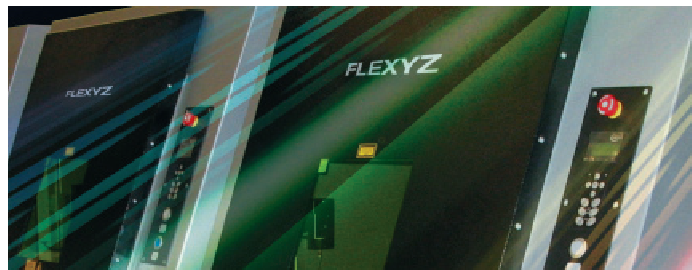
600Group



The 600 Group PLC

annual report and accounts 2011

A world class, diversified engineering business

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

Visit us online…

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

For up-to-date investor information please visit
www.600group.com/investors

Highlights

FINANCIAL

- Revenue of £50.6m (2010: £45.4m)
- Profit from operations, before restructuring costs, charge for share-based payments, net pension credit and impairment of intangible assets, increased to £1.2m (2010: loss of £1.1m)
- Overall profit before tax from continuing operations of £3.3m (2010: loss of £8.7m)
- Costs in relation to restructuring of £1.1m (2010: £5.4m) with a cash cost of £0.9m (2010: £1.9m)
- Basic profit per share for continuing operations of 6.2p (2010: loss per share of 15.2p)

OPERATING

- Group returned profit from operations of £2.5m (2010: loss from operations of £6.8m)
- Gross margin maintained at 32% (2010: 32%)
- Operating expense fell to £14.1m with saving in year of £7.3m
- Oxford Economics Group forecasts predict significant growth within Machine Tools markets in 2011
- Post year-end institutional placing and new increased bank facility mean Group well positioned for future growth

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The 600 Group at a glance

Building the business through brand strength

600 North America based in Michigan, distributes Clausing and Colchester-Harrison machine tool products, precision engineered components and laser spares.

Our strategy is to organically develop each of the four business areas, building on a viable operating platform. We also intend to strengthen our existing manufacturing base through investment, providing for increased flexibility, improved quality, reduced lead times and cost.

MACHINE TOOLS

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

Revenue (£m) / Percentage of revenue:

£19.5m / 39%

2010: £18.5m / 41%

More online:
www.colchester-harrison.com
www.clausing-industrial.com

PRECISION ENGINEERED COMPONENTS

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

Revenue (£m) / Percentage of revenue:

£9.9m / 20%

2010: £12.0m / 26%

More online:
www.gamet-bearings.co.uk
www.colchester-harrison.com

600 Europe based in West Yorkshire, Essex and Poland, distributes 600 Group machine tool products and precision engineered components.

Electrox from its base in Hertfordshire, manufactures laser marking machines.

600 Machinery International covers the Middle East and North African regions.

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

600 SA (Holdings) PTY handles 600 Group products throughout Sub-Saharan Africa.

600 Machine Tools PTY operates throughout Australia, New Zealand and the Pacific Rim regions.

LASER MARKING

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

Revenue (£m) / Percentage of revenue:

£7.0m / 14%

2010: £6.7m / 15%

More online:
www.electrox.com

MECHANICAL AND WASTE HANDLING

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

Revenue (£m) / Percentage of revenue:

£14.1m / 27%

2010: £8.1m / 18%

More online:
www.600sa.co.za

Chairman's statement

Strength through leading brands and global diversification

OVERVIEW

The Group has continued to see an improvement in its global markets during the financial year and, following the inflow of funds from a shareholder loan in August 2010, working capital constraints were reduced and revenue increased. In November 2010 we acquired a machine tool manufacturing facility in Tarnow, Poland for €1m. Since the acquisition we have progressively transferred production of machines which were previously outsourced to Asia. We are in the process of introducing lean manufacturing methods along with additional CNC equipment in order to increase capacity and future output. Our new manufacturing company in Poland will allow us to transition to a new business model for machine tools. Our intention is to manufacture most of the Group's requirements in Poland and Heckmondwike for sale to customers through our international sales organisation. The integration of our new factory in Poland in conjunction with an increase in machine output will be key elements of our immediate strategy, the execution of which is a key task for the executive management.

FINANCIAL HIGHLIGHTS

The second half of the financial year showed an improved performance with overall revenue for the financial year increasing by 11% to £50.6m (2010: £45.4m) including the benefit of a non-recurring contract of £2m in South Africa. Full year gross margin rose slightly to 32.3% (2010: 31.8%) and net operating expenses reduced by £7.3m to £14.1m (2010: £21.4m), including restructuring costs of £1.1m (2010: £5.4m) and a net pension credit of £2.6m (2010: £0.9m) arising from the change to using the Consumer Price Index as the measure of price inflation as opposed to the Retail Price Index. The Group profit from operations before restructuring costs, charge for share-based payments, net pension credit, impairment of intangible assets and tax for the full year was £1.2m (2010: loss of £1.1m).

After net financial income of £0.8m (2010: charge of £1.9m) the Group profit before tax was £3.3m (2010: loss before tax of £8.7m). The basic earnings per share was 5.0p (2010: loss per share (16.6)p) and diluted earnings per share 4.3p (2010: loss per share (16.6)p).

FINANCING

At the year end, net debt was £4.8m (2010: £4.3m). The Group has bank facilities of £7.2m and is in advanced discussions with a new lender to extend the Group's existing financing requirements in the UK by £1.8m. Documentation of the new facility is agreed and execution is expected shortly. The Board believes that this is sufficient for the Group's ongoing requirements.

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

DIVIDEND

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

STRATEGY

Following the completion of its turnaround programme the Group is positioned to grow organically and by selective acquisition consistent with its positioning as a diversified industrial engineering group. As part of this strategy the acquisition of the machine tool facility in Poland should prove to be transformational for the Group and enable it to reduce delivery times and improve its working

STRATEGIC PRIORITIES FOR 2011

Improve
We're working towards repairing revenue streams by improving our order fulfilment.

Increase
Focusing on our supply chain, we're working towards rebuilding confidence with our key suppliers.

Develop
With a clear focus on the Group brands we're implementing the machine tools business model.

capital performance. These benefits are likely to be more visible during the second half of the new financial year although the Group is expected to continue to trade profitably in the first half of the year whilst the machine tools division executes the agreed strategy.

AIM LISTING

On 15 June 2011 we held a general meeting and a resolution was passed to move the Group from a Main Market listing to the AIM market. We believe that AIM is a market more appropriate for a Group of our size and offers greater flexibility and reduced costs particularly with regard to corporate transactions. The final day of dealings on the Official List was 13 July 2011 with commencement of trading on AIM taking place on 14 July 2011.

DIRECTORATE CHANGES

In February 2011 Paul Dupee and Derek Zissman joined the Board as non-executive Directors. At the same time, Christopher Cundy, a non-executive Director, stood down.

Paul Dupee, an American national, is an experienced private equity investor and currently managing partner of Haddeo Partners LLP, a substantial shareholder in the Company. Mr Zissman, a Chartered Accountant, was until 2008 vice chairman of KPMG LLP.

OUTLOOK

We continue to be cautious in our outlook and will maintain close control over the level of costs. Our level of order intake continues to be stable and our order book is significantly higher than the corresponding period last year. A combination of successful execution of the strategy for machine tools and improved order fulfilment, in all divisions, should enable the Group to build on the recent turnaround in its performance and make further progress in the next financial year.

RE-ELECTION OF CHAIRMAN

I joined the Board of the Company as non-executive Director in April 2007 and became Chairman at the subsequent Annual General Meeting in September 2007. It soon became clear to me that the Group had a number of issues, some of which were deep rooted and structural, including many legacy issues and the need to clearly define the strategic direction. During my period as Chairman we have addressed these issues whilst at the same time managing the consequences of the very severe downturn in our main markets in 2008/9. In August 2008 I took the decision to appoint a new CEO and, along with the Board's clear backing and support, initiated a rapid turnaround strategy. Following the completion of the turnaround strategy the Group is considerably stronger than when I became Chairman and well placed to proceed to the next stage of its development. Consequently, I believe that this is a suitable time for me to stand down and accordingly I will not be putting myself forward for re-election at the AGM on 14 September 2011 and Paul Dupee will succeed me as Chairman. Despite the difficulties which we have had to face up to as a Board, during my tenure, I have enjoyed my period as your Chairman. I will be following future progress with interest and would like to thank shareholders, employees and my colleagues on the Board for the support I have received in my role as Chairman over the last four years. Finally, I would like to wish the Company every success in the future.

MARTIN TEMPLE CBE
CHAIRMAN
27 JULY 2011

Group chief executive's review of operations

Leading brands supplying customers' global needs

The challenging market conditions experienced in the previous financial year began to ease during the year with the recovery in North America leading the way followed by improvements in other territories.

BACKGROUND TO THE RESULTS

The major elements of the turnaround were completed in 2009/10; however, some residual transition projects took place during 2010/11 which had been part of the original plan for returning the Group to profit.

The difficult lending environment referred to in my last report continued to have some impact on the Group and its customers during the year. There were also some improvements, notably in North America where a supportive relationship is now in place with Bank of America. Our businesses in Australia and South Africa also had access to the necessary levels of working capital finance throughout the year. The lending landscape in Europe continued to be characterised by caution despite the Group's modest level of debt. In order to provide additional funding, an arrangement was entered into with Haddeo Partners LLP to advance £2.5m to the Group over a five year term which also involved the issue of warrants. These warrants can be used by the holders to either convert the loan into shares or to purchase shares for a cash consideration. These arrangements are well documented and were subject to shareholder approval at an EGM on 27 August 2010.

The machine tools business is undergoing significant change following the acquisition in November of FMT Colchester in Poland. The Group's reliance on outsourcing has reduced and a business model centred on the manufacture of our own products and supplying them through our international sales organisation has become the cornerstone of our strategy for this business area. Some of the €1m consideration and associated working capital requirements were financed by a subsequent placement of shares which raised £1.76m prior to costs, a process which was underway during the last week of the financial year.

Sales increased by 11% to £50.6m which generated a full year underlying profit from operations* of £1.2m. This represents a positive swing of £2.3m when compared to prior year. Gross margin rose slightly to 32.3% whilst operating expenses reduced from £21.4m to £14.1m. This is an improvement of £15.8m in two years, a small amount of this improvement being attributable to discontinued activities.

THE GROUP

As outlined in my report last year, the Group has been repositioned as a diversified engineering Group with four principal areas of activity:

Machine Tools (39%)

- Market-leading brands; Colchester, Harrison and Clausing.
- Continuation of positive forecasts from the Oxford Economics Group.
- Increased vertical integration following the acquisition of FMT Colchester, Poland.

Precision Engineered Components (20%)

- High precision bearings and work holding equipment.
- Spares sales generated from an installed base of machines in excess of 100,000.
- Machining capability in Poland for OEM requirements.

Laser Marking (14%)

- Proprietary technology and software.
- Diversity of customers from pharmaceutical to telecommunications.
- Growth market with an increasing requirement for product and component traceability.

* Underlying profit from operations refers to profit/(loss) from operations before restructuring costs, charge for share-based payments, net pension credit and impairment of intangible assets on the face of the consolidated income statement.

The machine tool division services production and workshop OEMs as well as educational establishments

Mechanical Handling and Waste (27%)

- Positive GDP growth rates forecast for sub-Saharan Africa.
- Continuing requirements driven by the electrification programme in South Africa.

TURNAROUND

Most of the major initiatives which were required to return the Group to profit have now been completed. During the year, the spares and service centre in Indiana was transferred into our Michigan facility whilst at the same time the information system was upgraded. This was a difficult project which was well executed. In Australia, our operations in Sydney transferred into a lower cost building. The breakeven point in the Group is now significantly lower than at any time in the Group's recent history.

MARKETS

Machine Tools

The recovery in the US which was evident towards the end of 2009/10 continued to gain traction during the course of the year. This was followed by an improving order book within Europe and the Middle East and included some recovery in production CNC machines which had been the most badly affected area during the downturn. Conventional and workshop CNC machines have, however, continued to be our most successful product groups.

Oxford Economics Group prepares a biannual forecast covering all major geographical areas and the latest forecast continues to be positive with regard to our main markets.

Precision Engineered Components

The US led the recovery in orders for chucks which also followed a similar pattern to machine tools with Europe again subsequently seeing some recovery. The market for bearings was one of the last areas to experience a severe downturn; however, a recovery has been clear in recent months. Spare parts were helped by the introduction of web based ordering as part of the IT upgrade in the US.

Laser Marking

A number of customer projects had been put on hold in 2009/10, particularly in the US. These were released as confidence began to return to the market. The US and Germany were two key markets during the year where our Electrox division held its own against some much larger industry players. We continue to focus on our own technology including the next generation of software in order that we can maintain a large degree of technological independence within the industry. A number of product development initiatives are also in the pipeline.

Mechanical and Waste Handling

Following the management changes in 2009/10, the team in South Africa delivered a much improved performance. Relationships with key northern hemisphere suppliers were further developed and the association with Altec was strengthened following our success with Eskom, the South African state utility, for supply of double insulated aerial platforms required for the electrification programme. This was a major contract with most of the work taking place within our Johannesburg workshop. Other market segments also showed recovery.

OPERATIONS

Some restructuring will be required as the machine tools business moves further towards the new business model. Manufacturing of machines in Poland has continued to increase and given the quality being achieved, we have been able to simplify the process of shipping to customers without the need for secondary operations in the UK. The focus is now switching from restructuring towards capacity improvements in all our manufacturing businesses which will involve the adoption of lean manufacturing processes and investments in new CNC equipment where satisfactory paybacks can be achieved.

CORPORATE AND SOCIAL RESPONSIBILITY

The Group takes it responsibilities to all its stakeholders seriously including employees. Many employees had been working reduced hours during the lowest point of the downturn and this continued for several months in some cases. During the year normal working was reinstated in all locations and once again I would like to thank all those employees who made personal sacrifices during this period of economic uncertainty.

ISO 18001 and ISO14001, being the international standards for health and safety and the environment respectively, are planned for implementation in Heckmondwike during the new financial year.

OUTLOOK

The Group is now well positioned with a much lower breakeven point and a strong order book at the end of the year compared to the same time last year. The successful integration of FMT Colchester in Poland, introduction of lean manufacturing techniques and capacity improvements throughout our European factories will be the basis for further profitable development of the Group which should provide a sound platform for future growth.

