600Group

ANNUAL REPORT AND ACCOUNTS 2007

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600Group

Shaping the future of industry worldwide

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

We operate from some 35 locations world-wide and sell our products around the world. Our international marketing and distribution network handles both Group products and those of other manufacturers.

Chairman's statement

We have continued the implementation of our strategic review and this has been reflected in a further improvement in our performance during the second half of the year. New product launches, increased sales and marketing coverage and an improved supply chain performance have further contributed to the positive progress made by the Group.

Market conditions

Our UK, North American and South African markets continued to improve during the year. As in the previous year both our European and the Far Eastern markets showed more limited growth.

Results

Order intake activity across the Group has continued at an encouraging level during the period. Improvements in the performance of our supply chain have resulted in an increase in revenue and the level of our outstanding order book has been maintained as the benefits of the investment in sales and marketing are being realised.

Sales revenue increased by 12% to £79m with the most significant increases coming from our United Kingdom businesses.

The underlying level of net operating expenses increased by £2.0m following the continued investment in sales, marketing and distribution throughout the Group.

The operating profit before net finance income and tax of £0.6m has improved from a loss of £3.2m last year. Net finance income, principally due to the impact of the Group's pension scheme, increased to £1.8m from £1.6m last year resulting in the profit before tax improving to £2.4m compared to a loss of £1.7m last year.

We continued to implement our strategic review during the year and incurred costs of £0.3m in relation to discontinued businesses (2006: £nil).

Net funds decreased by £1.4m from £5.8m to £4.4m. Net cash outflow from operating activities was £0.9m and net cash outflow from investing activities, principally capital and development expenditure, was £0.8m.

Dividend

As I stated in our last Annual Report and Accounts dividend payments will now be related directly to our operating results. Although we have made good progress during the year the board does not yet consider that the results allow the payment of a dividend.

People

In December 2006 John Fussey retired as Group Finance Director and left the Company after 13 years service to the Group and I should like to record our thanks for his contribution during this period and our best wishes for the future. He was succeeded by Martyn Wakeman who joined the Board at the beginning of October 2006.

In April 2007 the Board appointed Martin Temple CBE as a non-executive director and he will succeed me as non-executive Chairman of the Group when I retire as a director at the end of July this year. Tony Sweeten will also retire as a director at the same time, but will continue to be available to assist the Board in a consultancy capacity until 31 December 2008.

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

Outlook

The growth in demand for machine tools and laser marking is forecast to continue and, in the absence of any changes in our main markets, the medium term outlook for the Group will be dependent upon the implementation of our strategic plans and further improvements in our machine tool supply chain.

Following the improvements we made to our machine tool selling organisations in the UK and North America we have strengthened our sales and marketing team in continental Europe. Our laser marking business has benefited from the increased investment in new product development and the new USA sales team is having a positive impact.

As a result, I am confident that the Group will continue to maintain the growth and improvement in performance trends seen during the last year.

Michael Wright
Chairman
21 June 2007

Group Chief Executive's review of operations

Our key objective remains the capture of a greater share of the growth opportunities that exist in the large and growing markets for machine tools and laser marking. We will do this by focusing more closely on the needs of our customers in our core areas of operation. By increasing the volume of machines and services through our existing and developing distribution networks we will continue to improve our profitability. The Group's strong financial position, global brands and good design and product development capabilities, provide us with a solid platform from which to achieve this objective.

Market background

The global market for machine tools enjoyed another year of expansion, its fifth in succession. In particular, growth in the sector continues to be predominantly driven by the rapid increase of manufacturing in China and other low-cost economies, primarily in the Far East. During the year we have seen further migration of international procurement programmes to these territories, which has had a continuing impact on our industry and addressable markets.

The global market for laser marking continues to grow at a rate of between 5% and 10% per annum, driven by the greater need for traceability, anti-counterfeiting measures and the use of more environmentally friendly marking processes.

Among our major markets the UK and USA have generally continued the positive trends seen at the end of last year. The UK machine tool market, while continuing the overall trend of outsourcing to lower cost countries, has benefited from a favourable investment climate. The USA has grown strongly over the last three years and we envisage that this growth will continue albeit at a slower and more inconsistent rate than we have experienced recently. In particular, we believe our new product ranges and strengthened distribution network will contribute to increased sales. The Western European market was more robust last year and we anticipate good levels of activity through into 2008. Germany saw an improvement in activity towards the end of the year as the benefits of a broader customer base were realised. The major countries in Eastern Europe continue to experience steady growth. South Africa has once again seen substantial growth as the country continues to invest in infrastructure nationwide, partly in preparation for the 2010 World Cup.

Strategic development

The strategic review undertaken in 2006 clarified the Group's objectives for the remainder of the decade. It confirmed that the Group has robust finances, very strong brands and that one of our key strengths lies in the design and development of machine tools and laser marking systems. It also highlighted that we had significant scope for improvement in both marketing and customer service. Our major target markets remain the UK, Central and Eastern Europe and North America for both machine tools and laser markers. We will not, however, neglect opportunities available to us in other parts of the world.

During the course of this year we have put the building blocks in place to develop our core strengths so that we are well placed to grow our business in the global market. We have significantly strengthened our teams in terms of sales and marketing, quality and customer service.

In October 2006 we merged our Colchester and Harrison brands of CNC lathes. It had been apparent for some time that there was duplication of costs in the marketing of these brands and that they were often competing for the same customer. Under the new Colchester Harrison brand we have the opportunity to develop a wide range of high quality, competitive CNC machine tools. The introduction of the new brand has been well received by our customers and the transition has proceeded smoothly.

We continue to broaden and deepen our relationships with China and many of our machine tools are now manufactured there under our full control. Additionally, we believe that there will be significant opportunities for us to sell our partner's Chinese machine tools through our world-wide distribution network.

Review of operations

United Kingdom

Machine tools

Our UK machine tools business, based at our main sales and distribution centre in Loughborough, has been transformed into one of the UK's leading providers. We are now offering a much wider but more clearly focused range of branded products.

As already mentioned, we have merged our Colchester and Harrison brands so that we can now offer customers a range of products clearly branded Colchester Harrison, promoted by a single sales force and with a significant reduction in stock duplication. Thus our Tornado, Alpha and Storm ranges are now sold through a single distribution channel allowing Colchester Harrison to be seen as a credible supplier of CNC machines throughout the UK and indeed world-wide.

600 Solutions offers customers access to a high quality range of machine tools and turnkey solutions including Fanuc, Fuji and Toyoda-Mitsui. Since the year end and in line with broadening our income streams and improving our after sales offering to our customers, we announced (1 May 2007) the acquisition of the UK parts and service business of Toyoda-Mitsui for a cash consideration of £390,000. The Group can now provide a total support package to customers of Toyoda-Mitsui's machine tools. Also in respect of Toyoda-Mitsui we successfully completed the installation of an advanced manufacturing cell for Airbus UK. Our strong relationship with Fuji has resulted in 600 Group becoming its distributor throughout most of Europe with the sales and support being spearheaded from the UK.

To further increase our market share preparations are now underway for us to start the marketing of machine tools from our Chinese partner through a focused 600 DMTG Division with the brand name Dalian.

Within our lathes manufacturing facility at Heckmondwike we have continued to focus on improving our quality and customer service. The supply situation from our Chinese partner improves both in terms of the quality and volume of machines. We do still have significant backlogs of orders across certain machine ranges but we anticipate that this situation will be addressed during the course of this year.

Laser marking

The past year has been one of excellent development for Electrox, our Letchworth based laser marking manufacturing business. During the year we successfully launched our in-house developed 'Raptor' range of laser markers. These essentially harness the efficiency and reliability of the newly developed fibre laser together with many of the necessary attributes of the more traditional laser sources.

Major progress has been made on the development of our new electronics platform as well as on the fully redesigned and upgraded software package. We believe that our product platform is now industry leading in the laser marking area. Further new products are on course for development this year which will keep us at the forefront of the technology.

In the UK market itself we have seen exceptional growth albeit from a low base. From the UK we have also established a series of independent distributors throughout Europe and we have seen early signs of success there.

Overall unit sales volumes grew by 30% last year but this will not be fully reflected in turnover as both costs and prices continue to decline.

Germany

During the latter part of the year we strengthened our management team and this has started to have a positive impact on our operations. Germany is our second largest addressable market behind the United States and it is important that we improve our position here in order to capture a greater share of the market and also to give us added credibility as we challenge for further business in the growing markets of Central and Eastern Europe.

During the year we have been laying the foundations for increasing the sales of our core Colchester Harrison brands in addition to planning the roll-out of the distribution of machine tools on behalf of our Chinese partner DMTG. As in the UK we are creating a separate business under the 600 DMTG banner with the Dalian brand name. Furthermore, we have started our marketing effort for the Fuji brand of high quality production lathes.

The world's largest machine tool exhibition 'EMO' takes place in Hanover in September of this year and will serve as both the showcase for our product capabilities and launch a major initiative to increase business in this and surrounding markets.

North America

Machine tools

In North America, which is our largest addressable market, we have been working hard to develop aggressively an appropriate product strategy by sourcing our own branded CNC machines both from the UK and the Far East. In parallel we have been building our distributor network to ensure maximum coverage throughout the USA and Canada. We continue to invest in the conventional, i.e. non CNC machine tool market, through the exploitation of our Clausing brand and we are improving the competitiveness of our brands in this area through additional sourcing from the Far East. Although the market is declining slightly it continues to remain attractive for the Group.

Following the year-end we announced (2 April 2007) the sale of our regional distributor, Erickson Machine Tools, to its management for a consideration equal to the net assets of the business. We then entered into an agreement with that business to distribute our full range of machine tools in the states of Iowa and Nebraska. This disposal is in line with our strategy of focusing on the national distribution of machine tools across the whole of North America.

In Canada we have had major success within the automotive market acting as selling agent for Fuji machines.

Overall, within North America the market has been buoyant over the last year. We have seen some cooling off during recent months but believe that our new product ranges together with strengthened distribution will allow us to continue to grow successfully during the coming year.

Laser marking

We believe that North America offers us the greatest opportunity to grow our laser marking business. Accordingly we have invested significantly during the second half of the year to establish a wholly owned, professional regional sales network supported by high quality applications and service engineers. Additionally, we have established a number of industry focused representatives to support us in those areas where we do not have our own regional sales office. The organisation structure was largely complete by the end of the financial year and early indications from the beginning of this year are especially encouraging.

