600Group

Shaping the future of Industry Worldwide

We are an international group, manufacturing and marketing machine tools, machine tool accessories, lasers and other engineering products.

We operate from some 28 locations world-wide and sell our products around the world. Our international marketing and distribution network handles both Group products and those of other manufacturers.

Chairman's statement

The 600 Group PLC (the "600 Group" or the "Group") has continued to make positive progress in the implementation of its strategy, which evolved from the strategic review undertaken in 2006. There was a further improvement in our performance during the year together with additional product launches, consolidation of our North American operations and better supply chain performance.

Market conditions

Our European operations experienced significant growth during the year with our North American and South African markets continuing to improve despite the adverse impact of exchange rates and general economic conditions. The UK business showed more limited growth having benefited from a one-off contract in the previous year.

Results

Our order book increased over the year and order intake activity across the Group continued at an encouraging level particularly in North America and South Africa. Sales revenue from continuing operations increased by 4% to £78.9m (2007: £75.6m). After adjustment for the disposal of Erickson Machine Tools last year and adjusting for the impact of discontinued businesses, sales were £81.8m (2007: £75.7m) with underlying growth being 8%.

Gross profit margins improved to 30% (2007: 29%) as a result of increased production efficiencies and improved sourcing and despite an underlying increase in raw material costs. Other operating income increased by £0.5m mainly as a result of the sale of a piece of land no longer required for future growth plans. Operating expenses increased by £1.7m due to the continued investment in the Group's sales, marketing and distribution activities together with non-recurring expenses of £0.6m, principally relating to bid defence and exhibition costs.

Operating profit before net finance income and tax of £1.3m improved from a profit of £1.1m last year. Net finance income, principally due to the impact of the Group's pension scheme, increased to £2.3m from £1.8m last year resulting in profit before tax improving to £3.6m compared to a profit of £2.9m last year.

Following a review of the future opportunities for the Group in the Canadian market a decision was taken to discontinue the Group's direct operations in Canada. This resulted in the closure of parts of the Canadian business and the recognition of associated redundancy, operating losses, closure and inventory write down costs. Further costs were also incurred in relation to the closure of the French operation principally related to final closure and redundancy costs. The post tax loss relating to discontinued businesses is £2.3m (2007: losses of £0.8m).

New accounting guidance was issued in the form of IFRIC 14 which clarified that pension scheme surpluses should only be recognised if the company has an unconditional right to the surplus. This is not the case for the Group. Following these developments the IAS 19 asset of £15.6m included in 2007 has not been recognised.

Net funds at the year end were £3.2m (2007: £4.4m). Net cash outflow from operating activities was £0.9m (2007: £0.9m) and net cash outflow from investing activities, principally capital and development expenditure, was £0.5m (2007: £0.8m).

Strategy Update

Our core strategy remains to develop a customer-focused business concentrating on the North American, UK and European markets and based on our two strategic growth platforms of machine tools and laser marking, supported by our technologies business. However, the Board considers our strategy on a regular basis and, in the current economic climate, will continue to review opportunities to maximise value for shareholders.

The relationship with our Chinese partners continues to form a key part of the Group's strategy. The agreement with Chinese machine tool company, The Dalian Machine Tool Group (DMTG), to establish a 50:50 joint venture, based in Germany, to market and distribute 'Dalian' branded products across the whole of Europe is in the process of being finalised. The operation is not anticipated to have a material financial impact on 600 Group's results until the financial year commencing 29 March 2009.

On 30 January 2008 we entered into an agreement to sell certain assets in Canada to Semcan Inc. This included the property and service-related inventories. The proceeds of C$3.0m (£1.5m) were settled as to C$2.4m (£1.2m) in cash and C$0.6m (£0.3m) in the form of a promissory loan note which can be redeemed for cash on 31 January 2009. Subsequently, our US business opened a new sales office in Ontario which is focused on the 600 Solutions business. 600 Solutions delivers a broad range of high performance machine tools to Canada which will generate a commission-based revenue stream.

As part of our continuing cost reduction and cash generation initiative, on 19 May 2008, we commenced a redundancy programme of 70 employees in our North American and UK operations. It is anticipated that we will achieve annualised savings of £2.1m as a result of this reduction in our workforce at an estimated one-off cost of £0.9m. The redundancies will be completed in the first half of the current financial year. In addition, we have recently agreed terms, subject to contract, for the sale and leaseback of our properties in Colchester and Halifax.

As noted in the 2007 Annual Report and the 2008 Interim Results, the 600 Group Pension Scheme is significant in terms of its size and impact. The Group accounts for its pension arrangements in accordance with IAS 19 and this accounting is based on a series of actuarial assumptions. The 2008/9 income statement credit generated under IAS 19 is expected to reduce significantly from the £1.9m generated in 2007/8. This is because the Scheme has moved to de-risk its asset holdings, leading to lower forecast future returns and because increasing corporate bond returns will generate a higher IAS 19 income expense.

Dividend

We have previously stated that dividend payments will be related directly to our operating results. Although we have made good progress during the year, the Board does not yet consider that it is appropriate to pay a dividend.

People

In April 2007, I was appointed by the Board as a non-executive director and I succeeded Michael Wright as non-executive Chairman of the Group at the end of July last year. Tony Sweeten also retired as a director at the same time, but continues to be available to assist the Board in a consultancy capacity until 31 December 2008.

Stephen Rutherford joined the Board as a non-executive director on 1 October 2007. Stephen brings extensive international experience to the Board, particularly in the Far East.

On behalf of the Board, I should like to record our continued appreciation of the efforts of all our employees during the year.

Outlook

The medium term outlook for the Group will be dependent on the impact of any changes in our main markets as a result of financial, economic and political events. The current industry forecasts indicate that the rate of growth in the machine tool market is nearing its peak in the current cycle and has slowed in North America and the UK. However, we believe that we will continue to benefit from our investment in product development, supply chain and distribution in the more challenging market conditions and we are involved in a number of thriving sectors such as aerospace, medicine and oil & gas. Overall growth in demand for laser marking is forecast to continue although sales in North America have declined. We will continue to closely monitor the performance of our businesses as we further implement the Group's strategy.

Martin Temple
Chairman
20 June 2008

Group Chief Executive's review of operations

Overall, the year has been one of solid progress, with further success on the achievement of our strategic objectives, namely the capture of a greater share of the growing market for machine tools and laser marking. Revenue increased by 4% and underlying revenue (revenue adjusted for closed operations not treated as discontinued) increased 8% despite the weakness of the dollar and South African Rand. We continue to increase and strengthen our product offering and have made further advances in the development of our distributor base across our target markets. In addition, we have continued to develop and deepen our relationship with our manufacturing partners, especially in China.

In spite of our heavy investments across several fronts, we have remained cash positive at 29 March 2008 and we are continually evaluating our operational effectiveness to ensure we maximise profitability.

Market Background

There are clear signals that the global market for machine tools is now approaching its peak within the current cycle; growth in consumption remains in the low cost economies of the Far East, especially China, but even this is now starting to moderate. During the year, and for the time being, activity levels remain strong in Western Europe, especially Germany. From a small base, Eastern Europe also continues to grow. However, activity levels have definitely slowed in both the UK and North America. In particular, we have noticed that many smaller customers, albeit busy in terms of current activity, are both reluctant to spend on capital items and are also finding credit availability increasingly difficult. Nevertheless, we are involved in several thriving sectors of the market such as aerospace, medicine and oil & gas.

Within the laser marking market, most regions of the world continue to show good growth. However, our largest market, the USA, has slowed significantly as customers postpone the acquisition of what can still be seen as a discretionary purchase.

Despite political uncertainty, volatility, weakness of the rand and power outages, South Africa continues to invest strongly in its infrastructure which means further opportunities for our business.

Strategic Development

As commented upon in the Chairman's Statement, we continue our strategy of developing a customer focused business concentrating on the North American, UK and Continental European markets and based on our two strategic growth platforms of machine tools and laser marking, supported by our accessories business. Our unique three-pronged approach to selling machine tools is standing us in good stead as the rate of growth in the market appears to be slowing.

We are in the process of finalising a joint venture agreement with our Chinese partner, DMTG, for the sale of their Dalian branded products across Europe.

In North America, we continue to develop our capabilities as a provider of CNC machine tools, enhancing both our product offering and our distributor capabilities.

We have launched the next generation of our highly successful 'Tornado' range of CNC slant bed lathes.

We have continued the development of our unique EFT Raptor lasers which have now gained full acceptance across our key markets.

Overall our investments, in line with our strategy, have positioned our business for further growth during the coming year.

Review of operations

United Kingdom

Machine Tools

Our main manufacturing facility in Heckmondwike has continued to improve its performance both operationally and financially. Output of our high level 'Tornado' slant bed turning centres increased slightly during the year, offset by a reduction in the number of flat bed CNC 'Alpha' lathes. Delivery from China has further improved in terms of both quantity and quality and much of our product range is now in free supply for the first time in several years. At the recent 'MACH' machine tool exhibition, we presented our new, fully in-house developed twin turret, twin spindle 'TT' turning centre. This lathe represents a major step forward in our technology and was extremely well received by both our UK and overseas customers and distributors. Commercial deliveries will begin in the final quarter of this calendar year.

Our UK distribution centre has consolidated its position as one of the country's leading providers of machine tools across the full spectrum. We supply high level turnkey solutions from the likes of Toyoda Mitsui, Fuji and Fanuc through our own mid range Colchester Harrison products to the value range 'Dalian' supplied by our partner DMTG. This three-pronged strategy allows us to sell to all sectors of the market – from multi-million pound turnkey manufacturing cells within the aerospace sector down to single stand-alone machines for small machine tool job shops.

Laser Marking

Another excellent year of progress has seen the extending of our in-house developed 'Raptor' programme, using our unique EFT technology, the launch of our new electronics platform and the initial introduction of our new software package.

By global standards, the UK market for laser markers is relatively small; however, during the last two years we have built a dominant position in the UK and continue to find exciting new markets and applications for our product. Last year, we established several European distributors from our UK base and this year we have seen excellent progress and market penetration in Germany, Poland, Sweden and Ireland. During the year, we established a relationship with Han's Laser, China's largest laser manufacturer. Under the Agreement we will be able to source certain Han's Laser products, both complete systems and sub-assemblies, to enhance our product offering and also reduce our costs. Our exploration of the Chinese market has also led us to believe that certain of our own products can be viably sold into China. We will be launching our activities during the second quarter of this year.

Overall, unit sales grew by 25% during the year and we believe this momentum will be, at least, maintained during the coming year.

Machine Tool Accessories

Strengthened management during the year means that we now look forward to the development of the Pratt Burnerd International (PBI) and Crawford Collets with particular optimism. As we improve our manufacturing capability we more profitably exploit the increasing number of orders we are obtaining for this business. We are outsourcing the production of more of our standard range of smaller chucks and collets which will allow us to concentrate on manufacturing more of the high value specially customised products for industries such as oil and gas, aerospace and automotive.

Gamet Bearings, our specialist high precision taper roller bearing manufacturing facility in Colchester, has had an exceptionally strong year. Improvements to our manufacturing process have allowed us to increase production by about 25% but this is still barely keeping pace with the increase in orders we are receiving quite literally from across the globe.

Germany

Our German operation Parat, based in Stuttgart has developed a strong momentum during the year. Overall sales have grown by 35% and we have seen excellent progress in the sale of our own Colchester-Harrison products. The bi-annual 'EMO' exhibition, the world's largest machine tool show, was held in Hanover in September 2007. For The 600 Group this was the best and biggest ever. In total we had 5 stands, all of which successfully attracted new leads and customers. EMO also saw the official launch of the Dalian brand, a collaboration between DMTG, China's largest machine tool manufacturer, and us. The impressive stand and range of machinery certainly made a major impact on the global machine tool industry. Our own collaboration with DMTG is being cemented through the formation of a 50/50 Joint Venture (JV). Based in Germany, the JV will market 'Dalian' branded products across both eastern and western mainland Europe. The body of this agreement has already been signed, premises identified and the final legal agreement will be signed during the next few weeks. In the meantime, significant distributor and customer interest has been generated and Dalian products are already being sold across Europe through our German operation.

North America

Machine Tools

Against a challenging economic background and a machine tool market which declined in 2007/8, we have seen sales growth in local currency terms. Our improved market penetration is due to the expansion and improvement in our product ranges, both CNC machines and conventional and also the continued growth in our distributor base. Our overall financial performance in the US has been impacted by both lack of product availability and additional rectification costs on imported product. Both of these are expected to improve during the current financial year. In order to further enhance our attractiveness to our customers and distributors, we are investing in new IT systems which will allow us, from the second half of this year, to offer online spare parts ordering.

Group Chief Executive's review of operations (continued)

As reported in our January 2008 Interim Management Statement, we disposed of our Canadian distributor business to Semcan Inc. An excellent transition has allowed us to continue to serve the Canadian market, albeit more cost effectively. We have retained our own operation to sell the high value 'Solutions' machines such as Toyoda Mitsui, Fuji and Enshu and see excellent prospects for this business.

We continue to refine and enhance our product range and build up our distributor base and are, therefore, confident that despite the very challenging market environment, we will see improved market penetration and profitability during the coming year.

Laser Marking
Traditionally, the USA has been Electrox's single largest market – globally it is also our largest addressable market. We have substantially enhanced our capability with the establishment of regional sales and application offices. Unfortunately, the weakening US economic climate impacted this business during the second half of the year with many customers postponing purchase decisions on a product that can still be viewed as discretionary. Nevertheless, with our new products now being released, we believe that not only are we well placed from a technology standpoint, but also in terms of competitiveness to make further real gains in the year ahead.

Machine Tool Accessories – PBA
Our Pratt Burnerd Americas (PBA) business has seen an exceptionally good performance during the year. Excellent availability, customer service and quality mean that we continue to make real market share gains in this market. Additionally, the business benefited from a one-off order for the refurbishment of a large OEM plant. The introduction of a 'value' range of products during this year will further broaden our range. The close relationship with PBI in the UK allows PBA to quote and win many high-value customised projects, especially in the booming oil and gas sector.

