The 600 Group PLC annual report and accounts 2010

600Group

The 600 Group PLC ("the Group") is a diversified engineering group with a world class reputation in the manufacture and distribution of machine tools, precision engineered components, laser marking systems and mechanical handling and waste management equipment.

The Group operates these four areas of business from locations in Europe, North America, Australia and South Africa selling into more than 180 countries worldwide.

VISIT US ONLINE
This report and more information on our products and services are available on our website www.600group.com

FOR UP-TO-DATE INVESTOR INFORMATION PLEASE VISIT
www.600group.com/investors

Highlights

Financial

- Revenue of £45.4m (2009: £76.2m)
- Loss from operations, before costs in relation to closed operations, restructuring, net pension credit and impairment of intangible assets, reduced to £1.1m (2009: loss of £2.2m)
- Overall loss before tax from continuing operations of £8.7m (2009: loss of £8.0m)
- Costs in relation to closed operations and restructuring of £5.4m (2009: £5.7m) with a cash cost of £1.9m (2009: £3.0m)
- Basic loss per share for continuing operations of 15.2p (2009: loss per share of 13.3p)

Operating

- Group returned to operating profit, before exceptionals, in H2 of £0.6m (2009: operating loss of £2.5m)
- Gross margin improved significantly to 32% (2009: 27%)
- Annualised overhead cost savings achieved to date of £13.1m (comparing H1 2008/9 to H2 2009/10)
- Oxford Economics Group forecasts predict significant upturn within Machine Tools markets in 2011
- Proposed shareholder loan of £2.5m to support further development of the Group
- Group well positioned to capitalise on recovery in its markets

Strategy

The Group's strategy is to organically develop each of the four business areas, building on the viable operating platform established as a result of the Group's recent reorganisation.

The Group also intends to strengthen its existing manufacturing base through investment in further capacity, providing for increased flexibility, improved quality, reduced lead times and cost.

>>stable operating platform

MACHINE TOOLS

(41% OF SALES)

The business has a strong reputation in the market for metal turning machines. Products range from small conventional machines for education markets, CNC workshop machines and CNC production machines. The European manufacturing footprint is supported by selected outsourcing partners and machines are marketed through the Group's wholly owned international sales organisation.

PRECISION ENGINEERED COMPONENTS

(26% OF SALES)

Machine spares are distributed to customers globally to help maintain the installed base of Group machines which number in excess of 100,000. Additionally work holding products and taper roller bearings are sold via specialist distributors to OEMs including other machine builders.

LASER MARKING

(15% OF SALES)

Laser marking is a technologically superior alternative to inkjet marking. It requires no consumables and can operate on a continuous high speed basis when integrated into customers' production lines. The business has its own technology and proprietary software. Customer applications are diverse and range from telecommunications to pharmaceuticals. The requirement for increased product and component traceability is one of the market drivers.

MECHANICAL HANDLING AND WASTE MANAGEMENT

(18% OF SALES)

The business sells equipment into Sub-Saharan African markets from its three locations in South Africa. Improvements to municipal infrastructures, mineral extraction and electrification are significant drivers for this business. Distribution of world class brands is supported by wholly owned workshop and factory facilities.

Chairman's statement

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

OVERVIEW

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

FINANCIAL HIGHLIGHTS

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

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

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

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

FINANCING

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

>> strength through leading brands and global diversification

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

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

DIVIDEND

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

STRATEGY

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

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

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

OUTLOOK

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

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

MARTIN TEMPLE CBE
CHAIRMAN
3 AUGUST 2010

MACHINE TOOL DIVISION

Servicing production and workshop OEMs as well as educational establishments.

Group chief executive's review of operations

"I am pleased to report gross margin improved significantly from 27% to 32% year on year. In addition to the margin improvements, net operating expenses on a year on year basis were lowered by £8.5m."

The challenging market environment, to which I referred in last year's Annual Report, continued into 2009/10 with conditions in some parts of the business worsening in the first half as the order book reduced. In the second half of the year, however, there was a modest improvement in all our markets particularly with regard to Machine Tools in North America and Laser Marking.

BACKGROUND TO THE RESULTS

In my first full year, the priority was to complete the turnaround as rapidly as possible and leave the Group well positioned to develop organically as markets began to recover. However, in light of the worsening trading conditions at the start of the financial year, it was clear that another significant and rapid phase of restructuring was required in order to reduce further the breakeven point of the Group.

The business area most impacted by these prevailing market conditions was Machine Tools, which showed a calendar year on year deterioration of 51% and 44% in the US and Europe respectively. Additionally, an increasingly difficult lending environment, combined with some adverse currency movements, led us to discontinue activities which would otherwise have consumed cash for a low return and residual warranty risks. These activities were non-core and promoted our suppliers' brands, which required significant overhead and produced little compensating margin. The combination of discontinued activities and difficult market conditions reduced revenue from £76m to £45m. The previous year's sales also included a large, low margin, aerospace contract. I am pleased to report that, as a result, gross margin was improved significantly from 27% to 32% year on year. Exceptional costs in relation to restructuring and asset impairment charges were £5.4m and £1.1m respectively with the cash element within restructuring being principally required for redundancy payments.

In addition to the margin improvements, net operating expenses on a year on year basis were lowered by £8.5m. Some of the cost savings only impacted the latter part of the year; a comparison of the second half of 2009/10 with the first half of the prior year shows an annualised reduction of £13.1m in total overheads from £32.5m to £19.4m. This is in addition to the direct labour savings and margin improvements. The loss in the year was £1.1m, compared to £2.2m in the previous year. I am pleased to report, however, that the Group traded profitably throughout most of the second half of the year.

>> **leading brands**
supplying our customers' global needs

As working capital continued to reduce during the year, particularly with regard to inventory, it became more difficult to generate internally the cash required to absorb the earlier operating losses and ongoing restructuring costs, whilst also responding to working capital demands as markets began to recover.

The Group remains relatively underleveraged in relation to its underlying assets. Nevertheless, to move forward, the Board believes that additional finance should be raised over and above our normal banking facilities. Haddeo Partners LLP, which acquired a 28.18% stake in the Group in March 2010, and certain other lenders are prepared to advance £2.5m to the Group, which will also involve the issue of 12,500,000 warrants at an exercise price of 20p. Details of this transaction, which requires shareholder approval at a forthcoming General Meeting, have been announced and the full circular is being posted to shareholders. The availability of increased finance will enable us to fund the growth of the business as markets recover, complete the final stages of the turnaround and develop our manufacturing footprint in Europe.

THE GROUP

The Group is now positioned as a diversified engineering Group with four principal areas of activity. Our website and all future communications to both customers and shareholders will reinforce this message. The four areas and their related percentage of Group revenues are:

MACHINE TOOLS (41%)

- Focused on development of Group brands, including Colchester-Harrison, Pratt Burnerd International (PBI), Crawford Collets and Garnet Bearings.
- Oxford Economics Group forecast predicts significant upturn in 2011.
- The Group holds strong position in conventional and workshop CNC machines.

PRECISION ENGINEERED COMPONENTS (26%)

- High precision bearings and workholding equipment.
- Spares sales generated from an installed base of 100,000 machines.

LASER MARKING (15%)

- Proprietary technology and software.
- Diversity of customers from pharmaceutical to telecommunications.
- High growth market – increased requirement for traceability of products and components.

MECHANICAL HANDLING AND WASTE MANAGEMENT (18%)

- Positive forecasts from the International Monetary Fund for South Africa.
- Increased spending on infrastructure by municipalities.
- Electrification of areas previously without power.

TURNAROUND

The vast majority of the restructuring is now complete. In the last 18 months, the Group has reduced the number of its locations from 29 to twelve and many legacy issues have been resolved. Reporting entities have also been reduced in the same period. The managers of these businesses have shown good leadership, driving through the necessary changes and associated transition projects.

SUPPLY CHAIN

During the year, our Machine Tools division completed the change from a dependence on outsourcing in China to other proven sources in Asia. Full supply became available in the summer and we have been able to commence the rebuilding of customer confidence with regard to machine quality. Warranty costs in the year have been minimal. Nevertheless, given the new economic landscape, we are unable to ignore the costs of financing Asian supply chains, for Europe in particular, when cash is a scarce resource. This issue, combined with some exchange rate volatility in relation to Asian and European currencies, has persuaded us to further de-risk our current arrangements.

Over the last 18 months, we have had meetings with potential manufacturing partners in Central and Eastern Europe (CEE). We believe that certain CEE based manufacturing businesses are logistically very well positioned, given EU membership, and possess the necessary operational capabilities. Our aim is to work with a manufacturing partner in CEE to combine production with the manufacture of certain critical components in the UK to give a manufacturing footprint located in the same geography as our European customers. We are particularly looking for a partner who will accept a degree of management control with the further prospect of the Group acquiring a subsequent financial interest.

The Machine Tools division will continue to move towards a business model based on this European manufacturing footprint, supported by Asian outsource partners, which delivers product under our own brands to customers via our international sales organisation.

PRECISION ENGINEERED COMPONENTS

Supplying precision engineered components to machine builders and other OEMs.

Group chief executive's review of operations continued

"The cost structure we have created within the Group means that we are better able to withstand any unexpected downturn in demand."

MARKETS

MACHINE TOOLS

During the year, the market for Machine Tools continued to be affected by the global economic environment. Difficulties within the automotive sector affected sales of production CNC machines, although there was a partial compensating impact from the increased sales of conventional (non-CNC) machines into the education sector.

During the second half of the year, clear signs of recovery were visible in the US and modest indicators were identified in the UK, which translated through into the order book. Germany remained a difficult market with many customers on short time production, which was not surprising given the importance of the automotive industry to the German economy. Demand for workshop CNC machines began to recover during the latter part of the year.

Looking further ahead, the most recent forecast from the Oxford Economics Group has considered the principal economic factors for the global machine tools industry and, whilst a small decline is predicted for 2010, there is a significant positive trend forecast from 2011 onwards.

PRECISION ENGINEERED COMPONENTS

Spares began to recover during the second half of the year in all territories, as manufacturing capacity utilisation began to slowly increase. Workholding product sales declined, particularly in the US where some de-stocking took place. Sales in this business area will follow the recovery in machine sales. Bearing sales were one of the last areas to decline as machine builders were reluctant to cancel orders for such critical components.

LASER MARKING

Electrox was affected by a deferral of projects in the US in the early part of the year. The UK was also subdued due to lack of customer finance and general uncertainty. In Germany, our market share continued to increase and initial inroads were also made in the French market.

With regard to products and technology, the Raptor range, which uses proprietary technology and software, continued to increase its market share, enabling the manufacturing focus to switch to increased modularity with less dependence on bespoke solutions. Marking products on a continuous production basis at high speed became a feature of the development work during the year with customers requiring higher cycle times. Electrox is now able to match or exceed the cycle times of many integrated production lines which require this facility.

Work has started on the next generation of operating software for all Laser Marking units, in addition to a number of product enhancements which are in the development pipeline.

>> designed to the highest standard

utilising the latest technology

MECHANICAL AND WASTE HANDLING

There was a reduction in activity during the middle part of the year with most South African municipalities having implemented infrastructure projects well in advance of the World Cup. Private construction activity also remained at a low level. A great deal of work has gone in to establishing a relationship with Eskom, the state owned electricity utility, and prospects appear to be good for the recently launched range of aerial platforms which are imported from the US. There should also be some benefits accruing from the recovery in the world market for minerals which should result in increased demand for equipment.

Economic growth in 2010 is forecast by the IMF to recover gradually to 2.4% with a further improvement to 3.3% in 2011.

OPERATIONS

As mentioned earlier, a second phase of restructuring was necessitated when it became clear at the start of the year that market conditions, particularly in Europe, were worse than anticipated. A number of transition projects were implemented in order to bring down the cost structure and improve performance including the following:

EUROPE

- The PBI factory in Halifax was closed and moved to Heckmondwike.
- Externally sourced workholding products were re-engineered for production in Heckmondwike's enlarged machining facility, increasing utilisation of our state-of-the-art equipment.
- A partial transfer of bearing production from Colchester to Heckmondwike was effected and overheads reduced.
- At Electrox, changes were made at senior management level and the business was restructured to return it to profit.
- In Germany, following falling sales of third party products, we have transferred this business into our UK-based European sales organisation, which is focusing on the supply of Group products.

NORTH AMERICA

- The Electrox facility in Indianapolis, providing spares, service and back office functions, has been transferred to Clausing.
- The Web based ordering system for machine tool spares is now operational.

AUSTRALIA

- The unit in Melbourne has been closed and absorbed into the branch in Sydney, which has been transferred into a lower cost location.

SOUTH AFRICA

- A management change took place in the third quarter and subsequently the breakeven point for the business was reduced following improvements in the factory and workshop in Johannesburg.

CORPORATE SOCIAL RESPONSIBILITY

The Group takes its responsibilities seriously towards all its stakeholders, including its employees, the community and the environment. This has been another difficult year for many of our employees and those that remain with the Group have regrettably had to work within a very uncertain economic environment for much of the year. Most employees at some time during the year have worked reduced hours in order to support their businesses through periods of lower demand. I would like to thank them for the sacrifices which they have made.

