022	2022	2021	2021	2021
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Discontinued operations</b>						
<b>Revenue</b>	<b>37,024</b>	<b>-</b>	<b>37,024</b>	32,219	-	32,219
Cost of sales	(26,677)	-	(26,677)	(22,436)	-	(22,436)
<b>Gross profit</b>	<b>10,347</b>	<b>-</b>	<b>10,347</b>	9,783	-	9,783
Net operating expenses	(8,439)	(242)	(8,681)	(6,982)	452	(6,530)
<b>Operating profit/(loss)</b>	<b>1,908</b>	<b>(242)</b>	<b>1,666</b>	2,801	452	3,253
Financial expense	(316)	-	(316)	(344)	-	(344)
<b>Profit before tax</b>	<b>1,592</b>	<b>(242)</b>	<b>1,350</b>	2,457	452	2,909
Income tax (charge)	(565)	-	(565)	(1,280)	-	(1,280)
<b>Profit/(loss) for the period on discontinued activities</b>	<b>1,027</b>	<b>(242)</b>	<b>785</b>	1,177	452	1,629
Basic earnings per share - discontinued activities	<b>0.87c</b>		<b>0.67c</b>	1.00c		1.39c
Diluted earnings per share - discontinued activities	<b>0.86c</b>		<b>0.65c</b>	0.98c		1.36c
<b>Total comprehensive (expense)/ income for the period</b>						
Attributable to discontinued activities			(487)			3,533
<b>Cashflows of discontinued operations</b>						
Net cashflows from operations			116			
Cashflows from investing activities			(610)			
Cashflows from financing activities			(2,411)			

### 31. POST BALANCE SHEET EVENTS

On 5 March 2022, the 600 Group signed a contract with Timesavers Acquisitions LLC to sell its Machine Tool Division. This sale included the following legal entities: (a) Colchester GmbH, a private company with limited liability organized under the Legal Requirements of Federal Republic of Germany, (b) 600 UK Limited (registered number 144979), a private limited company organized under the Legal Requirements of England and Wales, (c) 600 Machine Tools Pty Ltd. (ACN 000161106), a proprietary company organized under the Legal Requirements of Australia, and (d) Clausing Industrial, Inc., a Delaware corporation. The price agreed for the transaction was \$21m. While the contract was signed in early March 2022, the completion date and collection of funds happened on 8 and 11 April 2022. The agreement included two escrow accounts: a Net Working Capital (NWC) escrow with the amount of \$0.25m and a Retention escrow with the amount of \$0.15m. We are currently in negotiations to finalize the final working capital.

With the contract signed before 31 March 2022 and the deal closing after this date, the accounts reflect the profitability of the Machine Tool Division as "discontinued operations". The 600 Group consolidated balance sheet reflects the entities to be sold as "Assets held for sale" and "liabilities held for sale". The sale of this division will be recognized in FY23 accounts for the price agreed plus the cash collected, plus NWC amount, once agreed, minus all the expenses and write offs related with the sold entities.

There was no adjustment for impairment to the value of the assets transferred to held for sale in the year ended 31 March 2022.

As mentioned previously in this report, with the proceeds of the sale, all debt of the 600 Group was repaid on 11 April 2022. After paying the loan notes, the HSBC loans in the UK and all remaining loans with Bank of America in the US, we are now left with a revolving credit line of \$7.5m with Bank of America.



## Company statement of financial position

### As at 31 March 2022

		As at 31 March 2022 \$'000	As at 31 March 2021 \$'000
	Notes		
<b>Non-current assets</b>			
Fixed assets		-	1
Intangible assets	3	683	661
Investments	4	13,963	11,895
		<b>14,646</b>	<b>12,557</b>
<b>Current assets</b>			
Trade and other receivables	5	25,346	48,570
Cash and cash equivalents		35	78
		<b>25,381</b>	<b>48,648</b>
<b>Total assets</b>		<b>40,027</b>	<b>61,205</b>
<b>Current liabilities</b>			
Trade and other payables	6	(376)	(15,861)
Provisions		(58)	
		<b>(434)</b>	<b>(15,861)</b>
<b>Non-current liabilities</b>			
Trade and other payables	6	(14,799)	(98)
Provisions		(24)	
		<b>(14,823)</b>	<b>(98)</b>
<b>Total liabilities</b>		<b>(15,257)</b>	<b>(15,959)</b>
<b>Net assets</b>		<b>24,770</b>	<b>45,246</b>
<b>Shareholders' equity</b>			
Called-up share capital	7	1,803	1,803
Share premium account		3,828	3,828
Equity reserve		201	201
Profit and loss account		18,938	39,414
		<b>24,770</b>	<b>45,246</b>

