

## RNS ANNOUNCEMENT



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### PRELIMINARY RESULTS 2009

The 600 Group PLC, ("600 Group", the "Company" or the "Group"), the manufacturer and distributor of precision engineering products to international markets, announces its preliminary results for the 52-week period ended 28 March 2009.

#### Key points

##### Financials:

- Revenue of £76.2 million (2008: £77.4 million)
- Loss from operations (before costs in relation to closed operations, restructuring and impairment of intangible assets) of £2.2 million (2008: profit of £0.5 million)
- Costs in relation to closed operations and restructuring of £6.1 million (2008: £0.2 million)
- Loss from continuing operations of £7.6 million (2008: profit of £2.0 million)
- Reported loss for the period of £8.9 million (2008: profit of £0.2 million)
- Reported basic loss per share for continuing operations of 13.3p (2008: earnings per share of 3.3p)

##### Restructuring:

- Strategic review completed in January 2009; first phase of the turnaround strategy implemented ahead of schedule
- Closure of 12 sites and a reduction of 210 employees resulting in estimated cost savings of £10 million on an annualised basis
- Second phase of the turnaround strategy has commenced with an estimated one-off cost of £2.5 million and annualised savings of £5 million
- Supply of certain product re-sourced to alternative suppliers to improve quality and reduce lead times

David Norman, Chief Executive of 600 Group, said: "This has been an exceptional year for the Group, not only in the light of the extremely difficult trading conditions and the major upheaval of our own restructuring process but, most importantly, our progress in creating a stronger 600 Group, better equipped not only to deal with current market conditions but also to deliver growth in the future.

There is still a great deal of work to do but I believe that the Group will soon be in a position to take advantage of any recovery as well as opportunities which may arise from the global downturn."

**For further information, please contact:**

**The 600 Group PLC**

David Norman, Chief Executive  
Martyn Wakeman, Finance Director

**Tel: 01924 415 000**

**Rawlings Financial PR Limited**

Catriona Valentine  
Keeley Clarke

**Tel: 01653 618 016**

**Altium Capital Limited**

Ben Thorne  
Tim Richardson  
Melanie Szalkiewicz

**Tel: 0207 484 4040**

**Notes to Editors:**

The 600 Group PLC is the UK's largest machine tool company operating from a number of locations worldwide and sells its products into more than 180 countries. The Group has two core areas of business activity centred on machine tools and laser marking excellence:

- Machine Tool Division: 600 Group is one of the world's leading names in the manufacture and global distribution of state-of-the-art machine tools. Principal products within the internationally renowned **Colchester-Harrison** range include **Tornado CNC** turning centres, **Alpha CNC** combination lathes, **Storm** vertical machining centres and conventional centre lathes. Important parts of this division are:
  - The 600 Europe operations in West Yorkshire and Stuttgart, Germany, distribute 600 Group products throughout the UK, Continental Western and Central Europe. Additionally, it distributes workholding accessories under the **Parat** brand.
  - 600 North America, based in Michigan, supplies Group products throughout the USA and Canada, including the **Clausing** range of machine tools.
  - The Group's international distribution centres also stock and ship a wide range of workholding accessories manufactured for other machine builders, most of which are manufactured in the Group's UK facilities. These accessories include manual and power chucking products from **Pratt Burnerd**, workholding products from **Crawford Collets** and precision machine tool bearings from **Gamet Bearings**.
  - To support these comprehensive product ranges, a complete technical support service is available for all customers, including on-site service engineering and extensive spare parts stockholding for the installed base of existing machines.

- Laser Marking Division: **Electrox** provides laser marking solutions for a huge range of materials and applications, through its operations in the UK and USA. Electrox is one of the few truly integrated manufacturers of laser marking systems in the world, taking end-to-end responsibility for every aspect of design, development and production of both hardware and software technologies.

## CHAIRMAN'S STATEMENT

This has been a most challenging year for The 600 Group PLC. We have, however, met these challenges head on and made significant strides towards creating a platform from which to build a profitable future for the Group.

We entered the year facing a downturn in our main markets and, as serious problems with the Group's supply chain began to emerge, it became apparent that a radical overhaul of the business was required. David Norman accepted the role of Chief Executive in August 2008, undertaking responsibility to review all the Group's operations in order to deliver an achievable and rapid turnaround strategy.