DAVID NORMAN
GROUP CHIEF EXECUTIVE
27 JULY 2011

Financial review

Positive indicators for all markets in 2011

ACCOUNTING POLICIES

The Group's results for the period ended 2 April 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the results for the Parent Company have been consistently prepared in accordance with UK GAAP.

RESULTS

Revenue from continuing operations increased by £5.2m (11% growth on prior year) from £45.4m to £50.6m following an improvement in our markets and included the benefit of £2m revenue from a non-recurring contract in our South African operation. Analysis of revenue by principal area of activity reflects an increased level of activity in three of the four areas with Machine Tools, which represents 39% (2009: 41%) increasing by 5%, Laser Marking increasing by 4% and Mechanical and Waste Handling by 74%. Precision Engineered Components, which includes spares, fell by 17% due mainly to the elimination of low margin product lines.

Gross profit was maintained at the level of 32% of revenue and there was a reduction in other operating expenses of £7.3m (2010: £8.5m). The profit from operations before restructuring costs, charge for share-based payments, net pension credit and impairment of intangible assets increased to £1.2m (2010: loss of £1.1m) – as a % measure this rose to 2.3% for 2011 against (2.4)% for 2010. Restructuring costs of £1.1m (2010: £5.4m) relating to the reorganisation and restructuring of the business were incurred. These costs were offset by a net pension credit of £2.6m (2010: net curtailment gain £0.9m) in respect of the change to the Consumer Price Index as opposed to the Retail Price Index. The profit from operations before tax and net finance costs was £2.5m (2010: loss of £6.8m) with net financial income being £0.8m (2010: net financial expense of £1.9m).

The resulting profit before tax was £3.3m compared with a loss last year of £8.7m. Taxation was a £0.3m credit and related in the main to the recognition of future tax losses available to the Group.

Net assets increased by £1.0m (2010: reduction of £9.3m) to £21.7m (2010: £20.7m). Property, plant and equipment increased by £0.7m (2010: reduction of £0.8m), intangible assets decreased by £0.1m (2010: £1.4m) and inventory reduced by £0.7m (2010: £5.3m). Net deferred tax assets increased by £0.3m to £0.9m (2010: £0.6m) and there was a net decrease in trade and other receivables/payables of £1.1m (2010: increase of £1.3m).

Net debt increased during the period by £0.5m (2010: increase of £2.9m), resulting in net debt at the period end of £(4.8)m (2010: £(4.3)m).

EMPLOYEE BENEFITS

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

Full details of the Group's employee benefit schemes are shown in Note 28 to the accounts but, in summary, the Group operates three defined benefit schemes which are based in the UK and US. The main UK fund, The 600 Group Pension Scheme, remains significant in terms of its size and impact. The Group accounts for pensions in accordance with IAS 19 "Employee benefits", which requires the recognition of the pension scheme deficits or surpluses, subject to recoverability tests, on the balance sheet and recognition of service costs, interest cost and expected return on assets for the period as charges/credits to the income statement. The employee benefits liability recognised in the statement of financial position has decreased by £2.3m due mainly to the changes which have been

MEASURING OUR PERFORMANCE

These KPIs are measured and reviewed on a regular basis and enable us to set and communicate performance targets and monitor the progress of the business.

Key performance indicators

» Revenue growth
» Return on sales
» Cash generation
» Gross profit percentage
» Operating profit percentage
» Working capital levels

made to the measure of inflation for private sector occupational pension schemes in the UK. The overall surplus for the UK scheme at the year end of £4.1m has not been recognised on the balance sheet in accordance with the requirement of IFRIC 14.

TREASURY

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

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

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

PRINCIPAL RISKS

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

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

» strategic, e.g. reputation, distribution network degradation, product obsolescence, exchange rate movements, low-cost competition, market conditions, short-term customer confidence levels;

» operational, e.g. development expenditure – there is a risk that the full carrying value of the intangible asset is not recoverable if a downturn in trading occurs. Other risks include supply chains, product failure, loss of key personnel;

» liquidity, e.g. the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities, including uncertainties around current financing arrangements (committed and uncommitted), potential changes in financing arrangements and uncertainties posed by the potential impact of the economic outlook on the level of demand for the Group's products and business activities;

» financial, e.g. major contract management, inventory control, credit control, pension scheme funding;

» hazard/health and safety/product liability; and

» defined benefit pension schemes – the Group continues to be subject to various financial risks in relation to the pension schemes, for example the volatility of discount rates and of the valuation of pension scheme assets. See Note 28 for further information on this.

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

KEY PERFORMANCE INDICATORS

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

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

Key financial performance indicators constantly under review include:

» revenue growth;

» return on sales;

» cash generation;

» gross profit percentage;

» operating profit percentage; and

» working capital levels.

MARTYN WAKEMAN
GROUP FINANCE DIRECTOR
27 JULY 2011

Directors and advisers

MARTIN JOHN TEMPLE*
A non-executive Director since 1 April 2007 and Chairman since 5 September 2007. Chairman of the Engineering Employers' Federation (EEF) and Chairman of the Design Council. Formerly held senior management positions in British Steel.

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

MARTYN GORDON DAVID WAKEMAN
Group Finance Director since 21 December 2006. Appointed to the Board on 2 October 2006. Formerly UK Chief Financial Officer of ASSA ABLOY AB.

STEPHEN JOHN RUTHERFORD*
A non-executive Director since 1 October 2007. Managing Director of Neofil Limited.

DEREK ZISSMAN*
Appointed to the Board as a non-executive Director on 2 February 2011. Chairman of the advisory board at Alchemy Partners LLP, Chairman of Seymour Pierce Ltd and a member of the Barclays Wealth Advisory Committee. Previously vice-chairman of KPMG LLP.

PAUL DUPEE**
Appointed to the Board as a non-executive Director on 2 February 2011. Currently Managing Partner of Haddeo Partners LLP. Formerly Director and Chairman of Lynton Aviation, Boston Celtic Communications and Boston Celtic Limited Partnership. Previously President and Director of Providence Capitol International Investment Ltd, a subsidiary of Gulf + Western Industries.

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

SECRETARY
Alan Roy Myers

REGISTERED OFFICE
Union Street
Heckmondwike
West Yorkshire
WF16 0HL

REGISTERED NUMBER
196730

REGISTRARS
CAPITA REGISTRARS
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

AUDITOR
KPMG AUDIT PLC

BANKERS
HSBC BANK PLC

STOCKBROKERS
FINNCAP

SHAREHOLDER INFORMATION
FINANCIAL CALENDAR
PERIOD ENDING 2 APRIL 2011
Annual General Meeting
To be held 14 September 2011

PERIOD ENDING 31 MARCH 2012
Interim Report
To be issued mid-November 2011

Results for the year
To be announced June 2012

Annual Report and Accounts
To be issued July 2012

Report of the directors

The Directors present their report to the members, together with the audited financial statements for the period ended 2 April 2011, which should be read in conjunction with the Chairman's Statement on the affairs of the Group (pages 4 and 5), the Group Chief Executive's Review of Operations (pages 6 and 7) and the Group Finance Director's Financial Review (pages 8 and 9). 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 2011 are for the 52-week period ended 2 April 2011. The results for 2010 are for the 53-week period ended 3 April 2010.

ACTIVITIES OF THE GROUP

The Group is principally engaged in the manufacture and distribution of machine tools, machine tool accessories, laser marking equipment and other engineering products. The Group has subsidiary companies in overseas locations but does not have any overseas branches.

RESULT

The result for the period is shown in the Consolidated Income Statement on page 24.

BUSINESS REVIEW

A balanced and comprehensive analysis of development and performance of the Group is contained in the Chairman's Statement, the Group Chief Executive's Review of Operations and Group Finance Director's Financial Review on pages 4 to 9. This analysis includes comments on the position of the Group at the end of the financial period, consideration of the principal risks and uncertainties facing the business and the key performance indicators which are monitored in relation to the achievement of the strategy of the business.

EMPLOYEES

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

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

RESEARCH AND DEVELOPMENT

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

CHARITABLE AND POLITICAL DONATIONS

The Group made no donations to charitable organisations in the period (2010: £nil). The Group made no political donations in the period (2010: £nil).

INTERESTS IN SHARE CAPITAL

At 2 June 2011, the Directors had been informed of the following interests in shares of 3% or more of the issued ordinary share capital of the Company:

	Number	Percentage of issued ordinary share capital
Haddeo Partners	16,125,868	25.27
Henderson Global Investors	5,314,519	8.33
Schroder Investment Management	3,671,320	5.75
Maland Pension Fund Trustees	3,200,000	5.01
Barclays Stockbrokers	2,507,947	3.93

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.

During the period an arrangement was entered into with Haddeo Partners LLP to advance £2.5m to the Group over a five year term which also involved the issue of 12.5m warrants. These warrants can be used by the holders to either convert the loan into shares or to purchase shares for a cash consideration. During the period 700,000 warrants were exercised for cash with a further 150,000 warrants exercised for cash since the period end.

Haddeo Partners LLP, in addition to their shareholding above, currently holds 5,050,000 warrants.

Report of the directors continued

PURCHASE OF OWN SHARES

Authority granting the Company the option to purchase 5,723,367 of its own ordinary shares in accordance with the Companies Act 2006 was given by shareholders at the Annual General Meeting of the Company on 29 September 2010. This authority remains valid until the conclusion of the next Annual General Meeting on 14 September 2011.

DIRECTORS

Details of the current Directors of the Company are shown on page 10. In addition, C J Cundy served as a Director during the period until his resignation on 2 February 2011.

M J Temple has decided not to stand for re-election and the Director retiring by rotation is M G D Wakeman who, being eligible, offers himself for re-election. In addition, P R Dupee and D Zissman were appointed as Directors of the Company by the Board subsequent to the last Annual General Meeting. As such, they shall retire and each offer themselves for election as a Director of the Company. D H Norman and M G D Wakeman both have rolling service contracts of twelve months with the Company. M J Temple, S J Rutherford, D Zissman and P R Dupee do not have rolling service contracts with the Company.

The beneficial interests of the Directors in the share capital of the Company at 2 April 2011 are shown in the Remuneration Report on pages 17 to 21.

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 74 days (2010: 64 days) of average purchases for the Company and 53 days (2010: 69 days) for the Group.

POST BALANCE SHEET EVENTS

The Group raised approximately £1.76m through an institutional placing of 5,787,574 new ordinary shares of 1p each at a price of 30.5p per share on 5 April 2011. This raised the total number of shares in issue to 63,721,253 at that date.

Subsequent to the period-end 150,000 of the share warrants attached to the shareholder loan have been exercised which leaves the total number of shares in issue currently at 63,871,253.

11,650,000 warrants remain from the original 12,500,000 warrants attached to the £2.5m shareholder loan. These warrants can be used by their holders to either convert their element of the shareholder loan into shares or to purchase shares for a cash consideration.

On 23 May 2011 a circular was issued to our shareholders proposing to cancel the admission of the Company's ordinary shares from the Official List and to trading on the London Stock Exchange's Main Market and to apply for the admission of the Company's ordinary shares to trading on AIM. This resolution was approved at a general meeting held on 15 June 2011. The final day of dealings on the Official List was 13 July 2011 with commencement of trading on AIM taking place on 14 July 2011.

MARKET VALUE OF LAND AND BUILDINGS

During March 2010 all of the Group's properties were revalued by independent valuers and the Directors believe that these valuations remain appropriate at 2 April 2011.

ENVIRONMENTAL POLICY

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

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

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

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

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

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

FINANCIAL INSTRUMENTS

An indication of the financial risk management objectives and policies and the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk is provided in note 24 to the financial statements.

CORPORATE GOVERNANCE

The Board's statement on Corporate Governance is set out on pages 14 to 16.

PROVISION OF INFORMATION TO AUDITOR

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

QUALIFYING THIRD PARTY INDEMNITY

The Company has provided an indemnity for the benefit of its current Directors which is a qualifying third party indemnity provision for the purpose of the Companies Act 2006.

On behalf of the Board

MARTYN WAKEMAN
DIRECTOR
27 JULY 2011

Corporate governance

Other than as indicated below, the Board considers that the Company has complied throughout the period with the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 (the "Combined Code"). Compliance with the provisions of the Combined Code relating to Directors' remuneration is covered by the Remuneration Report on pages 17 to 21.

The following relates to the Company's application during the period to 2 April 2011 of the principles and detailed provisions of the Combined Code.

BOARD OF DIRECTORS

During the year, the Board was broadly balanced with for the majority of the year the non-executive Chairman supported by a non-executive Vice Chairman, one other non-executive Director and two Executive Directors. From 2 February 2011 onwards an additional non-executive Director was added to the Board. The Director recognised as the senior independent Director for the purposes of the Combined Code is S J Rutherford.

The Board of Directors met 18 times during the period. D H Norman and M G D Wakeman attended all meetings. M J Temple attended 17 meetings, S J Rutherford attended 14 meetings and C J Cundy attended eleven meetings until his resignation on 2 February 2011. Following their appointment on 2 February 2011 D Zissman attended three meetings and P R Dupee attended two 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 D Zissman, M J Temple and S J Rutherford. It is chaired by D Zissman (who the Board considers has recent and relevant financial experience). It met three times during the year, with the Group Chief Executive, Group Finance Director and representatives of the external auditor in attendance. It reviewed the interim and final financial statements and considered the Annual Report and Accounts before submission to the Board for approval, the appointment of the external auditor, the scope of the audit and matters arising from the audit and internal control procedures. During the year M J Temple, D H Norman and M G D Wakeman attended all of the meetings of the committee. S J Rutherford and D Zissman attended two meetings and C J Cundy attended one. There is provision for the committee to meet with the auditor without the attendance of the Executive Directors.

The Remuneration Committee consists of S J Rutherford, M J Temple and D Zissman. It is chaired by S J Rutherford. It determines the terms and conditions of employment for Executive Directors and agrees the parameters of remuneration for the senior management. There were five meetings during the year. S J Rutherford and M J Temple attended all the meetings and C J Cundy attended three meetings until his resignation on 2 February 2011. The Remuneration Committee also functions as the Nomination Committee.