Included in the profit and loss account is a loss for the year of \$20.2m (prior year loss \$1.0m). The accompanying accounting policies and notes on pages 71 to 76 form part of these Financial Statements.

The financial statements on pages 71 to 76 were approved by the Board of Directors on 30 September 2022 and were signed on its behalf by:

**RUI LOPES**  
Chief Financial Officer  
30 SEPTEMBER 2022

**REGISTERED OFFICE**  
42 Berkeley Square, London  
W1J 5AW, United Kingdom

**Company statement of changes in equity**  
As at 31 March 2022

Company Number 00196730

	Ordinary share capital \$000	Share premium account \$000	Equity reserve \$000	Retained Earnings \$000	Total \$000
At 28 March 2020	<b>1,803</b>	<b>3,828</b>	<b>201</b>	<b>37,553</b>	<b>43,385</b>
Loss for the period	-	-	-	<b>(971)</b>	<b>(971)</b>
Foreign currency translation	-	-	-	<b>2,812</b>	<b>2,812</b>
Total comprehensive income	-	-	-	<b>1,841</b>	<b>1,841</b>
Credit for share-based payments	-	-	-	<b>20</b>	<b>20</b>
Total transactions with owners	-	-	-	<b>20</b>	<b>20</b>
<b>At 31 March 2021</b>	<b>1,803</b>	<b>3,828</b>	<b>201</b>	<b>39,414</b>	<b>45,246</b>
Loss for the period	-	-	-	<b>(20,180)</b>	<b>(20,180)</b>
Foreign currency translation	-	-	-	<b>(349)</b>	<b>(349)</b>
Total comprehensive income	-	-	-	<b>(20,529)</b>	<b>(20,529)</b>
Credit for share-based payments	-	-	-	<b>53</b>	<b>53</b>
Total transactions with owners	-	-	-	<b>53</b>	<b>53</b>
<b>At 31 March 2022</b>	<b>1,803</b>	<b>3,828</b>	<b>201</b>	<b>18,938</b>	<b>24,770</b>

The accompanying accounting policies and notes on pages 71 to 76 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 2022 are for the period ended 31 March 2022 and the results for 2021 are for the 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%

### TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### CURRENCY TRANSLATION

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

## Company accounting policies (continued)

### 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 2022 no provision for expected credit loss was recognised having made this assessment.

## Notes relating to the company financial statements

### 1. PERSONNEL EXPENSES

	2022 \$000	2021 \$000
Staff costs:		
– wages and salaries	509	394
– social security costs	40	45
– pension charges	12	20
– equity share options expense	-	20
	<b>561</b>	<b>479</b>

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

	2022 Number	2021 Number
Head office function	5	6

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

Details of Directors' emoluments, share option schemes and pension entitlements are given in the Personnel expenses note 5 on page 43.

### 2. DIVIDENDS

No dividends have been proposed this year or last year.

### 3. INTANGIBLE ASSETS

	IT Software \$000	Total \$000
<b>Cost</b>		
At 31 March 2021	661	661
Additions	53	53
Foreign exchange	(31)	(31)
<b>At 31 March 2022</b>	<b>683</b>	<b>683</b>
<b>Net book value</b>		
<b>At 31 March 2022</b>	<b>683</b>	<b>683</b>
At 31 March 2021	661	661

Intangible assets relates to a new ERP system which was not implemented due to Machine Tool Division sale and written off in the following year.