The strategic review was completed in January 2009 and a full restructuring of the Group commenced. The first phase, the major cost reduction programme outlined in the Interim Management Statement dated 3 February 2009, was achieved ahead of schedule in May 2009. The Board expects that the second phase, commenced in June 2009, which consists of further cost reductions and the integration of business units and functions will be substantially complete by the end of September 2009.

### Results

Overall, sales for the year reduced by 2% to £76.2 million (2008: £77.4 million) although underlying sales reduced by 7% after taking into account the effect of a one-off major aerospace contract undertaken in the first half of the year. Gross profit margins reduced to 27% (2008: 29%) as a result of the adverse impact of the aerospace contract and currency movements. Other operating income included the £0.3 million benefit in respect of the sale and leaseback of our Colchester and Halifax properties. Other operating expenses were £29.9 million (2008: £22.9 million) including restructuring costs of £5.2 million, costs in relation to closed operations of £0.5 million and an impairment charge for intangible assets of £0.4 million. The restructuring costs relate to the previously announced programme of redundancies, an extensive reorganisation of the Group's structure and impairment of inventory and receivables.

The Group's loss from operations before net financial income and tax was £8.3 million (2008: operating profit of £0.3 million). As anticipated, net financial income for the year reduced significantly to £0.3 million (2008: £2.3 million) due to the UK Pension Scheme moving to de-risk its assets.

Loss before tax was, therefore, £8.0 million (2008: profit before tax of £2.5 million). The discontinued costs of £1.3 million (2008: £1.8 million) relate to the closure of operations in Canada. The basic and diluted loss per share for continuing operations was 13.3p (2008: earnings per share of 3.3p and 3.2p respectively).

As anticipated, the net cash balance of £3.2 million in 2008 reduced to net borrowings of £1.5 million in 2009 due to costs incurred in restructuring.

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

We have previously stated that dividend payments will be directly related to our results. The Board does not consider it is possible to pay a dividend at the present time.

## **Progress**

I believe we have made substantial progress in reshaping the Group and positioning it for the future. We needed to cut the Group's costs dramatically and deliver a sustainable improvement in the efficiency of our business, particularly in the use of cash. This meant that we had to change our Group structure and management, reduce the number of sites and overhaul the supply chain.

David Norman's first task was to review senior management. Numbers were inevitably reduced but, pleasingly, he managed to establish a new team with the experience and energy to take us forward predominantly from our existing staff. You will read in his Chief Executive's report that we aggressively addressed our cost base during the year under review and continue to do so. Our product strategies, which were having a major impact on our costs and our reputation as a leading machine tools producer, were also addressed. We made the decision to leave our chosen Chinese partner, The Dalian Machine Tool Group, and have sourced products and components elsewhere. This was a challenging but necessary action, which needed careful handling to avoid further costs and disruption to our supply lines. The number of sites operated by the Group were also reduced and the sales force is being shaped into a more focused and cost effective team.

Such fundamental reshaping of the business incurs costs. I am pleased to report that we have been able to fund this from within our existing overdraft facilities and through the release of cash which was locked inside the business. Our action has, however, significantly impacted the balance sheet (split in similar proportions between legacy costs, ceased operations and operational activity). This should not affect our ability to move forward in the short term and will result in a very different and more sustainable platform for the Group. Improvements to the balance sheet will, however, now be both a necessity and a priority as we move forward.

Separately we will continue to address the issue of the Pension Fund, which is significant in terms of size and impact, and we are working closely with the Trustee to further de-risk its asset holdings.

## **Strategy**

The new business platform we have developed has provided us with an opportunity to review our overall business strategy. We continue to see machine tools and lathes products as our core business and the UK, Continental Europe and North America, remain our key strategic markets. There are real opportunities to build on our strong brands in these product areas and exploit our engineering and manufacturing expertise to a much greater extent than achieved in recent years. We will concentrate on the Group's branded products, take much more control of our own manufacturing and shorten our supply lines. The challenging global economy has weakened many companies in our product or associated product areas and, we believe, this will present us with opportunities to expand the business over and above our own organic growth.

## **People**

The Board relishes these prospects but they will, of course, present us with new challenges. To assist the Group's progress there will be one further change to our Board. Jonathan Kitchen has informed me that he will retire at the AGM on 25 September 2009. He has given outstanding service to the Group for a number of years and I, in particular, am grateful for his wise counsel over my relatively short period as Chairman.