It is our intention during the new financial year to implement both OHSAS18001 and ISO14001 being the international standards for health and safety and the environment respectively. Subject to progress in Heckmondwike, our largest UK site, these standards will be considered for other locations where appropriate.

OUTLOOK

There is still work to do in finalising the shape of the Machine Tools business within Europe and the US; this will, however, be minimal when compared to the two main phases of the turnaround which took place in the second half of 2008/09 and the first half of 2009/10. One area of caution must be with regard to the current European austerity measures which could have some impact on public sector demand. Whatever the future holds, the cost structure we have created within the Group means that we are better able to withstand any unexpected downturn in demand.

The main focus in 2010 will be the development of a stronger supply chain and in particular the European manufacturing footprint, so that a robust platform is in place to deliver product in line with the expected improvements in our principal markets.

I believe that the progress in North America and within the Laser Marking business is encouraging and combined with the recent Oxford Economic forecast for machine tools; there is reason to expect further recovery, particularly in Europe, as we move into 2011.

DAVID NORMAN
GROUP CHIEF EXECUTIVE
3 AUGUST 2010

LASER MARKING

Providing a high-tech alternative to inkjet marking for international OEM customers.

Financial review

ACCOUNTING POLICIES

The Group's results for the period to 3 April 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the results for the Parent Company have been consistently prepared in accordance with UK GAAP.

RESULTS

Revenue from continuing operations was severely impacted by downturns in our markets and reduced by £30.8m from £76.2m to £45.4m. Analysis of revenue by principal area of activity reflects a reduced level of activity in all areas with Machine Tools, which represents 41% (2009: 58%) being impacted by a 58% reduction in machine sales, some of which were discontinued low margin products. Precision Engineered Components, which includes spares, reduced by 20%, Laser Marking by 17% and Mechanical and Waste Handling by 8%.

The reduction in sales revenue was offset by an increase in gross profit from 27% to 32% of sales and a reduction in operating expenses of £8.5m. The operating loss before restructuring costs, closed operations, net pension credit and impairment of intangible assets reduced to £1.1m (2009: £2.2m). Restructuring costs of £5.4m (2008: £5.2m) relating to the reorganisation and restructuring of the business were incurred. These costs were partially offset by a net credit in respect of past service pension liabilities of £0.9m. The loss from operations before tax and net finance costs was £6.8m (2009: £8.3m) with net financial expense being £1.9m (2009: net financial income of £0.3m).

The resulting loss before tax was £8.7m compared with a loss last year of £8.0m. Taxation was nominal and related to overseas tax.

Net assets decreased by £9.3m (2009: £8.3m) to £20.7m (2009: £30.0m). Property, plant and equipment reduced by £0.8m (2009: £1.8m), intangible assets reduced by £1.4m (2009: £0.1m) and inventory reduced by £5.3m (2009: increase of £0.2m). Net deferred tax assets remained at £0.6m and there was a net decrease in trade and other receivables/payables of £1.3m (2009: decrease of £1.7m).

Net debt increased during the period by £2.9m (2009: decrease of £4.6m), resulting in net debt at the period end of £(4.3)m (2009: £(1.5)m). This decrease was primarily due to a cash outflow from operating activities of £2.1m (2009: outflow of £5.3m).

EMPLOYEE BENEFITS

The Group accounts for its pension arrangements in accordance with IAS 19. This accounting is based on a series of actuarial assumptions.

Full details of 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, remains significant in terms of its size and impact. The Group accounts for pensions in accordance with IAS 19 "Employee benefits", which requires the 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. The employee benefits liability recognised in the statement of financial position has increased by £0.3m. Contained within this movement is a £1.3m reduction in respect of changes to the Group's US healthcare scheme such that the future increases to this liability are now capped. This £1.3m has been taken as a credit in 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 and managed centrally for both the UK and overseas operations.

>> positive indicators

for all markets in 2011

Further exposure to transaction risks arising from foreign exchange fluctuations is minimised by matching foreign currency dealings as closely as possible throughout the Group. With the global nature of our principal areas of activity, the Group 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, exchange rate movements, low cost competition, market conditions, short-term customer confidence levels;
- operational e.g. 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;
- liquidity e.g. the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities, including uncertainties around current financing arrangements (committed and uncommitted), potential changes in financing arrangements and uncertainties posed by the potential impact of the economic outlook on the level of demand for the Group's products and business activities;
- financial e.g. major contract management, inventory control, credit control, pension scheme funding;
- hazard/health and safety/product liability; and
- defined benefit pension schemes – the Group continues to be subject to various financial risks in relation to the pension schemes, for example the volatility of discount rates and of the valuation of pension scheme assets. See Note 28 for further information on this.

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 are 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; and
- working capital levels.

MARTYN WAKEMAN
GROUP FINANCE DIRECTOR
3 AUGUST 2010

MECHANICAL AND WASTE HANDLING

Servicing infrastructural requirements within Sub Saharan Africa.

Directors and advisers

MARTIN JOHN TEMPLE* (60)
A non-executive Director since 1 April 2007 and Chairman since 1 August 2007. Chairman of the Engineering Employers' Federation (EEF), and Chair of the BSSP Transition Management Board, Department for Business, Enterprise and Regulatory Reform. Formerly held senior management positions in British Steel.

DAVID NORMAN (57)
Appointed to the Board as Group Chief Executive on 7 August 2008. Formerly a Divisional Managing Director of Saia-Burgess AG.

MARTYN GORDON DAVID WAKEMAN (54)
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* (59)
A non-executive Director since 1 October 2007. A Director of QED Consulting Limited.

CHRISTOPHER JOHN CUNDY* (48)
Appointed to the Board as a non-executive Director on 1 August 2009. Formerly Commercial Director at VT Group plc.

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

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SHAREHOLDER INFORMATION
FINANCIAL CALENDAR
PERIOD ENDING 3 APRIL 2010
Annual General Meeting
To be held 29 September 2010

PERIOD ENDING 2 APRIL 2011
Interim Report
To be issued mid-November 2010

Results for the year
To be announced June 2011

Annual Report and Accounts
To be issued July 2011

Report of the directors

The Directors present their report to the members, together with the audited financial statements for the period ended 3 April 2010, which should be read in conjunction with the Chairman's Statement on the affairs of the Group (pages 4 and 5), the Group Chief Executive's Review of Operations (pages 6 to 9) and the Group Finance Director's Financial Review (pages 10 to 11). 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 2010 are for the 53-week period ended 3 April 2010. The results for 2009 are for the 52-week period ended 28 March 2009.

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 22.

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 4 to 11. 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.

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 no donations to charitable organisations in the period (2009: £nil). The Group made no political donations in the period (2009: £nil).

INTERESTS IN SHARE CAPITAL

At 30 June 2010, the Directors had been informed of the following interests in shares of 3% or more of the issued ordinary share capital of the Company:

	Number	Percentage of issued ordinary share capital
Haddeo Partners	16,125,868	28.18
Gartmore Investment Management	4,139,519	7.23
Schroder Investment Management	3,675,730	6.42
Maland Pension Fund Trustees	2,300,000	4.02
Legal & General Investment Management	2,045,455	3.57
AXA Framlington	2,035,000	3.56
Barclays Wealth	2,014,624	3.52

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 8,579,328 of its own ordinary shares in accordance with the Companies Act 2006 was given by shareholders at the Annual General Meeting of the Company on 25 September 2009. This authority remains valid until the conclusion of the next Annual General Meeting on 29 September 2010.

Report of the directors continued

DIRECTORS

Details of the current Directors of the Company are shown on page 12. In addition, J A Kitchen served as a Director during the period until his resignation on 25 September 2009. C J Cundy was appointed as a Director on 1 August 2009.

The Directors retiring by rotation are M J Temple and M G D Wakeman who, being eligible, offer themselves for re-election. D H Norman has a rolling service contract of six months with the Company. S J Rutherford and C J Cundy do not have rolling service contracts with the Company.

The beneficial interests of the Directors in the share capital of the Company at 3 April 2010 are shown in the Remuneration Report on pages 17 to 20.

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 64 days (2009: 54 days) of average purchases for the Company and 69 days (2009: 62 days) for the Group.

POST BALANCE SHEET EVENTS

On 3 August 2010 a circular was issued to our shareholders providing details of a loan from Haddeo Partners LLP (a 28.18% shareholder) and certain other lenders prepared to advance £2.5m to the Group in return for interest payments and 12.5m share warrants. Details of these arrangements and a capital reorganisation have been issued to shareholders and will be subject to their approval at a General Meeting to be held on 27 August 2010.

MARKET VALUE OF LAND AND BUILDINGS

During March 2010 all of the Group's properties were revalued by independent valuers and the Directors believe that these valuations are appropriate at 3 April 2010.

ENVIRONMENTAL POLICY

It is the Group's policy to seek continually to eliminate and, where this is not practicable, to minimise negative environmental impacts from the pursuit of its various business interests whilst continuing to product high quality products to its customers' requirements.

It is the Group's policy to comply with all statutory environmental legislation as a minimum and to aim to improve upon the standards set by the local regulatory authorities.

To this end, each subsidiary is audited by the Group's internal health, safety and environment manager to:

- benchmark performances across the Group;
- help sites identify and prioritise issues for improvement; and
- ensure legal compliance.

The results of audits are communicated directly to the Directors and to all subsidiary boards and appropriate action is taken.

It is the Group's policy to foster an informed and responsible approach to all environmental concerns and it encourages the involvement of employees, customers and suppliers. Regulatory authorities are consulted and informed at all appropriate times. The Group continues to support long-term strategies to minimise, re-use and recycle packaging.

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 15 and 16.

PROVISION OF INFORMATION TO AUDITOR

All of the current Directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor are aware of that information. The Directors are not aware of any relevant audit information of which the auditor are unaware.

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 2006.

By order of the Board

ALAN MYERS
SECRETARY
3 AUGUST 2010

Corporate governance

Other than as indicated below, the Board considers that the Company has complied throughout the period with the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 (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 20.

The following relates to the Company's application during the period to 3 April 2010 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 S J Rutherford.

The Board of Directors met 16 times during the year. D H Norman and M G D Wakeman attended all meetings. M J Temple attended thirteen meetings, J A Kitchen attended six meetings up to his resignation on 25 September 2009 and S J Rutherford attended twelve meetings. C J Cundy attended six meetings from his appointment on 1 August 2009. 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 C J Cundy (who the Board considers has recent and relevant financial experience). It met three times during the year, with the Group Chief Executive, Group Finance Director, and representatives of the external auditor 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 auditor, the scope of the audit and matters arising from the audit and internal control procedures. During the year all Directors attended the meetings of the committee. There is provision for the committee to meet with the auditor without the attendance of the Executive Directors.

The Remuneration Committee consists of all the non-Executive Directors and is chaired by S J Rutherford. It determines the terms and conditions of employment for Executive Directors and agrees the parameters of remuneration for the senior management. There were five meetings during the year attended by all members. 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.

There are no formal policies in place for employees to raise concerns to the Audit Committee but all employees are encouraged to address concerns to their respective manager.

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.

Corporate governance continued

INTERNAL AUDIT

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

RELATIONS WITH THE AUDITOR

During the year the auditor provided tax and other non-audit advice to the Company and its subsidiaries. The Board has considered the effect on the independence of the auditor 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 auditor. The Audit Committee monitors the scope of the auditor's 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 website 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.

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. Further information on this matter is set out in the Basis of Preparation section of the Notes to the Consolidated Financial Statements.

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 IFRS 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).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. 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 judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS 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 adequate accounting records that are sufficient to show and explain the Parent Company's transactions and 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 2006. 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, remuneration report and corporate governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the 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.

By order of the Board

ALAN MYERS
SECRETARY
3 AUGUST 2010

Remuneration report

INTRODUCTION
This report has been prepared in accordance with the requirements of the Companies Act 2006. The report is divided into two sections, unaudited and audited information. The audited information starts on page 21.

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:

S J Rutherford (Committee Chairman)

M J Temple

C J Cundy (from his appointment on 1 August 2009)

J A Kitchen (until his resignation on 25 September 2009)

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

- the operation of the bonus scheme in the current economic climate;
- the formal grant of awards under the new performance share plan; and
- a review of Executive Directors' salaries.

COMMITTEE'S ADVISERS
During the year, PricewaterhouseCoopers LLP acted as independent advisers to the Committee and provided services relating to the benchmarking of Executive Directors' pay. 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:

D H Norman	Group Chief Executive
M G D Wakeman	Group Finance Director

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

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. 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 3 April 2010.

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 from 29 March 2009 to 3 April 2010 was 40% of basic annual salary and was divided into two parts which are each subject to different performance targets:

- overall Group performance based on sales, operating profit and cash flow for the year (maximum 25%); and
- discretionary (maximum 15%).