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

INTERNAL CONTROL

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

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

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

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

The Board has established key principles of corporate governance for the Group. These include:

» an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The process is reviewed regularly by the Board and accords with the requirements of the Combined Code; and

» a comprehensive financial reporting structure, including a detailed formal budgeting process for all Group businesses which culminates in an annual Group budget which is approved by the Board.

INTERNAL CONTROL CONTINUED

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

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

INTERNAL AUDIT

Head office staff visit locations on a regular cyclical basis. The results of these visits and reviews are reported to the Audit Committee.

RELATIONS WITH THE AUDITOR

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

RELATIONS WITH SHAREHOLDERS

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

GOING CONCERN

The Directors are confident, after making appropriate enquiries, that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts. Further information on this matter is set out in the Basis of Preparation section of the Notes to the Consolidated Financial Statements.

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).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with 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 adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report and Directors' Remuneration Report that complies with that law and those regulations. The Directors have also decided to prepare voluntarily a Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Rules and Transparency Rules of the Financial Services Authority in relation to those matters.

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

On behalf of the Board

MARTYN WAKEMAN
DIRECTOR
27 JULY 2011

Remuneration report

INTRODUCTION

This report has been prepared in accordance with the requirements of the Companies Act 2006. The report is divided into two sections, unaudited and audited information. The audited information starts on page 20.

THE REMUNERATION COMMITTEE

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

S J Rutherford (Committee Chairman)
M J Temple
D Zissman (from his appointment on 2 February 2011)
C J Cundy (until his resignation on 2 February 2011)

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

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

COMMITTEE'S ADVISERS

During the year, PricewaterhouseCoopers LLP continued to act as independent advisers to the Committee and provided services relating to the benchmarking of Executive Directors' pay.

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

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

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

EXECUTIVE DIRECTORS' REMUNERATION

POLICY

The Company aims to attract, motivate and retain the most able executives in the industry by ensuring that the Executive Directors are fairly rewarded for their individual contributions to the Group's overall performance, to the interests of the shareholders and to the ongoing financial and commercial health of the Group. The Committee feels that including equity incentives in the total remuneration package encourages alignment of the interests of the Executive Directors and senior management with those of the shareholders. The Company's strategy is to reward Executive Directors and key senior employees on both a long-term and short-term basis.

SALARIES

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

BONUS SCHEME

Executive Directors participate in a discretionary bonus scheme that is linked to the achievement of annual financial and personal performance targets. The accounts disclose bonuses paid in the period to 2 April 2011.

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

The maximum annual cash bonus opportunity for the Executive Directors for the period from 3 April 2010 to 2 April 2011 was 75% of basic annual salary and was divided into two parts which are each subject to different performance targets:

- overall Group performance based on operating profit and EBITDA for the year (maximum 55%); and
- achievement of agreed objectives (maximum 20%).

Remuneration report continued

EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

LONG-TERM INCENTIVE PLANS

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

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

The PSP provides for the award of both "nil cost" (or nominal cost) share options and contingent share awards (together referred to as awards) to Executive Directors and other senior employees who are selected to participate. Awards under the PSP were made on 25 August 2009 and 22 March 2011. Awards of 150% of salary were made to D H Norman and M G D Wakeman and awards of 75% of salary were made to certain senior employees.

At the time of making an award the Committee will set performance targets which must be satisfied before the award can vest. Such targets will normally be measured over a three-year period. The targets for the awards made on 25 August 2009 and 22 March 2011 were set after consideration at that time of the current economic circumstances of the Company and expectations of the future. The exercise price of both schemes is nil and both will ordinarily only vest after three years from grant.

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

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

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

The TSR comparator group is the constituent companies of the FTSE Small Cap Index (excluding investment companies). The EPS target is measured excluding net pension finance charges and credits.

The performance conditions and vesting schedule attaching to the PSP awards made on 22 March 2011 are set out in the table below:

Average share price achievement during the performance period	Percentage of option that may potentially become exercisable
Below 31.25p	Nil
31.25p (25% increase above Base Share Price)	25%
37.50p (50% increase above Base Share Price)	50%
43.75p (75% increase above Base Share Price)	75%
50.00p (100% increase above Base Share Price)	100%

The Committee may set different targets for future awards, having regard to the prevailing business and economic conditions at the time. This is to ensure that performance targets continue to be demanding and stretching.

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

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

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

BENEFITS IN KIND

Executive Directors have the following benefits in kind:

» car allowance;

» medical insurance for self and family;

» permanent health insurance; and

» personal accident insurance.

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

PENSIONS

The Company operates a defined benefit pension scheme in which UK-based Executive Directors may participate. This has an accrual rate of 1/80th for each completed year of employment, providing a maximum benefit upon retirement of two-thirds final salary. The contribution rate for individuals is 9%. Only base salaries are pensionable. The contribution rate for the Company is 9%.

SERVICE CONTRACTS

Each Executive Director has a service contract with a notice period of twelve months. Neither contract has a specific termination provision. D H Norman's service contract is dated 3 February 2009 and M G D Wakeman's service contract is dated 2 October 2006. In the case of early termination, the Company would negotiate compensation on an individual basis taking into account salary and other benefits as set out in the audited part of this report and the twelve month notice period.

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

FIVE YEAR TOTAL SHAREHOLDER RETURN

This graph shows the Total Shareholder Return (TSR) of the Company from 1 April 2006 to 2 April 2011 compared with the FTSE Small Cap Index, rebased to 100. The TSR is defined as share price growth plus dividends reinvested. As the Company is a constituent of this index, the Board considers that this is the most appropriate index against which the TSR of the Company should be measured.

Remuneration report continued

DIRECTORS' INTERESTS IN SHARES

The interests of Directors holding office at 2 April 2011 in the ordinary shares of the Company were as follows:

	At 2 April 2011 Number	At 3 April 2010 Number
M J Temple	**30,570**	20,000
S J Rutherford	**20,000**	20,000
D H Norman	**50,000**	—
M G D Wakeman	**35,000**	—
D Zissman	**—**	—
P R Dupee	**16,125,868**	—

P R Dupee's interest in the 16.1m shares arises from his position as Managing Partner of Haddeo Partners LLP, which owns these shares. P R Dupee holds a 44.5% stake in Haddeo Partners LLP. In addition, Haddeo Partners LLP holds 5,050,000 warrants which can be used to either convert their share of the shareholder loan into shares or to purchase shares for a cash consideration.

On 19 April 2011 D Zissman acquired 50,000 shares for his pension fund.

AUDITED INFORMATION

DIRECTORS' EMOLUMENTS

	Salary £	Fees £	Discretionary bonus £	All benefits in kind £	**Total 2011 £**	Total 2010 £
Chairman						
M J Temple	—	60,000	—	—	**60,000**	60,000
Executive Directors						
D H Norman	244,000	—	69,000	8,291	**321,291**	245,409
M G D Wakeman	156,200	—	43,500	2,280	**201,980**	157,814
Non-executive Directors						
P R Dupee[1]	—	8,250	—	—	**8,250**	—
S J Rutherford	—	33,000	—	—	**33,000**	33,000
D Zissman[2]	—	8,250	—	—	**8,250**	—
C J Cundy[3]	—	33,000	—	—	**33,000**	22,000
J A Kitchen[4]	—	—	—	—	**—**	20,000
Total	**400,200**	**142,500**	**112,500**	**10,571**	**665,771**	**538,223**

1 From date of appointment as a Director on 2 February 2011.
2 From date of appointment as a Director on 2 February 2011.
3 Until resignation date of 2 February 2011.
4 Until resignation date of 25 September 2009.

DIRECTORS' PENSION ENTITLEMENTS

Pension contributions of £20,700 (2010: £20,700) were made by the Group in respect of D H Norman into his personal pension scheme. Pension contributions of £13,050 (2010: £13,050) were made by the Group in respect of M G D Wakeman into his personal pension scheme.

AUDITED INFORMATION CONTINUED

DIRECTORS' SHARE OPTIONS

Details of share options at 2 April 2011 and 3 April 2010 for each Director who held office during the year are as follows:

	Number of options at 3 April 2010	Granted	Exercised	Lapsed/ forfeited	**Number of options at 2 April 2011**
D H Norman	1,245,973[1]	1,205,240[2]	—	—	**2,451,213**
M G D Wakeman	1,067,003[3]	759,825[4]	—	(213,158)	**1,613,670**

1 At 3 April 2010, 1,061,358 options were held under The 600 Group PLC 2008 Performance Share Plan and 184,615 options were held under an HM Revenue & Customs approved share option scheme.
2 1,205,240 options were granted under The 600 Group PLC 2008 Performance Share Plan.
3 At 3 April 2010, 882,388 options were held under The 600 Group PLC 2008 Performance Share Plan and 184,615 options were held under an HM Revenue & Customs approved share option scheme.
4 759,825 options were granted under The 600 Group PLC 2008 Performance Share Plan.

The share price at 2 April 2011 was 30.25p and the highest and lowest prices during the period were 32.25p and 15.25p, respectively.

On behalf of the Board

MARTYN WAKEMAN
DIRECTOR
27 JULY 2011

Independent auditor's report

to the members of The 600 Group PLC

We have audited the financial statements of The 600 Group PLC for the year ended 2 April 2011 set out on pages 24 to 67. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 2 April 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 AND UNDER THE TERMS OF OUR ENGAGEMENT

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 14 to 16 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION CONTINUED

In addition to our audit of the financial statements, the Directors have engaged us to review their Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Rules and Transparency Rules of the Financial Services Authority in relation to those matters. Under the terms of our engagement we are required to review:

» the Directors' statement, set out on page 15, in relation to going concern; and

» the part of the Corporate Governance Statement on pages 14 to 16 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

DAVID MORRITT (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF KPMG AUDIT PLC, STATUTORY AUDITOR
CHARTERED ACCOUNTANTS
1 THE EMBANKMENT
NEVILLE STREET
LEEDS
LS1 4DW
27 JULY 2011

Consolidated income statement

for the 52-week period ended 2 April 2011

	Notes	52-week period ended 2 April 2011 £000	53-week period ended 3 April 2010 £000
Revenue	1	**50,564**	45,376
Cost of sales		**(34,251)**	(30,933)
Gross profit		**16,313**	14,443
Other operating income	2	**332**	176
Other operating expenses	2	**(14,133)**	(21,393)
Profit/(loss) from operations before restructuring costs, charge for share-based payments, net pension credit and impairment of intangible assets		**1,167**	(1,081)
Restructuring costs	3	**(1,098)**	(5,401)
Net pension credit	28	**2,570**	897
Charge for share-based payments		**(127)**	(67)
Impairment of intangible assets		**—**	(1,122)
Profit/(loss) from operations	4	**2,512**	(6,774)
Financial income	6	**10,910**	8,607
Financial expense	6	**(10,154)**	(10,541)
Profit/(loss) before tax		**3,268**	(8,708)
Income tax credit/(charge)	7	**307**	(8)
Profit/(loss) for the period from continuing operations		**3,575**	(8,716)
Post tax loss of discontinued operations	1	**(704)**	(798)
Total profit/(loss) for the period		**2,871**	(9,514)
Attributable to:			
Equity holders of the Parent Company		**2,871**	(9,423)
Non-controlling interest		**—**	(91)
Profit/(loss) for the period		**2,871**	(9,514)
Basic profit/(loss) per share	9		
Continuing operations		**6.2p**	(15.2)p
Total		**5.0p**	(16.6)p
Diluted profit/(loss) per share	9		
Continuing operations		**5.3p**	(15.2)p
Total		**4.3p**	(16.6)p

Consolidated statement of comprehensive income

for the 52-week period ended 2 April 2011

	Notes	52-week period ended 2 April 2011 £000	53-week period ended 3 April 2010 £000
Profit/(loss) for the period		**2,871**	(9,514)
Other comprehensive(expense)/income			
Foreign exchange translation differences		**4**	716
Net actuarial losses on employee benefit schemes	28	**2,235**	(3,109)
Impact of changes to defined benefit asset limit	28	**(4,130)**	3,070
Deferred taxation		**(67)**	—
Revaluation of properties		**—**	418
Impairment of properties through revaluation reserve		**—**	(1,019)
Other comprehensive (expense)/income for the period, net of income tax		**(1,958)**	76
Total comprehensive income/(expense) for the period		**913**	(9,438)
Attributable to:			
Equity holders of the Parent Company		**913**	(9,545)
Non-controlling interest		**—**	107
Total recognised income and expense		**913**	(9,438)

Company number: 196730

Consolidated statement of financial position

as at 2 April 2011

	Notes	As at 2 April 2011 £000	As at 3 April 2010 £000
Non-current assets			
Property, plant and equipment	11	**10,661**	9,996
Intangible assets	12	**1,350**	1,457
Deferred tax assets	13	**2,704**	2,294
		14,715	13,747
Current assets			
Inventories	14	**18,742**	19,393
Trade and other receivables	15	**8,922**	9,499
Cash and cash equivalents	16	**1,052**	823
		28,716	29,715
Total assets		**43,431**	43,462
Non-current liabilities			
Employee benefits	28	**(1,849)**	(4,137)
Loans and other borrowings	17	**(2,218)**	—
Deferred tax liabilities	13	**(1,817)**	(1,735)
		(5,884)	(5,872)
Current liabilities			
Trade and other payables	18	**(11,900)**	(11,435)
Income tax payable		**(83)**	(114)
Provisions	19	**(252)**	(229)
Loans and other borrowings	17	**(3,629)**	(5,151)
		(15,864)	(16,929)
Total liabilities		**(21,748)**	(22,801)
Net assets		**21,683**	20,661
Shareholders' equity			
Called-up share capital	21	**14,315**	14,308
Share premium account		**13,899**	13,766
Revaluation reserve		**1,475**	1,433
Capital redemption reserve		**2,500**	2,500
Equity reserve		**160**	—
Translation reserve		**1,697**	1,570
Retained earnings		**(12,363)**	(13,550)
Total equity attributable to equity holders of the Parent Company		**21,683**	20,027
Non-controlling interest		**—**	634
Total equity		**21,683**	20,661

The financial statements on pages 24 to 67 were approved by the Board of Directors on 27 July 2011 and were signed on its behalf by:

DAVID NORMAN
GROUP CHIEF EXECUTIVE
27 JULY 2011

Consolidated statement of changes in equity

as at 2 April 2011

	Ordinary share capital £000	Share premium account £000	Revaluation reserve £000	Capital redemption reserve[1] £000	Translation reserve £000	Equity reserve £000	Retained earnings £000	Total £000	Minority Interest[2] £000	Total equity £000
At 29 March 2009	14,308	13,766	1,969	2,500	1,117	—	(4,155)	29,505	527	30,032
Loss for the period	—	—	—	—	—	—	(9,423)	(9,423)	(91)	(9,514)
Other comprehensive income:										
Foreign currency translation	—	—	131	—	453	—	—	584	132	716
Revaluation of property	—	—	418	—	—	—	—	418	—	418
Impairment of property through revaluation reserve	—	—	(1,019)	—	—	—	—	(1,019)	—	(1,019)
Minority share of property revaluation	—	—	(66)	—	—	—	—	(66)	66	—
Net actuarial losses on employee benefit schemes	—	—	—	—	—	—	(3,109)	(3,109)	—	(3,109)
Impact of changes to defined benefit asset limit	—	—	—	—	—	—	3,070	3,070	—	3,070
Total comprehensive income	—	—	(536)	—	453	—	(9,462)	(9,545)	107	(9,438)
Transactions with owners:										
Credit for share-based payments	—	—	—	—	—	—	67	67	—	67
At 3 April 2010	14,308	13,766	1,433	2,500	1,570	—	(13,550)	20,027	634	20,661
At 4 April 2010	14,308	13,766	1,433	2,500	1,570	—	(13,550)	20,027	634	20,661
Profit for the period	—	—	—	—	—	—	2,871	2,871	—	2,871
Other comprehensive income:										
Foreign currency translation	—	—	42	—	(38)	—	—	4	—	4
Net actuarial losses on employee benefit schemes	—	—	—	—	—	—	2,235	2,235	—	2,235
Impact of changes to defined benefit asset limit	—	—	—	—	—	—	(4,130)	(4,130)	—	(4,130)
Deferred tax	—	—	(66)	—	—	—	(1)	(67)	—	(67)
Total comprehensive income	—	—	(24)	—	(38)	—	975	913	—	913
Transactions with owners:										
Share capital subscribed for	7	133	—	—	—	—	—	140	—	140
Shareholder loan issue with convertible warrants	—	—	—	—	—	160	—	160	—	160
Non-controlling interest reversal	—	—	66	—	165	—	85	316	(634)	(318)
Credit for share-based payments	—	—	—	—	—	—	127	127	—	127
Total transactions with owners	7	133	66	—	165	160	212	743	(634)	109
At 2 April 2011	**14,315**	**13,899**	**1,475**	**2,500**	**1,697**	**160**	**(12,363)**	**21,683**	**—**	**21,683**

1 The capital redemption reserve was set up on cancellation and repayment of cumulative preference shares in 2001.
2 The minority interest related to the 25.1% in 600SA Holdings (Pty) Limited acquired by a South African individual on 3 April 2005 which was divested during the period.

Consolidated cash flow statement

for the 52-week period ended 2 April 2011

	Notes	52-week period ended 2 April 2011 £000	53-week period ended 3 April 2010 £000
Cash flows from operating activities			
Profit/(loss) for the period		**2,871**	(9,514)
Adjustments for:			
Amortisation of development expenditure		**513**	528
Depreciation		**994**	974
Impairment of goodwill		**—**	1,122
Net financial (income)/expense		**(756)**	1,934
Net pension credit		**(2,570)**	—
Loss/(profit) on disposal of plant and equipment		**16**	(14)
Equity share option expense		**127**	67
Income tax (income)/expense		**(307)**	8
Operating cash flow before changes in working capital and provisions		**888**	(4,895)
Decrease in trade and other receivables		**549**	2,166
Decrease in inventories		**578**	5,714
Increase/(decrease) in trade and other payables		**652**	(3,597)
Decrease in employee benefits		**(788)**	(1,076)
Cash generated/(used) in operations		**1,879**	(1,688)
Interest paid		**(645)**	(454)
Income tax (paid)/received		**(53)**	24
Net cash flows from operating activities		**1,181**	(2,118)
Cash flows from investing activities			
Interest received		**7**	22
Proceeds from sale of property, plant and equipment		**245**	128
Acquisition of Polish manufacturing company		**(632)**	—
Purchase of property, plant and equipment		**(1,002)**	(576)
Development expenditure capitalised		**(406)**	(239)
Net cash flows from investing activities		**(1,788)**	(665)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**140**	—
Proceeds from issue of shareholder loan net of costs		**2,104**	—
(Repayment)/proceeds from external borrowing		**(171)**	555
Net cash flows from financing activities		**2,073**	555
Net increase/(decrease) in cash and cash equivalents	22	**1,466**	(2,228)
Cash and cash equivalents at the beginning of the period		**(3,371)**	(1,075)
Effect of exchange rate fluctuations on cash held		**—**	(68)
Cash and cash equivalents at the end of the period	16	**(1,905)**	(3,371)

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 2011 are for the 52-week period ended 2 April 2011. The results for 2010 are for the 53-week period ended 3 April 2010. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS.

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

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

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

	Effective for accounting periods starting on or after
International Financial Reporting Standards:	
IAS 24* "Related party disclosures (revised)"	1 January 2011
IFRS 7 "Amendment to financial instruments: Disclosures on derecognition"	1 July 2011
IAS 12 "Amendment to income taxes on deferred tax"	1 January 2012
IFRS 9 "Financial instruments"	1 January 2013
International Financial Reporting Interpretations Committee:	
IFRIC 14* "IAS 19 Prepayment of a minimum funding requirement (amendment)"	1 January 2011
IFRIC 19* "Extinguishing financial liabilities with equity instruments"	1 July 2010

* These standards and interpretations have been endorsed by the European Union.

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

The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP; these are presented on pages 60 to 67.

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

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

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 Consolidated Financial Statements are presented in Sterling rounded to the nearest thousand.

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 are stated at their fair value.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 4 and 5 and the Group Chief Executive's Review of Operations on pages 6 and 7. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Finance Director's Financial Review on pages 8 and 9 and note 23 to the financial statements. In addition note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Group accounting policies continued

BASIS OF ACCOUNTING CONTINUED

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. This includes consideration of working capital requirements and the impact of funding any further reorganisation costs. Further cost saving and result enhancing actions continue to be reviewed by the Board on a regular basis.

The Group is in advanced discussions with a new lender to extend the Group's existing financing requirements in the UK by £1.8m. Documentation of the new facility is agreed and execution and completion is expected shortly. The overseas bank overdrafts in place around the Group are all due for renewal within the next six months. The Group has held discussions with its overseas bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewals may not be forthcoming on acceptable terms. The Group also considers that alternative sources of finance would be available should the need arise.

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

BASIS OF CONSOLIDATION

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

FOREIGN CURRENCY TRANSLATION

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

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

REVENUE

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

SEGMENT ANALYSIS

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

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

PENSIONS AND POST-RETIREMENT HEALTH BENEFITS

The Group operates both defined benefit and defined contribution pension schemes. It also operates a retirement healthcare benefit scheme for certain of its employees in the US. The Group's net obligation in respect of the defined benefit schemes and the retirement healthcare benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any scheme assets is deducted. The discount rate for the UK schemes is based on the annualised yield on the iBoxx over 15 year AA credit rated corporate bonds. The discount rate for the retirement healthcare benefit scheme is based on a similar measure which is appropriate for the US market. The calculations are performed by a qualified actuary using the projected unit method. Actuarial gains and losses are recognised immediately through the statement of comprehensive income. The extent to which the schemes' assets exceed the liabilities is shown as a surplus in the balance sheet to the extent that the surplus is recoverable by the Group through reductions in future contributions to the scheme. Further provision is made to the extent that the Group has any additional obligation under a minimum funding requirement.

PENSIONS AND POST-RETIREMENT HEALTH BENEFITS CONTINUED

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

WITHIN PROFIT FROM OPERATIONS:

- current service cost – representing the increase in the present value of the defined benefit obligation resulting from employee service in the current period;
- past service cost – representing the increase in the present value of the defined benefit obligation resulting from employee service in prior periods, which arises from changes made to the benefits under the scheme in the current 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;
- gains and losses arising on settlements and curtailments – where the item that gave rise to the settlement or curtailment is recognised within operating profit; and
- obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

BELOW PROFIT FROM OPERATIONS:

- interest cost on the liabilities of the scheme – calculated by reference to the scheme liabilities and discount rate at the beginning of the period and allowing for changes in liabilities during the period; and
- expected return on the assets of the scheme – calculated by reference to the scheme assets and long-term expected rate of return at the beginning of the period and allowing for changes during the period.

WITHIN THE STATEMENT OF COMPREHENSIVE INCOME:

- actuarial gains and losses arising on the assets and liabilities of the scheme; and
- any change in the unrecognised asset of the scheme due to the asset limit test.

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

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

RESEARCH AND DEVELOPMENT

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

Group accounting policies continued

INVENTORIES

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

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

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

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

TRADE AND OTHER RECEIVABLES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

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

COMPOUND FINANCIAL INSTRUMENTS

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

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

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

SHARE-BASED PAYMENTS

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

Charges for employee services received in exchange for share-based payment have been made for all options granted after 7 November 2002 in accordance with IFRS 2 "Share-based payment". The fair value of such options has been calculated using a binomial or Monte Carlo option-pricing model, based upon publicly available market data at the point of grant.

TAXATION

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the statement of comprehensive income. Income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

LEASES

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, although there remains uncertainty over timing or the amount of the obligation, and a reliable estimate can be made of the amount of the obligation.

IMPAIRMENT

The carrying amount of the Group's assets, other than inventories and deferred tax assets (see accounting policies above), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement. Those relating to revalued property are treated in accordance with IAS 16.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets of the unit (group of units) on a pro rata basis.

BUSINESS COMBINATIONS

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

NON-CONTROLLING INTERESTS

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

DIVIDENDS

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

Notes relating to the consolidated financial statements

for the 52-week period ended 2 April 2011

1. SEGMENT INFORMATION

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

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

The Executive Directors assess the performance of the operating segments based on a measure of operating profit/(loss). This measurement basis excludes the effects of restructuring costs, costs in relation to closed operations and impairment of intangible assets from the operating segments. Central costs are apportioned across the various segments on an allocation linked to turnover.

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

52-WEEK PERIOD ENDED 2 APRIL 2011

	Machine Tools £000	Precision Engineered Equipment £000	Laser Marking £000	Mechanical and Waste Handling £000	Total £000
Segmental analysis of revenue					
Revenue from external customers	19,518	9,909	7,025	14,112	50,564
Inter-segment revenue	2,142	1,500	332	—	3,974
Total segment revenue	21,660	11,409	7,357	14,112	54,538
Less: inter-segment revenue					(3,974)
Total revenue per statutory accounts					50,564
Segmental analysis of profit from operations before restructuring costs, charge for share-based payments, net pension credit and impairment of intangible assets					
Reportable segment profit/(loss)	108	163	208	688	1,167
Group profit from operations (underlying)					1,167
Restructuring costs					(1,098)
Net pension credit					2,570
Charge for share-based payments					(127)
Impairment of intangible assets					—
Group profit from operations					2,512
Other segmental information					
Reportable segment assets	23,099	7,705	5,813	6,814	43,431
Reportable segment liabilities	11,506	4,228	2,470	3,544	21,748
Fixed asset additions including acquisitions	1,480	169	42	154	1,845
Depreciation and amortisation	697	236	519	55	1,507

1. SEGMENT INFORMATION CONTINUED

53-WEEK PERIOD ENDED 3 APRIL 2010

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

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.

Notes relating to the consolidated financial statements continued

for the 52-week period ended 2 April 2011

1. SEGMENT INFORMATION CONTINUED

Geographical segmental analysis of revenue is shown by origin and destination in the following two tables:

	2011		2010	
Segmental analysis by origin	**£000**	**%**	£000	%
Gross sales revenue:				
UK	**21,111**	**41.8**	21,796	48.0
Other European	**865**	**1.7**	1,098	2.4
North America	**15,216**	**30.1**	12,034	26.5
Africa	**14,113**	**27.9**	10,809	23.8
Australasia	**3,234**	**6.4**	3,424	7.5
Less: inter-company	**(3,975)**	**(7.9)**	(3,785)	(8.2)
Revenue	**50,564**	**100.0**	45,376	100.0

	2011		2010	
Segmental analysis by destination	**£000**	**%**	£000	%
Gross sales revenue:				
UK	**6,325**	**12.5**	7,392	16.3
Other European	**6,260**	**12.4**	7,325	16.1
North America	**17,883**	**35.4**	14,095	31.1
Africa	**14,284**	**28.2**	10,949	24.1
Australasia	**3,252**	**6.4**	3,463	7.6
Central America	**167**	**0.3**	121	0.3
Middle East	**1,629**	**3.3**	949	2.1
Far East	**763**	**1.5**	1,082	2.4
Revenue	**50,564**	**100.0**	45,376	100.0

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

	2011 £000	2010 £000
Results of the discontinued operations		
Revenue	**303**	2,872
Expenses	**(1,007)**	(3,670)
Loss from discontinued operations	**(704)**	(798)

The discontinued operations relate to the closure of operations in Germany. The income tax charge in respect of the above discontinued operations is £nil (2010: £nil). The cash outflow from discontinued operations of £704,000 is shown within the £1,176,000 cash inflow from operating activities in the consolidated cash flow statement.

2. OTHER OPERATING INCOME/OPERATING EXPENSES

	2011 £000	2010 £000
Other operating income	**332**	176
Operating expenses:		
– administration expenses	**9,546**	17,213
– distribution costs	**4,587**	4,180
Total operating expenses	**14,133**	21,393

3. RESTRUCTURING COSTS, CHARGE FOR SHARE-BASED PAYMENTS, NET PENSION CREDIT AND IMPAIRMENT OF INTANGIBLE ASSETS

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

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

	2011 £000	2010 £000
Cost of sales		
Inventory impairments[1]	**201**	1,209
Asset impairments[2]	**—**	38
Operating costs		
Other restructuring costs[3]	**897**	4,154
Restructuring costs	**1,098**	5,401

1 At 2 April 2011, the Group conducted a review of the net realisable value of its inventory carrying values. This has resulted in a charge of £0.2m (2010: £1.2m).
2 At 3 April 2010, a review of the carrying value of property, plant and equipment was undertaken following the decision to exit certain production facilities. This resulted in a charge of £0.03m.
3 At 2 April 2011, the Group had incurred £0.9m (2010: £4.2m) in relation to reorganising and restructuring the business. These costs comprise staff redundancy and contract severance costs, costs relating to exiting leased premises, professional fees and other costs.