South Africa

We continue to grow our South African business, which is focused on infrastructure, through our continually expanding product range and excellent levels of customer service. This has been achieved despite ongoing political and economic uncertainty, power outages and a volatile currency. All indicators suggest that this positive situation will continue until at least 2010. The only negative for us is the decline in value of the Rand which, when translated to sterling, reduced the profit contribution.

Australia

This market remains a challenge for us although the business is a small part of our Group. We have enhanced our product offering and continue to rationalise our operations to extract the best possible returns.

Corporate Social Responsibility

The Group remains highly sensitive to its responsibilities to its own employees, the wider community and the environment.

We have recently commissioned a risk survey across all our key facilities. The results of this are currently being analysed by management and any areas or operations not fully complying with the latest guidelines will establish corrective action plans.

Our key operations conform to the ISO9001 Quality Standard. During the coming year, we will evaluate the possibility of moving to the Environmental Quality Standard ISO14001 where appropriate.

Each of our operations is encouraged to play a fully supportive role within its own local community.

Outlook

Despite the overall more challenging economic environment, we started the current year with a healthy order book, including a major aerospace contract, and our order levels have remained reasonable during the first two months of the current year. We believe we will continue to make progress during the coming months, as we benefit from our recent investments in product development, supply chain and distribution and our continuing cost reduction programme. We will also continue to evaluate our portfolio of businesses to ensure that each one is capable of delivering appropriate returns to our shareholders within a reasonable time frame.

Andrew J Dick
Group Chief Executive
20 June 2008

Financial review

Accounting policies

The Group's results for the period to 29 March 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and the results for the parent company have been consistently prepared in accordance with UK GAAP.

Results

Revenue from continuing operations increased by £3.3m from £75.6m to £78.9m. Analysis of revenue by destination reflects an increased level of sales revenue in our European and South African operations, with our North American operations being generally stable. Our United Kingdom revenue in 2007 included the benefit of a one off contract with Airbus and, excluding this contract, revenue was also stable.

The operating profit before tax and net finance income improved from a profit of £1.1m to a profit of £1.3m. The increase in revenue and cost reduction initiatives resulted in an additional gross profit of £1.5m. Operating income included a profit of £0.4m, generated from the sale of surplus land at the Group's Letchworth site. This was partially offset by an increase in sales, marketing and distribution costs to support our continued organic growth. Non-recurring expenses of £0.6m were incurred in relation to an exhibition in Germany, the unsolicited approach from Precision Technologies Group and the introduction of a new management incentive scheme.

Net financial income increased by £0.5m principally as a result of the increased expected return on the Group's employee benefit schemes (note 5).

The resulting profit before tax was £3.6m compared with a profit last year of £2.9m. Taxation of £1.0m (2007: £0.7m) was charged in the period and this primarily related to overseas and deferred tax. There was a post tax loss in respect of discontinued businesses, which mainly related to the closure of the French and parts of the Canadian operations of £2.3m (2007: £0.8m), resulting in a profit after tax of £0.2m for the period compared to a profit of £1.4m in 2007.

Net assets decreased by £1.1m (2007: £1.7m) to £38.4m (2007: £39.5m). Property, plant and equipment reduced by £0.4m (2007: reduction of £1.2m), intangible assets increased by £0.6m (2007: increase of £0.4m) and inventory increased by £2.1m (2007: increase of £1.2m). Deferred tax assets increased by a net £0.6m (2007: increase of £2.5m), principally as a result of the increase in overseas tax losses. In addition, there was a net decrease in trade and other receivables/payables of £2.8m (2007: increase £0.1m).

Net funds decreased during the period by £1.2m (2007: decrease £1.4m), resulting in net funds at the period end of £3.2m (2007: £4.4m). This decrease was primarily due to a cash outflow from operating activities of £0.9m (2007: £0.9m outflow) and a cash outflow from investing activities of £0.5m (2006: £0.8m).

Employee Benefits

As noted in the 2007 Annual Report and the September 2007 Interim Management Report the 600 Group Pension Scheme is significant in terms of its size and impact. The Group accounts for its pension arrangements in accordance with IAS 19. This accounting is based on a series of actuarial assumptions. There have been three significant developments in this area in the period.

An updated actuarial valuation has been produced which demonstrated that the funding position of the Scheme at 31 March 2007 was neutral, the Scheme being in neither a surplus or deficit position. In addition, further new accounting guidance was issued in the form of IFRIC 14 which clarified that pension scheme surpluses should only be recognised if the company has an unconditional right to the surplus – this is not the case. As a result of this, the Group has decided to adopt the principles of IFRIC 14 in its financial statements and has restated the prior year. The impact of this is that the pension surplus of £27.0m at 29 March 2008 is not recognised as a plan asset because the Group does not have an unconditional right to the use of this surplus. In accordance with IFRIC 14, an initial adjustment of £5.2m has been made to retained earnings at 1 April 2006.

The third development relates to the future income statement credit that IAS 19 is expected to generate. This amount, which equated to £1.9m in 2007/08, is expected to reduce significantly for 2008/09 as the Scheme has moved to derisk its asset holdings, thereby lowering forecast future returns and as returns on corporate bonds have increased, which will generate a higher IAS income expense.

Financial review (continued)

Full details of all the Group's employee benefit schemes are shown in note 28 to the accounts but, in summary, the Group operates three defined benefit schemes which are based in the UK and US. The main UK fund, The 600 Group Pension Scheme, is significant in terms of size and impact. The Group accounts for pensions in accordance with IAS 19 "Employee benefits," which requires recognition of the pension scheme deficits or surpluses, subject to recoverability tests, on the balance sheet and recognition of service costs, interest cost and expected return on assets for the period as charges/credits to the income statement.

Treasury

The Group operates a centrally controlled treasury function for all UK foreign exchange dealings. Group guidelines do not permit speculative transactions in the normal course of business and exposure to movements in exchange rates on transactions is minimised, using forward foreign exchange contracts.

Arrangements for borrowing facilities are approved centrally and managed centrally for the UK operations and locally for overseas companies.

Further exposure to transaction risks arising from exchange fluctuations is minimised by matching foreign currency dealings as closely as possible throughout the Group. With the increasingly global nature of the machine tool industry, the Group now purchases and sells in a range of major foreign currencies.

Principal risks

Risk management is embedded in the Group's internal control processes throughout the year and also as part of the year end reporting procedure.

The major risk categories, together with examples, are considered to be:

- strategic e.g. reputation, distribution network degradation, product obsolescence, agency agreements for factored products, exchange rate movements, low cost competition, short-term customer confidence levels;
- operational e.g. inventory valuation – there is a risk that an element of the inventory of the Group is not realisable as the global machine tool market approaches maturity. Development expenditure – there is a risk that the full carrying value of the intangible asset is not recoverable if a downturn in trading occurs. Other risks include supply chains, product failure, loss of key personnel;
- financial e.g. major contract management, inventory control, credit control, pension scheme funding; and
- hazard/health and safety/product liability.

These risks are identified and managed through a regular dialogue and internal reporting procedures in place between the Group Chief Executive and each business unit Managing Director or General Manager. These risks are closely monitored and discussed with each business unit and appropriate safeguards put in place where possible.

Key performance indicators

The Group's key financial objectives that the directors judge to be effective in measuring the delivery of their strategies and managing the business concentrate at the Group level on profit, together with its associated earnings per share, forward order book and net cash. At the business unit level, they include return on net assets and customer related performance measures.

These key performance indicators are measured and reviewed on a regular basis and enable the business to set and communicate its performance targets and monitor its performance against these targets.

Key financial performance indicators constantly under review include:

- Revenue growth
- Return on sales
- Cash generation
- Gross profit percentage
- Operating profit percentage

Martyn Wakeman
Group Finance Director
20 June 2008

Directors

Martin John Temple*

A non-executive director since 1 April 2007 and chairman since 1 August 2007. Chairman of the Engineering Employers' Federation ("EEF"), and Chair, BSSP Transition Management Board, Department for Business, Enterprise and regulatory Reform. He has formerly held senior management positions in British Steel.

Jonathan Aistrope Kitchen*

A non-executive director since 1 July 1998. Vice Chairman and Chairman of the Audit Committee with effect from 6 September 2000 and senior independent director with effect from 8 September 2004. Chairman of The 600 Group Pension Trustees Limited with effect from 20 July 2000. Formerly a director of Lazard Brothers & Co., Limited with executive responsibilities within the corporate finance division.

Andrew James Dick

Group Chief Executive since 1 January 2006. Appointed to the board as Group Managing Director on 18 April 2005. Formerly Chief Executive of Yorkshire Group Plc.

Martyn Gordon David Wakeman

Group Finance Director since 21 December 2006. Appointed to the board on 2 October 2006. Formerly UK Chief Financial Officer of ASSA ABLOY AB.

Stephen John Rutherford*

A non-executive Director since 1 October 2007. A director of QED Consulting Limited.

*Non-executive director, member of the Audit Committee and member of the Remuneration Committee.

Corporate information

Secretary

Alan Roy Myers

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Leeds
LS11 8JT

Registered number

196730

Registrars

Capita Registrars

Auditors

KPMG Audit Plc

Bankers

HSBC Bank plc

Stockbrokers

Altium Capital Limited

Shareholder information

Financial Calendar

Period ending 29 March 2008

Annual General Meeting	To be held 24 October 2008

Period ending 28 March 2009

Interim Report	Issued mid-November 2008
Results for the year	Announced June 2009
Report and Accounts	Issued July 2009

Report of the directors

The directors present their report to the members, together with the audited financial statements for the period ended 29 March 2008, which should be read in conjunction with the statement by the Chairman on the affairs of the Group (pages 4 to 5), the Group Chief Executive's review of operations (pages 6 to 8) and the Group Finance Director's financial review (pages 9 to 10). The consolidated financial statements incorporate financial statements, prepared to the Saturday nearest to the Group's accounting reference date of 31 March, of the Company and all subsidiary undertakings ("the Group"). The results for 2008 are for the 52-week period ended 29 March 2008. The results for 2007 are for the 52-week period ended 31 March 2007.

Activities of the Group

The Group is principally engaged in the manufacture and distribution of machine tools, machine tool accessories, lasers and other engineering products.

Result

The result for the period is shown in the consolidated income statement on page 24.

Business review

A balanced and comprehensive analysis of development and performance of the Group is contained in the Chairman's statement, the Group Chief Executive's review of operations and Group Finance Director's financial review on pages 9 to 10. 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.

Employees

It is the Group's policy to employ and train disabled persons wherever their aptitudes and abilities allow and suitable vacancies are available. An employee becoming disabled would, where appropriate, be offered retraining. All employees are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers.

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

The directors consider that employees at all levels should be encouraged to identify their interests with those of the Group's shareholders and that this objective can be furthered by providing means for employees to become shareholders themselves. A Sharesave scheme was introduced during 2000 and a grant of options under the scheme was made in December 2000, with further grants of options being made in December 2003 and 2006.

Research and development

Group policy is to design and develop products that will enable it to retain and improve its market position.

Charitable and political donations

The Group made donations to charitable organisations during the period totalling £5,000 (2007: £6,210).
The Group made no political donations in the United Kingdom during the period.

Interests in share capital

At 20 June 2008, 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
M & G Investment Management	7,863,383	13.74
Gartmore Investment Management	4,952,758	8.65
Artemis Investment Management	4,135,000	7.22
Barclays Global Investors	4,127,193	7.21
Legal & General Investment Management	4,040,455	7.06
Barclays Global Investors	3,897,193	6.81
Schroder investment Management	3,671,320	6.41
Maland Pension Fund Trustees	2,000,000	3.49
Barclays Stockbrokers Limited	1,968,194	3.44

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.

Purchase of own shares

Authority granting the Company the option to purchase 8,567,526 of its own ordinary shares in accordance with the Companies Act 1985 was given by shareholders at the Annual General Meeting of the Company on 5 September 2007. This authority remains valid until the conclusion of the next Annual General Meeting on 24 October 2008.

Directors

Details of the directors of the Company at 29 March 2008 are shown on page 11. In addition to this, Professor M T Wright and A R Sweeten were directors during the year and both retired on 31 July 2007.

The directors retiring by rotation are M J Temple and M G D Wakeman, who, being eligible, offer themselves for re-election. In addition, S J Rutherford who joined the board on 1 October 2007 seeks reappointment as a Director. M G D Wakeman has a rolling service contract of six months with the company. Neither M J Temple nor S J Rutherford has a rolling service contract with the company.

The beneficial interests of the directors in the share capital of the Company at 29 March 2008 are shown in the remuneration report on pages 17 to 21.

There were no other arrangements to enable the directors to benefit from the acquisition of securities in the Company or any other relevant corporate body during the period. No director has a beneficial interest in the shares or debentures of any other Group undertaking.

Creditor payment policy

The Company does not follow a code or standard on payment practice. Payment terms are normally agreed with individual suppliers at the time of order placement and are honoured, provided that goods and services are supplied in accordance with the contractual conditions. The amount of trade creditors in the balance sheet as at the end of the financial period represents 45 days (2007: 40 days) of average purchases for the Company and 66 days (2007: 66 days) for the Group.

Post balance sheet events

There are no significant post balance events.

Market value of land and buildings

During March 2006 all of the Group's properties were revalued by independent valuers and the directors believe that these valuations are appropriate at 29 March 2008.

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 24 to the financial statements.

Corporate governance

The board's statement on corporate governance is set out on pages 14 to 16.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditors

So far as each of the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company's auditors are unaware and each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Qualifying third party indemnity

The Company has provided an indemnity for the benefit of its current directors which is a qualifying third party indemnity provision for the purpose of the Companies Act 1985.

By order of the board
Alan Myers
Secretary
20 June 2008

Corporate governance

Other than as indicated below, the board considers that the Company has complied throughout the period with the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 (the Combined Code). Compliance with the provisions of the Combined Code relating to directors' remuneration is covered by the remuneration report on pages 17 to 21.

The Company did not comply for the whole year with the following provisions of the Combined Code:

- that the board, excluding the Chairman, should comprise at least two independent non-executive directors;
- that the audit committee should comprise at least two independent non-executive directors;
- that the remuneration committee should comprise at least two independent non-executive directors;
- that the Chairman, who is not deemed to be independent, served on both the audit committee and the remuneration committee.

In addition, during the year, the board did not comply with the requirement to undertake an annual evaluation of its performance and that of its committees and individual directors.