Remuneration report continued

EXECUTIVE DIRECTORS' REMUNERATION continued

LONG-TERM INCENTIVE PLANS

THE 600 GROUP PLC 2008 AND 2009 PERFORMANCE SHARE PLAN (THE PSP)

The PSP provides significant rewards for the achievement of stretching performance targets thus achieving a clear and demonstrable link between executive performance and executive reward.

The PSP provides for the award of both "nil cost" (or nominal cost) share options and contingent share awards (together referred to as awards) to Executive Directors and other senior employees who are selected to participate. The second awards under the PSP were made on 25 August 2009. The awards of 75% of salary were made to D H Norman and M G D Wakeman and no awards were made to senior employees.

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 awards made on 31 March 2008 and 25 August 2009 were set after consideration at that time of the current economic circumstances of the Company and expectations of the future. 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)		
TSR target	Total award vesting	EPS target	Total award vesting	Total vesting
<Median	0%	<3p	0%	0%
Median	10%	3p	15%	25%
Top quartile	40%	4.5p	60%	100%

The performance conditions and vesting schedule attaching to the PSP awards made on 25 August 2009 are set out in the table below:

TSR (40% of full award)		EPS (60% of full award)		
TSR target	Total award vesting	EPS target	Total award vesting	Total vesting
<Median	0%	<3p	0%	0%
Median	12.5%	3p	12.5%	25%
Median to upper quartile	12.5% to 50%	3p to 4.5p	12.5% to 50%	25% to 100%
Upper quartile	50%	4.5p	50%	100%

Total Shareholder Return (TSR) targets were set based on the performance of the Group relative to a comparator group of companies.

The TSR comparator group is the constituent companies of the FTSE Small Cap 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. These initial awards are not expected to vest.

The Committee may set different targets for future awards, 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 Committee expects future award levels for Executive Directors to be 75% of salary save where it deems there to be circumstances which justify a larger award of up to 150% of salary, e.g. upon recruitment.

THE 600 GROUP PLC 2009 PERFORMANCE SHARE PLAN (THE PSP) APPROVED SECTION

Share options granted under the PSP Approved Section are subject to the same performance and vesting conditions as the 2009 PSP. At the time of exercise, but only to the extent that there is a gain on the options granted under the Approved Section, PSP options will be forfeited to the same value.

GROUP SHARESAVE

Executive Directors are entitled to participate in the Group's Sharesave Scheme.

EXECUTIVE DIRECTORS' REMUNERATION continued

BENEFITS IN KIND

Executive Directors have the following benefits in kind:

- fully expensed motor car or car allowance to an equivalent amount;
- 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 9%. Only base salaries are pensionable. The contribution rate for the Company is 9%.

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 twelve months. Neither contract has a specific termination provision. D H Norman's service contract is dated 3 February 2009 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.

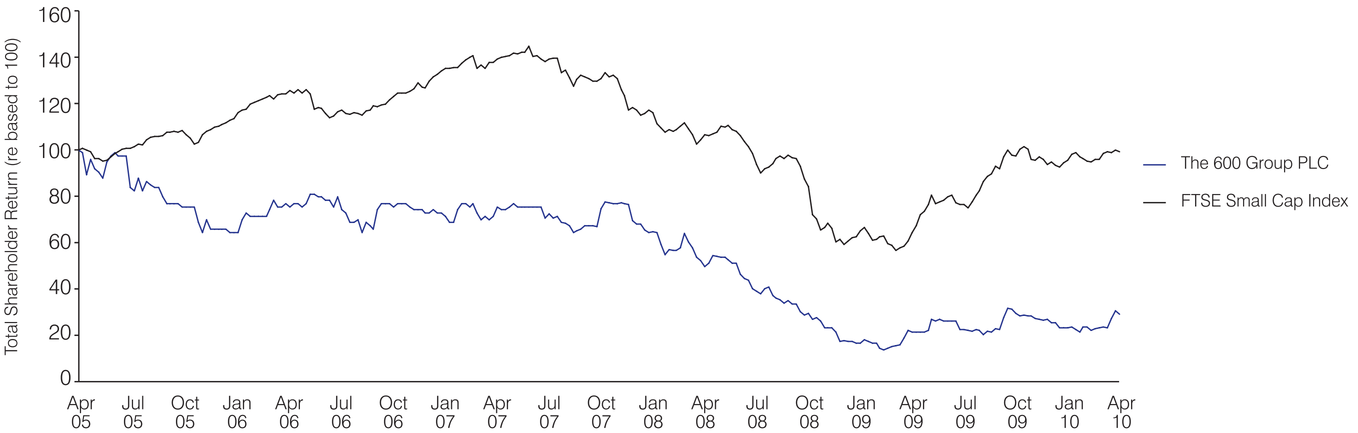
NON-EXECUTIVE DIRECTORS' REMUNERATION

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 TSR of the Company from 1 April 2005 to 3 April 2010 compared with the FTSE Small Cap 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.



DIRECTORS' INTERESTS IN SHARES

The interests of Directors holding office at 3 April 2010 in the ordinary shares of the Company were as follows:

	At 3 April 2010 Number	At 28 March 2009 Number
M J Temple	**20,000**	20,000
C J Cundy	**—**	—
S J Rutherford	**20,000**	20,000
D H Norman	**—**	—
M G D Wakeman	**—**	—

There were no changes in the beneficial interests of the Directors between 3 April 2010 and 3 August 2010. There were no non-beneficial interests.

Remuneration report continued

AUDITED INFORMATION
DIRECTORS' EMOLUMENTS

	Salary £	Fees £	Discretionary bonus £	All benefits in kind £	**Total 2010 £**	Total 2009 £
Chairman						
M J Temple	—	60,000	—	—	**60,000**	60,000
Executive Directors						
D H Norman[1]	230,000	—	—	15,409	**245,409**	234,533
M G D Wakeman	145,000	—	—	12,814	**157,814**	175,041
A J Dick[2]	—	—	—	—	**—**	229,752
Non-executive Directors						
C J Cundy[3]	—	22,000	—	—	**22,000**	—
J A Kitchen[4]	—	20,000	—	—	**20,000**	39,996
S J Rutherford	—	33,000	—	—	**33,000**	33,000
Total	375,000	135,000	—	28,223	**538,223**	772,322

1 From date of appointment as a Director on 7 August 2008. Included in the above table for the prior year is £166,600 paid to Executives Online on behalf of D H Norman, being remuneration from his date of appointment as a Director on 7 August 2008, to his employment start date on 1 February 2009.

2 Until resignation date of 5 August 2008.

3 From appointment date of 1 August 2009.

4 Until resignation date of 25 September 2009.

DIRECTORS' PENSION ENTITLEMENTS
Pension contributions of £20,700 (2009: £3,450) were made by the Group in respect of D H Norman into his personal pension scheme. Pension contributions of £13,050 (2009: £12,825) 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 3 April 2010 and 28 March 2009, including Sharesave scheme options, for each Director who held office during the year are as follows:

	Number of options at 28 March 2009	Granted	Exercised	Lapsed/ forfeited	Number of options at 3 April 2010
M G D Wakeman	554,770[1]	853,845[2]	—	(341,612)	1,067,003
D H Norman	—	1,245,973[3]	—	—	1,245,973

1 At 28 March 2009, 21,875 options were held under The 600 Group PLC 2000 Sharesave scheme and 532,895 options were held under The 600 Group PLC 2008 Performance Share Plan. During the current period the 600 Group PLC 2000 Sharesave scheme was terminated by the Company and consequently the 21,875 options in issue lapsed.

2 669,230 options were granted under The 600 Group PLC 2008 Performance Share Plan and 184,615 options were granted under an HM Revenue and Customs approved share option scheme.

3 1,061,358 options were granted under The 600 Group PLC 2008 Performance Share Plan and 184,615 options were granted under an HM Revenue and Customs approved share option scheme.

The share price at 3 April 2010 was 21.25p and the highest and lowest prices during the period were 23p and 16p, respectively.

By order of the Board

ALAN MYERS
SECRETARY
3 AUGUST 2010

Independent auditor's report
to the members of The 600 Group PLC

We have audited the financial statements of The 600 Group PLC for the 53-week period ended 3 April 2010 set out on pages 22 to 64. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 3 April 2010 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us;
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns;
- certain disclosures of Directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 16, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 15 and 16 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

JEREMY GLEDHILL (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF KPMG AUDIT PLC, STATUTORY AUDITOR
CHARTERED ACCOUNTANTS
LEEDS
3 AUGUST 2010

Consolidated income statement
for the 53-week period ended 3 April 2010

	Notes	53-week period ended 3 April 2010 £000	52-week period ended 28 March 2009 £000
Revenue	1	**45,376**	76,211
Cost of sales		**(30,933)**	(55,301)
Gross profit		**14,443**	20,910
Other operating income	2	**176**	727
Other operating expenses	2	**(21,393)**	(29,920)
Loss from operations before restructuring costs, costs in relation to closed operations, net pension credit and impairment of intangible assets		**(1,081)**	(2,206)
Restructuring costs	3	**(5,401)**	(5,184)
Costs in relation to closed operations		**—**	(475)
Credit in respect of past service pension liabilities net of curtailment costs		**897**	—
Charge for share-based payments		**(67)**	(24)
Impairment of intangible assets		**(1,122)**	(394)
Loss from operations	4	**(6,774)**	(8,283)
Financial income	6	**8,607**	10,723
Financial expense	6	**(10,541)**	(10,429)
Loss before tax		**(8,708)**	(7,989)
Income tax (charge)/credit	7	**(8)**	419
Loss for the period from continuing operations		**(8,716)**	(7,570)
Post tax loss of discontinued operations	1	**(798)**	(1,288)
Total loss for the period		**(9,514)**	(8,858)
Attributable to:			
Equity holders of the Parent Company		**(9,423)**	(8,888)
Minority interest		**(91)**	30
Loss for the period		**(9,514)**	(8,858)
Basic loss per share	9		
Continuing operations		**(15.2)p**	(13.3)p
Total		**(16.6)p**	(15.5)p
Diluted loss per share	9		
Continuing operations		**(15.2)p**	(13.3)p
Total		**(16.6)p**	(15.5)p

Consolidated statement of recognised income and expense
for the 53-week period ended 3 April 2010

	Notes	53-week period ended 3 April 2010 £000	52-week period ended 28 March 2009 £000
Loss for the period		**(9,514)**	(8,858)
Other comprehensive income			
Foreign exchange translation differences		**716**	1,164
Net actuarial losses on employee benefit schemes	28	**(3,109)**	(24,430)
Impact of changes to defined benefit asset limit	28	**3,070**	23,930
Revaluation of properties		**418**	—
Impairment of properties through revaluation reserve		**(1,019)**	(151)
Other comprehensive income for the period, net of income tax		**76**	513
Total comprehensive expense for the period		**(9,438)**	(8,345)
Attributable to:			
Equity holders of the Parent Company		**(9,545)**	(8,451)
Minority interest		**107**	106
Total recognised income and expense		**(9,438)**	(8,345)

Consolidated statement of financial position
as at 3 April 2010

Company number: 196730

	Notes	As at 3 April 2010 £000	As at 28 March 2009 £000
Non-current assets			
Property, plant and equipment	11	**9,996**	10,832
Intangible assets	12	**1,457**	2,868
Deferred tax assets	13	**2,294**	1,268
		13,747	14,968
Current assets			
Inventories	14	**19,393**	24,644
Trade and other receivables	15	**9,499**	11,512
Cash and cash equivalents	16	**823**	552
		29,715	36,708
Total assets		**43,462**	51,676
Non-current liabilities			
Employee benefits	28	**(4,137)**	(3,829)
Deferred tax liabilities	13	**(1,735)**	(709)
		(5,872)	(4,538)
Current liabilities			
Trade and other payables	18	**(11,435)**	(14,716)
Income tax payable		**(114)**	(77)
Provisions	19	**(229)**	(294)
Loans and other borrowings	17	**(5,151)**	(2,019)
		(16,929)	(17,106)
Total liabilities		**(22,801)**	(21,644)
Net assets		**20,661**	30,032
Shareholders' equity			
Called-up share capital	21	**14,308**	14,308
Share premium account		**13,766**	13,766
Revaluation reserve		**1,433**	1,969
Capital redemption reserve		**2,500**	2,500
Translation reserve		**1,570**	1,117
Retained earnings		**(13,550)**	(4,155)
Total equity attributable to equity holders of the Parent Company		**20,027**	29,505
Minority interest		**634**	527
Total equity		**20,661**	30,032

The financial statements on pages 22 to 64 were approved by the Board of Directors on 3 August 2010 and were signed on its behalf by:

DAVID NORMAN
GROUP CHIEF EXECUTIVE
3 AUGUST 2010

Consolidated statement of changes in equity
as at 3 April 2010

	Ordinary share capital £000	Share premium account £000	Revaluation reserve £000	Capital redemption reserve[1] £000	Translation reserve £000	Retained earnings £000	Total £000	Minority Interest[2] £000	Total equity £000
At 29 March 2008	14,308	13,766	2,765	2,500	113	4,480	37,932	421	38,353
(Loss)/profit for the period	—	—	—	—	—	(8,888)	(8,888)	30	(8,858)
Other comprehensive income:									
Foreign currency translation	—	—	84	—	1,004	—	1,088	76	1,164
Reserve transfer on disposal of property	—	—	(729)	—	—	729	—	—	—
Impairment of property through revaluation reserve	—	—	(151)	—	—	—	(151)	—	(151)
Net actuarial losses on employee benefit schemes	—	—	—	—	—	(24,430)	(24,430)	—	(24,430)
Impact of changes to defined benefit asset limit	—	—	—	—	—	23,930	23,930	—	23,930
Total comprehensive income	—	—	(796)	—	1,004	(8,659)	(8,451)	106	(8,345)
Transactions with owners:									
Credit for share-based payments	—	—	—	—	—	24	24	—	24
At 28 March 2009	14,308	13,766	1,969	2,500	1,117	(4,155)	29,505	527	30,032
At 29 March 2009	14,308	13,766	1,969	2,500	1,117	(4,155)	29,505	527	30,032
Loss for the period	—	—	—	—	—	(9,423)	(9,423)	(91)	(9,514)
Other comprehensive income:									
Foreign currency translation	—	—	131	—	453	—	584	132	716
Revaluation of property	—	—	418	—	—	—	418	—	418
Impairment of property through revaluation reserve	—	—	(1,019)	—	—	—	(1,019)	—	(1,019)
Minority share of property revaluation	—	—	(66)	—	—	—	(66)	66	—
Net actuarial losses on employee benefit schemes	—	—	—	—	—	(3,109)	(3,109)	—	(3,109)
Impact of changes to defined benefit asset limit	—	—	—	—	—	3,070	3,070	—	3,070
Total comprehensive income	—	—	(536)	—	453	(9,462)	(9,545)	107	(9,438)
Transactions with owners:									
Credit for share-based payments	—	—	—	—	—	67	67	—	67
At 3 April 2010	**14,308**	**13,766**	**1,433**	**2,500**	**1,570**	**(13,550)**	**20,027**	**634**	**20,661**

1 The capital redemption reserve was set up on cancellation and repayment of cumulative preference shares in 2001.

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

Consolidated cash flow statement
for the 53-week period ended 3 April 2010

	Notes	**53-week period ended 3 April 2010 £000**	52-week period ended 28 March 2009 £000
Cash flows from operating activities			
Loss for the period		**(9,514)**	(8,858)
Adjustments for:			
Amortisation of development expenditure		**528**	549
Depreciation		**974**	1,267
Impairment of goodwill		**1,122**	394
Net financial expense/(income)		**1,934**	(294)
Profit on disposal of plant and equipment		**(14)**	(226)
Equity share option expense		**67**	24
Income tax expense/(income)		**8**	(419)
Operating cash flow before changes in working capital and provisions		**(4,895)**	(7,563)
Decrease in trade and other receivables		**2,166**	9,278
Decrease in inventories		**5,714**	2,436
Decrease in trade and other payables		**(3,597)**	(8,919)
Decrease in employee benefits		**(1,076)**	(188)
Cash used in operations		**(1,688)**	(4,956)
Interest paid		**(454)**	(306)
Income tax received/(paid)		**24**	(24)
Net cash flows from operating activities		**(2,118)**	(5,286)
Cash flows from investing activities			
Interest received		**22**	82
Proceeds from sale of property, plant and equipment		**128**	2,106
Purchase of property, plant and equipment		**(576)**	(1,131)
Development expenditure capitalised		**(239)**	(724)
Net cash flows from investing activities		**(665)**	333
Cash flows from financing activities			
Proceeds from external borrowing		**555**	254
Net cash flows from financing activities		**555**	254
Net decrease in cash and cash equivalents	22	**(2,228)**	(4,699)
Cash and cash equivalents at the beginning of the period		**(1,075)**	3,297
Effect of exchange rate fluctuations on cash held		**(68)**	327
Cash and cash equivalents at the end of the period	16	**(3,371)**	(1,075)

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 2010 are for the 53-week period ended 3 April 2010. The results for 2009 are for the 52-week period ended 28 March 2009. 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 (IFRS) as adopted by the EU and International Financial Reporting Interpretation Committee (IFRIC) interpretations as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS.

IFRS and IFRIC are issued by the International Accounting Standards Board (the IASB) and must be adopted into European Union law, referred to as endorsement, before they become mandatory under the IAS Regulation.

The following IFRS, IFRIC interpretations and amendments have been adopted in the financial statements for the first time in this financial period:

- IFRS 2 "Share-based payment: vesting conditions and cancellation". This is an amendment to IFRS 2 which clarifies the term "vesting conditions" and provides the accounting treatment for non-vesting conditions and cancellations. This has been implemented by the Group but has had no impact on the results or assets of the Group.
- IFRS 8 "Operating segments" replaces IAS 14 "segmental reporting" and requires operating segments to be disclosed on the same basis as that used for internal reporting. It has been implemented by the Group from 29 March 2009 and has had no impact on the results or net assets of the Group but has resulted in revised disclosures.
- IAS 1 (Revised) "Presentation of financial statements" is effective for the year ended 3 April 2010. The standard requires a change in the format and presentation of the Group's primary statements but has had no impact on reported results or equity.
- IFRS 7 "Finance instruments: disclosures" (amendment) is effective for the year ended 3 April 2010. The amendment requires enhanced disclosures about fair value measurement and liquidity risk.
- Amendments to IAS 23 "Borrowing costs" removes the option of immediately expensing borrowing costs that are directly attributable to a qualifying asset and requires such costs to be capitalised. It has been adopted by the Group from 29 March 2009 and has had no impact on the results or net assets of the Group.

The following IFRS, IFRIC interpretations and amendments have been issued but are not yet effective and have not been adopted early by the Group:

- IFRS 3 (Revised) "Business combinations" was issued in January 2008. It will affect the accounting for any acquisitions made by the Group after March 2010. Acquisitions made prior to that date will not be affected.
- IFRIC 17 "Distributions of non-cash assets to owners" was issued in November 2008. It is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group as it has not made any non-cash distributions.
- IFRIC 18 "Transfers of assets from customers" was issued in January 2009. It is effective for transfer of assets received on or after 1 July 2009. This is not relevant for the Group as it has not received any assets from customers.

There have been no further alterations made to the accounting policies as a result of considering all amendments to IFRS and IFRIC interpretations that became effective during the accounting period as these were considered to be immaterial to the Group's operations or were not relevant.

There are a number of standards and interpretations issued by the IASB that are effective for financial statements after this reporting period. The following have not been adopted by the Group:

	Effective for accounting periods starting on or after:
International Financial Reporting Standards:	
IAS 27 "Consolidated and separate financial statements"	1 July 2009
IFRS 9 "Financial instruments"	1 January 2013

The application of these standards and interpretations are not anticipated to have a material effect on the Group's financial statements except for additional disclosure.

The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP; these are presented on pages 58 to 64.

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Group accounting policies continued

BASIS OF PREPARATION continued

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.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Group Chief Executive's Review of Operations on pages 6 to 9. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Finance Director's Financial Review on pages 10 and 11 and Note 23 to the financial statements. In addition Note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group meets its day to day working capital requirements through overdraft facilities which are due for renewal on various dates. The facilities in place are as follows and are subject to normal covenant arrangements:

- UK – £3.0m facility, signed on 6 July 2010 and due for renewal on 24 May 2011.
- US – £1.2m facility, signed on 7 December 2009 with no specific renewal date.
- South Africa – £1.5m facility signed on 15 September 2009 for a period of one year.
- Australia - £0.8m loan taken out on 24 November 2009 for a period of one year.

The Group has met the relevant performance covenants during the year.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. This includes consideration of working capital requirements and the impact of funding any further reorganisation costs. Further cost saving and result enhancing actions continue to be reviewed by the Board on a regular basis. The Group has issued a circular to shareholders as at the date of this announcement, seeking approval for a loan of £2.5m. Whilst the Directors believe that the Group can operate within the level of its existing facilities, this loan is viewed as an important opportunity to further develop the Group.

The Group will open facility renewal negotiations with the banks in due course and has, at this stage, not sought any written commitment that the facilities will be renewed. However, the Group has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewals may not be forthcoming on acceptable terms. The Group also considers that alternative sources of finance would be available should the need arise.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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 adopted 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 ANALYSIS

IFRS 8 "Operating segments" is mandatory for the first time for the financial year beginning 29 March 2009. The standard requires that the segments should be reported on the same basis as the internal reporting information that is provided to the chief operating decision maker. The Group adopts this policy and the chief operating decision maker has been identified as the Executive Directors.

SEGMENT ANALYSIS continued

The Directors consider there to be four operating segments, being Machine Tools, Precision Engineered Equipment, Laser Marking and Mechanical and Waste Handling. The Group's main activity is the manufacture and supply of machine tools and equipment. The Executive Directors' focus is on the performance and growth of this activity. Internal reports reviewed regularly by the Executive Directors provide information to allow the chief operating decision maker to allocate resources and make decisions about the operations.

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 comprehensive income. 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. Further provision is made to the extent that the Group has any additional obligation under a minimum funding requirement.

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

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.

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.

WITHIN THE STATEMENT OF COMPREHENSIVE INCOME

- 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; and
- obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

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 two and five years.

Group accounting policies continued

PROPERTY, PLANT AND EQUIPMENT

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

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 on a first in, first out basis and labour and a proportion of manufacturing overheads based on normal operating capacity

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

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 receivables 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.

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 or credit for a period represents the movement in cumulative expenses recognised as at the beginning and end of that period.

Charges for employee services received in exchange for share-based payment have been made for all options granted after 7 November 2002 in accordance with IFRS 2 "Share-based payment". The fair value of such options has been calculated using a binomial or Monte Carlo 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
for the 53-week period ended 3 April 2010

1. SEGMENT INFORMATION

The Group has adopted IFRS 8 "Operating segments" with effect from 29 March 2009. IFRS 8 requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources.

The Executive Directors consider there to be four operating segments being Machine Tools, Precision Engineered Equipment, Laser Marking and Mechanical and Waste Handling.

The Executive Directors assess the performance of the operating segments based on a measure of operating profit/(loss). This measurement basis excludes the effects of restructuring costs, costs in relation to closed operations and impairment of intangible assets from the operating segments. Central costs are classified as UK costs and are presented within the UK operating result.

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

53-WEEK PERIOD ENDED 3 APRIL 2010

	Machine Tools £000	Precision Engineered Equipment £000	Laser Marking £000	Mechanical and Waste Handling £000	Total £000
Segmental analysis of revenue					
Revenue from external customers	**18,537**	**11,986**	**6,727**	**8,126**	**45,376**
Inter-segment revenue	**1,989**	**900**	**896**	**—**	**3,785**
Total segment revenue	**20,526**	**12,886**	**7,623**	**8,126**	**49,161**
Less: inter-segment revenue					**(3,785)**
Total revenue per statutory accounts					**45,376**
Segmental analysis of operating loss before restructuring costs, net pension credit and impairment of intangible assets					
Reportable segment loss	**(767)**	**62**	**(268)**	**(241)**	**(1,214)**
Inter-segment profit					**133**
Group loss from operations (adjusted)					**(1,081)**
Restructuring costs					**(5,401)**
Credit in respect of past pension scheme service net of curtailment cost					**897**
Charge for share-based payments					**(67)**
Impairment of intangible assets					**(1,122)**
Group loss from operations					**(6,774)**
Other segmental information					
Reportable segment assets	**23,585**	**10,171**	**7,302**	**2,404**	**43,462**
Reportable segment liabilities	**11,464**	**6,648**	**3,206**	**1,483**	**22,801**
Fixed asset additions	**353**	**143**	**40**	**40**	**576**
Depreciation and amortisation	**662**	**170**	**613**	**57**	**1,502**

1. SEGMENT INFORMATION continued

52-WEEK PERIOD ENDED 28 MARCH 2009

	Machine Tools £000	Precision Engineered Equipment £000	Laser Marking £000	Mechanical and Waste Handling £000	Total £000
Segmental analysis of revenue					
Revenue from external customers	44,176	15,022	8,151	8,862	76,211
Inter-segment revenue	7,434	3,788	14	—	11,236
Total segment revenue	51,610	18,810	8,165	8,862	87,447
Less: inter-segment revenue					(11,236)
Total revenue per statutory accounts					76,211
Segmental analysis of operating loss before restructuring costs net pension credit and impairment of intangible assets					
Reportable segment loss	(3,164)	283	110	(85)	(2,856)
Inter-segment profit					650
Group loss from operations (adjusted)					(2,206)
Restructuring costs					(5,184)
Costs in relation to closed operations					(475)
Charge for share-based payments					(24)
Impairment of intangible assets					(394)
Group loss from operations					(8,283)
Other segmental information					
Reportable segment assets	29,257	11,538	7,918	2,963	51,676
Reportable segment liabilities	14,483	4,224	1,316	1,621	21,644
Fixed asset additions	408	361	298	64	1,131
Depreciation and amortisation	537	586	645	48	1,816

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.