South Africa

Our diversified South African business has a strong portfolio of high quality agencies across a broad range of sectors, which enables it to continue to benefit from the country's significant investment in infrastructure. Many of the products that the company distributes, such as the Fassi truck-mounted crane, the Usimeca waste compactors and Altec aerial platforms for power supplies, are linked to these infrastructure projects.

We continue to see significant growth opportunities in this market and believe that our South African business with its network of distribution agencies is well placed to capitalise on these opportunities.

Australia/New Zealand

The Australian market remains challenging and with its proximity to Asia the manufacturing environment is tough. Our product portfolio gives us only limited access to the booming extraction industries. To ensure the best use of our resources we have switched our New Zealand operation to a third-party distributor who has good coverage of the market. Through upgrading our product portfolio and more aggressive marketing we believe there are still opportunities to grow this business.

Machine Tool Accessories

Pratt Burnerd International, our market-leading producer of workholding systems, made good progress during the year with a strengthened working relationship between the UK and USA businesses resulting in improved growth and improved profitability. In the UK we have made investments in the manufacturing process to ensure that we can deliver additional specialist products, especially to the growing US market. Pratt Burnerd America continues to develop well, aided by demand for the Crawford Collets range of products.

Gamet Bearings, which produces super high precision taper roller bearings for machine tools and similar applications, has maintained a strong order book during the year benefiting from sales to the emerging markets, particularly China and India. This is a specialist business with a high reputation in the market and one of a limited number of companies that can supply these products. The number of orders that the Group has received reflects this and as a result the Group intends to make additional investment in Gamet Bearings in order to satisfy the order book going forward.

Group Chief Executive's review of operations (continued)

Corporate social responsibility

The Group is fully aware of the social and environmental responsibilities and each part of the business is tasked to identify opportunities in this regard. Our laser marking business reduces environmental impact as it replaces much less ecologically friendly forms of marking.

During the last year we have invested to reduce our overall energy consumption and our energy bills are now lower when compared to the previous 12 months. Our sales and service engineers are progressively switching to diesel cars.

Each operation is encouraged to play a supportive role within its own local environment.

Outlook

The Group is starting to see the benefits of the investment in sales, marketing and its supply chains. We anticipate another year of good progress with solid underlying growth although turnover will be impacted by the disposal of our Erickson business and the non-repeating of the exceptional £4.5m Airbus order.

We will continue to invest in the design and development of new products as well as identify further sourcing opportunities to expand the range of products we offer. This enhanced product portfolio will be marketed through a distribution network which we will continue to strengthen. We will ensure that these products meet our customers' requirements especially in terms of quality, service and dependability.

Increased volumes of products leveraged through our global distribution network will enable the Group to drive sustainable profit increases in future.

Andrew J Dick
Group Chief Executive
21 June 2007

Financial review

Accounting policies

The Group's results for the period to 31 March 2007 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and the results for the parent company have been consistently prepared in accordance with UK GAAP.

Results

Revenue increased by £8.4m from £70.3m to £78.7m. Analysis of revenue by destination reflects the increased level of sales revenue in our UK operations, mainly through our machine tool division, with our International operations being generally stable. The increase in revenue included the non-repeating exceptional £4.5m Airbus order.

The operating profit before tax and net finance income improved from a loss of £3.2m to a profit of £0.6m. The increase in revenue and further cost savings generated an additional gross profit of £4.4m. This was partially offset by an increase in sales, marketing and distribution costs to support our organic growth initiatives and non-recurring costs associated with the implementation of our strategic review.

Net financial income increased by £0.2m principally as a result of the increased expected return on the Group's employee benefit schemes (note 5).

The resulting profit before tax was £2.4m compared with a loss last year of £1.7m, which was after deducting restructuring costs of £1.9m. Taxation of £0.7m (2006: £0.4m) was charged in the period and this primarily related to deferred tax. There was a post tax loss in respect of discontinued businesses of £0.3m (2006: £nil) resulting in a profit after tax of £1.4m for the period compared to a loss of £2.1m in 2006.

Net assets increased by £4.0m (2006: £6.4m) to £50.4m (2006: £46.4m). Property, plant and equipment reduced by £1.2m (2006: increase of £2.3m including a property revaluation of £3.4m), intangible assets increased by £0.4m (2006: reduction of £0.9m) and inventory increased by £1.2m (2006: decrease of £2.1m). Deferred tax liabilities increased by a net £2.5m (2006: increase of £3.4m), principally as a result of the improved funding position of the Group's employee benefit schemes. In addition, there was a net increase in trade and other receivables/payables of £0.1m (2006: decrease £0.3m).

Net funds decreased during the period by £1.4m (2006: decrease £0.8m), resulting in net funds at the period end of £4.4m (2006: £5.8m). This decrease was primarily due to a cash outflow from operating activities of £0.9m (2006: £2.1m inflow) and a cash outflow from investing activities of £0.8m (2006: £0.6m).

Employee Benefits

Full details of all the Group's employee benefit schemes are shown in note 29 to the accounts but, in summary, the Group operates three defined benefit schemes which are based in the UK and US. The main UK fund, The 600 Group Pension Scheme, is significant in terms of size and impact. The Group accounts for pensions in accordance with IAS 19 "Employee benefits," which requires recognition of the pension scheme deficits or surpluses 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. These calculations, which are based on actuarial assumptions, have been based on the latest full actuarial valuation which was produced at 2 April 2005. In addition, the impact is expected to change in future years as a full actuarial valuation, which will demonstrate the current funding position of the pension scheme, is underway and this will lead to an update of the IAS 19 assumptions for the 2008 accounts. This full actuarial valuation will include a detailed review of all assumptions including those relating to pension increases, asset returns and mortality rates.

Financial review (continued)

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.

It is Group policy to hedge a proportion of non-Sterling denominated assets with currency borrowings to reduce the exposure of shareholders' interests to currency risks.

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

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

Principal risks

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

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

- strategic e.g. reputation, distribution network degradation, product obsolescence, agency agreements for factored products, exchange rate movements, low cost competition, short-term customer confidence levels;
- operational e.g. supply chains, product failure, loss of key personnel;
- financial e.g. major contract management, inventory control, credit control, pension scheme funding; and
- hazard/health and safety/product liability.

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

Key performance indicators

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

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

The key financial performance indicators are referred to throughout the Chairman's statement, the Group Chief Executive's review of operations and this financial review.

Martyn Wakeman
Group Finance Director
21 June 2007

Directors

Professor Michael Thomas Wright*

Chairman and non-executive director since 1 January 1993. Emiritus Professor at Aston University. Formerly Vice Chancellor, Aston University and previously Chief Executive of Molins plc. Currently a non-executive director of Aston Science Park Limited and Birmingham Technology Limited, Chairman of the James Watt Memorial Foundation.

Jonathan Aistrope Kitchen*

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

Anthony Ricardo Sweeten*

A non-executive director since 1 January 2006. Formerly Group Chief Executive. Appointed to the board on 1 October 1994. Deputy President, director and a member of the Supervisory Board and Economic Policy Committee of the Engineering Employers' Federation. A director and member of the Finance and Supervisory Board of the Manufacturing Technologies Association. A director of Fieldhead Engineering Employers Limited.

Martin John Temple*

A non-executive director since 1 April 2007 and will become chairman on 1 August 2007. Director General of the Engineering Employers' Federation ("EEF") and formerly held senior management positions in British Steel.

Andrew James Dick

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

Martyn Gordon David Wakeman

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

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

Corporate information

Secretary

Alan Roy Myers

Registered office

600 House
Landmark Court
Revie Road
Leeds
LS11 8JT

Registered number

196730

Registrars

Capita Registrars

Auditors

KPMG Audit Plc

Bankers

HSBC Bank plc

Stockbrokers

Altium Capital Limited

Shareholder information

Financial Calendar

Period ending 31 March 2007

Annual General Meeting	To be held 5 September 2007

Period ending 29 March 2008

Interim Report	Issued mid-November 2007
Results for the year	Announced June 2008
Report and Accounts	Issued July 2008

Share Information

Information concerning the day-to-day movement of the share price of the Company can be found by dialling 0906 843 000 for the Financial Times share price service.

Report of the directors

The directors present their report to the members, together with the audited financial statements for the period ended 31 March 2007, which should be read in conjunction with the statement by the Chairman on the affairs of the Group (page 4), the Group Chief Executive's review of operations (pages 5 to 8) and the Group Finance Director's financial review (pages 9 to 10). The consolidated financial statements incorporate financial statements, prepared to the Saturday nearest to the Group's accounting reference date of 31 March, of the Company and all subsidiary undertakings ("the Group"). The results for 2007 are for the 52-week period ended 31 March 2007. The results for 2006 are for the 52-week period ended 1 April 2006.

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 23.

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 10. This analysis includes comments on the position of the Group at the end of the financial period, consideration of the principal risks and uncertainties facing the business and the key performance indicators which are monitored in relation to the achievement of the strategy of the business.

Employees

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

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

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

Research and development

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

Charitable and political donations

The Group made donations to charitable organisations during the period totalling £6,210 (2006: £6,576). The Group made no political donations in the United Kingdom during the period.

Interests in share capital

At 11 June 2007, the directors had been informed of the following interests in shares of 3% or more of the issued ordinary share capital of the Company:

	Number	Percentage of issued ordinary share capital
M & G Investment Management	7,863,383	13.76
Legal & General Investment Management	5,235,635	9.16
Barclays Global Investors	5,102,779	8.93
Gartmore Investment Management	3,870,033	6.77
Schroder Investment Management	3,671,320	6.42
Artemis Investment Management	2,900,000	5.07

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 8,521,235 of its own ordinary shares in accordance with the Companies Act 1985 was given by shareholders at the Annual General Meeting of the Company on 6 September 2006. This authority remains valid until the conclusion of the next Annual General Meeting on 5 September 2007.

Directors

Details of the directors of the Company at 31 March 2007 are shown on page 11, together with M J Temple who was appointed on 1 April 2007. In addition to this, J R Fussey was a director during the year and retired on 20 December 2006.

The directors retiring by rotation are J A Kitchen and A J Dick, who, being eligible, offer themselves for re-election. J A Kitchen does not have a rolling service contract with the Company. A J Dick has a rolling service contract of 6 months with the Company.