The following relates to the Company's application during the period to 29 March 2008 of the principles and detailed provisions of the Combined Code.

Board of directors

During the year, the board was broadly balanced with the non-executive Chairman supported by a non-executive Vice Chairman, one other non-executive director and two executive directors. The director recognised as the senior independent director for the purposes of the Combined Code is J A Kitchen. Professor M T Wright and A R Sweeten retired as directors on 31 July 2007.

The board of directors met ten times during the year. J A Kitchen, A J Dick and M G D Wakeman attended all meetings. M J Temple attended eight meetings, S J Rutherford attended four meetings, Professor Wright and A R Sweeten attended three meetings. The board retains full and effective control over the Group and is responsible for overall Group strategy and management, acquisition and divestment policies, internal control, control of major capital expenditure projects and significant financing matters. It also reviews annual budgets and the progress towards achievement of those budgets. A schedule of matters specifically reserved for the board's decision has been agreed.

All directors are subject to election by shareholders at the first opportunity after their appointment and to re-election at regular intervals and at least every three years.

All directors have access to the advice and services of the Company Secretary.

Board committees

The board has delegated specific responsibility to two committees, each with defined terms of reference. Minutes of their meetings are circulated to and reviewed by the board.

The Audit Committee consists of all the non-executive directors and is chaired by J A Kitchen (who the board considers has recent and relevant financial experience). It met twice during the year, with the Group Chief Executive, Group Finance Director, and representatives of the external auditors in attendance. It reviewed the interim and final financial statements and considered the Annual Report and Accounts before submission to the board for approval, the appointment of the external auditors, the scope of the audit and matters arising from the audit and internal control procedures. During the year all members attended all meetings of the committee. There is provision for the committee to meet with the auditors without the attendance of the executive directors.

The Remuneration Committee consists of all the non-executive directors and is chaired by J A Kitchen. It determines the terms and conditions of employment for executive directors and agrees the parameters of remuneration for the senior management. There were six meetings during the year. The Remuneration Committee also functions as the Nomination Committee.

Owing to the size of the board, it is not considered necessary for the board to have a separate Nomination Committee.

Internal control

The directors have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The board monitors the effectiveness of the systems of internal control principally through the regular review of financial information and the work of the Audit Committee.

Operational and compliance controls and risk management are part of the Group's basis of operation.

The board has established key principles of Corporate Governance for the Group. These include:

- an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The process is reviewed regularly by the board and accords with the requirements of the Combined Code; and
- a comprehensive financial reporting structure, including a detailed formal budgeting process for all Group businesses which culminates in an annual Group budget which is approved by the board.

The board has reviewed the effectiveness of the system of internal control. The major elements of the system and the process of review are as follows:

- an organisational structure with clearly defined lines of responsibility and delegation of authority to executive management;
- a comprehensive framework for planning, budgeting and reporting the performance of the Group's operating units. Monthly results are reported against budget and forecasts (which are regularly revised);
- defined policies and minimum financial controls and procedures at each operating unit;
- prescribed procedures for capital expenditure applications;
- confirmation by operating unit senior managers of compliance with the Group's procedures (regular internal control reviews are also carried out by Group finance staff); and
- the identification and appraisal of risks during the annual process of preparing business plans and detailed budgets and their regular review during the year.

Internal audit

Head office staff perform control review visits to all locations on a cyclical basis. The results of these reviews are reported to the Audit Committee.

Relations with the auditors

During the year the auditors provided tax and other non-audit advice to the Company and its subsidiaries. The board has considered the effect on the independence of the auditors and concluded that their provision of non-audit services was the most cost-effective way of obtaining appropriate advice without a serious risk of compromising the independence of the auditors. The Audit Committee monitors the scope of the auditors' work.

Relations with shareholders

The Company carries out a regular dialogue with its institutional shareholders while having regard to UK Listing Authority guidance on the release of price sensitive information. Full use is made of the Annual General Meeting and the Company's web site to communicate with private investors. The results of proxy votes are declared at the Annual General Meeting after each resolution has been dealt with on a show of hands.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Corporate governance (continued)

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The directors are confident, after making appropriate enquiries, that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

By order of the board

Alan Myers
Secretary
20 June 2008

Remuneration report

Introduction

This report has been prepared in accordance with Section 234B of the Companies Act 1985 as amended by the Directors'' Remuneration Report Regulations 2002. The report is divided into two sections, unaudited and audited information, in accordance with Schedule 7A of the Companies Act 1985. The audited information starts on page 20.

The Remuneration Committee

The Remuneration Committee ("the Committee") is responsible for determining the salary and benefits of executive directors. It currently consists of three non-executive directors. The members of the Committee during the year have been:

J A Kitchen	(Committee Chairman)
M T Wright	(until 31 July 2007)
A R Sweeten	(until 31 July 2007)
S J Rutherford	(appointed 1 October 2007)
M J Temple	(appointed 1 August 2007)

The Committee held six meetings during the year. The most significant matters discussed by the Committee at its formal meetings this year were:

(a) ensuring more clarity on how the discretionary bonus scheme works; and

(b) the introduction of a new performance share plan.

Committee's advisers

During the year, PricewaterhouseCoopers LLP acted as independent advisors to the Committee and provided services relating to reviewing the parameters of the current discretionary bonus scheme and the design of the new performance share plan. PricewaterhouseCoopers LLP has provided other consultancy services to the Company.

In addition to PricewaterhouseCoopers LLP, the following people provided material advice or services to the Committee during the year:

A J Dick	Group Chief Executive
M G D Wakeman	Group Finance Director

No executive was present when his or own remuneration arrangements were being discussed.

During the year, the Committee appointed and received survey information from PricewaterhouseCoopers LLP and Independent Remuneration Solutions.

Executive directors' remuneration

Policy - The Company aims to attract, motivate and retain the most able executives in the industry by ensuring that the executive directors are fairly rewarded for their individual contributions to the Group's overall performance, to the interests of the shareholders and to the ongoing financial and commercial health of the Group. To date, the Company has not operated any long term incentive arrangements in which executive directors and senior management participate. The Committee feels that including equity incentives in the total remuneration package encourages alignment of the interests of the executive directors and senior management with those of the shareholders. The Company's strategy is to reward executive directors and key senior employees on both a long term and short term basis.

Salaries - Salaries are established on the basis of market comparisons with positions of similar responsibility and scope in companies of a similar size in comparable industries. The Committee uses annual surveys conducted by external remuneration consultants as its source of market information. Individual salaries of directors are reviewed annually by the Committee and adjusted by reference to individual performance and market factors. With the approval of the Chairman, executive directors may take up appointments as non-executive directors and retain payments from sources outside the Group, provided that there is no conflict of interest with their duties and responsibilities with the Group.

Bonus scheme - Executive directors participate in a discretionary bonus scheme that is linked to the achievement of annual financial and personal performance targets. The accounts disclose bonuses in respect of the period to 29 March 2008.

The Committee has sought to give participants in the discretionary bonus scheme more clarity on how the scheme works by setting out clear objectives for future years.

The maximum annual cash bonus opportunity for the executive directors for the period to 29 March 2008 was 75 per cent of base salary. The maximum 75 per cent entitlement was divided into four parts which are each subject to different performance targets:

(i) overall Group performance based on sales, operating profit and cash flow (maximum 50 per cent);

(ii) personal objectives (maximum 5 per cent);

(iii) ability to pay dividends (maximum 10 per cent); and

(iv) discretionary (maximum 10 per cent).

In subsequent years the maximum bonus level will reduce to 50 per cent of the base salary of executive directors.

Remuneration report (continued)

Long-term incentive plans - The 600 Group PLC 2008 Performance Share plan ("the PSP")

In formulating the new PSP, the Committee aimed to achieve a clear and demonstrable link between executive performance and executive reward such that the arrangements only provide significant rewards for the achievement of stretching performance targets.

The PSP was approved by shareholders at an Extraordinary General Meeting held on 29 February 2008 and provides for the award of both "nil cost" (or nominal cost) share options and contingent share options (together referred to as "awards") to executive directors and other senior employees who are selected to participate. The first awards under the PSP were made on 31 March 2008 and do not therefore feature in the audited part of this year's remuneration report. Initial awards of 150% of salary were made to the executive directors and 75% of salary to those senior employees selected to participate. In future years, the Committee expects the award level for executive directors to be 75% of salary.

At the time of making an award the Committee will set performance targets which must be satisfied before the award can vest. Such targets will normally be measured over a three year period. The targets for the first awards made on 31 March 2008 have been set after consideration of the current economic circumstances of the Company and expectations of the future. The Committee may set different targets for awards in future years, having regard to the prevailing business and economic conditions at the time. This is to ensure that performance targets continue to be demanding and stretching.

The performance conditions and vesting schedule attaching to the PSP awards made on 31 March 2008 are set out in the table below.

TSR (40% of full award)		EPS (60% of full award)		**TOTAL VESTING**
TSR target	Total award vesting	EPS target	Total award vesting	
<median	0%	<3p	0%	0%
median	10%	3p	15%	25%
top quartile	40%	4.5p	60%	100%

The TSR comparator group is the constituent companies of the FTSE SmallCap Index (excluding investment companies).

The EPS target is measured excluding net pension finance charges and credits. Notwithstanding that the EPS targets may have been satisfied (in whole or in part), the Committee retains the discretion in respect of the first awards under the PSP to resolve that no part (or a reduced part) of the EPS element of the award will vest unless the Company's share price has, in the absolute discretion of the Committee, reached an acceptable level for an acceptable period of time during the performance period. The level of target has been set and communicated to participants but will not be divulged until the end of the performance period. No re-testing of the performance targets will occur.

Group Sharesave - Executive directors are entitled to participate in the Group's Sharesave scheme.

Benefits in kind - Executive directors have the following benefits in kind:

- fully expensed motor car;
- medical insurance for self and family;
- permanent health insurance; and
- personal accident insurance.

Pensions - The company operates a defined benefit pension scheme in which UK based executive directors may participate. This has an accrual rate of 1/80th for each completed year of employment, providing a maximum benefit upon retirement of two-thirds final salary. The contribution rate for individuals is 8.5%. Only base salaries are pensionable. The contribution rate for the Company is 8.5%.

Service contracts - Each executive director has a service contract with a notice period of six months. In the event of there being a change of control of the Company within the meaning of Section 840 of the Income and Corporation Taxes Act 1988, both notice periods are increased to 12 months. Neither contract has a specific termination provision. A J Dick's service contract is dated 18 April 2005 and M G D Wakeman's service contract is dated 2 October 2006. In the case of early termination, the Company would negotiate compensation on an individual basis taking into account salary and other benefits as set out in the audited part of this report and the six month notice period.

Non-executive directors' remuneration

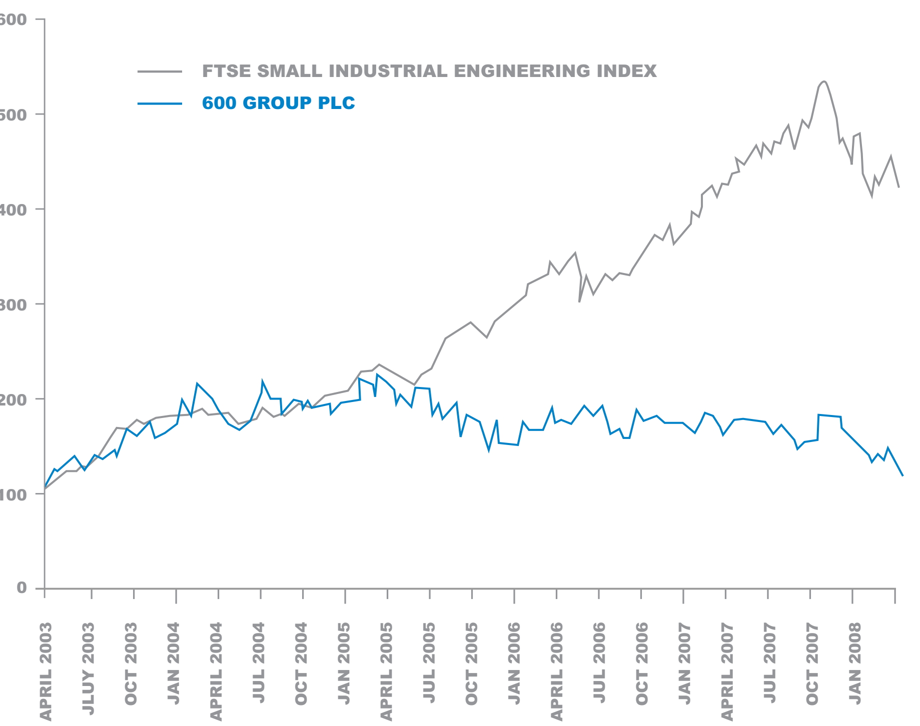
Fees for non-executive directors are determined by the board on the basis of market comparisons with positions of similar responsibilities and scope in companies of a similar size in comparable industries.

Non-executive directors do not have contracts of service, are not eligible for pension scheme contributory membership and do not participate in any of the Group's bonus, share option or incentive schemes.

Five year total shareholder return

This graph shows the total shareholder return (TSR) of the Company from 1 April 2003 to 29 March 2008 compared with the FTSE All Share Industrial Engineering Index, rebased to 100. The TSR is defined as share price growth plus dividends reinvested. As the Company is a constituent of this index, the board considers that this is the most appropriate index against which the TSR of the Company should be measured.

600 Group Plc : 5 Year Total Shareholder Return



Remuneration report (continued)

Directors' interests in shares

The interests of directors holding office at 31 March 2007 were as follows:

	At 28.3.08	At 31.3.07
M J Temple	20,000	-
A J Dick	35,481	35,481
M G D Wakeman	-	-
J A Kitchen	17,000	17,000
S J Rutherford	20,000	-

There were no changes in the beneficial interests of the directors between 29 March 2008 and 20 June 2008. There were no non-beneficial interests.