I am pleased to announce that Chris Cundy, Commercial Director of VT Group has agreed to join the Board, with effect from 1 August 2009, as a non-executive director. He has a wide experience as a finance director in a manufacturing and service environment. His breadth of knowledge and expertise will be valuable to the Group as we move forward over the coming years.

### **Outlook**

The next few months will continue to present us with major challenges as our markets remain subdued. Whilst this will impact the level of sales revenue, further improvements that will deliver a more efficient and effective business are either in progress or planned. In addition, the Group's new product strategies, which will be implemented over the next 12 months, are being finalised.

Our priority for the first half of the current year is to complete the improvements to our business, return the Group to sustainable profitability with a positive cash flow and begin the rebuilding of our balance sheet. When we have secured these objectives, we will be able to take a bolder approach to other market and corporate opportunities.

The Group has a strong business plan, experienced leadership and a much clearer sense of its strategic direction. In view of this, the Board believes that the Group is in a strong position to take advantage of any recovery in our markets and will soon be able to progress new and rewarding growth opportunities.

### **Martin Temple CBE**

Chairman  
23 June 2009

## **GROUP CHIEF EXECUTIVE'S REVIEW OF OPERATIONS**

This financial year has been a difficult period for the Group, which was affected by a number of operational issues, as well as a sudden and severe downturn in the world market for machine tools.

At the time of my appointment in August 2008, it was clear that both the cost infrastructure of the Group and the machine tools' supply chain were in need of urgent attention. Some cost reduction initiatives had started in the early part of the year. However, as I mentioned at the time of our Interim Management Statement in February 2009, considerable action has been taken and continues to be required to effect transformational change within the Group's operations, whilst concurrently taking additional defensive actions in light of depressed market conditions.

Sales revenue reduced by 2% in the year as a whole but showed a greater decline in the second half of the year with a particularly disappointing final quarter. The Group generated a loss from operations before restructuring costs, costs in relation to closed operations and impairment of intangible assets of £2.2 million in the year, much of this in the second half. Exceptional costs and other non cash costs relate to the cost of restructuring and discontinued products. Additionally, other charges have been made as a result of moving to a simpler business model and the need to account for costs associated with operating units, historically managed as independent entities.

The restructuring costs incurred in the year were internally financed from working capital improvements and the Group's global banking facilities.

My immediate priority is to deliver an effective turnaround of the Group's operations. This will fully occupy our management teams during the first half of the current financial year. We hope that economic conditions will improve to provide an environment in which we can drive the organic development of the business. In the absence of any encouraging indicators, however, we will consider acquiring other businesses, subject to the availability of finance, which could enhance earnings and sit comfortably within the framework we are creating.

### **Markets**

#### **Machine Tools**

The world market for machine tools experienced a sharp downturn during the second half of the year. The initial impact was in the area of CNC machines, where demand for higher specification products reduced sharply. Automotive manufacturing is a major driver in this area and has a strong influence on second tier component suppliers with whom we conduct much of our higher end CNC business. The demand for conventional, non CNC machines, whilst reduced, has been less adversely affected and we continue to receive orders in most of our territories from distributors servicing the education sector in particular. The demand for high precision bearings held up during the year, although there is currently some evidence of customers rescheduling their future requirements. The market for workholding products was reasonable for much of the year but deteriorated during the final quarter.

As previously reported, the Group outsourced a large part of its production and supply from China, which was a significant feature of the original strategy for 2008. Regrettably, quality standards we had originally envisaged were not achieved, despite a major effort by our own engineering and quality teams to support this initiative. This resulted in machines being shipped to customers which, in many cases, led to an unacceptable level of warranty claims. These costs are fully accounted for in the year under review. Stocks of machines have been

returned to the supplier in question and, under these circumstances, it was not possible to proceed with the previously announced joint venture agreement for Europe.

Supply has been switched to alternative sources which have, in the past, produced machines to a high standard for the Group. Whilst the manufacturing costs are somewhat greater, this is the optimum solution for the Group after the total cost of quality is taken into account. These changes to the supply chain began during the fourth quarter of the last financial year and the full effects will feed through during the second quarter of the current financial year.

The product strategy of the Group is also being developed in line with the move to a simpler business model. Product sourcing is now under the control of a single product management team, working on behalf of the entire Group. Most of our sales and marketing effort will be directed towards our own brands, although we will continue to sell a limited number of other products, where these are complementary to our core ranges.