The cash cost of the restructuring in 2011 was £0.9m (2010: £1.9m).

During the period, a credit of £2.6m arose in respect of changes to the assumptions within the Group's pension and healthcare plans and was primarily as a result of using the Consumer Price Index as the measure of price inflation as opposed to the Retail Price Index due to the UK Government's announcement that the former will be used from April 2011 onwards. The Directors have taken the view that the actions of the company in the past have created a valid expectation for scheme members to receive RPI-linked benefits. The scheme booklet refers specifically to the RPI and deferred benefit statements sent to members also refers to RPI-linked benefits.

The Directors believe that the announcement of the change to CPI by the government and subsequent changes to payments made by the Company have changed this constructive obligation and so the gain should be recognised under UITF 48 as a benefit change through the consolidated income statement.

Additionally a charge of £nil (2010: £0.3m) arose in respect of curtailment costs incurred under the Group's UK pension plan.

During the period, a credit of £nil (2010: £1.2m) arose in respect of past pension service costs as a result of an amendment to the benefits arising under the Group's US healthcare plan. The amendment has resulted in future increases to the plan being capped.

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

A charge for share-based payments of £127,000 (2010: £67,000) was incurred during the period. Further details can be found in note 10.

Notes relating to the consolidated financial statements continued

for the 52-week period ended 2 April 2011

4. PROFIT/(LOSS) FROM OPERATIONS

	2011 £000	2010 £000
Profit/(loss) from operations is stated after charging:		
– depreciation of owned property, plant and equipment	**960**	950
– depreciation of assets held under finance leases	**34**	24
– impairment loss on goodwill	**—**	1,122
– amortisation of development expenditure	**513**	528
– research and development expensed as incurred	**65**	198
– hire of plant	**33**	118
– other operating lease rentals	**117**	148
– loss on sale of property, plant and equipment	**16**	6
and after crediting:		
– rents receivable	**222**	59
– profit on sale of property, plant and equipment	**2**	20
Auditor's remuneration:		
– audit of these financial statements	**75**	80
Amounts receivable by auditor and its associates in respect of:		
– audit of financial statements of subsidiaries pursuant to such legislation	**86**	71
– other services relating to taxation	**17**	17
– other services pursuant to such legislation	**12**	12

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

5. PERSONNEL EXPENSES

	2011 £000	2010 £000
Staff costs:		
– wages and salaries	**11,020**	10,386
– social security costs	**1,273**	1,364
– pension charges relating to defined contribution schemes	**201**	227
– pension charges relating to defined benefit schemes	**300**	279
– equity share options expense	**127**	67
	12,921	12,323

In addition to the above staff costs, redundancy costs of £242,000 were incurred during the year (2010: £961,000).

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

	2011 Number	2010 Number
All operating segments	**481**	390

The above increase in employees was due mainly to the acquisition of a machine tool manufacturing facility in Poland during the period.

Details of Directors' emoluments, share option schemes and pension entitlements are given in the Directors' Remuneration Report on pages 17 to 21.

6. FINANCIAL INCOME AND EXPENSE

	2011 £000	2010 £000
Interest income	**34**	22
Expected return on defined benefit pension scheme assets	**10,876**	8,585
Financial income	**10,910**	8,607
Bank overdraft and loan interest	**(415)**	(409)
Shareholder loan interest	**(118)**	—
Other loan interest	**(55)**	—
Other finance charges	**(31)**	—
Finance charges on finance leases	**(51)**	(45)
Interest on defined benefit pension scheme obligations	**(9,484)**	(10,087)
Financial expense	**(10,154)**	(10,541)

7. TAXATION

	2011 £000	2010 £000
Current tax:		
Corporation tax at 28% (2010: 28%):		
– current period relating to prior period	**—**	—
Overseas taxation:		
– current period	**(60)**	(8)
Total current tax charge	**(60)**	(8)
Deferred taxation:		
– current period	**(213)**	—
– prior period	**580**	—
Total deferred taxation credit (note 13)	**367**	—
Taxation (charged)/credited to the income statement	**307**	(8)

TAX RECONCILIATION

The tax charge assessed for the period is lower than the standard rate of corporation tax in the UK of 28% (2010: 28%). The differences are explained below:

	2011		2010	
	£000	%	£000	%
Profit/(loss) before tax	**3,268**		(8,708)	
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 28% (2010: 28%)	**915**	**28.0**	(2,438)	(28.0)
Effects of:				
– expenses not deductible	**475**	**14.5**	503	5.8
– non-taxable income	**(1,053)**	**(32.2)**	—	—
– overseas tax rates	**44**	**1.3**	18	0.2
– deferred tax prior period adjustment	**(580)**	**(17.7)**	—	—
– unrecognised losses utilised/tax not recognised on losses	**(219)**	**(6.7)**	1,925	22.9
– impact of rate change	**111**	**3.4**	—	—
Taxation (credited)/charged to the income statement	**(307)**	**(9.4)**	8	0.1

Following the enactment of legislation in the UK to reduce the corporation tax rate from 28% to 26% from 1 April 2011, the effective tax rate this year includes the impact on the income statement of calculating the UK deferred tax balances at the lower UK corporation tax rate. The impact of this rate change is a £111,000 increase in the tax charge in the income statement. Proposed future reductions in the UK tax rate to 23% will be reflected when the relevant legislation is substantively enacted.

Deferred taxation balances are analysed in note 13.

Notes relating to the consolidated financial statements continued

for the 52-week period ended 2 April 2011

8. DIVIDENDS

No dividend was paid in the period (2010: no dividend paid).

9. EARNINGS PER SHARE

The calculation of the basic profit per share of 5.0p (2010: loss of (16.6)p) is based on the earnings for the financial period attributable to the Parent Company's shareholders of £2,871,000 (2010: loss of £(9,423,000)) and on the weighted average number of shares in issue during the period of 57,347,141 (2010: 57,233,679). At 2 April 2011, there were 16,511,898 potentially dilutive shares on option with a weighted average effect of 9,863,832 shares which resulted in a diluted profit per share of 4.3p (2010: (16.6)p). The basic profit per share for continuing operations is 6.2p (2010: loss of (15.2)p) and the basic loss per share for discontinued operations is (1.2)p (2010: (1.4)p). The diluted profit per share for continuing operations is 5.3p (2010: (15.2)p) and the diluted loss per share for discontinued operations is (1.0)p (2010: (1.4)p).

	2011	2010
Weighted average number of shares		
Issued shares at start of period	**57,233,679**	57,233,679
Effect of shares issued in the year	**113,462**	—
Weighted average number of shares at end of period	**57,347,141**	57,233,679

10. EMPLOYEE SHARE OPTION SCHEMES

The Group has granted share options to employees under The 600 Group PLC 2008 and 2009 Performance Share Plan.

On 25 August 2009, awards were made to certain senior employees under a new Performance Share Plan (the "PSP"). On 22 March 2011, further awards were made to the Executive Directors and other senior employees under the PSP scheme. Options are exercisable at the end of a three year performance period and are subject to performance criteria relating to TSR and EPS targets as set out in the Remuneration Report. The scheme is equity-settled.

SHARE-BASED EXPENSE

The Group recognised total expenses of £127,000 (2010: £67,000) in relation to equity-settled share-based payment transactions.

	2011 PSP	2010 PSP
The number and weighted average exercise prices of share options		
Number of options outstanding at beginning of period	**2,404,669**	1,352,342
Number of options granted in period	**2,612,080**	2,099,818
Number of options forfeited/lapsed in period	**(304,851)**	(1,047,491)
Number of options exercised in period	**—**	—
Number of options outstanding at end of period	**4,711,898**	2,404,669
Number of options exercisable at end of period	**—**	—

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 600 GROUP PLC 2008 PERFORMANCE SHARE PLAN

The fair value of awards granted under The 600 Group PLC 2008 and 2009 Performance Share Plan is determined using the Monte Carlo valuation model. The fair value of share options and assumptions are shown in the table below:

	2011 £000	2010 £000
Fair value	**£0.28625**	£0.1625
Share price at grant	**£0.28625**	£0.1625
Exercise price	**£nil**	£nil
Dividend yield	**0%**	0%
Expected volatility	**12%**	50%
Expected life	**3.0 years**	3.0 years
Risk-free interest rate	**4.08%**	5%
Number of shares under option	**4,711,898**	2,404,669

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings			Fixtures, fittings, tools and equipment	
	Freehold £000	Leasehold £000	Plant and machinery £000	£000	Total £000
Cost or valuation					
At 3 April 2010	4,595	2,583	21,021	2,905	31,104
Exchange differences	63	—	1	(43)	21
Acquisitions during period (note 29)	—	—	843	—	843
Additions during period	26	24	941	11	1,002
Disposals during period	—	(31)	(564)	(15)	(610)
At 2 April 2011	**4,684**	**2,576**	**22,242**	**2,858**	**32,360**
At professional valuation	4,367	2,370	—	—	6,737
At cost	317	206	22,242	2,858	25,623
	4,684	**2,576**	**22,242**	**2,858**	**32,360**
Depreciation					
At 3 April 2010	—	168	18,603	2,337	21,108
Exchange differences	—	—	(5)	(33)	(38)
Charge for period	121	37	704	132	994
Disposals during period	—	(31)	(319)	(15)	(365)
At 2 April 2011	**121**	**174**	**18,983**	**2,421**	**21,699**
Net book value					
At 2 April 2011	**4,563**	**2,402**	**3,259**	**437**	**10,661**
At 3 April 2010	4,595	2,415	2,418	568	9,996

The net book value of property, plant and equipment includes £196,000 (2010: £105,000) of assets held under finance leases. The depreciation charged in the period against assets held under finance leases was £34,000 (2010: £21,000).

During March 2010 the Group's properties were revalued. The valuations were performed by independent valuers and the valuations were determined by market rate for sale with vacant possession. The Directors believe that these valuations remain appropriate at 2 April 2011.

Various UK properties with a net book value of £6,965,000 (2010: £7,010,000) are charged as security for borrowing facilities.

Notes relating to the consolidated financial statements continued

for the 52-week period ended 2 April 2011

11. PROPERTY, PLANT AND EQUIPMENT CONTINUED

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

12. INTANGIBLE ASSETS

	Goodwill £000	Development expenditure £000	Total £000
Cost			
At 3 April 2010	1,514	2,919	4,433
Additions	—	406	406
At 2 April 2011	**1,514**	**3,325**	**4,839**
Amortisation and impairment			
At 3 April 2010	1,514	1,462	2,976
Amortisation	—	513	513
At 2 April 2011	**1,514**	**1,975**	**3,489**
Net book value			
At 2 April 2011	**—**	**1,350**	**1,350**
At 3 April 2010	—	1,457	1,457

12. INTANGIBLE ASSETS CONTINUED

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

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

	2011 £000	2010 £000
Operating expenses	**513**	1,650

IMPAIRMENT OF GOODWILL

Goodwill brought forward of £1.5m arose on acquisitions before the date of transition to adopted IFRS and is retained at the previous UK GAAP amounts, subject to it being tested for impairment at that date. The goodwill acquired is allocated to the cash-generating units: £1.0m related to the Parat operation in Germany, £0.1m related to the Gamet operation in the UK and £0.4m related to the Metal Muncher operation in the US. All of these cash-generating units have been reviewed for impairment and had been fully provided against at the start of the current reporting period.

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

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

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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	
	2011 £000	2010 £000	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Accelerated capital allowances	**118**	118	**(19)**	—	**99**	118
Short-term timing differences	**39**	7	**—**	—	**39**	7
Tax losses	**1,370**	1,433	**—**	—	**1,370**	1,433
Overseas tax losses	**1,177**	736	**—**	—	**1,177**	736
Revaluations and rolled over gains	**—**	—	**(1,398)**	(1,335)	**(1,398)**	(1,335)
Research and development	**—**	—	**(400)**	(400)	**(400)**	(400)
Tax assets/(liabilities)	**2,704**	2,294	**(1,817)**	(1,735)	**887**	559
Net of tax (assets)/liabilities	**—**	—	**—**	—	**—**	—
Net tax assets/(liabilities)	**2,704**	2,294	**(1,817)**	(1,735)	**887**	559

MOVEMENT IN DEFERRED TAX DURING THE PERIOD

	As at 3 April 2010 £000	Income statement £000	Statement of changes in equity £000	Exchange fluctuations £000	**As at 2 April 2011 £000**
Accelerated capital allowances	118	(19)	—	—	**99**
Short-term timing differences	7	32	—	—	**39**
Tax losses	1,433	(63)	—	—	**1,370**
Overseas tax losses	736	417	—	24	**1,177**
Revaluations and rolled over gains	(1,335)	—	(67)	4	**(1,398)**
Research and development	(400)	—	—	—	**(400)**
	559	367	(67)	28	**887**

MOVEMENT IN DEFERRED TAX DURING THE PRIOR PERIOD

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

Following the enactment of legislation in the UK to reduce the corporation tax rate from 28% to 26% from 1 April 2011, the effective tax rate this year includes the impact on the income statement of calculating the UK deferred tax balances at the lower UK corporation tax rate. The impact of this rate change is a £111,000 increase in the tax charge in the income statement. Proposed future reductions in the UK tax rate to 23% will be reflected when the relevant legislation is substantively enacted.

No provision is made for taxation that would arise if reserves in overseas companies were to be distributed.

13. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

MOVEMENT IN DEFERRED TAX DURING THE PRIOR PERIOD continued

The following deferred tax assets have not been recognised on the basis that their future economic benefit is uncertain:

	2011 £000	2010 £000
Advance corporation tax recoverable	**1,670**	1,670
Tax losses	**4,942**	3,382

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

14. INVENTORIES

	2011 £000	2010 £000
Raw materials and consumables	**7,025**	7,314
Work in progress	**2,072**	1,464
Finished goods and goods for resale	**9,645**	10,615
	18,742	19,393

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

During the period, the Group conducted a review of the net realisable value of its inventories in light of the deterioration in the global economic environment. When the estimated net realisable value was less than its carrying value within the balance sheet, the Group impaired the inventory values. During the period inventory provisions have reduced by £2,000 (2010: reduced by £1,674,000). Following the impairment provisions, inventories are valued at fair value less costs to sell rather than at historical cost.

The value of inventories expensed in 2011 and included in cost of sales was £26,880,000 (2010: £22,124,000).

15. TRADE AND OTHER RECEIVABLES

	2011 £000	2010 £000
Trade receivables	**7,535**	7,518
Other debtors	**542**	549
Other prepayments and accrued income	**845**	1,432
	8,922	9,499

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

	2011 £000	2010 £000
Other debtors	**—**	322

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

	2011 £000	2010 £000
At start of year	**818**	994
Exchange differences on opening balances	**(11)**	—
Utilised in the period	**(163)**	(711)
Charged in the period	**(51)**	644
Receivables written off during the year as uncollectable	**(21)**	(109)
At end of year	**572**	818

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15. TRADE AND OTHER RECEIVABLES CONTINUED

The ageing analysis of gross trade receivables is as follows:

	2011 £000	2010 £000
Current (not overdue and no provision held)	**5,195**	3,451
Overdue but no provision held:		
– 0–3 months overdue	**1,771**	2,419
– 3–6 months overdue	**1,011**	1,483
– 6–12 months overdue	**59**	426
– more than 12 months overdue	**71**	557
Total gross trade receivables before provision	**8,107**	8,336

As at 2 April 2011, trade receivables that were neither past due nor impaired related to a number of independent customers for whom there is no recent history of default.

The other classes of debtors do not contain impaired assets.

16. CASH AND CASH EQUIVALENTS

	2011 £000	2010 £000
Cash at bank	**952**	673
Short-term deposits	**100**	150
Cash and cash equivalents per statement of financial position	**1,052**	823
Bank overdrafts (note 17)	**(2,957)**	(4,194)
Cash and cash equivalents per cash flow statement	**(1,905)**	(3,371)

17. LOANS AND OTHER BORROWINGS

Current	2011 £000	2010 £000
Bank overdrafts (note 16)	**2,957**	4,194
Bank loans	**374**	378
Obligations under finance leases (note 20)	**298**	579
	3,629	5,151

Of the £579,000 obligations under finance leases reported in 2010 £417,000 was due in more than one year.

Non-current	2011 £000	2010 £000
Shareholder loan	**1,957**	—
Obligations under finance leases (note 20)	**261**	—
	2,218	—

The £2.5m shareholder loan was issued with 12.5m convertible warrants attached to it. These warrants allow the holders to either convert the loan into 20p shares or to purchase 20p shares for a cash consideration. During the year 700,000 of these warrants have been exercised and as a result share capital has increased by £7,000 and share premium by £133,000. The loan has both debt and equity components and so the value has been split between these components. The debt element is only repayable in August 2015 and as a result the loan is classified as non-current. Deferred borrowing costs relating to the loan of £383,000 are also netted off the loan carrying value which at the period-end is £1,957,000.

Given the nature of the Group's financial assets and liabilities, it is the Directors' opinion that there is no material difference between their reported book values and estimated fair values.

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

18. TRADE AND OTHER PAYABLES

	2011 £000	2010 £000
Payments received on account	**82**	205
Trade payables	**7,399**	6,232
Social security and other taxes	**987**	1,374
Other creditors	**1,670**	1,391
Accruals and deferred income	**1,762**	2,233
	11,900	11,435

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

	2011 £000	2010 £000
Other creditors	**25**	26

19. PROVISIONS

	Onerous lease provisions £000	Warranties £000	Total £000
Provision carried forward at 3 April 2010	15	214	229
Exchange differences	—	4	4
Charged to income statement	—	52	52
Utilised in the period	(15)	(18)	(33)
Provision carried forward at 2 April 2011	**—**	**252**	**252**

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

The onerous lease provision related to the excess of lease rental costs over sub-let lease rental income for an onerous lease contract which expired in 2011.

20. OBLIGATIONS UNDER FINANCE LEASES

The maturity of obligations under finance leases is as follows:

	2011 £000	2010 £000
Falling due:		
– within one year	**298**	162
– within two to five years	**351**	509
– less future finance charges	**(90)**	(92)
	559	579
Amounts falling due within one year	**298**	162
Amounts falling due after one year	**261**	417
	559	579

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21. SHARE CAPITAL

	2011 £000	2010 £000
Authorised		
626,391,704 ordinary shares of 1p each (2010: 80,000,000 ordinary shares of 25p each)	**6,264**	20,000
57,233,679 deferred shares of 24p each	**13,736**	—
	20,000	20,000
Allotted, called-up and fully paid:		
Ordinary shares of 1p each (2010: ordinary shares of 25p each)		
On issue at start of period:		
57,233,679 ordinary shares of 25p each (2010: 57,233,679 ordinary shares of 25p each)	**14,308**	14,308
57,233,679 ordinary shares of 25p each converted into 1p ordinary shares and 24p deferred shares	**(13,736)**	—
700,000 ordinary shares of 1p each issued under exercised warrants	**7**	—
57,933,679 ordinary shares of 1p each on issue at end of period (2010: 57,233,679 ordinary shares of 25p each)	**579**	14,308
Deferred shares of 24p each:		
On issue at start of period:	**—**	—
57,233,679 ordinary shares of 25p each converted into 1p ordinary shares and 24p deferred shares	**13,736**	—
57,233,679 deferred shares of 24p each on issue at end of period	**13,736**	—
Total allotted, called-up and fully paid at the end of period	**14,315**	14,308

The Company has one class of ordinary shares which carry no rights to fixed income. The ordinary shareholders are entitled to receive dividends as declared and are entitled to vote at meetings of the Company. During the year, each issued ordinary share of 25p was sub-divided and converted into one new ordinary share of 1p and one deferred share of 24p. Each of the unissued ordinary shares of 25p was also sub-divided into 25 ordinary shares of 1p.

During the year a £2.5m related party loan was issued with 12.5m convertible warrants attached to it. These warrants allow the holders to either convert the loan into 1p shares (at a price of 20p per share) or to purchase 1p shares for cash consideration (at a price of 20p per share). During the year 700,000 of these warrants have been exercised and as a result share capital has increased by £7,000 and share premium by £133,000.

A further 150,000 warrants have been exercised subsequent to the period-end.

22. RECONCILIATION OF NET CASH FLOW TO NET DEBT

	2011 £000	2010 £000
Increase/(decrease) in cash and cash equivalents	**1,466**	(2,228)
Increase in debt and finance leases	**(1,933)**	(555)
Increase in net debt from cash flows	**(467)**	(2,783)
Net debt at beginning of period	**(4,328)**	(1,467)
Exchange effects on net funds	**—**	(78)
Net debt at end of period	**(4,795)**	(4,328)

23. ANALYSIS OF NET FUNDS

	At 3 April 2010 £000	Exchange movement £000	Cash flows £000	At 2 April 2011 £000
Cash at bank and in hand	673	3	276	**952**
Overdrafts	(4,194)	(28)	1,265	**(2,957)**
	(3,521)	(25)	1,541	**(2,005)**
Debt due within one year	(378)	18	(14)	**(374)**
Shareholder loan	—	—	(1,957)	**(1,957)**
Finance leases	(579)	(7)	27	**(559)**
Term deposits (included within cash and cash equivalents on the balance sheet)	150	—	(50)	**100**
Total	(4,328)	(14)	(453)	**(4,795)**

24. FINANCIAL INSTRUMENTS

OVERVIEW

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

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

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

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

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

The Group actively manages and monitors capital across the different businesses within the Group. Targets in relation to return on capital are considered as part of the annual budgeting process. During the period a shareholder loan was raised which had 12.5m warrants attached to it. These warrants allow the holders to either convert the loan into 20p shares or to purchase 20p shares for a cash consideration. During the year 700,000 of these warrants were exercised for a cash consideration and as a result share capital has increased by £7,000 and share premium by £133,000. 150,000 further warrants have been exercised for a cash consideration subsequent to the period end.

In addition, on 5 April 2011 the Group raised approximately £1.76m through an institutional placing of 5,787,574 new ordinary shares of 1p each at a price of 30.5p per share on 5 April 2011.

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

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Geographically, there is no significant concentration of credit risk.

The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

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

Notes relating to the consolidated financial statements continued

for the 52-week period ended 2 April 2011

24. FINANCIAL INSTRUMENTS CONTINUED

CREDIT RISK continued

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

	2011 £000	2010 £000
Trade receivables	7,535	7,518
Cash and cash equivalents	1,052	823
	8,587	8,341

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

	2011 £000	2010 £000
UK	3,360	3,580
Other European countries	122	398
North America	1,344	1,615
Africa	2,219	1,573
Australasia	490	352
	7,535	7,518

LIQUIDITY RISK

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

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

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

	2011 Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1–2 years £000	2–5 years £000
Bank overdrafts	2,957	2,957	2,957	—	—
Bank loan	374	374	374	—	—
Other loan	1,957	1,957	—	—	1,957
Finance lease obligations	559	649	298	351	—
Interest-bearing financial liabilities	5,847	5,937	3,629	351	1,957
Trade and other payables	7,399	7,399	7,399	—	—
Financial liabilities	13,246	13,336	11,028	351	1,957

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

24. FINANCIAL INSTRUMENTS CONTINUED

MARKET RISK

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

CURRENCY RISK

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective currencies of Group entities, primarily the Euro (€) and US Dollar ($).

The Group has no other significant currency exposures, although Polish Zloty is expected to become significant in the next period.

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

	2011		2010	
	US Dollar $000	**Euro €000**	US Dollar $000	Euro €000
Trade receivables	**89**	**117**	1,238	651
Trade payables	**(226)**	**(1,291)**	(264)	(284)
Balance sheet exposure	**(137)**	**(1,174)**	974	367

The following exchange rates applied during the year:

	2011		2010	
	Average rate	**Year end spot rate**	Average rate	Year end spot rate
US Dollar	**1.556**	**1.603**	1.587	1.528
Euro	**1.169**	**1.133**	1.126	1.129

	Net assets in foreign currency	Change if appreciated/ depreciated by 25% against local currency
US Dollar	3,973	993

INTEREST RATE RISK

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

	Net cash/ in foreign borrowings in foreign currency £'000	Change if interest rates in foreign currency change by 1% £'000
US Dollar	(288)	(3)
South African Rand	614	6
Australian Dollar	121	1
Polish Zloty	19	—
Canadian Dollar	16	—

Notes relating to the consolidated financial statements continued

for the 52-week period ended 2 April 2011

24. FINANCIAL INSTRUMENTS CONTINUED

HEDGING OF FLUCTUATIONS IN FOREIGN CURRENCY

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

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

In respect of other monetary assets and liabilities held in currencies other than Sterling, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

SENSITIVITY ANALYSIS

In managing interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

FINANCIAL INSTRUMENTS

The Group's financial instruments include bank loans, overdrafts and cash. These financial instruments are used for the purpose of funding the Group's operations.

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

ASSETS AND LIABILITIES

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

The fair value of forward exchange contracts used at 2 April 2011 was £nil (note 18) (2010: £nil).

FINANCIAL ASSETS

The Group's financial assets comprise cash, trade receivables and derivative contract assets. The profile of the financial assets at 2 April 2011 and 3 April 2010 was:

	2011				2010			
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	**15**	**100**	**3,752**	**3,867**	—	150	4,775	4,925
US Dollar	**86**	**—**	**1,981**	**2,067**	385	—	2,243	2,628
Australian Dollar	**202**	**—**	**490**	**692**	282	—	352	634
Euro	**—**	**—**	**—**	**—**	—	—	456	456
Polish Zloty	**19**	**—**	**336**	**355**	—	—	—	—
Canadian Dollar	**16**	**—**	**—**	**16**	—	—	—	—
South African Rand	**614**	**—**	**2,361**	**2,975**	6	—	1,673	1,679
	952	**100**	**8,920**	**9,972**	673	150	9,499	10,322

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

Currency	%
US Dollar	2.0%
Australian Dollar	2.5%
South African Rand	7.0%
Polish Zloty	0.0%
Canadian Dollar	0.0%

Sterling fixed-rate financial assets are centrally controlled. At 2 April 2011 the weighted average interest rate on these deposits was 1.0% (2010: 3.0%).

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

24. FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL LIABILITIES

Financial liabilities comprise short-term loans, overdrafts, trade payables, obligations under finance leases, other creditors more than one year, forward exchange contract liabilities and other provisions for liabilities and charges (excluding accrued post-retirement health care accrual and deferred tax provision). The profile of the Group's financial liabilities at 2 April 2011 and 3 April 2010 was:

	2011				2010			
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	**2,957**	**478**	**7,365**	**10,800**	3,075	482	7,500	11,057
US Dollar	**374**	**—**	**1,287**	**1,661**	377	—	1,643	2,020
Euro	**—**	**—**	**—**	**—**	171	—	830	1,001
South African Rand	**—**	**—**	**2,810**	**2,810**	926	—	1,387	2,313
Australian Dollar	**—**	**81**	**423**	**504**	22	97	305	424
Canadian Dollar	**—**	**—**	**267**	**267**	—	—	—	—
	3,331	**559**	**12,152**	**16,042**	4,571	579	11,665	16,815

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

BORROWING FACILITIES

At 2 April 2011 and 3 April 2010 the Group had undrawn committed borrowing facilities as follows:

	2011 '000	2010 '000
UK	**£400**	—
US	**$1,000**	$1,200
Australia	**AUD$900**	AUD$1,600
South Africa	**R2,600**	R7,000

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2011 £000	2010 £000
Trade receivables	**7,535**	7,518
Cash and cash equivalents	**1,052**	823
Bank overdrafts	**(2,957)**	(4,194)
Bank loan	**(374)**	(378)
Finance lease obligations	**(559)**	(579)
Trade payables	**(7,399)**	(6,232)
Fair value of derivative contracts	**—**	—
	(2,702)	(3,042)

Given the nature of the Group's financial assets and liabilities, it is the Directors' opinion that there is no material difference between their reported book values and estimated fair values.