Audited information

Directors' emoluments

	Salary £	Fees £	Discretionary bonus £	All benefits in kind £	**Total 2008 £**	Total 2007 £
Chairman						
M J Temple	-	51,667	-	-	**51,667**	-
Professor M T Wright *	-	30,000	-	14,143	**44,143**	98,272
Executive directors						
A J Dick	195,833	-	14,000	18,894	**228,727**	190,583
M G D Wakeman **	131,667	-	9,450	15,188	**156,305**	72,729
Non-executive directors						
J A Kitchen	-	39,167	-	-	**39,167**	35,000
A R Sweeten *	-	10,000	-	-	**10,000**	30,000
S J Rutherford ***	-	16,500	-	-	**16,500**	-
Total	327,500	147,334	23,450	48,225	**546,509**	551,312

* Until retirement date of 31 July 2007

** 2007 from date of appointment as a director on 2 October 2006

*** From date of appointment as a director on 1 October 2007

Directors' pension entitlements

	Accrued pension as at 31 March 2007 (1) £	Increase in accrued pension entitlement (2) £	Accrued pension as at 29 March 2008 (1) £	Transfer value of increase in accrued pension (3) £
A J Dick	3,542	2,343	5,885	9,437

1 - The pension entitlement shown is that which would be paid annually on retirement, based on service to the end of the year.

2 - The increase in accrued pension during the year excludes any increase for inflation.

3 - The transfer value has been calculated on the basis of actuarial advice, in accordance with Actuarial Guidance Note GN11, less directors' contributions.

Details of accrued pensions valued on a transfer basis as required under the 2002 Regulations are as follows:

	Transfer value of accrued rights at 31 March 2007 £	Transfer value of accrued rights at 29 March 2008 £	Increase in transfer value net of members contributions during the period £
A J Dick	34,154	64,884	15,855

The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the Scheme's liability in respect of the directors' pension benefits. They do not represent sums payable to individual directors and, therefore, cannot be added meaningfully to annual remuneration.

Pension contributions of £11,192 (2007: nil) were made by the Group in respect of M G D Wakeman into his personal pension scheme.

Directors' share options

Details of share options at 29 March 2008 and 31 March 2007, including Sharesave scheme options, for each director who held office during the year are as follows:

	Number of options at 31 March 2007	Exercised	Lapsed	Granted	**Number of options at 29 March 2008**
A J Dick	17,500	-	-	-	17,500
M G D Wakeman	21,875	-	-	-	21,875

Held under The 600 Group PLC 2000 Sharesave scheme.

There are no performance criteria for The 600 Group PLC 2000 Sharesave scheme.

The share price at 29 March 2008 was 38p and the highest and lowest prices during the period were 57.5p and 38p, respectively.

By order of the board

Alan Myers
Secretary
20 June 2008

Independent auditors' report to the members of The 600 Group PLC

We have audited the Group and parent company financial statements (the ''financial statements'') of The 600 Group PLC for the period ended 29 March 2008 which comprise the Consolidated income statement, the Consolidated and Company Balance sheets, the Consolidated cash flow statement, the Consolidated statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 15.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement, the Group Chief Executive's review of operations and the Group Finance Director's financial review that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and Accounts and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 29 March 2008 and of its profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 29 March 2008;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
1 The Embankment, Neville Street, Leeds
Chartered Accountants
Registered Auditor
20 June 2008

Consolidated income statement

	Notes	52-week period ended 29 March 2008 £000	52-week period ended 31 March 2007 £000
Revenue	1	**78,878**	75,649
Cost of sales		**(55,196)**	(53,424)
Gross profit		**23,682**	22,225
Other operating income	2	**884**	385
Operating expenses other than cost of sales	2	**(23,218)**	(21,491)
Operating profit	3	**1,348**	1,119
Financial income	5	**11,306**	10,373
Financial expense	5	**(9,042)**	(8,561)
Profit before tax		**3,612**	2,931
Income tax charge	6	**(1,034)**	(696)
Profit for the period from continuing operations		**2,578**	2,235
Post tax loss of discontinued business	1	**(2,332)**	(794)
Total profit for the financial period		**246**	1,441
Attributable to:			
Equity holders of the parent		**129**	1,382
Minority interest	21	**117**	59
Profit for the period		**246**	1,441
Basic earnings per share	8		
- continuing operations		4.3p	3.8p
- total		0.2p	2.4p
Diluted earnings per share	8		
- continuing operations		4.2p	3.7p
- total		0.2p	2.4p

Consolidated statement of recognised income and expense

	Notes	52-week period ended 29 March 2008 £000	52-week period ended 31 March 2007 Restated (Note 28) £000
Foreign exchange translation differences		**307**	(1,241)
Net actuarial gains on employee benefit schemes	28	**8,841**	5,375
Impact of changes to defined benefit asset limit	28	**(11,430)**	(8,170)
Deferred taxation on above items	12	**780**	760
Net income recognised directly in equity		**(1,502)**	(3,276)
Profit for the period		**246**	1,441
Total recognised income and expense for the period	21	**(1,256)**	(1,835)
Attributable to:			
Equity holders of the parent	21	**(1,330)**	(1,789)
Minority interest	21	**74**	(46)
Total recognised income and expense for the period		**(1,256)**	(1,835)
Effect of change in accounting policy			
Effect of adopting principles of IFRIC 14		**(10,899)**	
Attributable to:			
Equity holders of the parent		**(10,899)**	
Minority interests		**-**	
		(10,899)	

Consolidated balance sheet

	Notes	At 29 March 2008 £000	At 31 March 2007 Restated (Note 28) £000
Non-current assets			
Property, plant and equipment	10	**12,603**	13,034
Intangible assets	11	**3,018**	2,433
Deferred tax assets	12	**1,605**	1,190
		17,226	16,657
Current assets			
Inventories	13	**24,421**	22,307
Trade and other receivables	14	**19,015**	19,479
Cash and cash equivalents	15	**3,297**	6,944
		46,733	48,730
Total assets		**63,959**	65,387
Non-current liabilities			
Employee benefits	28	**(2,965)**	(2,915)
Deferred tax liabilities	12	**(1,479)**	(1,702)
		(4,444)	(4,617)
Current liabilities			
Trade and other payables	17	**(20,561)**	(18,227)
Income tax payable		**(100)**	(80)
Provisions	18	**(370)**	(417)
Loans and other borrowings	16	**(131)**	(2,547)
		(21,162)	(21,271)
Total liabilities		**(25,606)**	(25,888)
Net assets		**38,353**	39,499
Shareholders' equity			
Called-up share capital	21	**14,308**	14,287
Share premium account	21	**13,766**	13,747
Revaluation reserve	21	**2,765**	3,148
Capital redemption reserve	21	**2,500**	2,500
Translation reserve	21	**113**	(172)
Retained earnings	21	**4,480**	5,642
Total equity attributable to equity holders of the parent		**37,932**	39,152
Minority interest	21	**421**	347
Total equity	21	**38,353**	39,499

The financial statements on pages 24 to 58 were approved by the board of directors on 20 June 2008 and were signed on its behalf by **Martyn Wakeman**, Group Finance Director.

Consolidated cash flow statement

	Notes	52-week period ended 29 March 2008 £000	52-week period ended 31 March 2007 £000
Cash flows from operating activities			
Profit for the period		**246**	1,441
Adjustments for:			
Amortisation of development expenditure		**286**	120
Depreciation		**1,033**	1,218
Impairment of goodwill		**-**	24
Net financial income		**(2,264)**	(1,812)
(Loss)/Profit on disposal of plant and equipment		**(173)**	40
Equity share option expense		**70**	14
Income tax expense		**81**	696
Operating cash flow before changes in working capital and provisions		**(721)**	1,741
Decrease/(increase) in trade and other receivables		**699**	(4,602)
Increase in inventories		**(2,506)**	(2,433)
Increase in trade and other payables		**1,885**	4,650
Increase in employee benefits		**151**	30
Cash generated from the operations		**(492)**	(614)
Interest paid		**(491)**	(278)
Income tax received/(paid)		**92**	(8)
Net cash flows from operating activities		**(891)**	(900)
Cash flows from investing activities			
Interest received		**106**	157
Proceeds from sale of plant and equipment		**810**	236
Purchase of plant and equipment		**(1,715)**	(680)
Development expenditure capitalised		**(876)**	(548)
Disposal of discontinued operation		**1,175**	-
Net cash flows from investing activities		**(500)**	(835)
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		**40**	142
(Repayment)/proceeds from external borrowing		**(833)**	151
Proceeds from disposal of non current asset investments		**-**	64
Net cash flows from financing activities		**(793)**	357
Net decrease in cash and cash equivalents	22	**(2,184)**	(1,378)
Cash and cash equivalents at the beginning of the period		**5,331**	6,718
Effect of exchange rate fluctuations on cash held		**150**	(9)
Cash and cash equivalents at the end of the period	15	**3,297**	5,331

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 London Stock Exchange.

The Group consolidated financial statements incorporate accounts, prepared to the Saturday nearest 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 2008 are for the 52-week period ended 29 March 2008. The results for 2007 are for the 52-week period ended 31 March 2007. The parent company financial statements present information about the Company as a separate entity and not about its group.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRSs). In the current year the Group has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendments to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see note 24). The adoption has had no impact on profit or net assets for either the current or comparative period of the Group.

The Group has adopted the principles of IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in its financial statements and has restated the prior year. As a result of applying IFRIC 14, the pension surplus of £27.0m at 29 March 2008 is not recognised as a plan asset, because the Group does not have an unconditional right to the use of this surplus. In accordance with IFRIC 14, an initial adjustment of £5.2m has been made to retained earnings at 1 April 2006. IFRIC 14 has not yet been endorsed by the EU but the principles of it have been voluntarily adopted. The adoption of the principles of IFRIC 14 has had no effect on basic or diluted EPS.

Two interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. IFRIC 8 Scope of IFRS 2 – Share-Based payment, IFRIC 10 Interim Financial Reporting and Impairment. The adoption of the relevant interpretations has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements, IFRS 8 Operating Segments and IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions were in issue and endorsed but not yet effective. The Directors note that the impact of the adoption of the Standard and Interpretation in future periods is still under consideration.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 60 to 68.

These results represent the third annual financial statements the Group has prepared in accordance with its accounting policies under adopted IFRSs.

The preparation of financial statements in conformity with adopted IFRSs require 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 29.

The following principal accounting policies have been applied consistently to all periods presented in these Group financial statements.

Basis of accounting

The financial statements are prepared under the historical cost convention except that properties and derivatives are stated at their fair value.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings. Subsidiary undertakings are those entities that are controlled by the Group. The results of any subsidiaries sold or acquired are included in the Group's income statement up to, or from, the date control passes. All intra-Group balances and transactions, including unrealised profits arising from intra-Group transactions, are eliminated fully on consolidation.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Sterling at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities are translated into Sterling at the rate of exchange ruling at the balance sheet dates. Earnings of foreign operations are translated at the average exchange rate for the period as an approximation to actual transaction date rates. Exchange rates used to express the assets and liabilities of overseas companies in Sterling are the rates ruling at the balance sheet dates. Exchange differences arising from the re-translation of the investments in overseas subsidiaries are recorded as a movement on reserves. All other exchange differences are dealt with through the income statement.

On transition to IFRS, the Group took the exemption under IFRS 1 to start the translation reserve at nil. The balance on this reserve only relates to post transition.

Revenue

Revenue represents commission on agency sales and the total of the amounts invoiced to customers outside the Group for goods supplied and services rendered, excluding VAT, and after deducting discounts allowed and credit notes issued. Revenue is recognised at the point at which goods are supplied to customers. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated completion costs, the possible return of goods or continuing management involvement with the goods.

Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular geographical segment. The Group operates in one main business segment being machine tools and equipment.

Pensions and post-retirement health benefits

The Group operates both defined benefit and defined contribution pension schemes and a retirement healthcare benefit scheme for certain of its employees in the US. The Group's net obligation in respect of the defined benefit schemes 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 discount rate for the UK schemes is based on the annualised yield on the iBoxx over 15 year AA credit rated corporate bonds. The discount rate for the retirement healthcare benefit scheme is based on a similar measure which is appropriate for the US market. The calculations are performed by a qualified Actuary using the projected unit method. Actuarial gains and losses are recognised immediately through the statement of recognised income and expense. The principles of IFRIC 14 have been adopted in the current period as described in the Basis of Preparation. The extent to which the Schemes' assets exceed the liabilities is shown as a surplus in the balance sheet to the extent that the surplus is recoverable by the Group through reductions in future contributions to the scheme.

Items recognised in the Income Statement and Statement of Recognised Income and Expense are as follows:

1. Within operating profit

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 period. To the extent that the changes to benefits vest immediately, past service costs are recognised immediately, otherwise they are recognised on a straight line basis over the vesting period; and

Gains and losses arising on settlements and curtailments – where the item that gave rise to the settlement or curtailment is recognised within operating profit.

2. Below operating profit

Interest cost on the liabilities of the scheme – calculated by reference to the scheme liabilities and discount rate at the beginning of the period and allowing for changes in liabilities during the period; and

Expected return on the assets of the scheme – calculated by reference to the scheme assets and long term expected rate of return at the beginning of the period and allowing for changes during the period.

3. Within the statement of recognised income and expense:

Actuarial gains and losses arising on the assets and liabilities of the scheme.

Any change in the unrecognised asset of the scheme due to the asset limit test.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Group accounting policies (continued)

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.

In accordance with IFRS 3 "Business combinations", goodwill has been frozen at its net book value as at the date of transition and will not be amortised. Instead it will be subject to an annual impairment review with any impairment losses being recognised immediately in the income statement.

Goodwill written off in prior years under previous UK GAAP will not be reinstated.

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 rates used are between 2 and 5 years.

Property, plant and equipment

Property, plant and equipment are held at cost, subject to triennial property revaluations, or indications of changes in fair value of properties.

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

- freehold buildings	2 to 4%
- leasehold buildings	over residual terms of the leases
- 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 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.

Trade and other receivables

Trade receivables are initially measured on the basis of their fair value and are reduced by appropriate provisions for estimated unrecoverable amounts. Trade receiveables are subsequently measured at amortised cost. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term cash deposits.

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 overdrafts which are repayable on demand and form an integral part of cash management.

Share-based payments

The cost 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 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 option-pricing model, based upon publicly available market data at the point of grant.

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 equity. 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

Assets financed by leasing arrangements, which give rights approximating to ownership, are treated as if they had been purchased outright and are capitalised and depreciated over the shorter of the estimated useful life of the assets and the period of the leases. The capital element of future rentals is treated as a liability and the interest element is charged against profits in proportion to the balances outstanding. The rental costs of all other leased assets are charged against profits on a straight-line basis.