M J Temple and M G D Wakeman, who were appointed since the last Annual General Meeting, seek re-appointment by the shareholders. M J Temple does not have a rolling service contract with the Company. M G D Wakeman has a rolling service contract of 6 months with the Company.

The beneficial interests of the directors in the share capital of the Company at 31 March 2007 are shown in the remuneration report on pages 17 to 20.

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

Creditor payment policy

The Company does not follow a code or standard on payment practice. Payment terms are normally agreed with individual suppliers at the time of order placement and are honoured, provided that goods and services are supplied in accordance with the contractual conditions. The amount of trade creditors in the balance sheet as at the end of the financial period represents 40 days (2006: 42 days) of average purchases for the Company and 66 days (2006: 65 days) for the Group.

Post balance sheet events

On 1 May 2007 The Group acquired the UK parts and service business of Toyoda-Mitsui for a cash consideration of £390,000.

Market value of land and buildings

During March 2006 all of the groups properties were revalued by independent valuers and the directors believe that these valuations are appropriate at 31 March 2007.

Financial instruments

An indication of the financial risk management objectives and policies and the exposure of the group to price risk, credit risk, liquidity risk and cash flow risk is provided in note 25 to the financial statements.

Corporate governance

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

Auditors

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

Disclosure of information to auditors

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

Qualifying third party indemnity

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

By order of the board
Alan Myers
Secretary
21 June 2007

Corporate governance

Other than as indicated below, the board considers that the Company has complied throughout the period with the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 (the Combined Code). Compliance with the provisions of the Combined Code relating to directors' remuneration is covered by the remuneration report on pages 17 to 20.

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

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

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

The following relates to the Company's application during the period to 31 March 2007 of the principles and detailed provisions of the Combined Code.

Board of directors

During the year, the board was broadly balanced with the non-executive Chairman supported by a non-executive Vice Chairman, one other non-executive director and two executive directors. The director recognised as the senior independent director for the purposes of the Combined Code is J A Kitchen. A R Sweeten became a non-executive director on 1 January 2006 following his retirement as Group Chief Executive. Due to his previous service with the Company and pension arrangements, the board does not consider A R Sweeten to be independent.

The board of directors met eight times during the year and all directors attended all meetings. The board retains full and effective control over the Group and is responsible for overall Group strategy and management, acquisition and divestment policies, internal control, control of major capital expenditure projects and significant financing matters. It also reviews annual budgets and the progress towards achievement of those budgets. A schedule of matters specifically reserved for the board's decision has been agreed.

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

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

Board committees

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

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

The Remuneration Committee consists of all the non-executive directors and is chaired by Professor M T Wright. It determines the terms and conditions of employment for executive directors and agrees the parameters of remuneration for the senior management. There was one meeting during the year attended by all members. The Remuneration Committee also functions as the Nominations Committee.

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

Internal control

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

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

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

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

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

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

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

Internal audit

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

Relations with the auditors

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

Relations with shareholders

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

Corporate governance (continued)

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

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

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

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

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

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

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

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

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

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

Going concern

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

By order of the board
Alan Myers
Secretary
21 June 2007

Remuneration report

Introduction

This report has been prepared in accordance with Section 234B of the Companies Act 1985. The report is divided into two sections, unaudited and audited information, in accordance with Schedule 7A of the Companies Act 1985. The audited information starts on page 19.

The Remuneration Committee

The Remuneration Committee is responsible for determining the salary and benefits of executive directors. The members of the committee are Professor M T Wright (Chairman), J A Kitchen, A R Sweeten and M J Temple (who was appointed 1 April 2007). All members are non-executive.

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.

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 Remuneration Committee uses annual surveys conducted by external remuneration consultants as its source of market information. During the year, the Committee appointed and received survey information from The Monks Partnership and Independent Remuneration Solutions (who provided no other services). 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 targets.

The accounts disclose bonuses earned in respect of the period to 31 March 2007.

Bonus targets relate to profit, cash flow and individual objectives. The maximum award under this scheme is 30% of salary.

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

There are no other long-term incentive schemes in operation in which directors participate.

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

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

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

Service contracts - Each executive director has a service contract with a notice period of six months. Neither contract has a specific termination provision.

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.

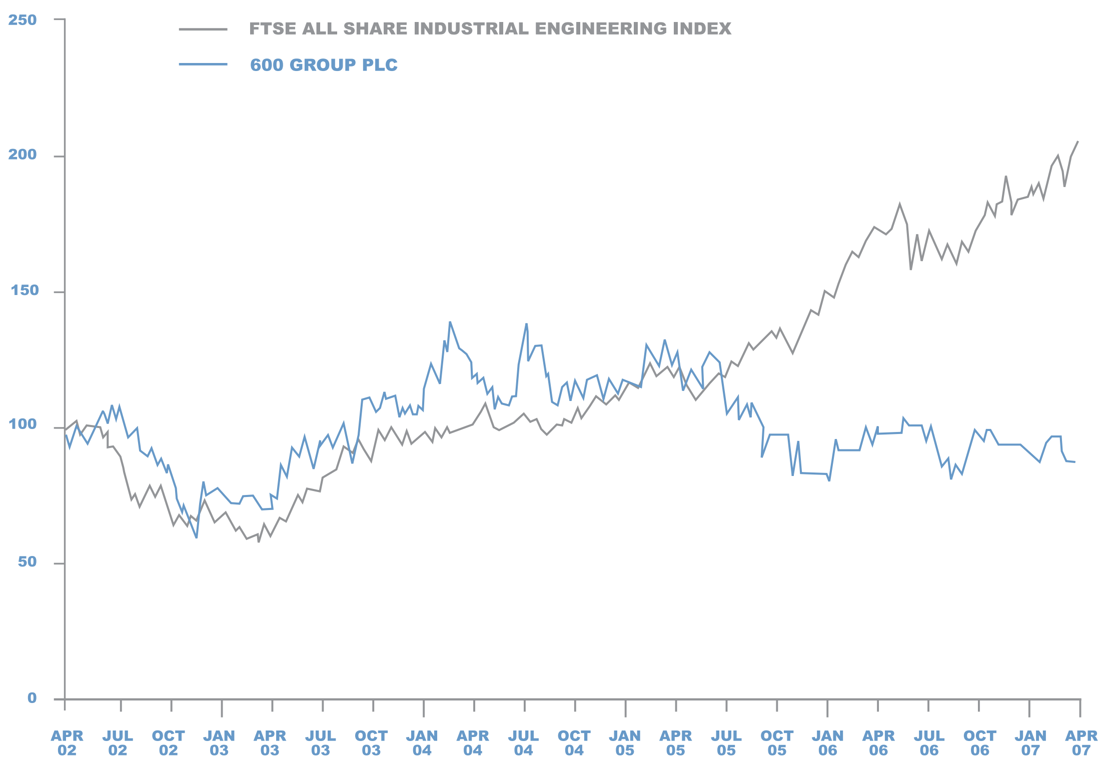
Non-executive directors do not have contracts of service, are not eligible for pension scheme contributory membership and do not participate in any of the Group's bonus, share option or incentive schemes.

The Chairman receives the benefit of a fully expensed motor car.

Remuneration report (continued)

Five year total shareholder return

This graph shows the total shareholder return (TSR) of the Company from 1 April 2002 to 31 March 2007 compared with the FTSE All Share Industrial Engineering Index, rebased to 100. The TSR is defined as share price growth plus dividends reinvested. As the Company is a constituent of this index, the board considers that this is the most appropriate index against which the TSR of the Company should be measured.



Directors' interests in shares

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

	At 31.3.07	At 1.4.06
Professor M T Wright	21,000	21,000
A J Dick	35,481	35,481
M G D Wakeman	-	-
J A Kitchen	17,000	17,000
A R Sweeten	200,218	200,218

There were no changes in the beneficial interests of the directors between 31 March 2007 and 21 June 2007. There were no non-beneficial interests.

Audited information

Directors' emoluments

	Salary £	Fees £	Discretionary bonus £	All benefits in kind £	**Total 2007 £**	Total 2006 £
Chairman						
Professor M T Wright	90,000	-	-	8,272	**98,272**	98,272
Executive directors						
A J Dick	175,000	-	-	15,583	**190,583**	196,032
J R Fussey*	94,889	-	-	10,438	**105,327**	128,132
M G D Wakeman**	57,500	-	10,000	5,229	**72,729**	-
Non-executive directors						
J A Kitchen	-	35,000	-	-	**35,000**	34,767
A R Sweeten***	-	30,000	-	-	**30,000**	223,000
Total	417,389	65,000	10,000	39,522	**531,911**	680,203

* J R Fussey retired as an executive director on 20 December 2006.

** From date of appointment as a director on 2 October 2006.

*** A R Sweeten retired as an executive director on 31 December 2005 and was appointed as a non-executive director on 1 January 2006.

Directors' pension entitlements

	Accrued pension as at 1 April 2006 (1) £	Increase in accrued pension entitlement (2) £	Accrued pension as at 31 March 2007 (1) £	Transfer value of increase in accrued pension (3) £
A J Dick	1,354	2,139	3,542	5,749
J R Fussey (4)	57,063	(12,441)	46,677	(242,401)

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

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

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

4 - On 20 December 2006, J R Fussey reached pensionable retirement age and retired from the Company.

Remuneration report (continued)

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

	Transfer value of accrued rights at 1 April 2006 £	Transfer value of accrued rights at 31 march 2007 £	Increase in transfer value net of members contributions during the period £
A J Dick	10,243	34,154	9,036
J R Fussey	1,088,888	1,154,403	58,246

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

The Group makes no pension contributions in respect of M G D Wakeman.

Directors' share options

Details of share options at 31 March 2007 and 1 April 2006, including Sharesave scheme options, for each director who held office during the year are as follows:

	Number of options at 1 April 2006	Exercised	Lapsed	Granted	**Number of options at 31 March 2007**
A J Dick	-	-	-	17,500	17,500*
M G D Wakeman	-	-	-	21,875	21,875*

*Held under The 600 Group PLC 2000 Sharesave scheme.

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

The share price at 31 March 2007 was 52.0p and the highest and lowest prices during the period were 59.0p and 47.5p, respectively.

By order of the board
Alan Myers
Secretary
21 June 2007

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

We have audited the Group and parent company financial statements (the ''financial statements'') of The 600 Group PLC for the period ended 31 March 2007 which comprise the Group Income Statement, the Group and parent company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 16.

