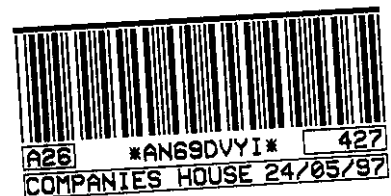


ARTHUR ANDERSEN

REPORT AND ACCOUNTS Eclipse Magnetics Limited

31 December 1996



Eclipse Magnetics Limited
COMPANY INFORMATION

Registered No 531327

DIRECTORS

G White

D J Wolstenholme

A Lisanti

A D Lockey

James Neill Holdings Limited

SECRETARY

D J Wolstenholme

AUDITORS

Arthur Andersen

St Paul's House

Park Square

Leeds

LS1 2PJ

BANKERS

National Westminster Bank

42 High Street

Sheffield

S1 1QG

SOLICITORS

Davenport Lyons

1 Old Burlington Street

London

W1X 2NL

REGISTERED OFFICE

Handsworth Road

Handsworth

Sheffield

S13 9BR

Eclipse Magnetics Limited

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 1996.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the company throughout the year has been the manufacture and marketing of permanent magnets, magnetic work holding systems and other associated products. The company also markets the Moore & Wright range of micrometers and other precision measuring tools.

The year end financial position was satisfactory and the directors expect the current level of activity to be maintained in 1997.

RESULTS

The operating profit for the year was £688,000 (1995 - £525,000). After charging taxation of £5,000 (1995 - crediting £25,000), the profit for the financial year amounted to £683,000 (1995 - £550,000).

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Eclipse Magnetics Limited

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were:

G White

D J Wolstenholme

A Lisanti

A D Lockey

James Neill Holdings Limited

James Neill Holdings Limited is the parent undertaking of the intermediary holding company Neill Tools Limited (Note 20). No other directors have any interests in the shares of the company required to be disclosed under Schedule 7 of the Companies Act 1985.

In accordance with the Articles of Association, none of the directors are required to retire at the company's Annual General Meeting.

GOING CONCERN

After making enquiries and having reviewed profit forecasts and cash flow projections for the year ended 31 December 1997 and 31 December 1998 in respect of both the company and the group of which it is a member, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these accounts.

AUDITORS

A resolution to reappoint Arthur Andersen as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



D J Wolstenholme
Secretary

25 March 1997

Eclipse Magnetics Limited
AUDITORS' REPORT

Leeds

To the Shareholders of Eclipse Magnetics Limited:

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

St Paul's House
Park Square
Leeds
LS1 2PJ

25 March 1997

Eclipse Magnetics Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
TURNOVER	2	10,418	9,734
OPERATING PROFIT	3	688	525
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		688	525
Taxation	6	(5)	25
PROFIT FOR THE FINANCIAL YEAR		683	550

A statement of the movement on reserves is given in note 14.

There were no recognised gains or losses in either year other than the profit for the financial year.

The accompanying notes are an integral part of this profit and loss account.

Eclipse Magnetics Limited

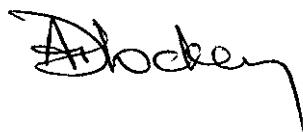
BALANCE SHEET

at 31 December 1996

	Notes	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible assets	7	516	580
CURRENT ASSETS			
Stocks	8	2,005	2,129
Debtors	9	4,852	4,513
Pension prepayment: due after more than one year	9	1,312	1,350
Cash at bank and in hand		848	515
		9,017	8,507
CREDITORS: amounts falling due within one year	10	6,554	6,779
NET CURRENT ASSETS		2,463	1,728
TOTAL ASSETS LESS CURRENT LIABILITIES		2,979	2,308
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	180	175
Other provisions	12	-	17
NET ASSETS		2,799	2,116
CAPITAL AND RESERVES			
Called-up share capital	13	80	80
Profit and loss account	14	2,719	2,036
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		2,799	2,116

Approved by the board on 25 March 1997

A D Lockey



Director

The accompanying notes are an integral part of this balance sheet.

Eclipse Magnetics Limited

NOTES TO THE ACCOUNTS

At 31 December 1996

1. ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are:

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset, over its expected useful life, as follows:

Plant and machinery	-	over 1 to 15 years
Motor vehicles	-	25% per annum on a reducing balance basis

Stocks and work in progress

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value as follows:

Raw materials	-	purchase cost on a first-in first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on the normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided on the liability method in respect of all material timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which it is estimated the tax will be payable.