Derivative financial instruments

The Group does not hedge account but uses derivative financial instruments to hedge its commercial exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are accounted for as trading instruments and are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, which is based on the quoted forward price.

Interest-bearing borrowings

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.

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.

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are declared.

Notes relating to the consolidated financial statements

1. Segment analysis

Geographical segments

	2008 £000	2007 £000
Revenue		
United Kingdom	**46,490**	50,113
Other European countries	**8,521**	6,171
North America	**20,073**	20,721
Africa and Australasia	**13,996**	11,903
Inter-segment revenue	**(7,231)**	(9,983)
Revenue generated in period	**81,849**	78,925

	2008 £000	2007 £000
Operating (loss)/profit		
United Kingdom	**443**	678
Other European countries	**(1,002)**	(534)
North America	**(1,708)**	(56)
Africa and Australasia	**330**	237
Operating (loss)/profit in period	**(1,937)**	325

	2008 £000	2007 £000
Results of the discontinued operations		
Revenue	**2,971**	3,276
Expenses	**(5,990)**	(4,070)
Loss before tax	**(3,019)**	(794)
Tax on loss	**864**	-
Loss recognised on disposal of assets	**(266)**	-
Tax on loss	**89**	-
	(2,332)	(794)

The discontinued operations relate to the closure of operations in Canada and the sale of certain assets of the Canadian distributor business to Semcan Inc, which completed in January 2008. The total consideration received was £1.5m. The discontinued operations also include final closure costs in relation to the French operation which was discontinued in 2007.

Balance sheet

	2008		2007	
	Assets £000	**Liabilities £000**	Assets £000	Liabilities £000
United Kingdom	**41,122**	**(15,557)**	40,619	(17,424)
Other European countries	**3,869**	**(2,488)**	2,696	(1,155)
North America	**12,232**	**(5,213)**	14,988	(4,356)
Africa and Australasia	**6,736**	**(2,348)**	7,084	(2,953)
	63,959	**(25,606)**	65,387	(25,888)

Other information

	2008			2007		
	Capital additions £000	**Depreciation £000**	**Impairment losses £000**	Capital additions £000	Depreciation £000	Impairment losses £000
United Kingdom	**2,176**	**1,101**	**-**	937	1,122	-
Other European countries	**28**	**26**	**-**	69	19	-
North America	**247**	**108**	**-**	108	124	24
Africa and Australasia	**140**	**84**	**-**	114	73	-
	2,591	**1,319**	**-**	1,228	1,338	24

Segment information is presented in respect of the Group's geographical segments which are based on the Group's management and internal reporting structure.

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.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical origin of revenue. Segment assets are based on the geographical location of the assets.

Segment revenue based on the geographical destination of revenue is as follows:

	2008 £000	2007 £000
United Kingdom	**21,375**	21,460
Other European countries	**18,457**	15,204
North America	**23,898**	25,154
Africa and Australasia	**14,890**	17,107
Central America	**281**	-
Middle East	**370**	-
Far East	**2,578**	-
	81,849	78,925

Business segments

The Group comprises one main business segment being machine tools and equipment.

Notes relating to the consolidated financial statements (continued)

2. Other Operating Income / Operating Expenses

	2008 £000	2007 £000
Other Operating Income	**884**	385
Operating Expenses :		
Administration expenses	**16,412**	15,714
Distribution costs	**6,806**	5,777
Total operating expenses	**23,218**	21,491

Included within Other Operating Income is £391,000 of profit on disposal on surplus land.

Administration expenses include one-off charges of £300,000 associated with the EMO exhibition in Germany, £200,000 relating to bid defence costs and £100,000 relating to the introduction of a new management incentive scheme.

3. Operating profit before financing income and expense

	2008 £000	2007 £000
Operating profit before financing income and expense is stated after charging:		
- depreciation of owned property, plant and equipment	**1,007**	1,167
- depreciation of assets held under finance leases	**26**	51
- impairment loss on goodwill	**-**	24
- amortisation of development expenditure	**286**	120
- research and development expensed as incurred	**456**	792
- hire of plant	**108**	279
- other operating lease rentals	**180**	119
- loss on sale of property, plant and equipment	**281**	37
- loss on sale of non current investments	**-**	20
and after crediting:		
- rents receivable	**157**	173
- profit on sale of property, plant and equipment	**454**	-
Auditors' remuneration:		
- audit of these financial statements	**116**	132
- amounts receivable by auditors and their associates in respect of:		
- audit of financial statements of subsidiaries pursuant to such legislation	**45**	40
- other services relating to taxation	**20**	17
- other services pursuant to such legislation	**21**	28

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.

4. Personnel expenses

	2008 £000	2007 £000
Staff costs:		
- wages and salaries	**16,685**	15,040
- social security costs	**2,219**	2,150
- pension charges relating to defined contribution schemes	**258**	199
- pension charges relating to defined benefit schemes	**608**	724
- equity share options expense	**70**	14
	19,840	18,127

The average number of employees of the Group (including executive directors) during the period was as follows:	2008	2007
Machine tools and equipment	**669**	624

Details of directors' emoluments, share option schemes and pension entitlements are given in the directors' remuneration report on pages 17 to 21.

5. Financial income and expense

	2008 £000	2007 £000
Interest income	**71**	157
Expected return on defined benefit pension scheme assets	**11,235**	10,216
Financial income	**11,306**	10,373
Interest expense	**(289)**	(271)
Interest on defined benefit pension scheme obligations	**(8,753)**	(8,290)
Financial expense	**(9,042)**	(8,561)

6. Taxation

	2008 £000	2007 £000
Current tax:		
Corporation tax at 30% (2007: 30%):		
- current period relating to prior period	**50**	25
Overseas taxation:		
- current period	**(516)**	16
Total current tax (charge)/credit	**(466)**	41
Deferred taxation		
- current period	**(726)**	(906)
- relating to prior periods	**158**	169
Total deferred taxation charge (note 12)	**(568)**	(737)
Taxation charged to the income statement	**(1,034)**	(696)

6. Taxation (continued)

Tax reconciliation

The tax charge assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
Profit before tax	**3,612**	2,931
Profit before tax multiplied by the standard rate of corporation tax in the UK of 30% (2007: 30%)	**1,084**	879
Effects of:		
- expenses not deductible	**79**	52
- non taxable income	**(28)**	-
- overseas tax rates	**-**	48
- deferred tax prior period adjustment	**(158)**	(169)
- current tax prior period adjustment	**(50)**	(25)
- tax not recognised on losses (unrecognised losses utilised)	**47**	(89)
- impact of rate change	**60**	-
Taxation charged to the income statement	**1,034**	696

Deferred tax recognised directly in equity

	2008 £000	2007 £000
Relating to employee benefit schemes	**780**	760
	780	760

The UK corporation tax rate changes to 28% from April 2008. The change has had no material effect on the tax charge for the year.

The tax expense in relation to the discontinued items is shown in note 1.

7. Dividends

	2008 £000	2007 £000
No dividend paid in period (2007: No dividend paid)	**-**	-
	-	-

8. Earnings per share

The calculation of the basic earnings per share of 0.2p (2007: 2.4p) is based on the earnings for the financial period attributable to the parents shareholders of £129,000 (2007: £1,382,000) and on the weighted average number of shares in issue during the period of 57,207,168 (2007: 56,889,845). In determining the diluted earnings per share of 0.2p (2007: 2.4p), the earnings for the financial period attributable to shareholders was divided by the weighted average number of shares in the period plus 834,483 (2007: 1,219,303) of potentially dilutive shares on option. The basic earnings per share for continuing operations is 4.3p (2007: 3.8p) and the basic earnings per share for discontinued operations is (4.1)p (2007: (1.4)p). The diluted earnings per share for continuing operations is 4.2p (2007: 3.7p) and the diluted earnings per share for discontinued operations is (4.0)p (2007: (1.3)p).

The comparative figures presented have been restated due to take account of the discontinued businesses in the current period.

Weighted average number of shares

	2008	2007
Issued shares at start of period	**56,889,845**	56,846,137
Effect of shares issued in the year	**317,323**	43,708
Weighted average number of shares at end of period	**57,207,168**	56,889,845

9. Employee share option schemes

The Group has granted share options to employees under The 600 Group PLC 2000 Sharesave Scheme. The vesting date of the first granted shares was 1 February 2007, additional share options were granted in December 2006 with a vesting date of 1 February 2010. Vesting is not conditional upon any performance criteria although there is a service condition that must be met. These options are settled in the form of equity.

On 31 March 2008, awards were made to certain senior employees under a new Performance Share Plan ("the PSP"). See the Remuneration Report for further information on this. As the awards were made on 31 March 2008, there are no financial implications for this report.

Share-based expense

The Group recognised total expenses of £70,161 (2007: £14,215) in relation to equity settled share-based payment transactions.

The number and weighted average exercise prices of share options

	Sharesave scheme
Number of options outstanding at beginning of period	1,219,303
Number of options forfeited in period	298,257
Number of options exercised in period	86,563
Number of options outstanding at end of period	834,483
Number of options exercisable at end of period	834,483

Weighted average share price of options exercised in the period was 53.8p.

For share options outstanding at the end of the period, the exercisable price is 43.2p and the weighted average contractual life is 2 years and 3 months.

During the current and prior period, the Group has not granted equity as consideration for goods or services received.

Fair value assumptions of share-based payments

The fair value of awards granted is determined using the binomial valuation model. The fair value of share options and assumptions are shown in the table below:

	2008	2007
Fair value	**£0.26**	£0.26
Share price at grant	**£0.55**	£0.55
Exercise price	**£0.43**	£0.43
Dividend yield	**0%**	0%
Expected volatility	**50%**	50%
Expected life	**3.1 years**	3.1 years
Risk-free interest rate	**5%**	5%
Number of shares under option	**834,483**	1,219,303

10. Property, plant & equipment

	Land and buildings				
	Freehold £000	Lease hold £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost or valuation:					
At 31 March 2007	7,902	2,825	22,297	2,231	35,255
Exchange differences	97	(3)	(15)	19	98
Additions during period	98	-	1,335	282	1,715
Disposals during period	(819)	(225)	(2,133)	(149)	(3,326)
At 29 March 2008	**7,278**	**2,597**	**21,484**	**2,383**	**33,742**
At professional valuation	7,050	2,398	-	-	9,448
At cost	228	199	21,484	2,383	24,294
	7,278	2,597	21,484	2,383	33,742
Depreciation:					
At 31 March 2007	159	187	19,877	1,998	22,221
Exchange differences	-	(3)	(29)	15	(17)
Charge for period	162	52	696	123	1,033
Disposals during period	(9)	(5)	(1,966)	(118)	(2,098)
At 29 March 2008	**312**	**231**	**18,578**	**2,018**	**21,139**
Net book value:					
At 29 March 2008	**6,966**	**2,366**	**2,906**	**365**	**12,603**
At 31 March 2007	7,743	2,638	2,420	233	13,034

The net book value of tangible fixed assets includes £78,000 (2007: £104,000) of assets held under finance leases. The depreciation charged in the period against assets held under finance leases was £26,000 (2007: £51,000).

During March 2006 the Group's properties were revalued. The valuations were performed by independent valuers and the valuations were determined by market rate for sale with vacant possession. The carrying amount of the revalued properties had they have been carried under the cost model was £6,328,000 (2007: £7,358,000).

Various UK properties are charged as security for borrowing facilities.

10. Property, plant & equipment (continued)

	Land and buildings				
	Freehold £000	Lease Hold £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost or valuation:					
At 1 April 2006	8,302	2,835	23,433	2,442	37,012
Exchange differences	(293)	(12)	(327)	(103)	(735)
Additions during period	130	2	520	28	680
Disposals during period	(237)	-	(1,329)	(136)	(1,702)
At 31 March 2007	7,902	2,825	22,297	2,231	35,255
At professional valuation	7,772	2,623	-	-	10,395
At cost	130	202	22,297	2,231	24,860
	7,902	2,825	22,297	2,231	35,255
Depreciation:					
At 1 April 2006	-	153	20,573	2,083	22,809
Exchange differences	-	(10)	(284)	(86)	(380)
Charge for period	168	44	877	129	1,218
Disposals during period	(9)	-	(1,289)	(128)	(1,426)
At 31 March 2007	159	187	19,877	1,998	22,221
Net book value:					
At 31 March 2007	7,743	2,638	2,420	233	13,034
At 1 April 2006	8,302	2,682	2,860	359	14,203

11. Intangible assets

	Goodwill £000	Development expenditure £000	Total £000
Cost			
At 31 March 2007	1,933	1,168	3,101
Additions	-	876	876
Exchange differences	(6)	-	(6)
At 29 March 2008	**1,927**	**2,044**	**3,971**
Amortisation and impairment			
At 31 March 2007	481	187	668
Exchange differences	(1)	-	(1)
Amortisation	-	286	286
At 29 March 2008	**480**	**473**	**953**
Net book value			
At 29 March 2008	**1,447**	**1,571**	**3,018**
At 31 March 2007	1,452	981	2,433

	Goodwill £000	Development expenditure £000	Total £000
Cost			
At 1 April 2006	3,695	620	4,315
Additions	-	548	548
Disposals	(1,707)	-	(1,707)
Exchange differences	(55)	-	(55)
At 31 March 2007	1,933	1,168	3,101
Amortisation			
At 1 April 2006	2,176	67	2,243
Exchange differences	(12)	-	(12)
Impairment	24	-	24
Disposals	(1,707)	-	(1,707)
Amortisation	-	120	120
At 31 March 2007	481	187	668
Net book value			
At 31 March 2007	1,452	981	2,433
At 1 April 2006	1,519	553	2,072

11. Intangible assets (continued)

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

	2008 £000	2007 £000
Operating expenses	**286**	144

Impairment testing

Goodwill is tested for impairment on an annual basis by comparing the carrying amount against the discounted cash flow projections (at current weighted average cost of capital, adjusted where appropriate to take account of specific asset or cash generating unit risks) of the cash generating units.