Geographically, our target markets continue to be Europe and North America, supported by our activities in Australia, Africa, the Middle East and the Indian subcontinent.

Bearings and workholding continue to form a valuable part of our overall product offering and now sit within the Machine Tools Division together with spares and service.

### **Laser Marking**

During the course of the year, the business did not experience the same level of downturn as that experienced by machine tools. The mix of customers is not dependent upon any one sector and ranges from general industrial through to pharmaceutical. Some notable projects were won in the year, both in the UK and the US. Germany is also becoming an increasingly important market.

The Raptor range, based on our in house laser technology, has continued to make progress in sales volume terms. Since passing through the initial industrialisation phase, further value engineering has taken place to reduce the material cost and improve margins. Our objective for the laser marking business is to sell an increasing share of standard products whilst still retaining the capability to supply a range of other lasers for specialist applications. Following the success of the 10W Raptor, a 20W version is now under active development.

### **Review of operations**

#### **United Kingdom**

Overheads were reduced in all the UK businesses during the second half of the year as it became clear that order intake was slowing. Following a period of strategic review, a new structure was designed for the UK machine tools businesses. From a market point of view, the sales and product management teams are now focused on areas of the business where we have the greatest likelihood of success in the short to medium term.

Operationally, we had too much space on three sites which was not being fully utilised. We therefore took the decision to close 600 Centre in Shephed, Leicestershire, and transfer the showroom and back office functions to our principal site in Heckmondwike, West Yorkshire. The 600 Centre building is in a good location close to the M1 and will be sold or leased when market conditions permit.

The Dalian office in China, which was a cost centre of the UK machine tools business, was closed as the new supply chain arrangements were put in place.

The Pratt Burnerd factory in Halifax is 12 miles from the site in Heckmondwike. Operations from Halifax are in the process of being transferred to Heckmondwike. This will result in the elimination of establishment costs and, combined with the existing, but underutilised, machining facilities in Heckmondwike, will provide us with a first class machining facility where labour can be more effectively utilised in one large plant. Some additional investments are being made in order that previously outsourced product can, in future, be produced within the new unit.

Employee numbers were unfortunately reduced, partly as a result of these measures, but also in response to deteriorating demand. Short time working and a reduction in the hourly rate of pay were also agreed with employee representatives, as short term measures, in order to reduce payroll costs during this downturn.

Investments are being made at Gamet to support the expansion of production in the Colchester plant for high precision bearings. This will enable the business to reduce lead times and compete more effectively in the future.

At Electrox, the small office in Singapore was closed. Whilst some overheads were reduced in the UK, most work has been put into maintaining sales volume and increasing margins by reducing material costs for standard products. The challenge for Electrox is to improve its time to market for current developments and there are a number of initiatives in the pipeline.

### **Germany**

Germany was affected by quality issues on China sourced machines which resulted in high warranty costs during the year. Further, in advance of the proposed joint venture agreement being formally signed with DMTG, an additional building with warehouse was leased in Ditzingen, near Stuttgart. As the joint venture could no longer proceed, the existing Parat operation was transferred into the new Ditzingen facility and staff recruited, specifically to sell Dalian branded machines, were made redundant.

Germany, as an economy, is heavily orientated to the automotive and engineering industries and is currently going through a very difficult period. Nevertheless, demand for the Parat tool holder product, along with Colchester Harrison machines and spares, performed for most of the year in line with expectations.

### **North America**

In line with other world markets, the demand for CNC machines fell away sharply. The economic mood in the US is very subdued and this is not helped by the constant stream of bad news from the automotive sector which is still a major driver for our machine tools business. There was some optimism from within the oil production sector with an increase in demand for large swing lathes and large chucks. This side of the business is heavily dependent upon the price of oil remaining at a level to justify domestic production.

Sales of Clausing conventional products generally held up well during the year, although the business was affected by supply chain shortages. Warranty and other associated costs of quality had an adverse impact on operating profit and absorbed too much management time during the year.

Clausing has an extensive installed base of machines in the US which is serviced from our spares operation in Indiana. Work continued throughout the year on the development of a web based ordering system and, subject to satisfactory experience in the US, our intention is to roll out this initiative elsewhere in the Group.

Pratt Burnerd America had an excellent start to the year, but was subsequently caught in the downturn within its traditional markets, in addition to oil price related project deferral with regard to larger chucks.