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

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2007 and of its profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2007;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Leeds
Chartered Accountants
Registered Auditor
21 June 2007

Consolidated income statement

		52-week period ended 31 March 2007	52-week period ended 1 April 2006		
		Total	Before restructuring	Restructuring	Total
	Notes	**£000**	£000	£000	£000
Revenue	1	**78,666**	70,334	-	70,334
Cost of sales		**(55,754)**	(51,440)	(387)	(51,827)
Gross profit		**22,912**	18,894	(387)	18,507
Net operating expenses	2	**(22,297)**	(20,261)	(1,489)	(21,750)
Operating profit/(loss) before financing income and expense	3	**615**	(1,367)	(1,876)	(3,243)
Financial income	5	**10,373**	10,141	-	10,141
Financial expense	5	**(8,561)**	(8,574)	-	(8,574)
Profit/(loss) before tax		**2,427**	200	(1,876)	(1,676)
Income tax charge	6	**(696)**	(429)	-	(429)
Profit/(loss) for the period from continuing operations		**1,731**	(229)	(1,876)	(2,105)
Post tax loss of discontinued business	1	**(290)**	(43)	-	(43)
Total profit/(loss) for the financial period		**1,441**	(272)	(1,876)	(2,148)
Attributable to:					
Equity holders of the parent		**1,382**	(320)	(1,876)	(2,196)
Minority interest	22	**59**	48	-	48
Profit/(loss) for the period		**1,441**	(272)	(1,876)	(2,148)

Basic earnings per share	8		
- continuing operations		**2.9p**	(3.8)p
- total		**2.4p**	(3.9)p
Diluted earnings per share	8		
- continuing operations		**2.9p**	(3.8)p
- total		**2.4p**	(3.9)p

Consolidated statement of recognised income and expense

	Notes	52-week period ended 31 March 2007 £000	52-week period ended 1 April 2006 £000
Foreign exchange translation differences		**(1,241)**	893
Net actuarial gains on employee benefit schemes	29	**5,375**	9,244
Revaluation of properties	10	**-**	3,397
Deferred taxation on above items	13	**(1,691)**	(3,010)
Net income recognised directly in equity		**2,443**	10,524
Profit/(loss) for the period		**1,441**	(2,148)
Total recognised income and expense for the period	22	**3,884**	8,376
Attributable to:			
Equity holders of the parent	22	**3,930**	8,295
Minority interest	22	**(46)**	81
Total recognised income and expense for the period	22	**3,884**	8,376

Consolidated balance sheet

	Notes	At 31 March 2007 £000	At 1 April 2006 £000
Non-current assets			
Property, plant and equipment	10	**13,034**	14,203
Intangible assets	11	**2,433**	2,072
Investments	12	**-**	84
Employee benefits	29	**15,570**	7,400
Deferred tax assets	13	**315**	303
		31,352	24,062
Current assets			
Inventories	14	**22,307**	21,147
Trade and other receivables	15	**19,479**	15,740
Cash and cash equivalents	16	**6,944**	7,657
		48,730	44,544
Total assets		**80,082**	68,606
Non-current liabilities			
Employee benefits	29	**(2,915)**	(2,281)
Deferred tax liabilities	13	**(5,498)**	(3,003)
		(8,413)	(5,284)
Current liabilities			
Trade and other payables	18	**(18,227)**	(14,573)
Income tax payable		**(80)**	(134)
Provisions	19	**(417)**	(448)
Loans and other borrowings	17	**(2,547)**	(1,809)
		(21,271)	(16,964)
Total liabilities		**(29,684)**	(22,248)
Net assets		**50,398**	46,358
Shareholders' equity			
Called-up share capital	22	**14,287**	14,212
Share premium account	22	**13,747**	13,680
Revaluation reserve	22	**3,148**	3,397
Capital redemption reserve	22	**2,500**	2,500
Translation reserve	22	**(172)**	843
Retained earnings	22	**16,541**	11,333
Total equity attributable to equity holders of the parent		**50,051**	45,965
Minority interest	22	**347**	393
Total equity	22	**50,398**	46,358

The financial statements on pages 23 to 54 were approved by the board of directors on 21 June 2007 and were signed on its behalf by **Andrew Dick**, Group Chief Executive.

Consolidated cash flow statement

	Notes	52-week period ended 31 March 2007 £000	52-week period ended 1 April 2006 £000
Cash flows from operating activities			
Profit/(loss) for the period		**1,441**	(2,148)
Adjustments for:			
Amortisation of development expenditure		**120**	67
Depreciation		**1,218**	1,640
Impairment of goodwill		**24**	1,254
Net financial income		**(1,812)**	(1,567)
Loss/(profit) on disposal of plant and equipment		**40**	(26)
Equity share option expense		**14**	31
Income tax expense		**696**	429
Operating cash flow before changes in working capital and provisions		**1,741**	(320)
(Increase)/decrease in trade and other receivables		**(4,602)**	838
(Increase)/decrease in inventories		**(2,433)**	2,903
Increase/(decrease) in trade and other payables		**4,650**	(42)
Decrease/(increase) in employee benefits		**30**	(1,006)
Cash generated from the operations		**(614)**	2,373
Interest paid		**(278)**	(170)
Income tax paid		**(8)**	(66)
Net cash flows from operating activities		**(900)**	2,137
Cash flows from investing activities			
Interest received		**157**	199
Proceeds from sale of plant and equipment		**236**	168
Purchase of plant and equipment		**(680)**	(520)
Development expenditure capitalised		**(548)**	(402)
Net cash flows from investing activities		**(835)**	(555)
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		**142**	-
Proceeds/(repayment) from external borrowing		**151**	(305)
Equity dividends paid		**-**	(2,274)
Proceeds from disposal of non current asset investments		**64**	-
Reduction in current asset investments		**-**	580
Net cash flows from financing activities		**357**	(1,999)
Net decrease in cash and cash equivalents	23	**(1,378)**	(417)
Cash and cash equivalents at the beginning of the period		**6,718**	7,127
Effect of exchange rate fluctuations on cash held		**(9)**	8
Cash and cash equivalents at the end of the period	16	**5,331**	6,718

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 2007 are for the 52-week period ended 31 March 2007. The results for 2006 are for the 52-week period ended 1 April 2006. The parent company financial statements present information about the Company as a separate entity and not about its group.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). The new standards, amendments and interpretations that have been endorsed but which are not yet effective include IFRS 7 Financial Instruments: Disclosures, IFRIC 10 Interim Financial Reporting and Impairment, and IFRIC 11 - IFRS 2 – Group and Treasury Share Transactions.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 56 to 63.

These results represent the second annual financial statements the Group has prepared in accordance with its accounting policies under IFRS.

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

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

Judgements made by management in the application of IFRS that have a significant effect on the Group financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

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 financial instruments are stated at their fair value.

Basis of consolidation

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

Foreign currency translation

The functional and presentation currency of the Group is Sterling.

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

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

Revenue

Revenue represents commission on agency sales and the total of the amounts invoiced to customers outside the Group for goods supplied and services rendered, excluding VAT, and after deducting discounts allowed and credit notes issued. Revenue is recognised at the point at which goods are supplied or services are rendered to customers.

Group accounting policies (continued)

Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular geographical segment.

Pensions and post-retirement health benefits

The Group operates both defined benefit and defined contribution pension schemes and a retirement healthcare benefit scheme for certain of its employees in the US. The Group's net obligation in respect of the defined benefit schemes and the retirement healthcare benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any scheme assets is deducted. The discount rate for the UK schemes is based on the annualised yield on the iBoxx over 15 year AA credit rated corporate bonds. The discount rate for the retirement healthcare benefit scheme is based on a similar measure which is appropriate for the US market. The calculations are performed by a qualified Actuary using the projected unit method. Actuarial gains and losses are recognised immediately through the statement of recognised income and expense. Any asset resulting from this calculation is limited to the present value of available funds and reductions in future contributions to the scheme.

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

1. Within operating profit

Current service cost – representing the increase in the present value of the defined benefit obligation resulting from employee service in the current period;

Past service cost – representing the increase in the present value of the defined benefit obligation resulting from employee service in prior periods, which arises from changes made to the benefits under the scheme in the current period. To the extent that the changes to benefits vest immediately, past service costs are recognised immediately, otherwise they are recognised on a straight line basis over the vesting period; and

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

2. Below operating profit

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

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

3. Within the statement of recognised income and expense:

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

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 and development expenditure undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes direct labour and an appropriate proportion of overheads. Amortisation is charged to the income statement on a straight line basis over the useful economic life of the activity. Currently the annual rates used are between 2 and 5 years.

Property, plant and equipment

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

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

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

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials - purchase cost on a first in, first out basis
- finished goods and work in progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

Trade and other receivables

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

Cash and cash equivalents

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

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of cash management.

Share-based payments

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group and based on the best available estimates at that date, will ultimately vest. The charge is trued-up only for service and non-market conditions. The income statement charge 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 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.

Group accounting policies (continued)

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, being the present value of the quoted forward price.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the investments are amortised, derecognised or impaired. Investments intended to be held for an underlying period are not included in this classification.

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, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset of its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

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 or paid.

Notes relating to the consolidated financial statements

1. Segment analysis

Geographical segments

	2007 £000	2006 £000
Revenue		
United Kingdom	**50,113**	39,019
Other European countries	**5,969**	5,805
North America	**20,721**	21,061
Africa and Australasia	**11,846**	12,265
Inter-segment revenue	**(9,983)**	(7,816)
Revenue from continuing operations	**78,666**	70,334
Revenue from discontinued operations	**259**	659
Revenue generated in period	**78,925**	70,993
Operating profit/(loss)		
United Kingdom	**678**	(2,406)
Other European countries	**(253)**	(1,434)
North America	**(56)**	197
Africa and Australasia	**246**	314
Operating profit/(loss) from continuing operations	**615**	(3,243)
Operating loss from discontinued operations	**(290)**	(43)
Operating profit/(loss) in period	**325**	(3,286)

Discontinued operations relate to the Group's operations in New Zealand, which was closed during the year, and the French subsidiary, which was closed after the period end.

