Chairman's statement

"The Group continued to be affected by the global economic environment but we responded robustly, completing a strategic review and implementing a successful turnaround programme to reduce our cost base and improve the efficiency of our operations. We are now in a strong position to take advantage of the early signs of recovery in our markets."

OVERVIEW

The Group continued to be affected by the global economic environment but we responded robustly, completing a strategic review and implementing a successful turnaround programme to reduce our cost base and improve the efficiency of our operations. We are now in a strong position to take advantage of the early signs of recovery in our markets.

FINANCIAL HIGHLIGHTS

Although the second half of the year showed a relatively better performance, overall revenue for the year reduced by 40% to £45.4m (2009: £76.2m) as we selectively withdrew from low margin activities.

Full year gross margin improved significantly to 32% (2009: 27%), as a result of cost savings and the elimination of low margin product lines. Net operating expenses reduced by £8.5m to £21.4m (2009: £29.9m), including restructuring costs of £5.4m (2009: £5.2m) and goodwill impairment of £1.1m (2009: £nil).

The Group loss from operations before restructuring costs, costs in relation to closed operations, net pension credit, impairment of intangible assets and tax for the full year was £1.1m (2009: £2.2m). We are pleased to report, however, an operating profit in the second half of the year of £0.6m (2009: operating loss of £2.5m).

After a UK Pension Scheme charge of £1.9m (2009: net income of £0.3m), one off restructuring costs of £5.4m (2009: £5.2m), net pension credit and a non-cash charge for the impairment of goodwill of £1.1m, the Group loss before tax was £8.7m (2009: loss before tax of £8.0m).

FINANCING

The Group's historic low levels of borrowing have allowed us to successfully fund our turnaround strategy through a modest increase in gearing. At the year end, net borrowings were £4.3m (2009: £1.5m). The Group has bank facilities of £6.5m and the Board believes that this is sufficient for the Group's ongoing requirements, although additional funding of £2.5m is now being sought to support further development within the Group.

>> strength through leading brands and global diversification

The Board intends to invest in the Group's manufacturing base with the aim of shortening lead times for critical products and reducing supply chain costs and has negotiated a £2.5m loan with warrants to fund these investments. Details of this transaction, which requires shareholder approval at a forthcoming General Meeting, have been announced and the full circular is being posted to shareholders. Both these documents are available on the Company's website: www.600Group.com.

In accordance with FRC guidelines, the Board has assessed the Group's funding and liquidity position and concluded that the going concern basis for the preparation of its accounts continues to be appropriate.

DIVIDEND

As previously stated, any future dividend payments will be dependent upon the Group's results. Accordingly, the Board does not recommend the payment of a dividend at this time.

STRATEGY

The Group has now been positioned as a diversified engineering company with four principal areas of activity – Machine Tools, Precision Engineered Components, Laser Marking and Mechanical Handling and Waste Management – and a global distribution capability. The Board's strategy is to build the business around the Group's core strengths in its traditional markets, exploiting the streamlined business platform which has been developed through the turnaround programme.

Our focus in the forthcoming year is to build on the strong brands which the Group has in these four key areas of operation. We shall increasingly source our manufacturing requirements in Europe retaining our Asian outsourcing partners in a supporting role, with the aim of improving lead times and reducing our supply chain costs and working capital requirements.

We believe this strategy will allow us to respond to new business opportunities in a rapid and efficient manner whilst being closer to our traditional markets.

OUTLOOK

Although we remain cautious in our outlook, there are clear indications of improvements in the Group's four core business markets and this is reflected in the more recent levels of order intake. In the first quarter of the current financial year, our order intake increased by 31% compared with the previous year and the Group's order book is currently 16% higher than at the end of the corresponding period in 2009.

We now need to increase our capacity to supply and reduce our delivery lead times to take full advantage of this improvement in demand. It is our intention to progress these and other associated initiatives with funding from the proposed £2.5m loan with warrants. With these elements in place, the Board is confident that significant progress will be made as our markets recover.

MARTIN TEMPLE CBE
CHAIRMAN
3 AUGUST 2010

review of the year
corporate governance
accounts

MACHINE TOOL DIVISION

Servicing production and workshop OEMs as well as educational establishments.