## Notes relating to the company financial statements (continued)

### 4. INVESTMENTS

	Shares In Group Undertakings \$000
Cost:	
<b>At 31 March 2021</b>	52,761
Additions in the period	3,224
Exchange variance	(3,233)
<b>At 31 March 2022</b>	<b>52,752</b>
Provisions	
At 31 March 2021	40,866
Exchange variance	(2,077)
<b>At 31 March 2021</b>	<b>38,789</b>
Net book values	
<b>At 31 March 2022</b>	<b>13,963</b>
<b>At 31 March 2021</b>	<b>11,895</b>

In the current year there was a transfer of Electrox shares from 600 UK to PLC at book cost.

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

The subsidiaries undertakings of The 600 Group PLC and their countries of incorporation are listed on Group note 13 Investments.

## Notes relating to the company financial statements (continued)

### 5. TRADE AND OTHER RECEIVABLES

	2022	2021
	\$000	\$000
Amounts owed by subsidiary undertakings <sup>1</sup>	24,999	48,243
Deferred tax	294	277
Other debtors	54	50
	<b>25,347</b>	<b>48,570</b>

<sup>1</sup> All inter-company loans are repayable on demand and as such are recorded at their face value.

### 6. TRADE AND OTHER PAYABLES

	2022	2021
	\$000	\$000
Current liabilities:		
Trade payables	(349)	(122)
Amounts owed to subsidiary undertakings <sup>1</sup>	(27)	(4,150)
8% loan notes	-	(11,225)
Accruals and deferred income	-	(315)
Unavoidable lease costs	(58)	(49)
	<b>(434)</b>	<b>(15,861)</b>
	2022	2021
	\$000	\$000
Non-current liabilities:		
8% loan notes	(10,717)	-
Amounts owed to subsidiary undertakings	(4,082)	-
Unavoidable lease costs	(24)	
	<b>(14,823)</b>	<b>(98)</b>

<sup>1</sup> All inter-company loans are repayable on demand and as such are recorded at their face value.

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

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

The \$10.7m (£8.1m) accounting 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 were extended in July 2021 to 14 August 2023. 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. The loan notes were repaid in full on 11 April 2022 following receipt of the proceeds from the sale of the Machine Tool Division.

#### Unavoidable lease costs

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.

## Notes relating to the company financial statements (continued)

### 7. SHARE CAPITAL

	2022	2021
	\$000	\$000
<b>Allotted, called-up and fully paid:</b>		
<b>Ordinary shares of 1p each</b>		
117,473,341 ordinary shares of 1p each on issue at start of the period (2021: 117,473,341 ordinary shares)	1,803	1,803
117,473,341 ordinary shares of 1p each on issue at end of period (2021: 117,473,341 ordinary shares of 1p)	1,803	1,803
<b>Total Allotted, called-up and fully paid at the end of period</b>	<b>1,803</b>	<b>1,803</b>

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

The Company has raised £8.5m (\$10.7m at year end rate) through the issue of loan notes. The loan notes' maturity was extended to 14 August 2023 in July 2021 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 to 14 August 2023 to subscribe for 43.95m ordinary shares of 1p each in the Company at a price of 20p per Ordinary Share. 43.95m warrants remained outstanding at the year-end. The loan notes were repaid on 11 April 2022 following the receipt of the proceeds for the Machine Tool Division sale.

### 8. CONTINGENT LIABILITIES

	2022	2021
	\$000	\$000
Bank guarantees in respect of Group undertakings	197	204

### 9. PENSION

The Company makes contributions to defined contribution schemes for certain employees. The pension contribution charge for the Company amounted to \$12k (2021: \$20k).

### 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 (2021: \$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**

### **SECRETARY**

Neil Carrick

### **REGISTERED OFFICE**

42 Berkeley Square  
London  
W1J 5AW

### **REGISTERED NUMBER**

00196730

### **REGISTRAR**

Link Group  
10<sup>th</sup> Floor  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

### **AUDITOR**

BDO LLP

### **BANKERS**

Bank of America  
HSBC Bank plc

### **Broker and Nominated Advisor**

Cenkos Securities plc

**US Headquarters**

200 S. Orange Ave, #2170  
Orlando, Florida 32081  
USA

**UK Headquarters**

600 Group PLC  
42 Berkeley Square  
London, W1J 5AW

**Contact Information**

w / [www.600group.com](http://www.600group.com)  
p / +1 407.818.1123  
e / [info@600groupinc.com](mailto:info@600groupinc.com)