Balance sheet

	2007		2006	
	Assets £000	**Liabilities £000**	Assets £000	Liabilities £000
United Kingdom	56,189	(21,220)	42,518	(10,356)
Other European countries	2,696	(1,155)	3,616	(1,115)
North America	14,113	(4,356)	14,666	(7,149)
Africa and Australasia	7,084	(2,953)	7,806	(3,628)
	80,082	(29,684)	68,606	(22,248)

1. Segment analysis (continued)

Geographical segments (continued)

Other information

	2007			2006		
	Capital additions £000	**Depreciation £000**	**Impairment losses £000**	Capital additions £000	Depreciation £000	Impairment losses £000
United Kingdom	**937**	**1,122**	**-**	737	1,421	-
Other European countries	**69**	**19**	**-**	20	40	1,254
North America	**108**	**124**	**24**	114	155	-
Africa and Australasia	**114**	**73**	**-**	51	91	-
	1,228	**1,338**	**24**	922	1,707	1,254

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

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

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

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

	2007 £000	2006 £000
United Kingdom	**21,460**	13,900
Other European countries	**15,204**	14,468
North America	**25,154**	24,482
Africa and Australasia	**17,107**	18,143
	78,925	70,993

Business segments

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

2. Net operating expenses

	2007 £000	2006 £000
Administration expenses before:	**16,905**	14,605
- reorganisation	**-**	235
- goodwill impairment	**-**	1,254
Total net administration expenses	**16,905**	16,094
Distribution costs	**5,777**	6,154
Other operating income	**(385)**	(498)
Total net operating expenses	**22,297**	21,750

In 2006 the total restructuring costs consisted of the reorganisation and goodwill impairment amounts shown above, plus a £387,000 stock provision charged through cost of sales in the income statement. They relate mainly to the refocusing of the Group's French operation and the extension of the Group's global sourcing programme as part of the strategic review.

3. Operating profit/(loss) before financing income and expense

	2007 £000	2006 £000
Operating profit/(loss) before financing income and expense is stated after charging:		
- depreciation of owned property, plant and equipment	**1,167**	1,334
- depreciation of assets held under finance leases	**51**	306
- impairment loss on goodwill	**24**	1,254
- amortisation of development expenditure	**120**	67
- research and development expensed as incurred	**792**	832
- hire of plant	**279**	266
- other operating lease rentals	**119**	566
- loss on sale of property, plant and equipment	**37**	-
- loss on sale of non current investments	**20**	-
and after crediting:		
- rents receivable	**173**	203
- profit on sale of property, plant and equipment	**-**	26
- auditors' remuneration:		
- audit of these financial statements	**132**	132
- amounts receivable by auditors and their associates in respect of:		
- audit of financial statements of subsidiaries pursuant to such legislation	**40**	40
- other services relating to taxation	**17**	17
- other services pursuant to such legislation	**28**	28

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

4. Personnel expenses

	2007 £000	2006 £000
Staff costs:		
- wages and salaries	**15,040**	14,476
- social security costs	**2,150**	2,234
- pension charges relating to defined contribution schemes	**199**	227
- pension charges relating to defined benefit schemes	**724**	645
	18,113	17,582

The average number of employees of the Group (including directors) during the period was as follows:	2007	2006
Machine tools and equipment	**624**	622

Details of directors' emoluments, share option schemes and pension entitlements are given in the directors' remuneration report on pages 17 to 20.

5. Financial income and expense

	2007 £000	2006 £000
Interest income	**157**	199
Expected return on defined benefit pension scheme assets	**10,216**	9,942
Financial income	**10,373**	10,141
Interest expense	**(271)**	(170)
Interest on defined benefit pension scheme obligations	**(8,290)**	(8,404)
Financial expense	**(8,561)**	(8,574)

6. Taxation

	2007 £000	2006 £000
Current tax:		
Corporation tax at 30% (2006: 30%):		
- current period relating to prior period	**25**	-
Overseas taxation:		
- current period	**16**	1
- relating to prior periods	**-**	(8)
Total current tax (charge)/credit	**41**	(7)
Deferred taxation		
- current period	**(906)**	(337)
- relating to prior periods	**169**	(85)
Total deferred taxation charge (note 13)	**(737)**	(422)
Taxation charged to the income statement	**(696)**	(429)

Current tax reconciliation

The tax charge assessed for the period is higher than the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are explained below:

	2007 £000	2006 £000
Profit/(loss) before tax	**2,137**	(1,719)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	**641**	(516)
Effects of:		
- expenses not deductible	**52**	391
- taxable intra-group dividends	**-**	377
- overseas tax rates	**48**	(19)
- deferred tax prior period adjustment	**(169)**	85
- overseas tax prior period adjustment	**-**	8
- current tax prior period adjustment	**(25)**	-
- tax not recognised on losses	**149**	103
Taxation charged to the income statement	**696**	429

Deferred tax recognised directly in equity

	2007 £000	2006 £000
Relating to employee benefit schemes	**(1,691)**	(1,991)
Relating to revaluation of property, plant and equipment	**-**	(1,019)
	(1,691)	(3,010)

7. Dividends

	2007 £000	2006 £000
No dividend paid in period (2006: 4.0p per share paid September 2005)	**-**	2,274
	-	2,274

8. Earnings per share

The calculation of the basic earnings per share of 2.4p (2006: (3.9)p) is based on the earnings for the financial period attributable to shareholders of £1,382,000 (2006: £(2,196,000)) and on the weighted average number of shares in issue during the period of 56,889,845 (2006: 56,846,137). In determining the diluted earnings per share of 2.4p, the earnings for the financial period attributable to shareholders was divided by the weighted average number of shares in the period plus 1,219,303 of potentially dilutive shares on option. The basic earnings per share for continuing operations is 2.9p (2006: (3.8)p) and the basic earnings per share for discontinued operations is (0.5)p (2006: (0.1)p). The diluted earnings per share for continuing operations is 2.9p (2006: (3.8)p) and the diluted earnings per share for discontinued operations is (0.5)p (2006: (0.1)p).

Weighted average number of shares

	2007	2006
Issued shares at start of period	**56,846,137**	56,846,137
Effect of shares issued in the year	**43,708**	-
Weighted average number of shares at end of period	**56,889,845**	56,846,137

9. Employee share option schemes

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

Share-based expense

The Group recognised total expenses of £14,215 (2006: £31,042) in relation to equity settled share-based payment transactions.

The number and weighted average exercise prices of share options

	Sharesave scheme
Number of options outstanding at beginning of period	595,635
Number of options granted in period	984,108
Numbe of options forfeited in period	(59,461)
Number of options exercised in period	(300,979)
Number of options outstanding at end of period	1,219,303
Number of options exercisable at end of period	1,219,303

Weighted average share price of options exercised in the period was 55.7p.

For share options outstanding at the end of the period, the range of exercisable prices is 43.2p to 47.1p and the weighted average contractual life is 2 years and 9 months.

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

Fair value assumptions of share-based payments

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

	2007	2006
Fair value	**£0.26**	£0.18
Share price at grant	**£0.55**	£0.59
Exercise price	**£0.43**	£0.47
Dividend yield	**0%**	7.7%
Expected volatility	**50%**	50%
Expected life	**3.1 years**	3.1 years
Risk-free interest rate	**5%**	5%
Number of shares under option	**1,219,303**	595,635

The increase in the number of shares under option is due to new share options granted in December 2006.

10. Property, plant & equipment

	Land and buildings					
	Freehold £000	Long lease £000	Short lease £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost or valuation:						
At 1 April 2006	8,302	2,623	212	23,433	2,442	37,012
Exchange differences	(293)	-	(12)	(327)	(103)	(735)
Additions during period	130	2	-	520	28	680
Disposals during period	(237)	-	-	(1,329)	(136)	(1,702)
At 31 March 2007	**7,902**	**2,625**	**200**	**22,297**	**2,231**	**35,255**
At professional valuation	7,772	2,623	-	-	-	10,395
At cost	130	2	200	22,297	2,231	24,860
	7,902	**2,625**	**200**	**22,297**	**2,231**	**35,255**
Depreciation:						
At 1 April 2006	-	-	153	20,573	2,083	22,809
Exchange differences	-	-	(10)	(284)	(86)	(380)
Charge for period	168	40	4	877	129	1,218
Disposals during period	(9)	-	-	(1,289)	(128)	(1,426)
At 31 March 2007	**159**	**40**	**147**	**19,877**	**1,998**	**22,221**
Net book value:						
At 31 March 2007	**7,743**	**2,585**	**53**	**2,420**	**233**	**13,034**
At 1 April 2006	8,302	2,623	59	2,860	359	14,203

The net book value of tangible fixed assets includes £104,000 (2006: £135,000) of assets held under finance leases. The depreciation charged in the period against assets held under finance leases was £51,000 (2006: £306,000).

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

Various UK properties are charged as security for borrowing facilities.

10. Property, plant & equipment (continued)

	Land and buildings					
	Freehold £000	Long lease £000	Short lease £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost or valuation:						
At 2 April 2005	6,492	2,659	225	24,058	2,866	36,300
Exchange differences	163	-	5	188	64	420
Additions during period	32	-	-	372	116	520
Revaluations	1,645	(36)	-	-	-	1,609
Disposals during period	(30)	-	(18)	(1,185)	(604)	(1,837)
At 1 April 2006	8,302	2,623	212	23,433	2,442	37,012
At professional valuation	8,302	2,623	-	-	-	10,925
At cost	-	-	212	23,433	2,442	26,087
	8,302	2,623	212	23,433	2,442	37,012
Depreciation:						
At 2 April 2005	1,205	337	153	20,214	2,475	24,384
Exchange differences	50	-	3	162	53	268
Charge for period	157	44	14	1,267	158	1,640
Revaluations	(1,407)	(381)	-	-	-	(1,788)
Disposals during period	(5)	-	(17)	(1,070)	(603)	(1,695)
At 1 April 2006	-	-	153	20,573	2,083	22,809
Net book value:						
At 1 April 2006	8,302	2,623	59	2,860	359	14,203
At 2 April 2005	5,287	2,322	72	3,844	391	11,916

11. Intangible assets

	Goodwill £000	Development expenditure £000	Total £000
Cost			
At 1 April 2006	3,695	620	4,315
Additions	-	548	548
Exchange differences	(55)	-	(55)
At 31 March 2007	**3,640**	**1168**	**4,808**
Amortisation			
At 1 April 2006	2,176	67	2,243
Exchange differences	(12)	-	(12)
Impairment	24	-	24
Amortisation	-	120	120
At 31 March 2007	**2,188**	**187**	**2,375**
Net book value			
At 31 March 2007	**1,452**	**981**	**2,433**
At 1 April 2006	1,519	553	2,072

	Goodwill £000	Development expenditure £000	Total £000
Cost			
At 2 April 2005	3,656	218	3,874
Additions	-	402	402
Exchange differences	39	-	39
At 1 April 2006	3,695	620	4,315
Amortisation			
At 2 April 2005	914	-	914
Exchange differences	8	-	8
Impairment	1,254	-	1,254
Amortisation	-	67	67
At 1 April 2006	2,176	67	2,243
Net book value			
At 1 April 2006	1,519	553	2,072
At 2 April 2005	2,742	218	2,960

11. Intangible assets (continued)

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

	2007 £000	2006 £000
Net operating expenses	**144**	1,321

During 2006 the Group assessed the carrying value of goodwill relating to 600 France as a result of its worsening operating performance. It was decided to fully write down the goodwill on the basis of future cash flows and the restructuring of operations, meaning that the recoverable amount was less than the carrying value.