The operation that remained in Canada following the disposal of the core part of the Canadian operation in 2008 was focused on the marketing of high precision Japanese machines to component manufacturers servicing automotive and aerospace. This business could not generate enough revenue to cover its costs and was loss making for most of the year. A review of prospects for the next two years held out little hope of improvement. Rather than continue to carry the overhead, sales and working capital risk, the business was closed in February 2009. A sales operation, focused on Group products and managed from our Michigan operation, has now been established.

The Electrox infrastructure in the US was excessive for a business of this size and this structure was reduced along with associated showrooms in a number of locations. Back office functions have been transferred to Michigan. Despite the very difficult market in the US and a lack of confidence in many areas, there continue to be some good sales prospects which we expect to convert during the first half of the current financial year.

### **Australia**

Steps were taken in the early part of the year to reduce costs. The economy seems slightly less affected by the downturn than elsewhere in the world, although the local automotive industry is struggling. Opportunities continue to exist principally for conventional machines destined for the educational sector.

### **South Africa**

The major part of our activity relates to mechanical handling and, in sales volume terms, the business performed in line with our expectations. There was a swing in the year from private construction work to requirements driven by the development of infrastructure. State utilities, such as ESCOM also continue to drive demand. As a distribution business with a workshop facility, the Company will be able to respond quite quickly to changes within individual market segments. Currency fluctuation against the Euro and Sterling continues to be a negative feature of trading in the region.

### **PLC Costs**

We have continued to make significant reductions in central costs during the year. The Leeds head office was vacated in October 2008 and is now up for sale or lease. All PLC activities are now managed from the site in Heckmondwike, which also enables the executive team to be much closer to the operations.

### **Corporate Social Responsibility**

The Group takes its responsibilities seriously towards all its stakeholders, including its employees, the community and the environment. This is more applicable than ever as we steer the Company through this economic downturn. Employees on a number of sites have worked hard during some difficult periods of consultation to ensure that ultimately we have a profitable and growing business. Many sacrifices have been made and, sadly, a number of employees have left the Group during the year.

Following the outcome of the risk survey, which was commissioned in the early part of the current financial year, a full time health and safety manager has been appointed and action plans are being developed for all sites within the Group.

**Outlook**

The machine tools market is large and diverse and we cannot hope to compete in every sector. We will therefore continue to play to our strengths, which remain in the mid priced CNC and conventional machine sectors along with components and spares.

The laser marking business will improve its time to market and the business will be positioned to capitalise on opportunities as confidence starts to return.

The transformational work which we started in the second half of the year has continued into the current fiscal year. I envisage that a large part of the actions required under the current phase will be completed by the half year, although some subsequent business process integration issues may take a little longer to bed down. I am confident that the actions already implemented, along with the current phase, will allow the Group to trade profitably if current sales levels do not deteriorate further. This will provide a good platform for further development of the Group, exploiting its organic potential, together with any other opportunities which may arise in the future.

**David Norman**

Group Chief Executive

23 June 2009

## UNAUDITED CONSOLIDATED INCOME STATEMENT

	52-week period ended 28 March 2009 £000	52-week period ended 29 March 2008 £000
<b>Revenue</b>	<b>76,211</b>	77,433
Cost of sales	<b>(55,301)</b>	(54,874)
Gross profit	<b>20,910</b>	22,559
Other operating income	<b>727</b>	544
Other operating expenses	<b>(29,920)</b>	(22,851)
<b>(Loss)/profit from operations before restructuring costs, costs in relation to closed operations and impairment of intangible assets</b>	<b>(2,230)</b>	476
Restructuring costs	<b>(5,184)</b>	-
Costs in relation to closed operations	<b>(475)</b>	(224)
Impairment of intangible assets	<b>(394)</b>	-
<b>(Loss)/profit from operations</b>	<b>(8,283)</b>	252
Financial income	<b>10,723</b>	11,306
Financial expense	<b>(10,429)</b>	(9,042)
<b>(Loss)/profit before tax</b>	<b>(7,989)</b>	2,516
Income tax credit/(charge)	<b>419</b>	(518)
<b>(Loss)/profit for the period from continuing operations</b>	<b>(7,570)</b>	1,998
Post tax loss of discontinued operations	<b>(1,288)</b>	(1,752)
Total (loss)/profit for the period	<b>(8,858)</b>	246
<b>Attributable to:</b>		
Equity holders of the parent	<b>(8,888)</b>	129
Minority interest	<b>30</b>	117
<b>(Loss)/profit for the period</b>	<b>(8,858)</b>	246
Basic earnings per share		
- continuing operations	<b>(13.3)p</b>	3.3p
- total	<b>(15.5)p</b>	0.2p
Diluted earnings per share		
- continuing operations	<b>(13.3)p</b>	3.2p
- total	<b>(15.5)p</b>	0.2p

**UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

	<b>52-week period ended 28 March 2009 £000</b>	52-week period ended 29 March 2008 £000
Foreign exchange translation differences	<b>1,163</b>	307
Net actuarial (losses)/gains on employee benefit schemes	<b>(24,430)</b>	8,841
Impact of changes to defined benefit asset limit	<b>23,930</b>	(11,430)
Deferred taxation on above items	-	780
<b>Net income/(expense) recognised directly in equity</b>	<b>663</b>	(1,502)
<b>(Loss)/profit for the period</b>	<b>(8,858)</b>	246
<b>Total recognised income and expense for the period</b>	<b>(8,195)</b>	(1,256)
<b>Attributable to:</b>		
Equity holders of the parent	<b>(8,301)</b>	(1,330)
Minority interest	<b>106</b>	74
<b>Total recognised income and expense for the period</b>	<b>(8,195)</b>	(1,256)

## UNAUDITED CONSOLIDATED BALANCE SHEET

	At 28 March 2009 £000	At 29 March 2008 £000
<b>Non-current assets</b>		
Property, plant and equipment	10,832	12,603
Intangible assets	2,868	3,018
Deferred tax assets	1,268	1,605
	<u>14,968</u>	<u>17,226</u>
<b>Current assets</b>		
Inventories	24,644	24,421
Trade and other receivables	11,512	19,015
Cash and cash equivalents	552	3,297
	<u>36,708</u>	<u>46,733</u>
<b>Total assets</b>	<b>51,676</b>	63,959
<b>Non-current liabilities</b>		
Employee benefits	(3,829)	(2,965)
Deferred tax liabilities	(709)	(1,479)
	<u>(4,538)</u>	<u>(4,444)</u>
<b>Current liabilities</b>		
Trade and other payables	(14,716)	(20,561)
Income tax payable	(77)	(100)
Provisions	(294)	(370)
Loans and other borrowings	(2,019)	(131)
	<u>(17,106)</u>	<u>(21,162)</u>
<b>Total liabilities</b>	<b>(21,644)</b>	(25,606)
<b>Net assets</b>	<u><b>30,032</b></u>	<u>38,353</u>
<b>Shareholders' equity</b>		
Called-up share capital	14,308	14,308
Share premium account	13,766	13,766
Revaluation reserve	1,969	2,765
Capital redemption reserve	2,500	2,500
Translation reserve	1,117	113
Retained earnings	(4,155)	4,480
<b>Total equity attributable to equity holders of the parent</b>	<u><b>29,505</b></u>	<u>37,932</u>
<b>Minority interest</b>	527	421
<b>Total equity</b>	<u><b>30,032</b></u>	<u>38,353</u>

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	52-week period ended 28 March 2009 £000	52-week period ended 29 March 2008 £000
<b>Cash flows from operating activities</b>		
(Loss)/profit for the period	(8,858)	246
<i>Adjustments for:</i>		
Amortisation of development expenditure	549	286
Depreciation	1,267	1,033
Impairment of goodwill	394	-
Net financial income	(294)	(2,264)
Profit on disposal of plant and equipment	(226)	(173)
Equity share option expense	24	70
Income tax (income)/expense	(419)	81
<b>Operating cash flow before changes in working capital and provisions</b>	<b>(7,563)</b>	<b>(721)</b>
Decrease in trade and other receivables	9,278	699
Decrease/(increase) in inventories	2,436	(2,506)
(Decrease)/increase in trade and other payables	(8,977)	1,885
(Decrease)/increase in employee benefits	(188)	151
<b>Cash generated from the operations</b>	<b>(5,014)</b>	<b>(492)</b>
Interest paid	(306)	(491)
Income tax (paid)/received	(24)	92
<b>Net cash flows from operating activities</b>	<b>(5,344)</b>	<b>(891)</b>
<b>Cash flows from investing activities</b>		
Interest received	82	106
Proceeds from sale of property, plant and equipment	2,106	810
Purchase of property, plant and equipment	(1,131)	(1,715)
Development expenditure capitalised	(724)	(876)
Disposal of discontinued operation	-	1,175
<b>Net cash flows from investing activities</b>	<b>333</b>	<b>(500)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of ordinary shares	-	40
Proceeds/(repayment) from external borrowing	254	(833)
<b>Net cash flows from financing activities</b>	<b>254</b>	<b>(793)</b>
Net decrease in cash and cash equivalents	(4,757)	(2,184)
Cash and cash equivalents at the beginning of the period	3,297	5,331
Effect of exchange rate fluctuations on cash held	385	150
<b>Cash and cash equivalents at the end of the period</b>	<b>(1,075)</b>	<b>3,297</b>