	2010 £000	2009 £000
Results of the discontinued operations		
Revenue	**2,872**	444
Expenses	**(3,670)**	(1,732)
Loss from discontinued operations	**(798)**	(1,288)

The discontinued operations relate to the closure of operations in Germany. The discontinued operations in 2009 include final closure costs in relation to the Canadian operation. The income tax charge in respect of the above discontinued operations is £nil (2009: £nil).

Notes relating to the consolidated financial statements continued for the 53-week period ended 3 April 2010

2. OTHER OPERATING INCOME/OPERATING EXPENSES

	2010 £000	2009 £000
Other operating income	**176**	727
Operating expenses:		
– administration expenses	**17,213**	22,283
– distribution costs	**4,180**	7,637
Total operating expenses	**21,393**	29,920

No amounts are included within other operating income in the current period in respect of profit on disposal on properties (2009: £254,000).

3. RESTRUCTURING COSTS, COSTS IN RELATION TO CLOSED OPERATIONS, NET PENSION CREDIT AND IMPAIRMENT OF INTANGIBLE ASSETS

Restructuring costs and costs in relation to closed operations are items of expenditure that, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or their size, to an understanding of the financial performance and significantly distort the comparability of financial performance between accounting periods.

Items of expense that are considered by management for designation as restructuring costs include such items as redundancy costs, plant, property and equipment impairments, inventory impairments, receivable impairments and onerous lease costs.

	2010 £000	2009 £000
Cost of sales		
Inventory impairments[i]	**1,209**	1,808
Asset impairments[ii]	**38**	138
Operating costs		
Other restructuring costs[iii]	**4,154**	3,238
Restructuring costs	**5,401**	5,184

1 At 3 April 2010, the Group conducted a review of the net realisable value of its inventory carrying values following review of the Group strategy and operations. This has resulted in a charge of £1.2m. The charge has followed a strategic restructuring of certain of the Group operations.

2 At 3 April 2010, a review of the carrying value of property, plant and equipment was undertaken following the decision to exit certain production facilities. This has resulted in a charge of £0.03m.

3 At 3 April 2010, the Group had incurred £4.2m in relation to reorganising and restructuring the business. These costs comprise staff redundancy and contract severance costs, costs relating to exiting leased premises and certain warranty costs.

The cash cost of the restructuring in 2010 was £1.9m (2009: £3.0m).

During the period, a credit of £1.2m (2009: £nil) arose in respect of past pension service costs as a result of an amendment to the benefits arising under the Group's US healthcare plan. The amendment has resulted in future increases to the plan being capped. Additionally a charge of £0.3m of (2009: £nil) arose in respect of curtailment costs incurred under the Group's UK pension plan.

Also, at 3 April 2010, a review of the carrying value of intangible assets was conducted and the goodwill relating to the PARAT operation in Germany and the Gamet operation in the UK was found to be impaired. A charge of £1.1m was recognised in relation to this. See Note 12.

4. OPERATING LOSS BEFORE FINANCING INCOME AND EXPENSE

	2010 £000	2009 £000
Operating loss before financing income and expense is stated after charging:		
– depreciation of owned property, plant and equipment	**950**	1,240
– depreciation of assets held under finance leases	**24**	27
– impairment loss on goodwill	**1,122**	394
– amortisation of development expenditure	**528**	549
– research and development expensed as incurred	**198**	535
– hire of plant	**118**	117
– other operating lease rentals	**148**	145
– loss on sale of property, plant and equipment	**6**	40
and after crediting:		
– rents receivable	**59**	86
– profit on sale of property, plant and equipment	**20**	253
Auditor's remuneration:		
– audit of these financial statements	**80**	110
– amounts receivable by auditor and its associates in respect of:		
– audit of financial statements of subsidiaries pursuant to such legislation	**30**	30
– other services relating to taxation	**17**	18
– other services pursuant to such legislation	**1**	18

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

5. PERSONNEL EXPENSES

	2010 £000	2009 £000
Staff costs:		
– wages and salaries	**10,386**	16,055
– social security costs	**1,364**	2,178
– pension charges relating to defined contribution schemes	**227**	341
– pension charges relating to defined benefit schemes	**279**	398
– equity share options expense	**67**	24
	12,323	18,996

In addition to the above staff costs, redundancy costs of £961,000 were incurred during the year.

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

	2010 Number	2009 Number
Machine tools and equipment	**390**	547

Details of Directors' emoluments, share option schemes and pension entitlements are given in the Directors' Remuneration Report on pages 17 to 20.

Notes relating to the consolidated financial statements continued
for the 53-week period ended 3 April 2010

6. FINANCIAL INCOME AND EXPENSE

	2010 £000	2009 £000
Interest income	**22**	91
Expected return on defined benefit pension scheme assets	**8,585**	10,632
Financial income	**8,607**	10,723
Interest expense	**(454)**	(346)
Interest on defined benefit pension scheme obligations	**(10,087)**	(10,083)
Financial expense	**(10,541)**	(10,429)

7. TAXATION

	2010 £000	2009 £000
Current tax:		
Corporation tax at 28% (2009: 28%):		
– current period relating to prior period	**—**	—
Overseas taxation:		
– current period	**(8)**	(14)
Total current tax charge	**(8)**	(14)
Deferred taxation:		
– current period	**—**	433
Total deferred taxation charge (Note 13)	**—**	433
Taxation (charged)/credited to the income statement	**(8)**	419

TAX RECONCILIATION

The tax charge assessed for the period is higher than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below:

	2010		2009	
	£000	**%**	£000	%
Loss before tax	**(8,708)**		(7,989)	
Loss before tax multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	**(2,438)**	**(28.0)**	(2,237)	(28.0)
Effects of:				
– expenses not deductible	**415**	**4.8**	539	6.7
– non-taxable income	**—**	**—**	106	1.4
– overseas tax rates	**18**	**0.2**	14	0.2
– deferred tax prior period adjustment	**—**	**—**	—	—
– current tax prior period adjustment	**—**	**—**	—	—
– tax not recognised on losses/unrecognised losses utilised	**2,013**	**23.1**	1,159	14.5
– impact of rate change	**—**	**—**	—	—
Taxation charged/(credited) to the income statement	**8**	**0.1**	(419)	(5.2)

8. DIVIDENDS

No dividend was paid in period (2009: no dividend paid).

9. EARNINGS PER SHARE

The calculation of the basic loss per share of (16.6)p (2009: (15.5)p) is based on the earnings for the financial period attributable to the Parent Company's shareholders of £(9,423,000) (2009: £(8,888,000)) and on the weighted average number of shares in issue during the period of 57,233,679 (2009: 57,233,679). At 3 April 2010, there were 2,404,849 potentially dilutive shares on option and the diluted loss per share was (16.6)p. The basic loss per share for continuing operations is (15.2)p (2009: (13.3)p) and the basic loss per share for discontinued operations is (1.4)p (2009: (2.2)p). The diluted loss per share for continuing operations is (15.2)p (2009: (13.3)p) and the diluted loss per share for discontinued operations is (1.4)p (2009: (2.2)p).

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

	2010	2009
Weighted average number of shares		
Issued shares at start of period	**57,233,679**	57,207,168
Effect of shares issued in the year	**—**	26,511
Weighted average number of shares at end of period	**57,233,679**	57,233,679

10. 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 2003 with a vesting date of 1 February 2007 and 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). On 25 August 2009, further awards were made to the Executive Directors under the PSP scheme. Options are exercisable at the end of a three year performance period and are subject to performance criteria relating to TSR and EPS targets as set out in the Remuneration Report. The scheme is equity-settled.

SHARE-BASED EXPENSE

The Group recognised total expenses of £67,000 (2009: £23,676) in relation to equity-settled share-based payment transactions.

	PSP	Sharesave Scheme
The number and weighted average exercise prices of share options		
Number of options outstanding at beginning of period	1,352,342	394,358
Number of options granted in period	2,099,818	—
Number of options forfeited/lapsed in period	(1,047,491)	(394,358)
Number of options exercised in period	—	—
Number of options outstanding at end of period	2,404,669	—
Number of options exercisable at end of period	—	—

No Sharesave options were exercised in the period and there were none outstanding at the end of the period. The weighted average exercise price at the period end is nil.

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

Notes relating to the consolidated financial statements continued
for the 53-week period ended 3 April 2010

10. EMPLOYEE SHARE OPTION SCHEMES continued
FAIR VALUE ASSUMPTIONS OF SHARE-BASED PAYMENTS
THE 600 GROUP PLC 2000 SHARESAVE SCHEME
The fair value of awards granted under The 600 Group PLC 2000 Sharesave Scheme is determined using the binomial valuation model. The fair value of share options and assumptions are shown in the table below:

	2010 £000	2009 £000
Fair value	—	£0.26
Share price at grant	—	£0.55
Exercise price	—	£0.43
Dividend yield	—	0%
Expected volatility	—	50%
Expected life	—	3.1 years
Risk-free interest rate	—	5%
Number of shares under option	—	394,358

THE 600 GROUP PLC 2008 PERFORMANCE SHARE PLAN
The fair value of awards granted under The 600 Group PLC 2008 Performance Share Plan is determined using the Monte Carlo valuation model. The fair value of share options and assumptions are shown in the table below:

	2010 £000	2009 £000
Fair value	**£0.1625**	£0.38
Share price at grant	**£0.1625**	£0.38
Exercise price	**£nil**	£nil
Dividend yield	**0%**	0%
Expected volatility	**50%**	50%
Expected life	**3.0 years**	3.0 years
Risk-free interest rate	**5%**	5%
Number of shares under option	**2,404,669**	1,352,342

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings			Fixtures, fittings, tools and equipment	
	Freehold £000	Leasehold £000	Plant and machinery £000	£000	Total £000
Cost or valuation					
At 28 March 2009	5,924	2,686	20,902	2,845	32,357
Exchange differences	202	4	105	(53)	258
Revaluation	(1,531)	(5)	—	—	(1,536)
Additions during period	—	—	429	147	576
Disposals during period	—	(102)	(415)	(34)	(551)
At 3 April 2010	**4,595**	**2,583**	**21,021**	**2,905**	**31,104**
At professional valuation	4,367	2,370	—	—	6,737
At cost	228	213	21,021	2,905	24,367
	4,595	**2,583**	**21,021**	**2,905**	**31,104**
Depreciation					
At 28 March 2009	683	374	18,207	2,261	21,525
Exchange differences	(20)	4	37	(40)	(19)
Charge for period	137	27	664	146	974
Revaluation	(800)	(135)	—	—	(935)
Disposals during period	—	(102)	(305)	(30)	(437)
At 3 April 2010	**—**	**168**	**18,603**	**2,337**	**21,108**
Net book value					
At 3 April 2010	**4,595**	**2,415**	**2,418**	**568**	**9,996**
At 28 March 2009	5,241	2,312	2,695	584	10,832

The net book value of property, plant and equipment includes £105,000 (2009: £109,000) of assets held under finance leases. The depreciation charged in the period against assets held under finance leases was £21,000 (2009: £27,000).

During March 2010 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 with a net book value of £7,010,000 (2009: £6,158,000) are charged as security for borrowing facilities.

Notes relating to the consolidated financial statements continued
for the 53-week period ended 3 April 2010

11. PROPERTY, PLANT AND EQUIPMENT continued

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost or valuation					
At 29 March 2008	7,278	2,597	21,484	2,383	33,742
Exchange differences	308	14	235	300	857
Additions during period	—	102	744	285	1,131
Disposals during period	(1,662)	(27)	(1,561)	(123)	(3,373)
At 28 March 2009	5,924	2,686	20,902	2,845	32,357
At professional valuation	5,696	2,371	—	—	8,067
At cost	228	315	20,902	2,845	24,290
	5,924	2,686	20,902	2,845	32,357
Depreciation					
At 29 March 2008	312	231	18,578	2,018	21,139
Exchange differences	45	9	176	243	473
Charge for period	271	146	739	111	1,267
Impairment charge	138	—	—	—	138
Disposals during period	(83)	(12)	(1,286)	(111)	(1,492)
At 28 March 2009	683	374	18,207	2,261	21,525
Net book value					
At 28 March 2009	5,241	2,312	2,695	584	10,832
At 29 March 2008	6,966	2,366	2,906	365	12,603

12. INTANGIBLE ASSETS

	Goodwill £000	Development expenditure £000	Total £000
Cost			
At 28 March 2009	1,514	2,680	4,194
Additions	—	239	239
At 3 April 2010	**1,514**	**2,919**	**4,433**
Amortisation and impairment			
At 28 March 2009	392	934	1,326
Amortisation	—	528	528
Impairment	1,122	—	1,122
At 3 April 2010	**1,514**	**1,462**	**2,976**
Net book value			
At 3 April 2010	**—**	**1,457**	**1,457**
At 28 March 2009	1,122	1,746	2,868

12. INTANGIBLE ASSETS continued

	Goodwill £000	Development expenditure £000	Total £000
Cost			
At 29 March 2008	1,927	2,044	3,971
Additions	—	724	724
Impairment	(516)	(88)	(604)
Exchange differences	103	—	103
At 28 March 2009	1,514	2,680	4,194
Amortisation and impairment			
At 29 March 2008	480	473	953
Exchange differences	34	—	34
Amortisation	—	549	549
Impairment	(122)	(88)	(210)
At 28 March 2009	392	934	1,326
Net book value			
At 28 March 2009	1,122	1,746	2,868
At 29 March 2008	1,447	1,571	3,018

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

	2010 £000	2009 £000
Operating expenses	**1,650**	943

IMPAIRMENT OF GOODWILL

Goodwill brought forward of £1.5m arose on acquisitions before the date of transition to adopted IFRS and is retained at the previous UK GAAP amounts, subject to it being tested for impairment at that date. The goodwill acquired is allocated to the cash-generating units: £1.0m related to the PARAT operation in Germany, £0.1m related to the Gamet operation in the UK and £0.4m related to the Metal Muncher operation in the US. The PARAT operation was discontinued during the year and significant restructuring costs, including asset write downs, have been incurred with the result that the Directors consider that the remaining assets are not impaired.