Impairment of goodwill

Goodwill arising on business combinations is not amortised, being reviewed for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired. Of the carrying value of goodwill of £1.5m, £1.1m relates to the Parat operation, £0.1m relates to the Gamet operation and £0.3m relates to the Metal Muncher operation in the US. Goodwill acquired in a business combination is allocated to cash-generating units.

Recoverable amounts for cash-generating units are based on value in use, which is calculated from cash flow projections based on the 2008/9 budget.

These projections are discounted back using an estimate of the weighted average cost of capital of the Group, and are appropriate given the risks relating to the assets acquired are deemed to be similar to those relating to the rest of the Group.

12. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008 £000	2007 Restated £000	**2008 £000**	2007 Restated £000	**2008 £000**	2007 Restated £000
Accelerated capital allowances	**-**	-	**(186)**	(652)	**(186)**	(652)
Other temporary differences	**118**	296	**-**	(8)	**118**	288
Tax losses	**967**	863	**-**	-	**967**	863
Overseas tax losses	**1,605**	1,190	**-**	-	**1,605**	1,190
Revaluations and rolled over gains	**-**	-	**(1,964)**	(1,964)	**(1,964)**	(1,964)
Research and development	**-**	-	**(414)**	(237)	**(414)**	(237)
Tax assets/(liabilities)	**2,690**	2,349	**(2,564)**	(2,861)	**126**	(512)
Net of tax liabilities/(assets)	**(1,085)**	(1,159)	**1,085**	1,159	**-**	-
Net tax assets/(liabilities)	**1,605**	1,190	**(1,479)**	(1,702)	**126**	(512)

12. Deferred tax assets and liabilities (continued)

Movement in deferred tax during the period

	As at 31 March 2007 Restated £000	Income statement £000	Statement of recognised income and expense £000	Exchange fluctuations £000	**As at 29 March 2008 £000**
Accelerated capital allowances	(652)	466	-	-	**(186)**
Short-term timing differences	288	(170)	-	-	**118**
Employee benefits	-	(780)	780	-	**-**
Tax losses	863	104	-	-	**967**
Overseas tax losses	1,190	415	-	-	**1,605**
Revaluations and rolled over gains	(1,964)	-	-	-	**(1,964)**
Research and development	(237)	(177)	-	-	**(414)**
	(512)	(142)	780	-	**126**

Movement in deferred tax during the prior period

	As at 1 April 2006 Restated £000	Income statement £000	Statement of recognised income and expense £000	Exchange fluctuations £000	As at 31 March 2007 Restated £000
Accelerated capital allowances	(820)	168	-	-	(652)
Short-term timing differences	407	(119)	-	-	288
Employee benefits	(191)	(569)	760	-	-
Tax losses	910	(47)	-	-	863
Overseas tax losses	1,178	67	-	(55)	1,190
Revaluations and rolled over gains	(1,964)	-	-	-	(1,964)
Research and development	-	(237)	-	-	(237)
	(480)	(737)	760	(55)	(512)

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:

	2008 £000	2007 £000
Advance Corporation Tax recoverable	**1,670**	1,670
Tax losses	**1,584**	1,695

There is no expiry date for the Advance Corporation Tax recoverable or the tax losses.

13. Inventories

	2008 £000	2007 £000
Raw materials and consumables	**8,343**	6,210
Work in progress	**2,078**	2,252
Finished goods and goods for resale	**14,000**	13,845
	24,421	22,307

14. Trade and other receivables

	2008 £000	2007 £000
Trade receivables	**16,140**	16,933
Other debtors	**1,587**	1,277
Other prepayments and accrued income	**1,288**	1,269
	19,015	19,479

The above includes the following balances due in more than 1 year:

	2008 £000	2007 £000
Other debtors	**321**	321
Other prepayments and accrued income	**96**	128
	417	449

The movements on the Group's provisions against trade receivables are as follows:

	2008 £000	2007 £000
At start of year	**629**	848
Utilised in the period	**(120)**	(179)
Receivables written off during the year as uncollectible	**(42)**	(40)
At end of year	**467**	629

The ageing analysis of trade debtors is as follows:

	2008 £000	2007 £000
Neither past due nor impaired	**11,133**	9,516
Past due but not impaired:		
Not more than 3 months	**3,372**	5,171
Greater than 3 months	**1,635**	2,246
	16,140	16,933

As at 20 June 2008, trade receivables that were neither past due nor impaired related to a number of independent customers for whom there is no recent history of default.

The other classes of debtors do not contain impaired assets.

15. Cash and cash equivalents

	2008 £000	2007 £000
Cash at bank	**3,111**	6,762
Short-term deposits	**186**	182
Cash and cash equivalents per balance sheet	**3,297**	6,944
Bank overdrafts	**-**	(1,613)
Cash and cash equivalents per cash flow statement	**3,297**	5,331

16. Loans and other borrowings

	2008 £000	2007 £000
Bank overdrafts	**-**	1,613
Bank loans	**-**	830
Obligations under finance leases	**131**	104
	131	2,547

The above includes the following balances due in more than 1 year:

	2008 £000	2007 £000
Obligations under finance leases	**85**	54
	85	54

The repayment terms of borrowings are as follows:

	Currency	Income interest rate	Year of maturity	2008 £000	2007 £000
Bank overdrafts	GBP	Base + 1.5%	2008	**-**	1,107
Bank overdrafts	RAND	12.5%	2008	**-**	506
Bank loan	USD	8.25%	2008	**-**	612
Bank loan	CAD	6%	2008	**-**	218
Finance lease obligations	AUD	9.59%	2012	**131**	104
Carrying value of borrowings				**131**	2,547

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.

17. Trade and other payables

	2008 £000	2007 £000
Payments received on account	**2,010**	1,732
Trade payables	**14,168**	12,798
Social security and other taxes	**805**	744
Sundry creditors	**1,349**	1,160
Fair value derivatives (note 24)	**421**	-
Accruals and deferred income	**1,808**	1,793
	20,561	18,227

The above includes the following balances due in more than 1 year:

	2008 £000	2007 £000
Sundry creditors	**82**	117
	82	117

18. Provisions

	Onerous lease provisions £000	Warranties £000	Total £000
Provision brought forward at 31 March 2007	45	372	417
Exchange rate adjustments	-	5	5
Charged to income statement	-	6	6
Utilised in the period	**(15)**	**(43)**	**(58)**
Provision carried forward at 29 March 2008	**30**	**340**	**370**

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 12 months. The typical warranty period is now 12 months.

The onerous lease provision relates to the excess of lease rental costs over sub-let lease rental income for an onerous lease contract expiring in 2010.

Notes relating to the consolidated financial statements (continued)

19. Obligations under finance leases

The maturity of obligations under finance leases is as follows:

Falling due:	2008 £000	2007 £000
Within one year	**46**	50
Within two to five years	**97**	63
Less future finance charges	**(12)**	(9)
	131	104
Amounts falling due within one year	**46**	50
Amounts falling due after one year	**85**	54
	131	104

20. Share capital

	2008 £000	2007 £000
Authorised		
80,000,000 ordinary shares of 25p each	**20,000**	20,000
Allotted, called-up and fully paid		
57,233,679 (2007: 57,147,116) ordinary shares of 25p each:		
On issue at start of period	**14,287**	14,212
Issued under employee share schemes	**21**	75
On issue at end of period	**14,308**	14,287

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.

21. Capital and reserves

Reconciliation of movement in capital and reserves

	Attributable to equity holders of parent							Minority interest	Total equity
	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Translation reserve	Retained earnings	Total		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2006									
as previously stated	14,212	13,680	3,397	2,500	843	11,333	45,965	393	46,358
Change in accounting policy									
relating to adoption of IFRIC 14	-	-	-	-	-	(5,180)	(5,180)	-	(5,180)
Restated balance at 1 April 2006	14,212	13,680	3,397	2,500	843	6,153	40,785	393	41,178
Exchange difference on									
translating foreign operations	-	-	(121)	-	(1,015)	-	(1,136)	(105)	(1,241)
Reserve transfer on disposal of property	-	-	(128)	-	-	128	-	-	-
Actuarial gains on employee benefits	-	-	-	-	-	5,375	5,375	-	5,375
Impact of changes to									
defined benefit asset limit	-	-	-	-	-	(8,170)	(8,170)	-	(8,170)
Deferred tax on the above	-	-	-	-	-	760	760	-	760
Profit for the period	-	-	-	-	-	1,382	1,382	59	1,441
Total recognised income									
and expense for the period	-	-	(249)	-	(1,015)	(525)	(1,789)	(46)	(1,835)
Share capital subscribed for	75	67	-	-	-	-	142	-	142
Equity share options expense	-	-	-	-	-	14	14	-	14
Restated balance at 1 April 2007	14,287	13,747	3,148	2,500	(172)	5,642	39,152	347	39,499
Exchange difference on									
translating foreign operations	-	-	65	-	285	-	350	(43)	307
Reserve transfer on									
disposal of property	-	-	(448)	-	-	448	-	-	-
Actuarial gains on employee benefits	-	-	-	-	-	8,841	8,841	-	8,841
Impact of changes to									
defined benefit asset limit	-	-	-	-	-	(11,430)	(11,430)	-	(11,430)
Deferred tax on the above	-	-	-	-	-	780	780	-	780
Profit for the period	-	-	-	-	-	129	129	117	246
Total recognised income									
and expense for the period	-	-	(383)	-	285	(1,232)	(1,330)	74	(1,256)
Share capital subscribed for	21	19	-	-	-	-	40	-	40
Equity share options expense	-	-	-	-	-	70	70	-	70
Balance at 29 March 2008	**14,308**	**13,766**	**2,765**	**2,500**	**113**	**4,480**	**37,932**	**421**	**38,353**

The minority interest relates to the 25.1% in 600SA Holdings (Pty) Ltd. acquired by a South African individual on 3 April 2005 as explained in our Annual Report and Accounts for 2005.

Notes relating to the consolidated financial statements (continued)

22. Reconciliation of net cash flow to net funds

	2008 £000	2007 £000
Decrease in cash and cash equivalents	**(2,184)**	(1,378)
Decrease/ (increase) in debt and finance leases	**833**	(151)
Decrease in net funds from cash flows	**(1,351)**	(1,529)
Net funds at beginning of period	**4,397**	5,848
Exchange effects on net funds	**120**	78
Net funds at end of period	**3,166**	4,397

23. Analysis of net funds

	At 31 March 2007 £000	Exchange movement £000	Cash flows £000	At 29 March 2008 £000
Cash at bank and in hand	6,762	91	(3,742)	**3,111**
Overdrafts	(1,613)	59	1,554	**-**
	5,149	150	(2,188)	**3,111**
Debt due within one year	(830)	(17)	847	**-**
Finance leases	(104)	(13)	(14)	**(131)**
Term deposits (included within cash and cash equivalents on the balance sheet)	182	-	4	**186**
Total	4,397	120	(1,351)	**3,166**

24. Financial instruments

Overview

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

- credit risk
- liquidity risk
- 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 actively manages and monitors capital across the different businesses within the Group. Targets in relation to return on capital are considered as part of the annual budgeting process. There have been no changes to the objectives, policies or processes with regards to capital management during the correct or prior period and the Group has no external borrowings except for finance leases.

The Audit Committee overseas 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 acting as Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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, has less of an influence on credit risk. Geographically, there is no significant concentration of credit risk.

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 establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The carrying value of financial assets represents the maximum credit exposure. The maximum exposure at the reporting date was:

	2008 £000	2007 £000
Loans and receivables	**16,140**	16,933
Cash and cash equivalents	**3,297**	5,331
	19,437	22,264

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2008 £000	2007 £000
United Kingdom	**9,551**	10,247
Other European Countries	**1,853**	1,036
North America	**3,329**	3,700
Africa and Australasia	**1,407**	1,950
	16,140	16,933

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 it's liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash 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.

24. Financial instruments (continued)

The following are the contractual maturities of financial liabilities, including interest payments:

	2008 Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1-2 years £000	2-5 years £000
Bank overdrafts	**-**	-	-	-	-
Bank loan	**-**	-	-	-	-
Finance lease obligations	**131**	143	50	41	52
Interest bearing financial liabilities	**131**	143	50	41	52
Trade and other payables	**14,168**	13,885	13,803	82	-
Fair value derivative	**421**	3,000	1,500	1,500	-
Financial liabilities	**14,720**	17,028	15,353	1,623	52

	2007 Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1-2 years £000	2-5 years £000
Bank overdrafts	1,613	1,613	1,613	-	-
Bank loan	830	830	830	-	-
Finance lease obligations	104	113	53	40	20
Interest bearing financial liabilities	2,547	2,556	2,496	40	20
Trade and other payables	12,798	12,798	12,681	117	-
Financial liabilities	15,345	15,354	15,177	157	20

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.

Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective currencies of Group entities, primarily the euro (€), and U S Dollars (USD).

The Group has no other significant currency exposures.

The Group's exposure to foreign currency risk may be summarised as follows:

	2008			2007		
	USD $000	**Euro €000**	**Yen ¥000**	USD $000	Euro €000	Yen ¥000
Trade receivables	**995**	**328**	**-**	1,095	251	-
Trade payables	**(984)**	**(2,522)**	**(80,321)**	(1,161)	(265)	(72,433)
Balance sheet exposure	**11**	**(2,194)**	**(80,321)**	(66)	(14)	(72,433)

The following exchange rates applied during the year

	2008		2007	
	Average rate	**Year end spot rate**	Average rate	Year end spot rate
US Dollar	**2.008**	**1.989**	1.896	1.961
Euro	**1.416**	**1.262**	1.472	1.474
Yen	**228.7**	**198.4**	221.0	231.6

Interest Rate Risk

As the Group has no borrowings, there is no perceived significant interest rate exposure.

Hedging of fluctuations in foreign currency

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

The Group uses forward exchange contracts to hedge its commercial foreign currency risk. The Group does not apply a policy of hedge accounting. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

In respect of other monetary assets and liabilities held in currencies other than Sterling, 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, overdrafts and cash. These financial instruments are used for the purpose of funding the Group's operations.

In addition, the Group has entered into forward currency derivative transactions which have been used in the management of risks associated with currency exposure.

Assets and liabilities

The Group does not hedge account but uses derivative financial instruments to hedge its commercial exposure to foreign exchange. These instruments are initially recognised at cost and subsequent to initial recognition are stated at fair value. Any gain or loss is immediately recognised in the income statement.