Impairment testing

Goodwill is tested for impairment on an annual basis by comparing the carrying amount against the discounted cash flow projections (at current weighted average cost of capital) of the cash generating units.

Impairment of goodwill

Goodwill arising on business combinations is not amortised, being reviewed for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired. Goodwill acquired in a business combination is allocated to cash-generating units.

Recoverable amounts for cash-generating units are based on value in use, which is calculated from cash flow projections based on the 2007/8 budget.

No growth has been assumed in the future in order to provide sensitivity to the calculation.

12. Non-current assets - investments

	£000
Unlisted investments at cost	
At 1 April 2006	84
Disposal	(84)
At 31 March 2007	**-**

The Group disposed of the unlisted investment during the period generating a net loss of £3,000.

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	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
Accelerated capital allowances	**-**	-	**(652)**	(820)	**(652)**	(820)
Short-term timing differences	**296**	407	**(8)**	-	**288**	407
Employee benefits	-	-	**(3,796)**	(1,536)	**(3,796)**	(1,536)
Tax losses	**863**	910	**-**	-	**863**	910
Overseas tax losses	**315**	808	**-**	(505)	**315**	303
Revaluations and rolled over gains	**-**	-	**(1,964)**	(1,964)	**(1,964)**	(1,964)
Research and development	**-**	-	**(237)**	-	**(237)**	-
Tax assets/(liabilities)	**1,474**	2,125	**(6,657)**	(4,825)	**(5,183)**	(2,700)
Net of tax liabilities/(assets)	**(1,159)**	(1,822)	**1,159**	1,822	**-**	-
Net tax assets/(liabilities)	**315**	303	**(5,498)**	(3,003)	**(5,183)**	(2,700)

Movement in deferred tax during the period

	As at 1 April 2006 £000	Income statement £000	Statement of recognised income and expense £000	Exchange fluctuations £000	**As at 31 March 2007 £000**
Accelerated capital allowances	(820)	168	-	-	**(652)**
Short-term timing differences	407	(119)	-	-	**288**
Employee benefits	(1,536)	(569)	(1,691)	-	**(3,796)**
Tax losses	910	(47)	-	-	**863**
Overseas tax losses	303	67	-	(55)	**315**
Revaluations and rolled over gains	(1,964)	-	-	-	**(1,964)**
Research and development	-	(237)	-	-	**(237)**
	(2,700)	(737)	(1,691)	(55)	**(5,183)**

Movement in deferred tax during the prior period

	As at 2 April 2005 £000	Income statement £000	Statement of recognised income and expense £000	Exchange fluctuations £000	As at 1 April 2006 £000
Accelerated capital allowances	(861)	41	-	-	(820)
Short-term timing differences	109	298	-	-	407
Employee benefits	1,250	(795)	(1,991)	-	(1,536)
Tax losses	738	172	-	-	910
Overseas operations	385	(138)	-	56	303
Revaluations and rolled over gains	(945)	-	(1,019)	-	(1,964)
	676	(422)	(3,010)	56	(2,700)

13. Deferred tax assets and liabilities (continued)

Movement in deferred tax during the prior period (continued)

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:

	2007 £000	2006 £000
ACT recoverable	**1,670**	1,670
Tax losses	**1,695**	1,600

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

14. Inventories

	2007 £000	2006 £000
Raw materials and consumables	**6,210**	6,482
Work in progress	**2,252**	1,993
Finished goods and goods for resale	**13,845**	12,672
	22,307	21,147

15. Trade and other receivables

	2007 £000	2006 £000
Trade receivables (net of impairment of £629k (2006: £848k)	**16,933**	13,539
Other debtors	**1,277**	714
Other prepayments and accrued income	**1,269**	1,487
	19,479	15,740

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

	2007 £000	2006 £000
Trade receivables	**-**	152
Other debtors	**321**	367
Other prepayments and accrued income	**128**	-
	449	519

16. Cash and cash equivalents

	2007 £000	2006 £000
Cash at bank	**6,762**	7,406
Short-term deposits	**182**	251
Cash and cash equivalents per balance sheet	**6,944**	7,657
Bank overdrafts	**(1,613)**	(939)
Cash and cash equivalents per cash flow statement	**5,331**	6,718

17. Loans and other borrowings

	2007 £000	2006 £000
Bank overdrafts	**1,613**	939
Bank loans	**830**	763
Obligations under finance leases	**104**	107
	2,547	1,809

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

	2007 £000	2006 £000
Obligations under finance leases	**54**	68
	54	68

18. Trade and other payables

	2007 £000	2006 £000
Payments received on account	**1,732**	316
Trade payables	**12,798**	10,208
Social security and other taxes	**744**	486
Sundry creditors	**1,160**	1,712
Accruals and deferred income	**1,793**	1,851
	18,227	14,573

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

	2007 £000	2006 £000
Trade payables	**-**	125
Sundry creditors	**117**	87
	117	212

19. Provisions

	Onerous lease provisions £000	Warranties £000	Total £000
Provision brought forward at 1 April 2006	60	388	448
Charged to income statement	-	521	521
Utilised in the period	**(15)**	**(537)**	**(552)**
Provision carried forward at 31 March 2007	**45**	**372**	**417**

Warranty provisions are calculated based on historical experience of claims received, taking into account recent sales of items which are covered by warranty. The provision relates mainly to products sold in the last 12 months. The typical warranty period is now 12 months.

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

20. Obligations under finance leases

The maturity of obligations under finance leases is as follows:

Falling due:	**2007 £000**	2006 £000
Within one year	**50**	39
Within two to five years	**63**	88
Less future finance charges	**(9)**	(20)
	104	107
Amounts falling due within one year	**50**	39
Amounts falling due after one year	**54**	68
	104	107

21. Share capital

	2007 £000	2006 £000
Authorised		
80,000,000 ordinary shares of 25p each	**20,000**	20,000
Allotted, called-up and fully paid		
57,147,116 (2006: 56,846,137) ordinary shares of 25p each:		
On issue at start of period	**14,212**	14,212
Issued under employee share schemes	**75**	-
On issue at end of period	**14,287**	14,212

22. Capital and reserves

Reconciliation of movement in capital and reserves

	Attributable to equity holders of parent							Minority interest	Total equity
	Share capital £000	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Translation reserve £000	Retained earnings £000	Total £000	£000	£000
Balance at 2 April 2005	14,212	13,680	-	2,500	(17)	9,538	39,913	-	39,913
Exchange difference on translating foreign operations	-	-	-	-	860	-	860	33	893
Actuarial gains on employee benefits	-	-	-	-	-	9,244	9,244	-	9,244
Revaluation of properties	-	-	3,397	-	-	-	3,397	-	3,397
Deferred tax	-	-	-	-	-	(3,010)	(3,010)	-	(3,010)
Loss for the period	-	-	-	-	-	(2,196)	(2,196)	48	(2,148)
Total recognised income and expense for the period	-	-	3,397	-	860	4,038	8,295	81	8,376
Part disposal of subsidiary undertaking	-	-	-	-	-	-	-	312	312
Dividend paid	-	-	-	-	-	(2,274)	(2,274)	-	(2,274)
Equity share options expense	-	-	-	-	-	31	31	-	31
Balance at 1 April 2006	14,212	13,680	3,397	2,500	843	11,333	45,965	393	46,358
Exchange difference on translating foreign operations	-	-	(121)	-	(1,015)		(1,136)	(105)	(1,241)
Disposal of property	-	-	(128)	-	-	128	-	-	-
Actuarial gains on employee benefits	-	-	-	-	-	5,375	5,375	-	5,375
Deferred tax	-	-	-	-	-	(1,691)	(1,691)	-	(1,691)
Profit for the period	-	-	-	-	-	1,382	1,382	59	1,441
Total recognised income and expense for the period	-	-	(249)	-	(1,015)	5,194	3,930	(46)	3,884
Share capital subscribed for	75	67	-	-	-	-	142	-	142
Equity share options expense	-	-	-	-	-	14	14	-	14
Balance at 31 March 2007	**14,287**	**13,747**	**3,148**	**2,500**	**(172)**	**16,541**	**50,051**	**347**	**50,398**

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

23. Reconciliation of net cash flow to net funds

	2007 £000	2006 £000
Decrease in cash and cash equivalents	**(1,378)**	(417)
Reduction in current asset investments	**-**	(580)
(Increase)/decrease in debt and finance leases	**(151)**	305
Decrease in net funds from cash flows	**(1,529)**	(692)
Net funds at beginning of period	**5,848**	6,617
Exchange effects on net funds	**78**	(77)
Net funds at end of period	**4,397**	5,848

24. Analysis of net funds

	At 1 April 2006 £000	Exchange movement £000	Cash flows £000	At 31 March 2007 £000
Cash at bank and in hand	7,406	(242)	(402)	**6,762**
Overdrafts	(939)	233	(907)	**(1,613)**
	6,467	(9)	(1,309)	**5,149**
Debt due within one year	(763)	87	(154)	**(830)**
Finance leases	(107)	-	3	**(104)**
Term deposits (included within cash and cash equivalents on the balance sheet)	251	-	(69)	**182**
Total	5,848	78	(1,529)	**4,397**

£31,000 (2006: £101,000) of net funds relating to Coborn Insurance Company Limited is required to meet the company's liabilities and therefore is not available to the Group.