## NOTES

### 1. 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 2009 are for the 52-week period ended 28 March 2009. The results for 2008 are for the 52-week period ended 29 March 2008. The parent company financial statements present information about the Company as a separate entity and not about its group.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRSs) and International Financial Reporting Interpretation Committee interpretations (IFRIC) as adopted by the European Union and with those parts of the Companies Act 1985 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. Shown below are recent standards and interpretations that have been issued by the IASB, indicating their status of endorsement.

In the prior year, the Group adopted the principles of IFRIC 14/IAS19 – The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The endorsement of IFRIC 14 during the current year has had no material impact on the Group's financial statements and has had no effect on the basic or diluted EPS. The accounting policy for Pensions and post-retirement health benefits has been updated to cover the recognition of an asset or additional liability.

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 1* Presentation of financial statement: A revised presentation	1 January 2009
IFRS 2* Share-based payment: Vesting conditions and cancellations	1 January 2009
IFRS 8* Operating segments	1 January 2009
IAS 23* Borrowing costs	1 January 2009
IFRSs* Annual improvements to IFRSs	1 January 2009
IAS 27 Consolidated and separate financial statements	1 July 2009
IFRS 3 Business combinations	1 July 2009

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

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

## 2. Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement and the Group Chief Executive's review of operations.

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

UK - £2.5 million facility, signed on 22 October 2008 and due for renewal on 10 October 2009.

US - \$1.5 million facility, signed on 6 October 2008 and due for renewal on 30 September 2009.

South Africa – ZAR20 million facility available from 9 February 2009 to 8 February 2010, reducing to ZAR4.3 million from 9 February 2010 to 9 August 2010.

The Group has met the relevant performance covenants during the year with the exception of the following:

- The tangible net worth covenant on the UK facility – breached due to the level of exceptional costs incurred in the period as set out in note 4. The Group is currently in discussions with the bank around the ongoing level of the covenants and on 15 June 2009, following Pension Trustee approval, the Group signed a Debenture which extended a floating charge to the bank over the Group's assets (principally inventories and trade receivables).
- The tangible net worth covenant on the US facility was technically breached at 31 March 2009 due to US pension accounting requirements. A formal consent and waiver of the covenant breach is expected to be received from the bank in June 2009.

The current economic conditions create uncertainty, particularly over the level of demand for the Group's products and the availability of bank finance for the foreseeable future.

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 the unwinding of working capital balances, particularly inventory and the impact of funding the significant reorganisation costs which have been incurred in 2008 and 2009. In addition, the Group has sought to build further headroom into the forecasts and projections by taking additional remedial action in April 2009 with the announcement of the closure of the PBI site in Halifax and the integration of its operations into the Heckmondwike site. Further cost saving and result enhancing actions are currently under review by the Board.

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

The Group is currently at an advanced stage of negotiations with its UK bank to secure potential additional facilities. This would give the Group further headroom in the short term as it incurs the cash cost of the additional remedial actions discussed above.

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.

### 3. Other operating income/operating expenses

	<b>2009</b>	2008
	<b>£000</b>	£000
Other operating income	<u>727</u>	<u>544</u>
Operating expenses:		
Administration expenses	<b>22,283</b>	16,045
Distribution costs	<u>7,637</u>	<u>6,806</u>
<b>Total operating expenses</b>	<b><u>29,920</u></b>	<b><u>22,851</u></b>

Included within Other Operating Income is £254,000 of profit on disposal of properties (2008: £391,000 profit on disposal of surplus land).

Administration expenses in 2008 included one-off charges of £300,000 associated with the EMO exhibition in Germany, £200,000 relating to bid defence costs and £100,000 relating to the introduction of a new management incentive scheme.