Pensions

The amount charged to the profit and loss account reflects the cost based on actuarial estimates of providing for pension benefits arising in the year less an allowance for interest on the prepayment. The excess of contributions paid into the pension scheme compared to the cumulative pension cost is included in prepayments.

Eclipse Magnetics Limited

NOTES TO THE ACCOUNTS (continued)

At 31 December 1996

1. ACCOUNTING POLICIES (continued)

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Cash flow statement

The ultimate parent undertaking of Eclipse Magnetics Limited, Spear & Jackson plc, prepares consolidated accounts which include a consolidated cash flow statement dealing with the cash flows of the group. Eclipse Magnetics Limited is therefore not required to prepare a cash flow statement for inclusion in its own accounts.

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, all of which are continuing, and is stated net of value added tax. The directors regard the company's business as being of one class.

An analysis of turnover by geographical market is as follows:

	1996 £'000	1995 £'000
United Kingdom	5,121	4,587
Other EC countries	2,192	2,120
Rest of Europe	144	252
Africa	134	104
North and South America	1,907	1,534
Australasia	345	357
Rest of World	575	780
	<u>10,418</u>	<u>9,734</u>

Eclipse Magnetics Limited

NOTES TO THE ACCOUNTS (continued)

At 31 December 1996

3. OPERATING PROFIT

Operating profit comprises:

	1996 £'000	1995 £'000
Turnover	10,418	9,734
Change in stocks of finished goods and work in progress	(42)	964
	<u>10,376</u>	<u>10,698</u>
Raw materials and consumables	5,105	5,709
Staff costs (note 5)	2,182	2,043
Directors' remuneration	25	45
Depreciation of owned fixed assets	110	92
Auditors' remuneration	5	4
Operating lease rentals - plant and machinery	25	48
- land and buildings	186	181
Other operating charges	2,050	2,051
	<u>9,688</u>	<u>10,173</u>
Operating profit	<u>688</u>	<u>525</u>

4. DIRECTORS' REMUNERATION

	1996 £'000	1995 £'000
Emoluments	<u>25</u>	<u>45</u>
The emoluments (excluding pension contributions) of the highest paid director were:		
Highest paid director	<u>24</u>	<u>43</u>

Directors' emoluments (excluding pension contributions) were within the following ranges:

	1996 Number	1995 Number
£ 0 - £ 5,000	4	4
£ 20,001 - £ 25,000	1	-
£ 40,001 - £ 45,000	-	1

The emoluments of directors of the company who are also directors of James Neill Holdings Limited are disclosed in the accounts of that company.

Eclipse Magnetics Limited

NOTES TO THE ACCOUNTS (continued)

At 31 December 1996

5. STAFF COSTS

	1996 £'000	1995 £'000
Wages and salaries	1,982	1,867
Social security costs	162	150
Pension costs	38	26
	<u>2,182</u>	<u>2,043</u>

The average monthly number of employees (excluding directors) during the year was:

	1996 Number	1995 Number
Manufacturing	72	94
Office and management	55	44
	<u>127</u>	<u>138</u>

6. TAXATION

	1996 £'000	1995 £'000
Deferred taxation (charge) credit	<u>(5)</u>	<u>25</u>

The charge to mainstream corporation tax for the year ended 31 December 1996 has been reduced by £208,000 (1995 - £155,000) in respect of group relief which has been surrendered to the company by fellow subsidiary undertakings for which no payment will be made.

The company has advance corporation tax of £1,127,000 (1995 - £1,127,000) available for offset against future taxation liabilities, £276,000 (1995 - £262,000) of which has been allocated against the deferred tax liability.

Eclipse Magnetics Limited
NOTES TO THE ACCOUNTS (continued)

At 31 December 1996

7. TANGIBLE FIXED ASSETS

	Plant, machinery and equipment £'000
Cost:	
At 1 January 1996	1,585
Group transfers	18
Additions	140
Disposals	(170)
At 31 December 1996	<u>1,573</u>
Depreciation:	
At 1 January 1996	1,005
Group transfers	(1)
Disposals	(57)
Provided during the year	110
At 31 December 1996	<u>1,057</u>
Net book value:	
At 31 December 1996	<u>516</u>
At 1 January 1996	<u>580</u>

8. STOCKS

	1996 £'000	1995 £'000
Raw materials and consumables	366	448
Work in progress	536	730
Finished goods	1,103	951
	<u>2,005</u>	<u>2,129</u>

Eclipse Magnetics Limited
NOTES TO THE ACCOUNTS (continued)