The development expenditure is stated at cost less accumulated amortisation and impairment losses and is written down on a straight-line basis over a period of two to five years.

The recoverable amount of the goodwill is determined from value in use calculations. The key assumptions for value in use calculations are those regarding discount rates and growth rates. Growth rates incorporate volume, selling price and direct cost changes.

Following a change in the strategic direction of the Group, the value of goodwill at the end of the financial year was below its book value, resulting in an impairment of £1.122m.

Notes relating to the consolidated financial statements continued for the 53-week period ended 3 April 2010

13. DEFERRED TAX ASSETS AND LIABILITIES

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010 £000	2009 £000	**2010 £000**	2009 £000	**2010 £000**	2009 £000
Accelerated capital allowances	**118**	—	**—**	(49)	**118**	(49)
Short-term timing differences	**7**	44	**—**	—	**7**	44
Tax losses	**1,433**	1,502	**—**	—	**1,433**	1,502
Overseas tax losses	**736**	1,268	**—**	—	**736**	1,268
Revaluations and rolled over gains	**—**	—	**(1,335)**	(1,725)	**(1,335)**	(1,725)
Research and development	**—**	—	**(400)**	(481)	**(400)**	(481)
Tax assets/(liabilities)	**2,294**	2,814	**(1,735)**	(2,255)	**559**	559
Net of tax (assets)/liabilities	**—**	(1,546)	**—**	1,546	**—**	—
Net tax assets/(liabilities)	**2,294**	1,268	**(1,735)**	(709)	**559**	559

MOVEMENT IN DEFERRED TAX DURING THE PERIOD

	As at 28 March 2009 £000	Income statement £000	Statement of changes in equity £000	Exchange fluctuations £000	**As at 3 April 2010 £000**
Accelerated capital allowances	(49)	167	—	—	**118**
Short-term timing differences	44	(37)	—	—	**7**
Tax losses	1,502	(69)	—	—	**1,433**
Overseas tax losses	1,268	(532)	—	—	**736**
Revaluations and rolled over gains	(1,725)	390	—	—	**(1,335)**
Research and development	(481)	81	—	—	**(400)**
	559	—	—	—	**559**

MOVEMENT IN DEFERRED TAX DURING THE PRIOR PERIOD

	As at 29 March 2008 £000	Income statement £000	Statement of changes in equity £000	Exchange fluctuations £000	As at 28 March 2009 £000
Accelerated capital allowances	(186)	137	—	—	(49)
Short-term timing differences	118	(74)	—	—	44
Tax losses	967	535	—	—	1,502
Overseas tax losses	1,605	(337)	—	—	1,268
Revaluations and rolled over gains	(1,964)	239	—	—	(1,725)
Research and development	(414)	(67)	—	—	(481)
	126	433	—	—	559

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:

	2010 £000	2009 £000
Advance corporation tax recoverable	**1,670**	1,670
Tax losses	**3,382**	3,465

There is no expiry date for the advance corporation tax recoverable or the tax losses.

14. INVENTORIES

	2010 £000	2009 £000
Raw materials and consumables	**7,314**	7,083
Work in progress	**1,464**	1,566
Finished goods and goods for resale	**10,615**	15,995
	19,393	24,644

The Directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within twelve months. It is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of issues, including customer demand.

During the period, the Group conducted a review of the net realisable value of its inventories in light of the deterioration in the global economic environment. When the estimated net realisable value was less than its carrying value within the balance sheet, the Group has impaired the inventory values. During the period inventory provisions have reduced by £1,674,000 (2009: increased by £1,372,000). Following the impairment provisions, inventories are valued at fair value less costs to sell rather than at historical cost.

The value of inventories expensed in 2010 and included in cost of sales was £22,124,000 (2009: £45,408,000).

15. TRADE AND OTHER RECEIVABLES

	2010 £000	2009 £000
Trade receivables	**7,518**	9,655
Other debtors	**549**	653
Other prepayments and accrued income	**1,432**	1,204
	9,499	11,512

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

	2010 £000	2009 £000
Other debtors	**322**	321

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

	2010 £000	2009 £000
At start of year	**994**	467
Utilised in the period	**(711)**	(68)
Charged in the period	**644**	603
Receivables written off during the year as uncollectable	**(109)**	(8)
At end of year	**818**	994

The ageing analysis of gross trade receivables is as follows:

	2010 £000	2009 £000
Current (not overdue and no provision held)	**3,451**	4,977
Overdue but no provision held:		
– 0–3 months overdue	**2,419**	3,663
– 3–6 months overdue	**1,483**	879
– 6–12 months overdue	**426**	646
– more than 12 months overdue	**557**	484
Total gross trade receivables before provision	**8,336**	10,649

As at 3 August 2010, 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.

Notes relating to the consolidated financial statements continued
for the 53-week period ended 3 April 2010

16. CASH AND CASH EQUIVALENTS

	2010 £000	2009 £000
Cash at bank	**673**	380
Short-term deposits	**150**	172
Cash and cash equivalents per statement of financial position	**823**	552
Bank overdrafts	**(4,194)**	(1,627)
Cash and cash equivalents per cash flow statement	**(3,371)**	(1,075)

17. LOANS AND OTHER BORROWINGS

	2010 £000	2009 £000
Bank overdrafts	**4,194**	1,627
Bank loans	**378**	279
Obligations under finance leases	**579**	113
	5,151	2,019

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

	2010 £000	2009 £000
Obligations under finance leases	**417**	93

The repayment terms of borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	2010 £000	2009 £000
Bank overdrafts	GBP	Base +4%	2011	**3,097**	1,150
Bank overdrafts	EUR	4%	—	**171**	—
Bank overdrafts	ZAR	Prime +0.7%	2010	**926**	477
Bank loan	USD	5.25%	—	**378**	279
Finance lease obligations	AUD	9.59%	2012	**97**	113
Finance lease obligations	GBP	5.5%	2011	**482**	—
				5,151	2,019

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.

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

18. TRADE AND OTHER PAYABLES

	2010 £000	2009 £000
Payments received on account	**205**	676
Trade payables	**6,232**	9,468
Social security and other taxes	**1,374**	903
Other creditors	**1,391**	1,678
Fair value derivatives (Note 24)	**—**	235
Accruals and deferred income	**2,233**	1,756
	11,435	14,716

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

	2010 £000	2009 £000
Other creditors	**26**	28

19. PROVISIONS

	Onerous lease provisions £000	Warranties £000	Total £000
Provision carried forward at 28 March 2009	15	279	294
Exchange differences	—	14	14
Charged to income statement	—	9	9
Utilised in the period	—	(88)	(88)
Provision carried forward at 3 April 2010	**15**	**214**	**229**

The timing of warranty payments are uncertain in nature. The warranty provisions are calculated based on historical experience of claims received, taking into account recent sales of items which are covered by warranty. The provision relates mainly to products sold in the last twelve months. The typical warranty period is now twelve months.

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.

20. OBLIGATIONS UNDER FINANCE LEASES

The maturity of obligations under finance leases is as follows:

	2010 £000	2009 £000
Falling due:		
– within one year	**162**	20
– within two to five years	**509**	133
– less future finance charges	**(92)**	(40)
	579	113
Amounts falling due within one year	**162**	20
Amounts falling due after one year	**417**	93
	579	113

21. SHARE CAPITAL

	2010 £000	2009 £000
Authorised		
80,000,000 ordinary shares of 25p each	**20,000**	20,000
Allotted, called-up and fully paid		
57,233,679 (2009: 57,233,679) ordinary shares of 25p each:		
On issue at start of period	**14,308**	14,308
Issued under employee share schemes	**—**	—
On issue at end of period	**14,308**	14,308

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.

22. RECONCILIATION OF NET CASH FLOW TO NET DEBT

	2010 £000	2009 £000
Decrease in cash and cash equivalents	**(2,228)**	(4,699)
Increase in debt and finance leases	**(555)**	(254)
Increase in net debt from cash flows	**(2,783)**	(4,953)
Net debt at beginning of period	**(1,467)**	3,166
Exchange effects on net funds	**(78)**	320
Net debt at end of period	**(4,328)**	(1,467)

Notes relating to the consolidated financial statements continued
for the 53-week period ended 3 April 2010

23. ANALYSIS OF NET FUNDS

	At 28 March 2009 £000	Exchange movement £000	Cash flows £000	**At 3 April 2010 £000**
Cash at bank and in hand	380	43	250	**673**
Overdrafts	(1,627)	(111)	(2,456)	**(4,194)**
	(1,247)	(68)	(2,206)	**(3,521)**
Debt due within one year	(279)	16	(115)	**(378)**
Finance leases	(113)	(26)	(440)	**(579)**
Term deposits (included within cash and cash equivalents on the balance sheet)	172	—	(22)	**150**
Total	(1,467)	(78)	(2,783)	**(4,328)**

24. FINANCIAL INSTRUMENTS

OVERVIEW

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

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

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

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

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

The Group 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 current or prior period.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by head office staff undertaking both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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.

24. FINANCIAL INSTRUMENTS continued

CREDIT RISK continued

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

	2010 £000	2009 £000
Trade receivables	**7,518**	9,655
Cash and cash equivalents	**823**	552
	8,341	10,207

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

	2010 £000	2009 £000
UK	**3,580**	5,088
Other European countries	**398**	1,462
North America	**1,615**	1,670
Africa	**1,573**	1,191
Australasia	**352**	244
	7,518	9,655

LIQUIDITY RISK

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

Typically the Group ensures that it has sufficient cash or overdraft facilities on demand to at least meet any unexpected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

	2010 carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1–2 years £000	2–5 years £000
Bank overdrafts	**4,194**	4,194	4,194	—	—
Bank loan	**378**	378	378	—	—
Finance lease obligations	**579**	671	162	509	—
Interest bearing financial liabilities	**5,151**	5,243	4,734	509	—
Trade and other payables	**6,232**	6,232	6,206	26	—
Fair value derivative	**—**	—	—	—	—
Financial liabilities	**11,383**	11,475	10,940	535	—

	2009 carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1–2 years £000	2–5 years £000
Bank overdrafts	1,627	1,627	1,627	—	—
Bank loan	279	279	279	—	—
Finance lease obligations	113	153	25	128	—
Interest bearing financial liabilities	2,019	2,059	1,931	128	—
Trade and other payables	9,468	9,476	9,448	28	—
Fair value derivative	235	1,500	1,500	—	—
Financial liabilities	11,722	13,035	12,879	156	—

Notes relating to the consolidated financial statements continued
for the 53-week period ended 3 April 2010

24. FINANCIAL INSTRUMENTS continued
LIQUIDITY RISK continued

	2010			
	Less than 1 year £000	**1–2 years £000**	**2–3 years £000**	**3–4 years £000**
Forward contracts				
Outflow	—	—	—	—
Inflow	—	—	—	—

	2009			
	Less than 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000
Forward contracts				
Outflow	1,500	—	—	—
Inflow	—	—	—	—

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 US Dollars ($).

The Group has no other significant currency exposures.

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

	2010		2009	
	US Dollars $000	**Euro €000**	US Dollars $000	Euro €000
Trade receivables	**1,238**	**651**	700	370
Trade payables	**(264)**	**(284)**	(1,117)	(1,056)
Balance sheet exposure	**974**	**367**	(417)	(686)

The following exchange rates applied during the year:

	2010		2009	
	Average rate	**Year end spot rate**	Average rate	Year end spot rate
US Dollar	**1.587**	**1.528**	1.729	1.432
Euro	**1.126**	**1.129**	1.206	1.077

	Net assets in foreign currency	Change if appreciated/ depreciated by 25% against local currency
US Dollar	4,417	1,104

24. FINANCIAL INSTRUMENTS continued

INTEREST RATE RISK

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

	Net cash/ in foreign borrowings in foreign currency	Change if interest rates in foreign currency change by 1%
US Dollar	12	—

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 recognised at fair value. Any gain or loss is immediately recognised in the income statement.