25. Financial instruments

Treasury policies and financial risks

The Group's treasury activities are controlled and monitored by the finance team at Group head office and carried out in accordance with policies set by the board, which have not changed during the period. The purpose of treasury policies is to ensure that adequate cost effective funding is available to the Group at all times and that exposure to treasury risks is minimised. The principal treasury risks arising from the Group's activities are funding risk, interest rate risk, credit risk and foreign exchange risk. Funding is generally by means of committed borrowings at floating rates.

Interest rate risk

The Group's policy is to review regularly the terms of its available short term borrowing facilities and to assess individually and manage each long-term borrowing commitment accordingly.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

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

Changes in the fair values of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of financial income and expenses. The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 31 March 2007 was a £27,000 asset (1 April 2006: £54,000 liability) recognised in fair value derivatives.

25. Financial instruments (continued)

Financial assets

The Group's financial assets comprise cash, fixed asset investments, trade and receivables and other forward exchange contract assets. The profile of the financial assets at 31 March 2007 and 1 April 2006 was:

	2007				2006			
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	**4,848**	**151**	**11,718**	**16,717**	5,243	152	8,245	13,640
US Dollars	**260**	**-**	**2,719**	**2,979**	205	-	2,779	2,984
Australian Dollars	**635**	**-**	**305**	**940**	703	-	306	1,009
Euros	**487**	**-**	**1,440**	**1,927**	411	-	1,650	2,061
New Zealand Dollars	**-**	**-**	**-**	**-**	40	-	-	40
Canadian Dollars	**-**	**-**	**1,631**	**1,631**	83	-	1,181	1,264
South African Rand	**542**	**-**	**1,692**	**2,234**	808	-	1,662	2,470
Other	**21**	**-**	**1**	**22**	12	-	1	13
	6,793	**151**	**19,506**	**26,450**	7,505	152	15,824	23,481

Sterling fixed-rate financial assets are centrally controlled. At 31 March 2007 the weighted average interest rate on these deposits was 5.07% (2006: 4.47%).

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

Financial liabilities

Financial liabilities comprise short-term loans, overdrafts, trade and other 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 31 March 2007 and 1 April 2006 was:

	2007				2006			
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	**1,106**	**-**	**12,576**	**13,682**	-	-	9,522	9,522
US Dollars	**612**	**-**	**1,828**	**2,440**	692	-	1,738	2,430
Euros	**-**	**-**	**1,160**	**1,160**	-	-	1,003	1,003
South African Rand	**506**	**-**	**1,857**	**2,363**	939	-	1,833	2,772
Australian Dollars	**-**	**104**	**431**	**535**	-	107	564	671
New Zealand Dollars	**-**	**-**	**-**	**-**	-	-	17	17
Canadian Dollars	**218**	**-**	**787**	**1,005**	71	-	392	463
Other	**-**	**-**	**5**	**5**	-	-	6	6
	2,442	**104**	**18,644**	**21,190**	1,702	107	15,075	16,884

Fixed rate financial liabilities

	2007		2006	
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	**10.2**	**1**	7.5	2

The floating rate financial liabilities comprise bank borrowings and overdrafts that bear interest rates based on:

- National City Corporation base lending rates; and
- local currency base interest rates.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March 2007 and 1 April 2006 was as follows:

	2007 £000	2006 £000
In one year or less, or on demand	**2,507**	1,756
In more than one year but not more than two years	**56**	83
In more than two years but not more than five years	**28**	30
	2,591	1,869

Borrowing facilities

At 31 March 2007 and 1 April 2006 the Group had no undrawn committed borrowing facilities.

Fair values of financial assets and financial liabilities

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.

Credit risk

There are no significant concentrations of credit risk within the Group. The maximum credit exposure relating to financial assets is represented by the carrying value at the balance sheet date.

Cash flow hedge

The Group engages in trade in non-functional currencies subject to transactional currency exposures. These exposures are limited by taking out forward currency contracts and in addition forward currency instruments are taken out to cover significant future purchases of goods which are invoiced in non-functional currencies. As a result the Group does not have significant exposures to monetary assets and liabilities.

26. Contingent liabilities

	2007 £000	2006 £000
Performance guarantees and indemnities	**2,282**	350
Letters of credit and documentary credits	**437**	932
Third-party guarantees	**193**	72
	2,912	1,354

These guarantees and letters of credit are entered into in the normal course of business. A liability would only arise in the event of the Group failing to fulfil its contractual obligations.

27. Capital commitments

	2007 £000	2006 £000
Capital expenditure contracted for but not provided in the accounts	**232**	122

28. Operating lease commitments

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

	2007 £000	2006 £000
Land and buildings		
Within one year	**191**	80
Within two to five years	**570**	841
Over five years	**919**	1,018
	1,680	1,939
Other		
Within one year	**127**	62
Within two to five years	**373**	434
	500	496

29. Employee benefits

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

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

United Kingdom

In relation to the fund in the United Kingdom, the Group's funding policy is to ensure that assets are sufficient to cover accrued service liabilities allowing for projected pay increases. The most recent triennial full valuation was carried out as at 2 April 2005.

United States of America

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

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

The most recent annual valuation was carried out as at 31 December 2006. The disclosures for the USA schemes below refer to the USA defined benefit scheme and the retirement healthcare benefit scheme.

Mortality rates

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

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

IAS 19

Disclosures in accordance with IAS 19 are set out below.

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

	2007 UK scheme (% p.a.)	2006 UK scheme (% p.a.)
Inflation	**3.2**	3.0
Rate of general long-term increase in salaries	**3.8**	3.6
Rate of increase for CARE benefit while an active member	**2.9**	2.9
Rate of increase to pensions in payment – LPI 5%	**3.2**	2.9
Rate of increase to pensions in payment – LPI 2.5%	**2.4**	2.1
Discount rate for scheme liabilities	**5.4**	4.9

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

The discount rate used for the USA defined benefit scheme was 5.77% (2006: 6.00%) and for the USA medical scheme was 5.77% (2006: 7.00%).

29. Employee benefits (continued)

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

	One percentage point increase £000	One percentage point decrease £000
(Increase)/decrease in the aggregate cost of the service and interest cost	(25)	21
(Increase)/decrease in defined benefit obligation	(315)	302

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

	2007			2006		
	USA schemes £000	**UK scheme £000**	**Total £000**	USA schemes £000	UK scheme £000	Total £000
Assets	743	178,440	179,183	831	176,900	177,731
Liabilities	(3,658)	(162,870)	(166,528)	(3,112)	(169,500)	(172,612)
Surplus/(deficit)	(2,915)	15,570	12,655	(2,281)	7,400	5,119

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

	2007			2006		
	USA schemes £000	**UK scheme £000**	**Total £000**	USA schemes £000	UK scheme £000	Total £000
Included within operating profit:						
Current service cost	54	670	724	45	600	645
Included within financial income:						
Expected return on scheme assets	(36)	(10,180)	(10,216)	(42)	(9,900)	(9,942)
Included within financial expense:						
Interest cost on scheme liabilities	199	8,090	8,290	204	8,200	8,404

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

	2007			2006		
	USA schemes £000	**UK scheme £000**	**Total £000**	USA schemes £000	UK scheme £000	Total £000
Actual return on scheme assets	31	9,430	9,461	13	32,100	32,113
Expected return on scheme assets	(36)	(10,180)	(10,216)	(42)	(9,900)	(9,942)
	(5)	(750)	(755)	(29)	22,200	22,171
Experience gain/(loss) on liabilities	(820)	6,950	6,130	73	(13,000)	(12,927)
Net gain/(loss) before exchange	(825)	6,200	5,375	44	9,200	9,244
Exchange differences	(63)	-	(63)	40	-	40
Amounts recognised during the period	(888)	6,200	5,312	84	9,200	9,284
Balance brought forward	545	16,300	16,845	461	7,100	7,561
Balance carried forward	(343)	22,500	22,157	545	16,300	16,845

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

	2007			2006		
	USA schemes £000	**UK scheme £000**	**Total £000**	USA schemes £000	UK scheme £000	Total £000
Opening defined benefit obligation	3,112	169,500	172,612	2,876	155,200	158,076
Exchange differences	(359)	-	(359)	256	-	256
Current service cost	54	670	724	45	600	645
Interest cost	199	8,090	8,289	204	8,200	8,404
Defined benefit actual benefit payments	(167)	(8,980)	(9,147)	(196)	(7,900)	(8,096)
Actuarial (gains)/losses	819	(6,950)	(6,131)	(73)	13,000	12,927
Contributions by scheme participants	-	540	540	-	400	400
Closing defined benefit obligations	3,658	162,870	166,528	3,112	169,500	172,612

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

	2007			2006		
	USA schemes £000	**UK scheme £000**	**Total £000**	USA schemes £000	UK scheme £000	Total £000
Opening fair value of scheme assets	831	176,900	177,731	792	150,800	151,592
Exchange differences	(96)	-	(96)	71	-	71
Expected return	36	10,180	10,216	42	9,900	9,942
Actuarial gains/(losses)	(5)	(750)	(755)	(29)	22,200	22,171
Contribution by scheme participants	-	540	540	-	400	400
Contributions by employer	31	550	581	18	1,500	1,518
Benefits paid	(54)	(8,980)	(9,034)	(63)	(7,900)	(7,963)
Closing fair value of schemes' assets	743	178,440	179,183	831	176,900	177,731

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

	2007			2006		
	USA schemes £000	**UK scheme £000**	**Total £000**	USA schemes £000	UK scheme £000	Total £000
Present value of defined benefit obligation	3,658	162,870	166,528	3,112	169,500	172,612
Fair value of scheme assets	743	178,440	179,183	831	176,900	177,731
Surplus/(deficit) in the scheme	(2,915)	15,570	12,655	(2,281)	7,400	5,119
Experience adjustments on the scheme liabilities	(819)	6,950	6,131	73	(13,000)	(12,927)
Experience adjustments on scheme assets	(5)	(750)	(755)	(29)	22,200	22,171
Exchange differences	(63)	-	(63)	40	-	40

Total contributions to the defined benefit schemes for 2008 are expected to be £570,000.

Notes relating to the consolidated financial statements (continued)

30. 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 30.

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

Intangible fixed assets

Impairments tests have been undertaken using commercial judgements and a number of assumptions and estimates have been made to support their carrying amounts, assessed against discounted cash flows.

Financial instruments

Note 25 contains information about the assumptions and estimates and the risk factors relating to interest rate and foreign currency exposures.