### 4. Restructuring costs, costs in relation to closed operations 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.

	<b>2009</b>	2008
	<b>£000</b>	£000
Cost of sales:		
Inventory impairments (i)	<b>1,808</b>	-
Asset impairments (ii)	<b>138</b>	-
Operating expenses:		
Other restructuring costs (iii)	<u><b>3,238</b></u>	-
<b>Restructuring costs</b>	<b><u>5,184</u></b>	<b><u>-</u></b>

- (i) At 28 March 2009, the Group conducted a review of the net realisable value of its inventory carrying values following a review of the Group strategy and operations. This has resulted in a charge of £1.8m.
- (ii) At 28 March 2009, a review of the carrying value of property, plant and equipment was undertaken following the decision to exit certain production facilities. This has resulted in a charge of £0.1m.
- (iii) At 28 March 2009, the Group had incurred £3.2m in relation to reorganising and restructuring the business. These costs comprise staff redundancy and contract severance costs, costs relating to exiting leased premises and impairment of trade receivables.

The cash cost of the restructuring in 2009 was £3.0m. There were no restructuring costs incurred in 2008.

As part of this Group wide strategic review, the decision was taken to close overseas sales offices in the Far East and the Czech Republic. Total operating expenses of £0.5m were incurred in these operations (2008: £0.2m). These closed operations did not record any revenue in the current or prior period.

Also, at 28 March 2009, a review of the carrying value of intangible assets was conducted and the goodwill relating to the Metal Muncher operation in the US was found to be impaired. A charge of £0.4m was recognised in relation to this.

## 5. Results of the discontinued operations

	<b>2009</b>	2008
	<b>£000</b>	£000
Revenue	<b>444</b>	4,416
Expenses	<b>(1,732)</b>	(6,339)
Loss before tax	<b>(1,288)</b>	(1,923)
Tax on loss	-	348
Loss recognised on disposal of assets	-	(266)
Tax on loss	-	89
	<b>(1,288)</b>	(1,752)

The discontinued operations relate to the closure of operations in Canada. The discontinued operations in 2008 also include final closure costs in relation to the French operation.

## 6. Financial income and expense

	<b>2009</b>	2008
	<b>£000</b>	£000
Interest income	<b>91</b>	71
Expected return on defined benefit pension scheme assets	<b>10,632</b>	11,235
Financial income	<b>10,723</b>	11,306
Interest expense	<b>(346)</b>	(289)
Interest on defined benefit pension scheme obligations	<b>(10,083)</b>	(8,753)
Financial expense	<b>(10,429)</b>	(9,042)

## 7. Cash and cash equivalents

	<b>2009</b>	2008
	<b>£000</b>	£000
Cash at bank	<b>380</b>	3,111
Short-term deposits	<b>172</b>	186
Cash and cash equivalents per balance sheet	<b>552</b>	3,297
Bank overdrafts	<b>(1,627)</b>	-
Cash and cash equivalents per cash flow statement	<b>(1,075)</b>	3,297

**8. Reconciliation of net cash flow to net (borrowings)/funds**

	<b>2009</b>	2008
	<b>£000</b>	£000
Decrease in cash and cash equivalents	<b>(4,757)</b>	(2,184)
(Increase)/decrease in debt and finance leases	<b>(254)</b>	833
Decrease in net funds from cash flows	<b>(5,011)</b>	(1,351)
Net funds at beginning of period	<b>3,166</b>	4,397
Exchange effects on net funds	<b>378</b>	120
Net (borrowings)/funds at end of period	<b>(1,467)</b>	3,166

**9. Statutory accounts**

The financial information set out above does not constitute the Group's statutory accounts for the period ended 28 March 2009 or the period ended 29 March 2008 but is derived from those accounts. Statutory accounts for 2008 have been delivered to the registrar of companies, whereas those for 2009 will be delivered following the Company's Annual General Meeting. The 2009 statutory accounts have not been finalised but this preliminary announcement has been prepared by the Directors based on the results and position which they expect will be reflected in the statutory accounts. The auditors have reported on the 2008 accounts; their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

**10. Annual report and accounts**

The annual report will be posted to all shareholders in due course and will be available on request from the Secretary, The 600 Group PLC, Union Street, Heckmondwike, West Yorkshire, WF16 0HL.