25. CONTINGENT LIABILITIES

	2011 £000	2010 £000
Third-party guarantees	**60**	55

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.

Notes relating to the consolidated financial statements continued

for the 52-week period ended 2 April 2011

26. CAPITAL COMMITMENTS

	2011 £000	2010 £000
Capital expenditure contracted for but not provided in the accounts	—	—

27. OPERATING LEASE COMMITMENTS

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

	2011 £000	2010 £000
Land and buildings		
Within one year	239	247
More than one year and less than five years	652	909
Over five years	49	49
	940	1,205
Other		
Within one year	116	122
More than one year and less than five years	45	123
	161	245

28. EMPLOYEE BENEFITS

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

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

UK

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

During the period, a credit of £2.6m arose in respect of changes to the assumptions within the Group's pension and healthcare plans and was primarily as a result of using the Consumer Price Index as the measure of price inflation as opposed to the Retail Price Index due to the UK Government's announcement that the former will be used from April 2011 onwards. The Directors have taken the view that the actions of the Company in the past have created a valid expectation for scheme members to receive RPI-linked benefits. The scheme booklet refers specifically to the RPI and deferred benefit statements sent to members also refers to RPI-linked benefits.

The Directors believe that the announcement of the change to CPI by the government and subsequent changes to payments made by the Company have changed this constructive obligation and so the gain should be recognised under UITF 48 as a benefit change through the consolidated income statement.

US

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

In addition, the Group operates a retirement healthcare benefit scheme for certain of its retired employees in the US, which is also treated as a defined benefit scheme. The scheme has 37 members (2010: 39) who are retired employees.

The most recent annual valuation was carried out as at 2 April 2011. The disclosures for the US schemes that follow refer to the US defined benefit scheme and the retirement healthcare benefit scheme.

MORTALITY RATES

The mortality assumptions for the UK scheme are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2011 at age 65 will live on average for a further 20.5 years (2010: 20.5 years) after retirement if male and for a further 22.9 years (2010: 22.9 years) after retirement if female.

For a member who is currently aged 45 retiring in 2030 at age 65, the assumptions are that they will live on average for a further 22.4 years (2010: 22.3 years) after retirement if they are male and for a further 24.8 years (2010: 24.7 years) after retirement if they are female.

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

28. EMPLOYEE BENEFITS CONTINUED

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:

	2011 UK scheme % p.a.	2010 UK scheme % p.a.
Inflation under RPI	**3.5**	3.6
Inflation under CPI	**2.6**	n/a
Rate of general long-term increase in salaries	**5.0**	5.1
Rate of increase for CARE benefit while an active member	**3.5**	3.6
Rate of increase to pensions in payment – LPI 5%	**3.3**	3.4
Rate of increase to pensions in payment – LPI 2.5%	**2.2**	2.2
Discount rate for scheme liabilities	**5.6**	5.6

The principal assumptions for the US schemes relate to the discount rate for scheme liabilities. The discount rate used for the US defined benefit scheme was 0.68% (2010: 0.83%) and for the US medical scheme was 0.68% (2010: 0.83%).

	Expected return on assets UK scheme					
	Long-term rate of return expected at 2 April 2011 % p.a.	**Value at 2 April 2011 £m**	Long-term rate of return expected at 3 April 2010 % p.a.	Value at 3 April 2010 £m	Long-term rate of return expected at 28 March 2009 % p.a.	Value at 28 March 2009 £m
Equities	**8.70**	**54.20**	9.80	45.72	8.00	45.90
Property	**8.70**	**18.95**	10.30	10.22	6.00	10.74
LDI funds	**4.70**	**63.82**	4.80	62.97	4.50	73.49
Government bonds	**4.70**	**n/a**	4.80	21.76	4.00	26.86
Corporate bonds	**5.60**	**34.64**	6.00	16.72	n/a	n/a
Other	**4.70**	**1.42**	4.80	14.47	4.50	0.60
Combined	**6.60**	**173.03**	6.60[1]	171.86	5.54[1]	157.59

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

The Group employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme at 2 April 2011.

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in the income statement. From 1 November 2010 future changes in healthcare costs for the US retirement healthcare benefit scheme will be borne by the participants rather than the company. As a result the effect of healthcare cost changes are not disclosed for the 2011 year end.

	2011		2010	
	One percentage point increase £000	**One percentage point decrease £000**	One percentage point increase £000	One percentage point decrease £000
(Increase)/decrease in the aggregate cost of the service and interest cost	**n/a**	**n/a**	(28)	23
(Increase)/decrease in defined benefit obligation	**n/a**	**n/a**	(19)	19

Notes relating to the consolidated financial statements continued

for the 52-week period ended 2 April 2011

28. EMPLOYEE BENEFITS CONTINUED

IAS 19 continued

The assets and liabilities of the schemes at 2 April 2011 and 3 April 2010 were:

	2011			2010		
	US schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Assets	**922**	**173,030**	**173,952**	960	171,860	172,820
Liabilities	**(2,771)**	**(168,900)**	**(171,671)**	(3,187)	(173,770)	(176,957)
(Deficit)/surplus	**(1,849)**	**4,130**	**2,281**	(2,227)	(1,910)	(4,137)
Unrecognised asset due to limit in paragraph 58 (b) of IAS 19	**—**	**4,130**	**4,130**	—	—	—

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

	2011			2010		
	US schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Included within operating profit:						
– current service cost	**33**	**310**	**343**	68	250	318
– past service cost credit	**—**	**(2,570)**	**(2,570)**	(1,238)	—	(1,238)
– curtailment cost	**—**	**—**	**—**	—	340	340
Included within financial income:						
– expected return on scheme assets	**(46)**	**(10,830)**	**(10,876)**	(45)	(8,540)	(8,585)
Included within financial expense:						
– interest cost on scheme liabilities	**154**	**9,330**	**9,484**	207	9,880	10,087

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

	2011			2010		
	US schemes £000	**UK scheme £000**	**Total £000**	US schemes £000	UK scheme £000	Total £000
Actual return on scheme assets	**52**	**10,800**	**10,852**	99	24,760	24,859
Expected return on scheme assets	**(46)**	**(10,830)**	**(10,876)**	(45)	(8,540)	(8,585)
	6	**(30)**	**(24)**	54	16,220	16,274
Change in irrecoverable surplus – limit on paragraph 58 (b) of IAS 19	**—**	**(4,130)**	**(4,130)**	—	3,070	3,070
Experience gain/(loss) on liabilities	**249**	**2,010**	**2,259**	207	(19,530)	(19,323)
Net gain/(loss) before exchange	**255**	**(2,150)**	**(1,895)**	261	(240)	21
Exchange differences	**(7)**	**—**	**(7)**	(60)	—	(60)
Amounts recognised during the period	**248**	**(2,150)**	**(1,902)**	201	(240)	(39)
Balance brought forward	**165**	**3,294**	**3,459**	(36)	3,534	3,498
Balance carried forward	**413**	**1,144**	**1,557**	165	3,294	3,459

28. EMPLOYEE BENEFITS CONTINUED

IAS 19 continued

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

	2011			2010		
	US schemes £000	UK scheme £000	Total £000	US schemes £000	UK scheme £000	Total £000
Opening defined benefit obligation	3,187	173,770	176,957	4,807	154,520	159,327
Exchange differences	(154)	—	(154)	(302)	—	(302)
Current service cost	33	310	343	68	250	318
Past service cost credit	—	(2,570)	(2,570)	(1,238)	—	(1,238)
Curtailments	—	—	—	—	340	340
Interest cost	154	9,330	9,484	207	9,880	10,087
Benefits paid	(200)	(10,190)	(10,390)	(148)	(11,060)	(11,208)
Actuarial (gains)/losses	(249)	(2,010)	(2,259)	(207)	19,530	19,323
Contributions by scheme participants	—	260	260	—	310	310
Closing defined benefit obligations	2,771	168,900	171,671	3,187	173,770	176,957

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

	2011			2010		
	US schemes £000	UK scheme £000	Total £000	US schemes £000	UK scheme £000	Total £000
Opening fair value of scheme assets	960	171,860	172,820	978	157,590	158,568
Exchange differences	(47)	—	(47)	(62)	—	(62)
Expected return	46	10,830	10,876	45	8,540	8,585
Actuarial gains/(losses)	7	(30)	(23)	55	16,220	16,275
Contribution by scheme participants	—	260	260	—	310	310
Contributions by employer	16	300	316	—	260	260
Benefits paid	(60)	(10,190)	(10,250)	(56)	(11,060)	(11,116)
Closing fair value of schemes' assets	922	173,030	173,952	960	171,860	172,820
Unrecognised asset due to limit in paragraph 58 (b) of IAS 19	—	—	—	—	—	—
	922	173,030	173,952	960	171,860	172,820

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

	2011			2010		
	US schemes £000	UK scheme £000	Total £000	US schemes £000	UK scheme £000	Total £000
Present value of defined benefit obligation	2,771	168,900	171,671	3,187	173,770	176,957
Fair value of scheme assets	922	173,030	173,952	960	171,860	172,820
(Deficit)/surplus in the scheme	(1,849)	4,130	2,281	(2,227)	(1,910)	(4,137)
Experience adjustments on the scheme liabilities	249	2,010	2,259	207	(19,530)	(19,323)
Experience adjustments on scheme assets	7	(30)	(23)	55	16,220	16,275
Exchange differences	(8)	—	(8)	(60)	—	(60)

Total contributions to the defined benefit schemes for 2012 are expected to be £180,000.

Notes relating to the consolidated financial statements continued

for the 52-week period ended 2 April 2011

28. EMPLOYEE BENEFITS CONTINUED

IAS 19 continued

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

	2 April 2011 £000	3 April 2010 £000	28 March 2009 £000	29 March 2008 £000	31 March 2007 £000
Fair value of scheme assets	**173,952**	172,820	158,568	176,452	179,183
Defined benefit obligation	**(171,671)**	(176,957)	(159,327)	(152,417)	(166,528)
Surplus/(deficit) in schemes	**2,281**	(4,137)	(759)	24,035	12,655
Unrecognised asset due to limit in paragraph 58 (b) of IAS 19	**(4,130)**	—	(3,070)	(27,000)	(15,570)
Deficit in schemes	**(1,849)**	(4,137)	(3,829)	(2,965)	(2,915)

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
History of experience gains and losses					
Experience (losses)/gains on scheme assets	**(23)**	16,275	(18,819)	(6,190)	(755)
Experience (losses)/gains on scheme liabilities[1]	**(2,229)**	(19,323)	(5,612)	(9,798)	(1,097)

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

29. ACQUISITIONS

In November 2010 the Group acquired 100% of the shares of FMT Colchester z.o.o., a machine tool manufacturer, in Poland. The consideration of €1m was paid in stages with €500,000 paid upon acquisition, €250,000 paid in February 2011 and the final €250,000 being due on 31 July 2011.

CONSIDERATION

	Consideration €000	**Consideration £000**
Cash paid	750	**632**
Deferred consideration	250	**211**
Total consideration	1,000	**843**

The deferred consideration of £211,000 is included within trade and other payables at the period end.

IDENTIFIABLE ASSETS ACQUIRED

	€000	**£000**
Plant and machinery	1,000	**843**

The fair value of the plant and machinery was evaluated by the Directors. No inventory was included in the acquisition.

FMT Colchester's revenue post-acquisition up to 2 April 2011 was £865,000 with a profit from operations of £56,000.

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 29 to 33.

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

FINANCIAL INSTRUMENTS

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

PENSIONS

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

30. ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

DEFERRED TAXATION

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

INVENTORY VALUATION

The Directors have reviewed the carrying value of inventory and believe this is appropriate in the context of current trading levels and strategic direction of the Group.

DEVELOPMENT EXPENDITURE

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

DISCONTINUED OPERATIONS

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

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; and
- provision of Group services (including senior management, IT, accounting, marketing and purchase services).

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

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

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

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

These are recharged based on utilisation by the subsidiary undertaking.

32. POST-BALANCE SHEET EVENTS

The Group raised approximately £1.76m through an institutional placing of 5,787,574 new ordinary shares of 1p each at a price of 30.5p per share on 5 April 2011. This raised the total number of shares in issue to 63,721,253 at that date.

Subsequent to the period-end 150,000 of the share warrants attached to the £2.5m shareholder loan have been exercised which leaves the total number of shares in issue currently at 63,871,253.

11,650,000 warrants remain from the original 12,500,000 warrants attached to the £2.5m shareholder loan. These warrants can be used by their holders to either convert their element of the shareholder loan into shares or to purchase shares for a cash consideration.

On 23 May 2011 a circular was issued to the shareholders of The 600 Group Plc proposing to cancel the admission of the Company's ordinary shares from the Official List and to trading on the London Stock Exchange's Main Market and to apply for the admission of the Company's ordinary shares to trading on AIM. This resolution was approved at a general meeting held on 15 June 2011. The final day of dealings on the Official List was 13 July 2011 with commencement of trading on AIM taking place on 14 July 2011.

Company number: 196730

Company balance sheet

as at 2 April 2011

	Notes	As at 2 April 2011 £000	As at 3 April 2010 £000
Fixed assets			
Tangible assets	4	**1,197**	1,227
Investments	5	**20,110**	23,338
		21,307	24,565
Current assets			
Debtors	6	**11,690**	87,395
Cash at bank and in hand		**874**	234
		12,564	87,629
Current liabilities			
Creditors: amounts falling due within one year	7	**(1,945)**	(84,539)
Net current assets		**10,619**	3,090
Total assets less current liabilities		**31,926**	27,655
Creditors: amounts falling due after more than one year	8	**(1,957)**	—
Provisions for liabilities	9	**—**	(15)
Net assets		**29,969**	27,640
Capital and reserves			
Called-up share capital	10	**14,315**	14,308
Share premium account	11	**13,899**	13,766
Revaluation reserve	11	**236**	236
Capital redemption reserve	11	**2,500**	2,500
Equity reserve	11	**160**	—
Translation reserve	11	**(22)**	(22)
Profit and loss account	11	**(1,119)**	(3,148)
Equity shareholders' funds		**29,969**	27,640

The financial statements on pages 60 to 67 were approved by the Board of Directors on 27 July 2011 and were signed on its behalf by:

MARTYN WAKEMAN
GROUP FINANCE DIRECTOR
27 JULY 2011

Company accounting policies

BASIS OF PREPARATION

As used in the financial statements and related notes, the term "Company" refers to The 600 Group PLC. The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act, the separate financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

BASIS OF ACCOUNTING

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

These accounts have been prepared under the historical cost convention, modified to include the revaluation of certain properties, and in accordance with applicable accounting standards. The accounts are prepared to the Saturday nearest to the Company's accounting reference date of 31 March. The results for 2011 are for the 52-week period ended 2 April 2011. The results for 2010 are for the 53-week period ended 3 April 2010.