Pensions

The directors have employed the services of an actuary in assessing pension assets and liabilities. Note 29 contains information about the principal actuarial assumptions used in the determination of the net assets for defined benefit obligations.

31. Related party transactions

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

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

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

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

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

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

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

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

These are recharged based on utilisation by the subsidiary undertaking.

The Company has had no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2006 £nil).

32. Post balance sheet events

On 1 May 2007 The Group acquired the UK parts and service business of Toyoda-Mitsui for a cash consideration of £390,000.

Five year record

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Revenue	**78,666**	70,334	67,210	66,323	68,072
Operating profit/(loss) before restructuring costs and profit on disposal of surplus assets	**615**	(1,367)	(1,204)	70	(3,399)
Restructuring costs	**-**	(1,876)	-	-	-
Profit on disposal of surplus assets	**-**	-	392	-	1,800
Operating profit/(loss) before financing income and expense	**615**	(3,243)	(812)	70	(1,599)
Net financing income	**1,812**	1,567	873	116	159
Profit/(loss) before tax	**2,427**	(1,676)	61	186	(1,440)
Income tax (charge)/credit	**(696)**	(429)	(107)	(20)	171
Profit/(loss) for the period from continuing operations	**1,731**	(2,105)	(46)	166	(1,269)
Post tax loss of discontinued business	**(290)**	(43)	-	-	-
Total profit/(loss) for the financial period	**1,441**	(2,148)	(46)	166	(1,269)
Earnings per share - basic	**2.4p**	(3.9)p	(0.1)p	0.3p	(2.3)p
Earnings per share - diluted	**2.4p**	(3.9)p	(0.1)p	0.3p	(2.3)p

Balance sheet extracts

Shareholders' funds (including non-equity interests)	**50,398**	46,358	39,913	71,972	75,145
Net funds *	**4,397**	5,848	6,617	9,902	7,440
Net asset value per equity share	**88p**	82p	70p	127p	134p
Net asset value per equity share (excluding intangible fixed assets)	**84p**	78p	65p	122p	129p

* Including Coborn current asset investments.

The results for 2007 relate to the 52-week period to 31 March 2007, for 2006 relate to the 52-week period to 1 April 2006, for 2005 relate to the 52-week period to 2 April 2005, for 2004 relate to the 53-week period ended 3 April 2004 and for 2003 relate to the 52-week period ended 29 March 2003.

The disclosures for 2007, 2006 and 2005 are based on IFRS. The disclosures for 2003 and 2004 are based on UK GAAP. The main differences relate to IAS 10 “Events after the balance sheet date”, IAS 19 “Employee benefits” and IFRS 3 “Business combinations”.

Company balance sheet

	Notes	At 31 March 2007 £000	At 1 April 2006 £000
Fixed assets			
Tangible assets	4	**1,530**	1,555
Investments	5	**23,338**	23,338
		24,868	24,893
Current assets			
Debtors	6	**83,898**	83,737
Cash at bank and in hand		**2,565**	2,707
		86,463	86,444
Current liabilities			
Creditors: amounts falling due within one year	7	**(81,949)**	(80,059)
Net current assets		**4,514**	6,385
Total assets less current liabilities		**29,382**	31,278
Provisions for liabilities	8	**(45)**	(60)
Net assets		**29,337**	31,218
Capital and reserves			
Called-up share capital	9	**14,287**	14,212
Share premium account	10	**13,747**	13,680
Revaluation reserve	10	**283**	283
Capital redemption reserve	10	**2,500**	2,500
Profit and loss account	10	**(1,480)**	543
Equity shareholders' funds		**29,337**	31,218

The financial statements on pages 56 to 63 were approved by the board of directors on 21 June 2007 and were signed on its behalf by:

Andrew Dick
Group Chief Executive

Company accounting policies

Basis of preparation

As used in the financial statements and related notes, the term “Company” refers to The 600 Group PLC. The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by the Act, the separate financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

Basis of accounting

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company’s financial statements, except as detailed below.

These accounts have been prepared under the historical cost convention, modified to include the revaluation of certain properties, and in accordance with applicable accounting standards. The accounts are prepared to the Saturday nearest to the Company’s accounting reference date of 31 March. The results for 2007 are for the 52-week period ended 31 March 2007. The results for 2006 are for the 52-week period ended 1 April 2006.

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

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

Notes on interpretation of accounting standards

FRS 20 Share based payments

The company has adopted FRS 20 and the accounting policies followed are in all material regards the same as the Group’s policy under IFRS 2. This policy is shown in the Group accounting policies on pages 27 to 30.

Revaluation of fixed assets

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

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

Depreciation

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

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

Leases

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

Company accounting policies (continued)

Taxation

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

Currency translation

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

Pensions and post-retirement health benefits

The Company participates in a Group-wide 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

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

Financial instruments: Measurement

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

Dividends

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

Notes relating to the company financial statements

1. Personnel expenses

	2007 £000	2006 £000
Staff costs:		
- wages and salaries	**820**	836
- social security costs	**84**	96
- pension charges	**39**	28
	943	960

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

	2007	2006
Machine tools and equipment	**8**	10

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 directors' remuneration report on pages 17 to 20.

2. Employee share option schemes

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

Share-based expense

The Company recognised total expenses of £14,215 (2006: £31,042) in relation to these equity settled share-based payment transactions.

The number and weighted average exercise prices of share options

	Sharesave scheme
Number of options outstanding at beginning of period	595,635
Number of options granted in period	984,108
Number of options forfeited in period	(59,461)
Number of options exercised in period	(300,979)
Number of options outstanding at end of period	1,219,303
Number of options exercisable at end of period	1,219,303

Weighted average share price of options exercised in the period was 55.7p.

For share options outstanding at the end of the period, the range of exercisable prices is 43.2p to 47.1p and the weighted average contractual life is 2 years and 9 months.

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

	2007	2006
Fair value	£0.26	£0.18
Share price at grant	£0.55	£0.59
Exercise price	£0.43	£0.47
Dividend yield	0%	7.7%
Expected volatility	50%	50%
Expected life	3.1 years	3.1 years
Risk free interest rate	5%	5%
Number of shares under option	1,219,303	595,635

The increase in the number of shares under option is due to new share options granted in December 2006.

3. Dividends

	2007 £000	2006 £000
No dividend paid in period (2006: 4.0p per share paid September 2005)	-	2,274
	-	2,274

4. Tangible fixed assets

	Land and buildings Long lease £000	Land and buildings Short lease £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost or valuation:					
At 1 April 2006	1,524	92	22	78	1,716
Additions during period	-	-	19	2	21
At 31 March 2007	**1,524**	**92**	**41**	**80**	**1,737**
At professional valuation	1,524	92	-	-	1,616
At cost	-	-	41	80	121
	1,524	**92**	**41**	**80**	**1,737**
Depreciation:					
At 1 April 2006	**-**	**92**	**4**	**65**	**161**
Charge for period	33		10	3	46
At 31 March 2007	**33**	**92**	**14**	**69**	**207**
Net book value					
At 31 March 2007	**1,491**	**-**	**27**	**11**	**1,530**
At 1 April 2006	1,524	-	18	13	1,555

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

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

Various UK properties are charged as security for borrowing facilities.

5. Investments

	Shares in Group undertakings £000
Cost	
At 31 March 2007 and at 1 April 2006	**39,553**
Provisions	
At 31 March 2007 and at 1 April 2006	16,215
Net book values	
At 31 March 2007 and at 1 April 2006	**23,338**

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

ENGLAND

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

USA

600 Group Inc.
Clausing Industrial, Inc.

CONTINENTAL EUROPE

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

REST OF THE WORLD

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

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

6. Debtors

	2007 £000	2006 £000
Trade debtors	358	170
Amounts owed by subsidiary undertakings*	83,482	83,452
Other debtors	26	60
Other prepayments and accrued income	32	55
	83,898	83,737

7. Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	**307**	203
Amounts owed to subsidiary undertakings*	**81,207**	79,136
Corporation tax	**25**	50
Social security and other taxes	**22**	29
Sundry creditors	**96**	326
Accruals and deferred income	**292**	315
Other creditors	**81,949**	80,059

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

8. Provisions for liabilities

	Onerous lease provision £000
At 1 April 2006	60
Utilised during the period	(15)
At 31 March 2007	**45**

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

	2007 £000	2006 £000
Authorised		
80,000,000 ordinary shares of 25p each	**20,000**	20,000
Allotted, called-up and fully paid		
57,147,116 (2006: 56,846,137) ordinary shares of 25p each:		
On issue at start of period	**14,212**	14,212
Issued under employee share schemes	**75**	-
On issue at end of period	**14,287**	14,212

10. Reserves

	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Profit and loss account £000
At 1 April 2006	**13,680**	**283**	**2,500**	**543**
Loss for the period	-	-	-	(2,037)
Share capital subscribed for	67	-	-	-
Charge in relation to share-based payments	-	-	-	14
At 31 March 2007	**13,747**	**283**	**2,500**	**(1,480)**

In accordance with the exemption allowed under section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account but has incurred a loss in the period of £2,037,000 (2006: £1,103,000). 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 is required instead is disclosed in Note 3 to the Group accounts.

11. Contingent liabilities

	2007 £000	2006 £000
Bank guarantees in respect of Group undertakings	**612**	692

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:

	2007 £000	2006 £000
Motor vehicle operating leases expiring:		
Within one year	**5**	11
In the second to fifth years inclusive	**21**	13
	26	24

13. Pension

The Company operates a multi-employer defined benefit scheme for its employees. The date of the most recent full actuarial valuation for the scheme was 31 March 2005. The Company is unable to identify its share of the underlying assets and liabilities of the fund. The surplus on the fund amounted to £15,570,000 at 31 March 2007. Under FRS 17, the Company treats its contributions into these schemes as though they were defined contribution schemes and has consequently not recognised any of the surplus relating to the scheme.

14. Reconciliation of movement in shareholders' funds

	2007 £000	2006 £000
Loss for the financial period	**(2,037)**	(1,103)
Dividends on shares classified in shareholders' funds	**-**	(2,274)
Retained loss	**(2,037)**	(3,377)
Other recognised gains and losses relating to the period (net)	**-**	33
Credit in relation to share-based payments	**14**	31
New share capital subscribed	**142**	-
Net reduction in shareholders' funds	**(1,881)**	(3,313)
Opening shareholders' funds	**31,218**	34,531
Closing shareholders' funds	**29,337**	31,218

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