The fair value of forward exchange contracts used at 29 March 2008 was a liability of £421,000 (note 17) (2007: asset £27,000) and the movement has been recognised within cost of sales.

24. Financial instruments (continued)

Financial assets

The Group's financial assets comprise cash, trade receivables and derivative contract assets. The profile of the financial assets at 29 March 2008 and 31 March 2007 was:

	2008				2007			
Currency	Floating rate financial assets £000	Fixed rate financial assets £000	Financial assets on which no interest is earned £000	Total £000	Floating rate financial assets £000	Fixed rate financial assets £000	Financial assets on which no interest is earned £000	Total £000
Sterling	**1,342**	**186**	**11,356**	**12,884**	4,848	151	11,718	16,717
US Dollars	**391**	**-**	**2,521**	**2,912**	260	-	2,719	2,979
Australian Dollars	**473**	**-**	**374**	**847**	635	-	305	940
Euros	**324**	**-**	**2,274**	**2,598**	487	-	1,413	1,900
Canadian Dollars	**212**	**-**	**1,393**	**1,605**	-	-	1,631	1,631
South African Rand	**345**	**-**	**1,096**	**1,441**	542	-	1,692	2,234
Other	**24**	**-**	**1**	**25**	21	-	1	22
	3,111	**186**	**19,015**	**22,312**	6,793	151	19,479	26,423

Sterling fixed-rate financial assets are centrally controlled. At 29 March 2008 the weighted average interest rate on these deposits was 5.48% (2007: 5.07%).

The floating rate financial assets comprise other deposits that earn interest based on short-term deposit rates.

Financial liabilities

Financial liabilities comprise short-term loans, overdrafts, trade payables, obligations under finance leases, other creditors more than one year, forward exchange contract liabilities and other provisions for liabilities and charges (excluding accrued post-retirement health care accrual and deferred tax provision). The profile of the Group's financial liabilities at 29 March 2008 and 31 March 2007 was:

	2008				2007			
Currency	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Financial liabilities on which no interest is paid £000	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Financial liabilities on which no interest is paid £000	Total £000
Sterling	**-**	**-**	**13,953**	**13,953**	1,107	-	12,576	13,683
US Dollars	**-**	**-**	**1,850**	**1,850**	612	-	1,828	2,440
Euros	**-**	**-**	**2,488**	**2,488**	-	-	1,160	1,160
South African Rand	**-**	**-**	**1,881**	**1,881**	506	-	1,857	2,363
Australian Dollars	**-**	**131**	**330**	**461**	-	104	431	535
Canadian Dollars	**-**	**-**	**423**	**423**	218	-	787	1,005
Other	**-**	**-**	**6**	**6**	-	-	5	5
	-	**131**	**20,931**	**21,062**	2,443	104	18,644	21,191

Fixed rate financial liabilities

	2008		2007	
Currency	Weighted average interest rate %	Weighted average period for which rate is fixed years	Weighted average interest rate %	Weighted average period for which rate is fixed years
Australian Dollars	**9.59**	**1**	10.2	1

Borrowing facilities

At 29 March 2008 and 31 March 2007 the Group had no undrawn committed borrowing facilities.

Fair values of financial assets and financial liabilities

	2008 £000	2007 £000
Trade receivables	**16,140**	16,933
Cash and cash equivalents	**3,297**	6,944
Bank overdrafts	**-**	(1,613)
Bank loan	**-**	(830)
Finance lease obligations	**(131)**	(104)
Trade payables	**(14,168)**	(12,978)
Fair value derivative	**(421)**	-
	4,717	8,352

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.

25. Contingent liabilities

	2008 £000	2007 £000
Performance guarantees and indemnities	**853**	2,282
Letters of credit and documentary credits	**70**	437
Third-party guarantees	**118**	193
	1,041	2,912

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.

26. Capital commitments

	2008 £000	2007 £000
Capital expenditure contracted for but not provided in the accounts	**112**	232

27. Operating lease commitments

Total future operating lease commitments at the balance sheet date (analysed between those years in which the commitment expires) are as follows:

	2008 £000	2007 £000
Land and buildings		
Within one year	**213**	191
Within two to five years	**178**	570
Over five years	**49**	919
	440	1,680
Other		
Within one year	**161**	127
Within two to five years	**279**	373
	440	500

28. Employee benefits

The Group operates a number of defined benefit pension schemes throughout the world. The assets of these schemes are held in separate trustee-administered funds.

The benefits from these schemes are based upon years of pensionable service and pensionable remuneration of the employee as defined under the respective scheme provisions. The schemes are funded by contributions from the employee and from the employing company over the period of the employees' service. Contributions are determined by independent qualified actuaries based upon triennial actuarial valuations in the United Kingdom and on annual valuations in the USA.

United Kingdom

In relation to the fund in the United Kingdom, the Group's funding policy is to ensure that assets are sufficient to cover accrued service liabilities allowing for projected pay increases. The most recent triennial full valuation was carried out as at 31 March 2007.

United States of America

In relation to the fund in the USA, the funding policy is to ensure that assets are sufficient to cover accrued service liabilities allowing for projected pay increases.

In addition, the Group operates a retirement healthcare benefit scheme for certain of its employees in the USA, which is also treated as a defined benefit scheme. The scheme has 45 members who are retired employees.

The most recent annual valuation was carried out as at 29 March 2008. The disclosures for the USA schemes below refer to the USA defined benefit scheme and the retirement healthcare benefit scheme.

Mortality rates

The mortality assumptions for the UK scheme are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2007 at age 65 will live on average for a further 20.2 years (2007:18.7 years) after retirement if male and for a further 22.7 years (2007:20.5 years) after retirement if female.

For a member who is currently aged 45 retiring in 2028 at age 65, the assumptions are that they will live on average for a further 22.2 years after retirement if they are male and for a further 24.5 years after retirement if they are female.

The mortality rates for the USA scheme are based on the 1983 Group Annuity Mortality (GAM) tables for males and females.

IAS 19

Disclosures in accordance with IAS 19 are set out below.

The principal assumptions used for the purpose of the IAS 19 valuation were as follows:

	UK scheme (% p.a.)	UK scheme (% p.a.)
Inflation	**3.7**	3.2
Rate of general long-term increase in salaries	**5.2**	3.8
Rate of increase for CARE benefit while an active member	**3.6**	3.2
Rate of increase to pensions in payment – LPI 5%	**3.6**	3.2
Rate of increase to pensions in payment – LPI 2.5%	**2.4**	2.4
Discount rate for scheme liabilities	**6.9**	5.4

The principal assumptions for the USA schemes relate to the discount rate for scheme liabilities.

The discount rate used for the USA defined benefit scheme was 5.92% (2007: 5.77%) and for the USA medical scheme was 5.92 % (2007: 5.77%).

	Expected return on assets UK scheme					
	Long-term rate of return expected at 29 March 2008 (% p.a.)	Value at 29 March 2008	Long-term rate of return expected at 31 March 2007 (% p.a.)	Value at 31 March 2007	Long-term rate of return expected at 1 April 2006 (% p.a.)	Value at 1 April 2006
Equities	8.40	60.23	7.75	87.46	7.25	82.90
Property	6.60	15.65	6.75	19.90	6.25	17.00
LDI funds	5.00	62.03	4.75	34.15	4.25	8.60
Government bonds	4.60	34.87	4.75	30.99	4.25	31.10
Corporate bonds	n/a	-	5.25	-	4.65	30.70
Other	6.00	2.93	5.55	5.94	4.25	6.50
Combined	6.25*	175.71	6.47*	178.44	5.92*	176.80

* The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class

The Group employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme at 29 March 2008.

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in the income statement. A one percentage point change in assumed healthcare cost trend rates would have the following effect:

	One percentage point increase £000	One percentage point decrease £000
(Increase)/decrease in the aggregate cost of the service and interest cost	(34)	24
(Increase)/decrease in defined benefit obligation	(327)	288

28. Employee benefits (continued)

The assets and liabilities of the schemes at 29 March 2008 and 31 March 2007 were:

	2008			2007		
	USA schemes £000	**UK scheme £000**	**Total £000**	USA schemes £000	UK scheme £000	Total £000
Assets	**742**	**175,710**	**176,452**	743	178,440	179,183
Liabilities	**(3,707)**	**(148,710)**	**(152,417)**	(3,658)	(162,870)	(166,528)
Surplus/(deficit)	**(2,965)**	**27,000**	**24,035**	(2,915)	15,570	12,655
Unrecognised asset due to limit in para 58 (b) of IAS 19	**-**	**27,000**	**27,000**	-	15,570	15,570

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

	2008			2007		
	USA schemes £000	**UK scheme £000**	**Total £000**	USA schemes £000	UK scheme £000	Total £000
Included within operating profit:						
Current service cost	**56**	**630**	**686**	54	670	724
Included within financial income:						
Expected return on scheme assets	**(35)**	**(11,200)**	**(11,235)**	(36)	(10,180)	(10,216)
Included within financial expense:						
Interest cost on scheme liabilities	**202**	**8,540**	**8,742**	199	8,090	8,289

Amounts recognised in the statement of recognised income and expense before taxation are as follows:

	2008			2007		
	USA schemes £000	**UK scheme £000**	**Total £000**	USA schemes £000	UK scheme £000	Total £000
Actual return on scheme assets	**41**	**5,004**	**5,045**	31	9,430	9,461
Expected return on scheme assets	**(35)**	**(11,200)**	**(11,235)**	(36)	(10,180)	(10,216)
	6	**(6,196)**	**(6,190)**	(5)	(750)	(755)
Change in irrecoverable surplus – limit on para 58 (b) of IAS 19	**-**	**(11,430)**	**(11,430)**	-	(8,170)	(8,170)
Experience gain/(loss) on liabilities	**6**	**15,020**	**15,026**	(820)	6,950	6,130
Net gain/(loss) before exchange	**12**	**(2,606)**	**(2,594)**	(825)	(1,970)	(2,795)
Exchange differences	**5**	**-**	**5**	(63)	-	(63)
Amounts recognised during the period	**17**	**(2,606)**	**(2,589)**	(888)	(1,970)	(2,858)
Balance brought forward	**(343)**	**6,930**	**6,587**	545	8,900	9,445
Balance carried forward	**(326)**	**4,324**	**3,998**	(343)	6,930	6,587

Changes in the present value of the defined benefit obligations before taxation are as follows:

	2008			2007		
	USA schemes £000	**UK scheme £000**	**Total £000**	USA schemes £000	UK scheme £000	Total £000
Opening defined benefit obligation	**3,658**	**162,870**	**166,528**	3,112	169,500	172,612
Exchange differences	**(50)**	**-**	**(50)**	(359)	-	(359)
Current service cost	**56**	**630**	**686**	54	670	724
Interest cost	**202**	**8,540**	**8,742**	199	8,090	8,289
Defined benefit actual benefit payments	**(153)**	**(8,880)**	**(9,033)**	(168)	(8,980)	(9,148)
Actuarial (gains)/losses	**(6)**	**(15,020)**	**(15,026)**	820	(6,950)	(6,130)
Contributions by scheme participants	**-**	**570**	**570**	-	540	540
Closing defined benefit obligations	**3,707**	**148,710**	**152,417**	3,658	162,870	166,528

Changes in the fair value of the schemes' assets before taxation are as follows:

	2008			2007		
	USA schemes £000	**UK scheme £000**	**Total £000**	USA schemes £000	UK scheme £000	Total £000
Opening fair value of scheme assets	**743**	**178,440**	**179,183**	831	176,900	177,731
Exchange differences	**(10)**	**-**	**(10)**	(96)	-	(96)
Expected return	**35**	**11,200**	**11,235**	36	10,180	10,216
Actuarial gains/(losses)	**6**	**(6,196)**	**(6,190)**	(5)	(750)	(755)
Contribution by scheme participants	**-**	**570**	**570**	-	540	540
Contributions by employer	**16**	**570**	**586**	31	550	581
Benefits paid	**(48)**	**(8,874)**	**(8,922)**	(54)	(8,980)	(9,034)
Closing fair value of schemes' assets	**742**	**175,710**	**176,452**	743	178,440	179,183
Unrecognised asset due to limit in para 58(b) of IAS 19	**-**	**(27,000)**	**(27,000)**	-	(15,570)	(15,570)
	742	**148,710**	**149,452**	743	162,870	163,613

The history of the schemes for the current and prior period before taxation is as follows:

	2008			2007		
	USA schemes £000	**UK scheme £000**	**Total £000**	USA schemes £000	UK scheme £000	Total £000
Present value of defined benefit obligation	**3,707**	**148,710**	**152,417**	3,658	162,870	166,528
Fair value of scheme assets	**742**	**175,710**	**176,452**	743	178,440	179,183
Surplus/(deficit) in the scheme	**(2,965)**	**27,000**	**24,035**	(2,915)	15,570	12,655
Experience adjustments on the scheme liabilities	**6**	**15,020**	**15,026**	(820)	6,950	6,130
Experience adjustments on scheme assets	**6**	**(6,196)**	**(6,190)**	(5)	(750)	(755)
Exchange differences	**5**	**-**	**5**	(63)	-	(63)

Total contributions to the defined benefit schemes for 2009 are expected to be £620,000.

Notes relating to the consolidated financial statements (continued)

29. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosures of the Group's accounting policies and estimates and the application of these policies and estimates. The accounting policies are set out above on pages 28 to 31.

Management consider there are no critical accounting judgements made in the preparation of the financial statements. The key sources of estimation and uncertainty are:

Intangible assets

Impairments tests have been undertaken using commercial judgements and a number of assumptions and estimates have been made to support their carrying amounts, assessed against discounted cash flows. Further detail is provided in Note 11.

Financial instruments

Note 24 contains information about the assumptions and estimates and the risk factors relating to interest rate and foreign currency exposures.

Pensions

The directors have employed the services of an actuary in assessing pension assets and liabilities. Note 28 contains information about the principal actuarial assumptions used in the determination of the net assets for defined benefit obligations.

As discussed in the financial review:

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.

Development expenditure

The directors 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.

30. Related party transactions

Detailed disclosure of the individual remuneration of Board Members is included in the remuneration report. There is no difference between transactions with Key Management Personnel of the Company and the Group.