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

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

NOTES ON INTERPRETATION OF ACCOUNTING STANDARDS

FRS 20 "SHARE-BASED PAYMENTS"

The Company has adopted FRS 20 and the accounting policies followed are in all material regards the same as the Group's policy under IFRS 2. This policy is shown in The Group accounting policies on pages 29 to 33.

REVALUATION OF FIXED ASSETS

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

In 2010 the Company adopted a policy of revaluation for properties. As a result all properties were independently revalued during March 2010.

DEPRECIATION

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

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

LEASES

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

TAXATION

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

CURRENCY TRANSLATION

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

PENSIONS AND POST-RETIREMENT HEALTH BENEFITS

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

INVESTMENTS

Investments in respect of subsidiaries are stated at cost less any impairment in value.

Company accounting policies continued

FINANCIAL INSTRUMENTS: MEASUREMENT

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considered these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

DIVIDENDS

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

FRS 8 EXEMPTION

As these Parent Company Financial Statements are presented together with the Consolidated Financial Statements, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group (or investees of the Group qualifying as related parties).

Notes relating to the company financial statements

for the 52-week period ended 2 April 2011

1. PERSONNEL EXPENSES

	2011 £000	2010 £000
Staff costs:		
– wages and salaries	**728**	752
– social security costs	**88**	80
– pension charges	**33**	42
– equity share options expense	**127**	67
	976	941

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

	2011 Number	2010 Number
Machine tools and equipment	**4**	6

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

Details of Directors' emoluments, share option schemes and pension entitlements are given in the Remuneration Report on pages 17 to 21.

2. EMPLOYEE SHARE OPTION SCHEMES

The Group has granted share options to employees under The 600 Group PLC 2008 and 2009 Performance Share Plan.

On 25 August 2009, awards were made to the Executive Directors under the Performance Share Plan (the "PSP"). On 22 March 2011, further awards were made to the Executive Directors and other senior employees under the PSP scheme. Options are exercisable at the end of a three year performance period and are subject to performance criteria relating to TSR, EPS and average share price targets as set out in the Remuneration Report. The scheme is equity-settled.

SHARE-BASED EXPENSE

The Group recognised total expenses of £127,000 (2010: £67,000) in relation to equity-settled share-based payment transactions.

	2011 PSP	2010 PSP
The number and weighted average exercise prices of share options		
Number of options outstanding at beginning of period	**2,404,669**	1,352,342
Number of options granted in period	**2,612,080**	2,099,818
Number of options forfeited/lapsed in period	**(304,851)**	(1,047,491)
Number of options exercised in period	**—**	—
Number of options outstanding at end of period	**4,711,898**	2,404,669
Number of options exercisable at end of period	**—**	—

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 600 GROUP PLC 2008 PERFORMANCE SHARE PLAN

The fair value of awards granted under the 600 Group PLC 2008 and 2009 Performance Share Plan is determined using the Monte Carlo valuation model. The fair value of share options and assumptions are shown in the table below:

	2011 £000	2010 £000
Fair value	**£0.28625**	£0.1625
Share price at grant	**£0.28625**	£0.1625
Exercise price	**£nil**	£nil
Dividend yield	**0%**	0%
Expected volatility	**12%**	50%
Expected life	**3.0 years**	3.0 years
Risk-free interest rate	**4.08%**	5%
Number of shares under option	**4,711,898**	2,404,669

3. DIVIDENDS

No dividend was paid in the period (2010: no dividend paid).

Notes relating to the company financial statements continued

for the 52-week period ended 2 April 2011

4. TANGIBLE FIXED ASSETS

	Land and buildings		Fixtures, fittings, tools and equipment	
	Long lease £000	Short lease £000	£000	Total £000
Cost or valuation				
At 3 April 2010	1,217	92	93	1,402
At 2 April 2011	**1,217**	**92**	**93**	**1,402**
At professional valuation	1,217	92	—	1,309
At cost	—	—	93	93
	1,217	**92**	**93**	**1,402**
Depreciation				
At 3 April 2010	—	92	83	175
Charge for period	26	—	4	30
At 2 April 2011	**26**	**92**	**87**	**205**
Net book value				
At 2 April 2011	**1,191**	—	**6**	**1,197**
At 3 April 2010	1,217	—	10	1,227

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

During March 2010 the Group's properties were revalued. The valuations were performed by independent valuers and the valuations were determined by market rate for sale with vacant possession. The Directors believe that these valuations remain appropriate at 2 April 2011.

Various UK properties are charged as security for borrowing facilities.

5. INVESTMENTS

	Shares in group undertakings £000
Cost	
At 3 April 2010	39,553
Additions in the period	870
At 2 April 2011	**40,423**
Provisions	
At 3 April 2010	16,215
Impairment in the period	4,098
At 2 April 2011	**20,313**
Net book value	
At 2 April 2011	**20,110**
At 3 April 2010	23,338

During the period the Company acquired the entire share capital of FMT Colchester z.o.o. in Poland for €1m.

During the period an impairment review of the carrying values of investments in Group companies resulted in an increase in the provision of £4,098,000. This has no impact on the Group accounts.

5. INVESTMENTS CONTINUED

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

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

US
600 Group Inc.
Clausing Industrial, Inc.

CONTINENTAL EUROPE
FMT-Colchester z.o.o. (Poland)*

REST OF THE WORLD
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. All undertakings above are included in the consolidated accounts.

6. DEBTORS

	2011 £000	2010 £000
Trade debtors	—	—
Amounts owed by subsidiary undertakings[1]	11,523	87,298
Other debtors	97	19
Other prepayments and accrued income	70	78
	11,690	87,395

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

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £000	2010 £000
Trade creditors	416	385
Amounts owed to subsidiary undertakings[1]	1,054	83,639
Corporation tax	44	25
Sundry creditors	149	198
Accruals and deferred income	282	292
Other creditors	1,945	84,539

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

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

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £000	2010 £000
Shareholder loan	1,957	—
	1,957	—

The £2.5m shareholder loan was issued with 12.5m convertible warrants attached to it. These warrants allow the holders to either convert the loan into 20p shares or to purchase 20p shares for a cash consideration. During the year 700,000 of these warrants have been exercised and as a result share capital has increased by £7,000 and share premium by £133,000. The loan has both debt and equity components and so the value has been split between these components. The debt element is only repayable in August 2015 and as a result the loan is classified as non-current. Deferred borrowing costs relating to the loan of £383,000 are also netted off the loan carrying value which at the period end is £1,957,000.

Notes relating to the company financial statements continued

for the 52-week period ended 2 April 2011

9. PROVISIONS FOR LIABILITIES

	Onerous lease provision £000
At 3 April 2010	15
Utilised during the period	(15)
At 2 April 2011	**—**

The provision related to the excess of lease rental costs over sub-let lease rental income for an onerous lease contract which expired in 2011.

10. SHARE CAPITAL

	2011 £000	2010 £000
Authorised		
626,391,704 ordinary shares of 1p each (2010: 80,000,000 ordinary shares of 25p each)	**6,264**	20,000
57,233,679 deferred shares of 24p each	**13,736**	—
	20,000	20,000
Allotted, called-up and fully paid:		
Ordinary shares of 1p each (2010: ordinary shares of 25p each)		
On issue at start of period:		
57,233,679 ordinary shares of 25p each (2010: 57,233,679 ordinary shares of 25p each)	**14,308**	14,308
57,233,679 ordinary shares of 25p each converted into 1p ordinary shares and 24p deferred shares	**(13,736)**	—
700,000 ordinary shares of 1p each issued under exercised warrants	**7**	—
57,933,679 ordinary shares of 1p each on issue at end of period (2010: 57,233,679 ordinary shares of 25p each)	**579**	14,308
Deferred shares of 24p each:		
On issue at start of period:	**—**	—
57,233,679 ordinary shares of 25p each converted into 1p ordinary shares and 24p deferred shares	**13,736**	—
57,233,679 deferred shares of 24p each on issue at end of period	**13,736**	—
Total allotted, called-up and fully paid at the end of period	**14,315**	14,308

The Company has one class of ordinary shares which carry no rights to fixed income. The ordinary shareholders are entitled to receive dividends as declared and are entitled to vote at meetings of the Company. During the year, each issued ordinary share of 25p was sub-divided and converted into one new ordinary share of 1p and one deferred share of 24p. Each of the unissued ordinary shares of 25p was also sub-divided into 25 ordinary shares of 1p.

During the year a £2.5m related party loan was issued with 12.5m convertible warrants attached to it. These warrants allow the holders to either convert the loan into 1p shares (at a price of 20p per share) or to purchase 1p shares for cash consideration (at a price of 20p per share). During the year 700,000 of these warrants have been exercised and as a result share capital has increased by £7,000 and share premium by £133,000.

A further 150,000 warrants have been exercised subsequent to the period-end.

11. RESERVES

	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Equity reserve £000	Translation reserve £000	Profit and loss account £000
At 3 April 2010	13,766	236	2,500	—	(22)	(3,148)
Profit for the period	—	—	—	—	—	2,029
Shareholder loan	—	—	—	160	—	—
Exercised warrants	133	—	—	—	—	—
At 2 April 2011	**13,899**	**236**	**2,500**	**160**	**(22)**	**(1,119)**

In accordance with the exemption allowed under Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account but has returned a profit in the period of £2,029,000 (2010: loss of £582,000). Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information required is instead disclosed in note 3 to the Consolidated Financial Statements.

12. CONTINGENT LIABILITIES

	2011 £000	2010 £000
Bank guarantees in respect of Group undertakings	**43**	40

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 2007. The Company is unable to identify its share of the underlying assets and liabilities of the fund. The surplus on the fund amounted to £4.1m at 2 April 2011. Under IFRS the surplus has not been recognised in the period (note 28 of the Consolidated financial statements). Under FRS 17, the Company treats its contributions into these schemes as though they were defined contribution schemes. The pension contribution charge for the Company amounted to £34,000 (2010: £42,000).

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £000	2010 £000
Retained profit/(loss)	**2,029**	(582)
Issued share capital	**140**	67
Equity reserve	**160**	23
Other recognised gains and losses relating to the period	**—**	(22)
Net increase/(reduction) in shareholders' funds	**2,329**	(514)
Opening shareholders' funds	**27,640**	28,154
Closing shareholders' funds	**29,969**	27,640

15. RELATED PARTY TRANSACTIONS

There are no related party transactions which require disclosure.

16. POST-BALANCE SHEET EVENTS

The company raised approximately £1.76m through an institutional placing of 5,787,574 new ordinary shares of 1p each at a price of 30.5p per share on 5 April 2011. This raised the total number of shares in issue to 63,721,253 at that date.

Subsequent to the period end 150,000 of the share warrants attached to the shareholder loan have been exercised which leaves the total number of shares in issue currently at 63,871,253.

11,650,000 warrants remain from the original 12,500,000 warrants attached to the £2.5m shareholder loan. These warrants can be used by their holders to either convert their element of the shareholder loan into shares or to purchase shares for a cash consideration.

On 23 May 2011 a circular was issued to the shareholders of the company proposing to cancel the admission of the Company's ordinary shares from the Official List and to trading on the London Stock Exchange's Main Market and to apply for the admission of the Company's ordinary shares to trading on AIM. This resolution was approved at a general meeting held on 15 June 2011. The final day of dealings on the Official List was 13 July 2011 with commencement of trading on AIM taking place on 14 July 2011.

Five year record

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Revenue	**50,564**	45,238	76,211	77,433	75,649
Operating profit/(loss) before exceptional costs	**1,167**	(1,081)	(2,206)	476	1,119
Restructuring costs	**(1,098)**	(5,401)	(5,184)	—	—
Costs in relation to closed operations	**—**	—	(475)	(224)	—
Impairment of intangible assets	**—**	(1,122)	(394)	—	—
Credit in respect of past service pension costs net of curtailment cost	**2,570**	897	—	—	—
Charge for share-based payments	**(127)**	(67)	(24)	—	—
Operating profit/(loss) before financing income and expense	**2,512**	(6,774)	(8,283)	252	1,119
Net financing income/(expenses)	**756**	(1,934)	294	2,264	1,812
Profit/(loss) before tax	**3,268**	(8,708)	(7,989)	2,516	2,931
Income tax credit/(charge)	**307**	(8)	419	(518)	(696)
Profit/(loss) for the period from continuing operations	**3,575**	(8,716)	(7,570)	1,998	2,235
Post tax loss of discontinued business	**(704)**	(798)	(1,288)	(1,752)	(794)
Total profit/(loss) for the financial period	**2,871**	(9,514)	(8,858)	246	1,441
Earnings per share – basic and diluted	**5.0p**	(16.6)p	(15.5)p	0.2p	2.4p
Balance sheet extracts					
Shareholders' funds (including non-equity interests)	**21,849**	20,661	30,032	38,353	39,499
Net (borrowings)/funds	**(4,795)**	(4,328)	(1,467)	3,166	4,397
Net asset value per equity share	**38p**	36p	52p	67p	69p
Net asset value per equity share (excluding intangible fixed assets)	**35p**	34p	47p	62p	65p

The results for 2011 relate to the 52-week period to 2 April 2011, for 2010 relate to the 53-week period to 3 April 2010, for 2009 relate to the 52-week period to 28 March 2009, for 2008 relate to the 52-week period to 29 March 2008 and for 2007 relate to the 52-week period to 31 March 2007.

The disclosures for all years are based on adopted IFRS.

designed and produced by
the design portfolio
marketing services.
www.design-portfolio.co.uk

The 600 Group PLC
Union Street
Heckmondwike
West Yorkshire
WF16 0HL

T: +44 (0)1924 415000
W: www.600group.com