The fair value of forward exchange contracts used at 3 April 2010 was a liability of £nil (Note 18) (2009: liability of £235,000) and the movement has been recognised within cost of sales.

FINANCIAL ASSETS

The Group's financial assets comprise cash, trade receivables and derivative contract assets. The profile of the financial assets at 3 April 2010 and 28 March 2009 was:

	2010				2009			
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	**—**	**150**	**4,775**	**4,925**	—	172	6,375	6,547
US Dollars	**385**	**—**	**2,243**	**2,628**	30	—	1,888	1,918
Australian Dollars	**282**	**—**	**352**	**634**	211	—	277	488
Euros	**—**	**—**	**456**	**456**	83	—	1,615	1,698
Canadian Dollars	**—**	**—**	**—**	**—**	52	—	126	178
South African Rand	**6**	**—**	**1,673**	**1,679**	4	—	1,231	1,235
	673	**150**	**9,499**	**10,322**	380	172	11,512	12,064

The weighted average interest rate on floating rate financial assets is:

Currency	%
US Dollars	2.0%
Australian Dollars	2.5%
South African Rand	7.0%

Sterling fixed-rate financial assets are centrally controlled. At 3 April 2010 the weighted average interest rate on these deposits was 3.0% (2009: 4.4%).

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

Notes relating to the consolidated financial statements continued for the 53-week period ended 3 April 2010

24. FINANCIAL INSTRUMENTS continued

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 3 April 2010 and 28 March 2009 was:

	2010				2009			
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	**3,075**	**482**	**7,500**	**11,057**	1,150	—	10,008	11,158
US Dollars	**377**	**—**	**1,643**	**2,020**	279	—	1,102	1,381
Euros	**171**	**—**	**830**	**1,001**	—	—	1,730	1,730
South African Rand	**926**	**—**	**1,387**	**2,313**	477	—	1,615	2,092
Australian Dollars	**22**	**97**	**305**	**424**	—	113	294	407
Canadian Dollars	**—**	**—**	**—**	**—**	—	—	261	261
	4,571	**579**	**11,665**	**16,815**	1,906	113	15,010	17,029

The weighted average interest rate on floating rate financial liabilities is:

Currency	
Sterling	Base plus 3.5%
US Dollars	6.7%
Australian Dollars	9.0%
Euros	4.0%
South African Rand	Base plus 3.5%

	Fixed rate financial liabilities			
	2010		2009	
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	**9.6**	**1**	9.51	1
Sterling	**5.5**	**1**	—	—

The floating rate financial liabilities comprise bank borrowings and overdrafts that bear interest rates based on local currency base interest rates.

BORROWING FACILITIES

At 3 April 2010 and 28 March 2009 the Group had undrawn committed borrowing facilities as follows:

	2010 `000	2009 `000
UK	**—**	£1,350
US	**$1,200**	$1,100
Australia	**AUD$1,600**	—
South Africa	**R7,000**	R13,500

24. FINANCIAL INSTRUMENTS continued

BORROWING FACILITIES continued

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2010 £000	2009 £000
Trade receivables	**7,518**	9,655
Cash and cash equivalents	**823**	552
Bank overdrafts	**(4,194)**	(1,627)
Bank loan	**(378)**	(279)
Finance lease obligations	**(579)**	(113)
Trade payables	**(6,232)**	(9,468)
Fair value of derivative contracts	**—**	(235)
	(3,042)	(1,515)

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

	2010 £000	2009 £000
Third-party guarantees	**55**	40

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

	2010 £000	2009 £000
Capital expenditure contracted for but not provided in the accounts	**—**	—

27. OPERATING LEASE COMMITMENTS

The Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 £000	2009 £000
Land and buildings		
Within one year	**247**	281
More than one year and less than five years	**909**	259
Over five years	**49**	49
	1,205	589
Other		
Within one year	**122**	122
More than one year and less than five years	**123**	85
	245	207

Notes relating to the consolidated financial statements continued
for the 53-week period ended 3 April 2010

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 UK and on annual valuations in the US.

UK

In relation to the fund in the UK, 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 2010.

US

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

In addition, the Group operates a retirement healthcare benefit scheme for certain of its retired employees in the US, which is also treated as a defined benefit scheme. The scheme has 39 members who are retired employees.

The most recent annual valuation was carried out as at 3 April 2010. The disclosures for the US schemes that follow refer to the US 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 2010 at age 65 will live on average for a further 20.5 years (2009: 20.4 years) after retirement if male and for a further 22.9 years (2009: 22.8 years) after retirement if female.

For a member who is currently aged 45 retiring in 2030 at age 65, the assumptions are that they will live on average for a further 22.3 years (2009: 22.2 years) after retirement if they are male and for a further 24.7 years (2009: 24.6 years) after retirement if they are female.

The mortality rates for the US 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:

	2010 UK scheme % p.a.	2009 UK scheme % p.a.
Inflation	**3.6**	3.6
Rate of general long-term increase in salaries	**5.1**	5.1
Rate of increase for CARE benefit while an active member	**3.6**	3.6
Rate of increase to pensions in payment – LPI 5%	**3.4**	3.4
Rate of increase to pensions in payment – LPI 2.5%	**2.2**	2.2
Discount rate for scheme liabilities	**5.6**	6.5

The principal assumptions for the US schemes relate to the discount rate for scheme liabilities. The discount rate used for the US defined benefit scheme was 0.83% (2009: 4.72%) and for the US medical scheme was 0.83% (2009: 4.72%).

	Expected return on assets UK scheme					
	Long-term rate of return expected at 3 April 2010 % p.a.	**Value at 3 April 2010 £m**	Long-term rate of return expected at 28 March 2009 % p.a.	Value at 28 March 2009 £m	Long-term rate of return expected at 29 March 2008 % p.a.	Value at 29 March 2008 £m
Equities	**9.80**	**45.72**	8.00	45.90	8.40	60.23
Property	**10.30**	**10.22**	6.00	10.74	6.60	15.65
LDI funds	**4.80**	**62.97**	4.50	73.49	5.00	62.03
Government bonds	**4.80**	**21.76**	4.00	26.86	4.60	34.87
Corporate bonds	**6.00**	**16.72**	n/a	n/a	n/a	n/a
Other	**4.80**	**14.47**	4.50	0.60	6.00	2.93
Combined	**6.60**[1]	**171.86**	5.54[1]	157.59	6.25[1]	175.71

[1] The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

28. EMPLOYEE BENEFITS continued

IAS 19 continued

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 3 April 2010.

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:

	2010		2009	
	One percentage point increase £000	**One percentage point decrease £000**	One percentage point increase £000	One percentage point decrease £000
(Increase)/decrease in the aggregate cost of the service and interest cost	**(28)**	**23**	(32)	26
(Increase)/decrease in defined benefit obligation	**(19)**	**19**	(438)	385

The assets and liabilities of the schemes at 3 April 2010 and 28 March 2009 were:

	2010			2009		
	US schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Assets	**960**	**171,860**	**172,820**	978	157,590	158,568
Liabilities	**(3,187)**	**(173,770)**	**(176,957)**	(4,807)	(154,520)	(159,327)
(Deficit)/surplus	**(2,227)**	**(1,910)**	**(4,137)**	(3,829)	3,070	(759)
Unrecognised asset due to limit in paragraph 58 (b) of IAS 19	**—**	**—**	**—**	—	3,070	3,070

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

	2010			2009		
	US schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Included within operating profit:						
– current service cost	**68**	**250**	**318**	57	380	437
– past service cost credit	**(1,238)**	**—**	**(1,238)**	—	—	—
– curtailment cost	**—**	**340**	**340**	—	70	70
Included within financial income:						
– expected return on scheme assets	**(45)**	**(8,540)**	**(8,585)**	(42)	(10,590)	(10,632)
Included within financial expense:						
– interest cost on scheme liabilities	**207**	**9,880**	**10,087**	193	9,890	10,083

Notes relating to the consolidated financial statements continued for the 53-week period ended 3 April 2010

28. EMPLOYEE BENEFITS continued

IAS 19 continued

Amounts recognised in the statement of comprehensive income are as follows:

	2010			2009		
	US schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Actual return on scheme assets	**99**	**24,760**	**24,859**	(27)	(8,160)	(8,187)
Expected return on scheme assets	**(45)**	**(8,540)**	**(8,585)**	(42)	(10,590)	(10,632)
	54	**16,220**	**16,274**	(69)	(18,750)	(18,819)
Change in irrecoverable surplus – limit on paragraph 58 (b) of IAS 19	**—**	**3,070**	**3,070**	—	23,930	23,930
Experience gain/(loss) on liabilities	**207**	**(19,530)**	**(19,323)**	358	(5,970)	(5,612)
Net gain/(loss) before exchange	**261**	**(240)**	**21**	289	(790)	(501)
Exchange differences	**(60)**	**—**	**(60)**	1	—	1
Amounts recognised during the period	**201**	**(240)**	**(39)**	290	(790)	(500)
Balance brought forward	**(36)**	**3,534**	**3,498**	(326)	4,324	3,998
Balance carried forward	**165**	**3,294**	**3,459**	(36)	3,534	3,498

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

	2010			2009		
	US schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Opening defined benefit obligation	**4,807**	**154,520**	**159,327**	3,707	148,710	152,417
Exchange differences	**(302)**	**—**	**(302)**	735	—	735
Current service cost	**68**	**250**	**318**	57	380	437
Past service cost credit	**(1,238)**	**—**	**(1,238)**	—	—	—
Curtailments	**—**	**340**	**340**	—	70	70
Interest cost	**207**	**9,880**	**10,087**	193	9,890	10,083
Defined benefit actual benefit payments	**(148)**	**(11,060)**	**(11,208)**	(174)	(11,040)	(11,214)
Actuarial (gains)/losses	**(207)**	**19,530**	**19,323**	289	5,970	6,259
Contributions by scheme participants	**—**	**310**	**310**	—	540	540
Closing defined benefit obligations	**3,187**	**173,770**	**176,957**	4,807	154,520	159,327

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

	2010			2009		
	US schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Opening fair value of scheme assets	**978**	**157,590**	**158,568**	742	175,710	176,452
Exchange differences	**(62)**	**—**	**(62)**	(80)	—	(80)
Expected return	**45**	**8,540**	**8,585**	42	10,590	10,632
Actuarial gains/(losses)	**55**	**16,220**	**16,275**	289	(18,750)	(18,461)
Contribution by scheme participants	**—**	**310**	**310**	—	540	540
Contributions by employer	**—**	**260**	**260**	35	540	575
Benefits paid	**(56)**	**(11,060)**	**(11,116)**	(50)	(11,040)	(11,090)
Closing fair value of schemes' assets	**960**	**171,860**	**172,820**	978	157,590	158,568
Unrecognised asset due to limit in paragraph 58 (b) of IAS 19	**—**	**—**	**—**	—	(3,070)	(3,070)
	960	**171,860**	**172,820**	978	154,520	155,498

28. EMPLOYEE BENEFITS continued

IAS 19 continued

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

	2010			2009		
	US schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Present value of defined benefit obligation	**3,187**	**173,770**	**176,957**	4,807	154,520	159,327
Fair value of scheme assets	**960**	**171,860**	**172,820**	978	157,590	158,568
(Deficit)/surplus in the scheme	**(2,227)**	**(1,910)**	**(4,137)**	(3,829)	3,070	(759)
Experience adjustments on the scheme liabilities	**207**	**(19,530)**	**(19,323)**	358	(5,970)	(5,612)
Experience adjustments on scheme assets	**55**	**16,220**	**16,275**	(69)	(18,750)	(18,819)
Exchange differences	**(60)**	**—**	**(60)**	1	—	1

Total contributions to the defined benefit schemes for 2011 are expected to be £240,000.

History of asset values, defined benefit obligation and surplus/deficit in schemes:

	3 April 2010 £000	28 March 2009 £000	29 March 2008 £000	31 March 2007 £000	1 April 2006 £000
Fair value of scheme assets	**172,820**	158,568	176,452	179,183	177,731
Defined benefit obligation	**(176,957)**	(159,327)	(152,417)	(166,528)	(172,612)
(Deficit)/surplus in schemes	**(4,137)**	(759)	24,035	12,655	5,119
Unrecognised asset due to limit in paragraph 58 (b) of IAS 19	**—**	(3,070)	(27,000)	(15,570)	(7,400)
Deficit in schemes	**(4,137)**	(3,829)	(2,965)	(2,915)	(2,281)

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
History of experience gains and losses					
Experience gains/(losses) on scheme assets	**16,275**	(18,819)	(6,190)	(755)	22,171
Experience (losses)/gains on scheme liabilities[1]	**(19,323)**	(5,612)	(9,798)	(1,097)	180

[1] This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

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 27 to 31.