At 31 December 1996

9. DEBTORS

	1996 £'000	1995 £'000
Amounts falling due within one year:		
Trade debtors	2,556	2,062
Amounts owed by other group undertakings	2,148	2,377
VAT	-	3
Prepayments and accrued income	148	71
	<u>4,852</u>	<u>4,513</u>
Amounts falling due after more than one year:		
Pension prepayment (note 19)	<u>1,312</u>	<u>1,350</u>

10. CREDITORS: amounts falling due within one year

	1996 £'000	1995 £'000
Trade creditors	1,108	1,664
Amounts owed to other group undertakings	5,220	5,067
Other taxes and social security	90	-
Accruals and deferred income	136	48
	<u>6,554</u>	<u>6,779</u>

Eclipse Magnetics Limited

NOTES TO THE ACCOUNTS (continued)

At 31 December 1996

11. DEFERRED TAXATION

The full potential liability to deferred taxation, all of which has been provided in the accounts, comprises:

	1996 £'000	1995 £'000
Excess of tax allowances over book depreciation of fixed assets	23	4
Other timing differences relating to:		
Current assets and liabilities	-	(13)
Non-current assets and liabilities:		
Pension scheme prepayment	433	446
	<u>456</u>	<u>442</u>
ACT recoverable	(276)	(262)
	<u>180</u>	<u>175</u>

The movement on deferred taxation during the year of £5,000 has been charged (1995 - £25,000 credited) to the profit and loss account (note 6).

12. OTHER PROVISIONS

	Restructuring costs £'000
At 1 January 1996	17
Payments in the year	(17)
At 31 December 1996	<u>-</u>

13. SHARE CAPITAL

	1996 Number	1995 Number	1996 £'000	1995 £'000
Authorised, allotted, called-up and fully paid:				
Ordinary shares of £1 each	<u>80,000</u>	<u>80,000</u>	<u>80</u>	<u>80</u>

14. RESERVES

	Profit and loss account £'000
At 1 January 1996	2,036
Profit for the financial year	683
At 31 December 1996	<u>2,719</u>

Eclipse Magnetics Limited

NOTES TO THE ACCOUNTS (continued)

At 31 December 1996

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £'000	1995 £'000
Profit for the financial year	683	550
Opening shareholders' funds	2,116	1,566
Closing shareholders' funds	2,799	2,116

16. OBLIGATIONS UNDER OPERATING LEASES

	Land and buildings		Other	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Operating leases which expire:				
- within one year	-	-	7	4
- within two to five years	-	-	39	-
- after five years	186	181	7	-
	186	181	53	4

17. CAPITAL COMMITMENTS

	1996 £'000	1995 £'000
Contracted for but not provided for	6	135

18. CONTINGENT LIABILITIES

Parent undertaking loans and overdrafts

The bank loans and overdraft of Spear & Jackson plc amounting to £26,208,000 have been secured by a mortgage debenture incorporating fixed and floating charges over the whole of the undertaking and assets of its trading subsidiary undertakings.

In addition, the company, together with all other trading subsidiary undertakings of Spear & Jackson plc, has guaranteed the bank loans and overdrafts of Spear & Jackson plc and its fellow subsidiary undertakings amounting to £45,259,000.

Eclipse Magnetics Limited

NOTES TO THE ACCOUNTS (continued)

At 31 December 1996

19. PENSIONS

The company is a member of a group pension scheme operated by James Neill Holdings Limited.

The group scheme is of the defined benefit type, the assets of which are held in trustee administered funds separate from those of the group.

Full details of the latest actuarial valuation of the scheme as at 5 April 1994 are given in the accounts of Spear & Jackson plc. The valuation disclosed a surplus and the share of the surplus applicable to this company amounting to £1,312,000 (1995 - £1,350,000) is included in the balance sheet at 31 December 1996 as a prepayment to be released to the profit and loss account over the average remaining service lives of the employees. On the advice of the scheme's actuary, the company's contributions were suspended from 1 April 1989.

£38,000 has been charged to the profit and loss account in respect of pensions in the year (1995 - £26,000).

20. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary undertaking of Neill Tools Limited, whose ultimate parent undertaking, for which group accounts are prepared, is Spear & Jackson plc, a company registered in England. Group accounts are available to the public and may be obtained from Spear & Jackson plc, Handsworth Road, Handsworth, Sheffield, S13 9BR.

Spear & Jackson plc is a subsidiary undertaking of Apax European Buy-in Fund International Partners LP, a limited partnership registered in the United States of America.