There have been no other transactions between Key Management Personnel and the Company.

The Company has entered into transactions with its subsidiary undertakings in respect of the following:

- Internal funding loans
- Provision of Group services (including Senior Management, IT, accounting, marketing and purchase services)

Recharges are made to subsidiary undertakings for Group loans based on funding provided at an interest rate linked to the prevailing base rate. No recharges are made in respect of balances due to or from otherwise dormant subsidiaries.

Recharges are made for Group services based on utilisation of those services.

Recharges are made to subsidiary undertakings based upon capital employed by each Group Company on a quarterly basis throughout the year.

In addition to these services the Company acts as a buying agent for certain Group purchases, such as insurance.

These are recharged based on utilisation by the subsidiary undertaking.

31. Post balance sheet events

There are no significant post balance sheet events.

Five year record

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Revenue	**78,878**	75,649	70,334	67,210	66,323
Operating profit/(loss) before restructuring costs and profit on disposal of surplus assets	**1,348**	1,119	(1,367)	(1,204)	70
Restructuring costs	**-**	-	(1,876)	-	-
Profit on disposal of surplus assets		-	-	392	-
Operating profit/(loss) before financing income and expense	**1,348**	1,119	(3,243)	(812)	70
Net financing income	**2,264**	1,812	1,567	873	116
Profit/(loss) before tax	**3,612**	2,931	(1,676)	61	186
Income tax charge	**(1,034)**	(696)	(429)	(107)	(20)
Profit/(loss) for the period from continuing operations	**2,578**	2,235	(2,105)	(46)	166
Post tax loss of discontinued business	**(2,332)**	(794)	(43)	-	-
Total profit/(loss) for the financial period	**246**	1,441	(2,148)	(46)	166
Earnings per share - basic	**0.2p**	2.4p	(3.9)p	(0.1)p	0.3p
Earnings per share - diluted	**0.2p**	2.4p	(3.9)p	(0.1)p	0.3p

Balance sheet extracts					
Shareholders' funds (including non-equity interests)	**38,353**	39,499	41,178	39,913	71,972
Net funds	**3,166**	4,397	5,848	6,617	9,902
Net asset value per equity share	**67p**	69p	72p	70p	127p
Net asset value per equity share (excluding intangible fixed assets)	**62p**	65p	69p	65p	122p

The results for 2008 relate to the 52-week period to 29 March 2008, for 2007 relate to the 52-week period to 31 March 2007, for 2006 relate to the 52-week period to 1 April 2006, for 2005 relate to the 52-week period to 2 April 2005 and for 2004 relate to the 53-week period ended 3 April 2004.

The disclosures for 2008, 2007, 2006 and 2005 are based on adopted IFRSs. The disclosures for 2004 are based on UK GAAP. The main differences relate to IAS 10 "Events after the balance sheet date" (accounting period in which dividends are declared), IAS 19 "Employee benefits" (calculation of defined benefit obligation under IAS 19 compared to FRS 17) and IFRS 3 "Business combinations" (amortisation of goodwill). The disclosures for 2007 and 2006 have been restated to reflect the adoption of the principles of IFRIC 14. See accounting policies for further information.

Company balance sheet

	Notes	At 29 March 2008 £000	At 31 March 2007 £000
Fixed assets			
Tangible assets	4	**1,269**	1,530
Investments	5	**23,338**	23,338
		24,607	24,868
Current assets			
Debtors	6	**89,496**	83,898
Cash at bank and in hand		**757**	2,565
		90,253	86,463
Current liabilities			
Creditors: amounts falling due within one year	7	**(85,846)**	(81,949)
Net current assets		**4,407**	4,514
Total assets less current liabilities		**29,014**	29,382
Provisions for liabilities	8	**(30)**	(45)
Net assets		**28,984**	29,337
Capital and reserves			
Called-up share capital	9	**14,308**	14,287
Share premium account	10	**13,766**	13,747
Revaluation reserve	10	**213**	283
Capital redemption reserve	10	**2,500**	2,500
Translation reserve	10	**(40)**	-
Profit and loss account	10	**(1,763)**	(1,480)
Equity shareholders' funds		**28,984**	29,337

The financial statements on pages 60 to 68 were approved by the board of directors on 20 June 2008 and were signed on its behalf by:

Martyn Wakeman
Group Finance Director

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 1985. As permitted by the Act, the separate financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

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.

These accounts have been prepared under the historical cost convention, modified to include the revaluation of certain properties, and in accordance with applicable accounting standards. The accounts are prepared to the Saturday nearest to the Company’s accounting reference date of 31 March. The results for 2008 are for the 52-week period ended 29 March 2008. The results for 2007 are for the 52-week period ended 31 March 2007.

A separate profit and loss account dealing with the results of the Company only has not been presented, as permitted by Section 230 (4) of the Companies Act 1985.

As these financial statements are presented together with the consolidated financial statements, the Company has taken advantage of the exception in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group.

Notes on interpretation of accounting standards

FRS 20 Share based payments

The company has adopted FRS 20 and the accounting policies followed are in all material regards the same as the Group’s policy under IFRS 2. This policy is shown in The Group accounting policies on pages 28 to 31.

Revaluation of fixed assets

Property, plant and equipment are held at cost, subject to triennial property revaluations.

In 2006 the Company adopted a policy of revaluation for properties. As a result all properties were independently revalued during March 2006.

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:

- freehold buildings	2 to 4%
- leasehold buildings	over residual terms of the leases
- plant and machinery	10 to 20%
- fixtures, fittings, tools and equipment	10 to 33.3%

Leases

Assets financed by leasing arrangements, which give rights approximating to ownership, are treated as if they had been purchased outright and are capitalised and depreciated over the shorter of the estimated useful life of the assets and the period of the leases. The capital element of future rentals is treated as a liability and the interest element is charged against profits in proportion to the balances outstanding. The rental costs of all other leased assets are charged against profits on a straight-line basis.

Company accounting policies (continued)

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred tax".

Currency translation

Transactions denominated in foreign currencies are translated into Sterling at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities are translated into Sterling at the year-end rates.

Pensions and post-retirement health benefits

The Company participates in a UK pension scheme providing benefits based on career average revalued earnings. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Investments

Fixed assets - investments in respect of subsidiaries are stated at cost less any impairment in value.

Financial instruments: Measurement

The Company has adopted amendments to IAS 39 and FRS 26 in relation to financial guarantee contracts which applies for periods commencing on or after 1 January 2006. Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considered these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Dividends

Dividends are recorded in the Company's financial statements in the period in which they are declared or paid.

Notes relating to the company financial statements

1. Personnel expenses

	2008 £000	2007 £000
Staff costs:		
- wages and salaries	**1,050**	820
- social security costs	**130**	84
- pension charges	**61**	39
	1,241	943

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

	2008	2007
Machine tools and equipment	**14**	8

These staff costs related entirely to the directors, marketing and head office staff.

Details of directors' emoluments, share option schemes and pension entitlements are given in the directors' remuneration report on pages 17 to 21.

2. Employee share option schemes

The Company has granted share options to employees under The 600 Group PLC 2000 Share save Scheme. The vesting date of the first granted shares was 1 February 2007, additional share options were granted in December 2006 with a vesting date of 1 February 2010. Vesting is not conditional upon any performance criteria although there is a service condition that must be met. These options are settled in the form of equity.

Share-based expense

The Company recognised total expenses of £70,161 (2007: £14,215) in relation to these equity settled share-based payment transactions.

The number and weighted average exercise prices of share options

	Sharesave scheme
Number of options outstanding at beginning of period	**1,219,303**
Number of options forfeited in period	**298,257**
Number of options exercised in period	**86,563**
Number of options outstanding at end of period	**834,483**
Number of options exercisable at end of period	**834,483**

Weighted average share price of options exercised in the period was 53.8p

For share options outstanding at the end of the period, the exercisable price is 43.2p and the weighted average contractual life is 2 years and 3 months.

During the current and prior period, the parent has not granted equity as consideration for goods or services received.

Notes relating to the company financial statements (continued)

2. Employee share option schemes (continued)

Fair value assumptions of share-based payments

The fair value of awards granted is determined using the binomial valuation model. The fair value of share options and assumptions are shown in the table below:

	2008	2007
Fair value	**£0.26**	£0.26
Share price at grant	**£0.55**	£0.55
Exercise price	**£0.43**	£0.43
Dividend yield	**0%**	0%
Expected volatility	**50%**	50%
Expected life	**3.1 years**	3.1 years
Risk free interest rate	**5%**	5%
Number of shares under option	**834,483**	1,219,303

3. Dividends

	2008 £000	20067 £000
No dividend paid in period (2007: nil)	-	-
	-	-

4. Tangible fixed assets

	Land and buildings Long lease £000	Land and buildings Short lease £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost or valuation:					
At 1 April 2007	1,524	92	41	80	1,737
Additions during period	-	-	-	5	5
Disposals during period	(225)	-	(22)	-	(247)
At 29 March 2008	**1,299**	**92**	**19**	**85**	**1,495**
At professional valuation	1,299	92	-	-	1,391
At cost	-	-	19	85	104
	1,299	**92**	**19**	**85**	**1,495**
Depreciation:					
At 1 April 2007	32	92	14	69	207
Charge for period	26	-	5	5	36
Disposals during period	(4)	-	(13)	-	(17)
At 29 March 2008	**54**	**92**	**6**	**74**	**226**
Net book value					
At 29 March 2008	**1,245**	**-**	**13**	**11**	**1,269**
At 31 March 2007	1,492	-	27	11	1,530

Historic cost disclosures are not made as, in the opinion of the directors, unreasonable expense and delay would be incurred in obtaining the original costs.

During March 2006 the Group's properties were revalued. The valuations were performed by independent valuers and the valuations were determined by market rate for sale with vacant possession.

Various UK properties are charged as security for borrowing facilities.

5. Investments

	Shares in Group undertakings **£000**
Cost	
At 29 March 2008 and at 31 March 2007	**39,553**
Provisions	
At 29 March 2008 and at 31 March 2007	16,215
Net book values	
At 29 March 2008 and at 31 March 2007	**23,338**

The principal subsidiary undertakings of The 600 Group PLC and their countries of incorporation are:

ENGLAND

600 UK Limited*
The 600 Group (Overseas) Limited*

USA

600 Group Inc.
Clausing Industrial, Inc.

CONTINENTAL EUROPE

600 France SAS* (France)
Parat Werkzeugmaschinen GmbH (Germany)

REST OF THE WORLD

600 Group Equipment Limited (Canada)
600 Machine Tools Pty Limited (Australia)
600SA Holdings (Pty) Limited (South Africa)

All undertakings marked * are 100% owned directly by the parent company. The others are 100% owned through intermediate holding companies except for 600 SA Holdings (Pty) Limited (South Africa), where 74.9% is held.

6. Debtors

	2008 £000	2007 £000
Trade debtors	**257**	358
Amounts owed by subsidiary undertakings*	**89,185**	83,482
Other debtors	**-**	26
Other prepayments and accrued income	**54**	32
	89,496	83,898

7. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	**1,237**	307
Amounts owed to subsidiary undertakings*	**84,270**	81,207
Corporation tax	**25**	25
Social security and other taxes	**34**	22
Sundry creditors	**60**	96
Accruals and deferred income	**220**	292
Other creditors	**85,846**	81,949

The 600 Group PLC has undertaken to discharge the liability for corporation tax of all UK Group undertakings.
* All inter-company loans are repayable on demand and as such are recorded at their face value.

8. Provisions for liabilities

	Onerous lease provision £000
At 1 April 2007	45
Utilised during the period	(15)
At 29 March 2008	30

The provision relates to the excess of lease rental costs over sub-let lease rental income for an onerous lease contract expiring in 2010.

9. Share capital

	2008 £000	2007 £000
Authorised		
80,000,000 ordinary shares of 25p each	**20,000**	20,000
Allotted, called-up and fully paid		
57,233,679 (2007: 57,147,116) ordinary shares of 25p each:		
On issue at start of period	**14,287**	14,212
Issued under employee share schemes	**21**	75
On issue at end of period	**14,308**	14,287

10. Reserves

	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Translation reserve £000	Profit and loss account £000
At 1 April 2007	**13,747**	**283**	**2,500**	**-**	**(1,480)**
Loss for the period	-	-	-	-	(423)
Disposal of property	-	(70)	-	-	70
Share capital subscribed for	19	-	-	-	-
Exchange difference	-	-	-	(40)	-
Charge in relation to share-based payments	-	-	-	-	70
At 29 March 2008	**13,766**	**213**	**2,500**	**(40)**	**(1,763)**

In accordance with the exemption allowed under section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account but has incurred a loss in the period of £423,000 (2007: £2,037,000). 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 required is disclosed in Note 3 to the Group accounts.

11. Contingent liabilities

	2008 £000	2007 £000
Bank guarantees in respect of Group undertakings	**792**	612

12. Operating lease commitments

Minimum payments due next year under operating leases to which the Company is committed (analysed between those years in which the commitment expires) are as follows:

	2008 £000	2007 £000
Motor vehicle operating leases expiring:		
Within one year	**6**	5
In the second to fifth years inclusive	**22**	21
	28	26

Notes relating to the company financial statements (continued)

13. Pension

The Company operates a multi-employer defined benefit scheme for its employees. The date of the most recent full actuarial valuation for the scheme was 31 March 2005. The Company is unable to identify its share of the underlying assets and liabilities of the fund. The surplus on the fund amounted to £27,000,000 at 29 March 2008. Under IFRS however the surplus has been derecognised following the adoption of the principles of IFRIC 14 in the period (note 28 of the Group financial statements). Under FRS 17, the Company treats its contributions into these schemes as though they were defined contribution schemes and has consequently not recognised any of the surplus relating to the scheme. The pension contribution charge for the Company amounted to £61,000 (2007: £39,000).

14. Reconciliation of movement in shareholders' funds

	2008 £000	2007 £000
Retained loss	**(423)**	(2,037)
Credit in relation to share-based payments	**70**	14
New share capital subscribed	**40**	142
Other recognised gains and losses relating to the period	**(40)**	-
Net reduction in shareholders' funds	**(353)**	(1,881)
Opening shareholders' funds	**29,337**	31,218
Closing shareholders' funds	**28,984**	29,337