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

GOODWILL

The impairment testing of the goodwill is substantially dependent upon the trading strategy of the Group. The assumptions used on which the estimate is based may be undermined by adverse economic conditions.

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 12.

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 a qualified, independent actuary in assessing pension assets and liabilities. However they note that final liabilities and asset returns may differ from actuarial estimates and therefore the pension liability may differ from that included in the financial statements. Note 28 contains information about the principal actuarial assumptions used in the determination of the net assets for defined benefit obligations.

DEFERRED TAXATION

Note 13 contains details of the Group's deferred taxation. Liabilities recognised are determined by the likelihood of settlement and the likelihood that assets are received are based on assumptions of future actions. The recognition of deferred taxation assets is particularly subjective and may be undermined by adverse economic decisions.

Notes relating to the consolidated financial statements continued for the 53-week period ended 3 April 2010

29. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

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 level of development expenditure capitalised is at risk if technological advancements make new developments obsolete. However management constantly reviews the appropriateness of the product portfolio and have reviewed the carrying value of capitalised development expenditure and believe it to be appropriate given expected future trading levels and strategic direction of the Group.

DISCONTINUED OPERATIONS

The decision to treat closed operations as discontinued is subjective. The Directors have carefully considered the presentation of the financial statements to ensure that the users of the financial statements can gain an understanding of the financial performance of the Group and of the comparability of results between accounting periods.

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; and
- 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 Parent 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

On 3 August 2010 a circular was issued to our shareholders providing details of a loan from Haddeo Partners LLP (a 28.18% shareholder) and certain other lenders prepared to advance £2.5m to the Group in return for interest payments and 12.5m share warrants. Details of these arrangements and a capital reorganisation have been issued to shareholders and will be subject to their approval at a General Meeting to be held on 27 August 2010.

Five year record

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Revenue	**45,376**	76,211	77,433	75,649	70,334
Operating (loss)/profit before exceptional costs	**(1,081)**	(2,206)	476	1,119	(1,367)
Restructuring costs	**(5,401)**	(5,184)	—	—	(1,876)
Costs in relation to closed operations	**—**	(475)	(224)	—	—
Impairment of intangible assets	**(1,122)**	(394)	—	—	—
Credit in respect of past service pension costs net of curtailment cost	**897**	—	—	—	—
Charge for share-based payments	**(67)**	(24)	—	—	—
Profit on disposal of surplus assets	**—**	—	—	—	—
Operating (loss)/profit before financing income and expense	**(6,774)**	(8,283)	252	1,119	(3,243)
Net financing (expenses)/income	**(1,934)**	294	2,264	1,812	1,567
(Loss)/profit before tax	**(8,708)**	(7,989)	2,516	2,931	(1,676)
Income tax (charge)/credit	**(8)**	419	(518)	(696)	(429)
(Loss)/profit for the period from continuing operations	**(8,716)**	(7,570)	1,998	2,235	(2,105)
Post tax loss of discontinued business	**(798)**	(1,288)	(1,752)	(794)	(43)
Total (loss)/profit for the financial period	**(9,514)**	(8,858)	246	1,441	(2,148)
Earnings per share – basic and diluted	**(16.6)p**	(15.5)p	0.2p	2.4p	(3.9)p
Balance sheet extracts					
Shareholders' funds (including non-equity interests)	**20,661**	30,032	38,353	39,499	41,178
Net (borrowings)/funds	**(4,328)**	(1,467)	3,166	4,397	5,848
Net asset value per equity share	**36p**	52p	67p	69p	72p
Net asset value per equity share (excluding intangible fixed assets)	**34p**	47p	62p	65p	69p

The results for 2010 relate to the 53-week period to 3 April 2010, for 2009 relate to the 52-week period to 28 March 2009, for 2008 relate to the 52-week period to 29 March 2008, for 2007 relate to the 52-week period to 31 March 2007 and for 2006 relate to the 52-week period ended 1 April 2006.

The disclosures for all years are based on adopted IFRS.

Company balance sheet
as at 3 April 2010

Company number:
196730

	Notes	As at 3 April 2010 £000	As at 28 March 2009 £000
Fixed assets			
Tangible assets	4	**1,227**	1,235
Investments	5	**23,338**	23,338
		24,565	24,573
Current assets			
Debtors	6	**87,395**	89,188
Cash at bank and in hand		**234**	833
		87,629	90,021
Current liabilities			
Creditors: amounts falling due within one year	7	**(84,539)**	(86,425)
Net current assets		**3,090**	3,596
Total assets less current liabilities		**27,655**	28,169
Provisions for liabilities	8	**(15)**	(15)
Net assets		**27,640**	28,154
Capital and reserves			
Called-up share capital	9	**14,308**	14,308
Share premium account	10	**13,766**	13,766
Revaluation reserve	10	**236**	213
Capital redemption reserve	10	**2,500**	2,500
Translation reserve	10	**(22)**	—
Profit and loss account	10	**(3,148)**	(2,633)
Equity shareholders' funds		**27,640**	28,154

The financial statements on pages 58 to 64 were approved by the Board of Directors on 3 August 2010 and were signed on its behalf by:

MARTYN WAKEMAN
GROUP FINANCE DIRECTOR
3 AUGUST 2010

Company accounting policies

BASIS OF PREPARATION
As used in the financial statements and related notes, the term "Company" refers to The 600 Group PLC. The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act, the separate financial statements have been prepared in accordance with 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 2010 are for the 53-week period ended 3 April 2010. The results for 2009 are for the 52-week period ended 28 March 2009.

A separate profit and loss account dealing with the results of the Company only has not been presented, as permitted by Section 408 of the Companies Act 2006.

Under FRS 1 the Company is exempt from the requirement to present its own cash flow statement.

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 27 to 31.

REVALUATION OF FIXED ASSETS
Property, plant and equipment are held at cost, subject to triennial property revaluations.

In 2010 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.

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 UK pension scheme providing benefits based on career average related 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
Investments in respect of subsidiaries are stated at cost less any impairment in value.

FINANCIAL INSTRUMENTS: MEASUREMENT
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
for the 53-week period ended 3 April 2010

1. PERSONNEL EXPENSES

	2010 £000	2009 £000
Staff costs:		
– wages and salaries	**752**	832
– social security costs	**80**	79
– pension charges	**42**	36
	874	947

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

	2010 Number	2009 Number
Machine tools and equipment	**6**	13

These staff costs related entirely to the Directors and head office staff.

Details of Directors' emoluments, share option schemes and pension entitlements are given in the Remuneration Report on pages 17 to 20.

2. 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 2003 with a vesting date of 1 February 2007 and 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). On 25 August 2009, further awards were made to the Executive Directors under the PSP scheme. Options are exercisable at the end of a three year performance period and are subject to performance criteria relating to TSR and EPS targets as set out in the Remuneration Report. The scheme is equity-settled.

SHARE-BASED EXPENSE

The Group recognised total expenses of £67,000 (2009: £23,676) in relation to equity-settled share-based payment transactions.

	PSP	Sharesave Scheme
The number and weighted average exercise prices of share options		
Number of options outstanding at beginning of period	1,352,342	394,358
Number of options granted in period	2,099,818	—
Number of options forfeited/lapsed in period	(1,047,491)	(394,358)
Number of options exercised in period	—	—
Number of options outstanding at end of period	2,404,669	—
Number of options exercisable at end of period	—	—

No Sharesave options were exercised in the period and there were none outstanding at the end of the period.

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

2. EMPLOYEE SHARE OPTION SCHEMES continued

FAIR VALUE ASSUMPTIONS OF SHARE-BASED PAYMENTS

THE 600 GROUP PLC 2000 SHARESAVE SCHEME

The fair value of awards granted under The 600 Group PLC 2000 Sharesave Scheme is determined using the binomial valuation model. The fair value of share options and assumptions are shown in the table below:

	2010 £000	2009 £000
Fair value	**—**	£0.26
Share price at grant	**—**	£0.55
Exercise price	**—**	£0.43
Dividend yield	**—**	0%
Expected volatility	**—**	50%
Expected life	**—**	3.1 years
Risk-free interest rate	**—**	5%
Number of shares under option	**—**	394,358

THE 600 GROUP PLC 2008 PERFORMANCE SHARE PLAN

The fair value of awards granted under The 600 Group PLC 2008 Performance Share Plan is determined using the Monte Carlo valuation model. The fair value of share options and assumptions are shown in the table below:

	2010 £000	2009 £000
Fair value	**£0.1625**	£0.38
Share price at grant	**£0.1625**	£0.38
Exercise price	**£nil**	£nil
Dividend yield	**0%**	0%
Expected volatility	**50%**	50%
Expected life	**3.0 years**	3.0 years
Risk-free interest rate	**5%**	5%
Number of shares under option	**2,404,669**	1,352,342

3. DIVIDENDS

No dividend was paid in period (2009: no dividend paid).

Notes relating to the company financial statements continued
for the 53 week period ended 3 April 2010

4. TANGIBLE FIXED ASSETS

	Land and buildings Long lease £000	Land and buildings Short lease £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost or valuation				
At 28 March 2009	1,299	92	93	1,484
Revaluation	(82)	—	—	(82)
At 3 April 2010	**1,217**	**92**	**93**	**1,402**
At professional valuation	1,217	92	—	1,309
At cost	—	—	93	93
	1,217	**92**	**93**	**1,402**
Depreciation				
At 28 March 2009	79	92	78	249
Charge for period	26	—	5	31
Revaluation	(105)	—	—	(105)
At 3 April 2010	**—**	**92**	**83**	**175**
Net book value				
At 3 April 2010	**1,217**	**—**	**10**	**1,227**
At 28 March 2009	1,220	—	15	1,235

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 2010 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 3 April 2010 and at 28 March 2009	**39,553**
Provisions	
At 3 April 2010 and at 28 March 2009	**16,215**
Net book values	
At 3 April 2010 and at 28 March 2009	**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*

CONTINENTAL EUROPE
Parat Werkzeugmaschinen GmbH (Germany)

US
600 Group Inc.
Clausing Industrial, Inc.

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. All undertakings above are included in the consolidated accounts.

6. DEBTORS

	2010 £000	2009 £000
Trade debtors	**—**	128
Amounts owed by subsidiary undertakings[1]	**87,298**	88,974
Other debtors	**19**	4
Other prepayments and accrued income	**78**	82
	87,395	89,188

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

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £000	2009 £000
Trade creditors	**385**	601
Amounts owed to subsidiary undertakings[1]	**83,639**	85,304
Corporation tax	**25**	25
Social security and other taxes	**—**	88
Sundry creditors	**198**	116
Accruals and deferred income	**292**	291
Other creditors	**84,539**	86,425

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

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

8. PROVISIONS FOR LIABILITIES

	Onerous lease provision £000
At 28 March 2009	15
Utilised during the period	—
At 3 April 2010	**15**

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

	2010 £000	2009 £000
Authorised		
80,000,000 ordinary shares of 25p each	**20,000**	20,000
Allotted, called-up and fully paid		
57,233,679 (2009: 57,233,679) ordinary shares of 25p each:		
On issue at start of period	**14,308**	14,308
Issued under employee share schemes	**—**	—
On issue at end of period	**14,308**	14,308

Notes relating to the company financial statements continued
for the 53 week period ended 3 April 2010

10. RESERVES

	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Translation reserve £000	Profit and loss account £000
At 28 March 2009	13,766	213	2,500	—	(2,633)
Loss for the period	—	—	—	—	(582)
Revaluation of properties	—	23	—	—	—
Exchange difference	—	—	—	(22)	—
Charge in relation to share-based payments	—	—	—	—	67
At 3 April 2010	**13,766**	**236**	**2,500**	**(22)**	**(3,148)**

In accordance with the exemption allowed under Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account but has incurred a loss in the period of £582,000 (2009: £894,000). 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 instead disclosed in Note 3 to the Consolidated financial statements.

11. CONTINGENT LIABILITIES

	2010 £000	2009 £000
Bank guarantees in respect of Group undertakings	**40**	464

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:

	2010 £000	2009 £000
Motor vehicle operating leases expiring:		
within one year	**—**	10
in the second to fifth years inclusive	**—**	—
	—	10

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 2010. The Company is unable to identify its share of the underlying assets and liabilities of the fund. The deficit on the fund amounted to £1.9m at 3 April 2010. Under IFRS the deficit has been recognised in the period (Note 28 of the Consolidated 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 deficit relating to the scheme. The pension contribution charge for the Company amounted to £42,000 (2009: £36,000).

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £000	2009 £000
Retained loss	**(582)**	(894)
Charge for share-based payments	**67**	24
Revaluation of properties	**23**	—
Other recognised gains and losses relating to the period	**(22)**	40
Net reduction in shareholders' funds	**(514)**	(830)
Opening shareholders' funds	**28,154**	28,984
Closing shareholders' funds	**27,640**	28,154

15. RELATED PARTY TRANSACTIONS

There are no related party transactions which require disclosure.

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