# ECLIPSE MAGNETICS LIMITED

Report and Accounts

30 September 2007

Registered No 531327

**DIRECTORS**
J B Dargavel
W Fletcher
T Kelly
K Martin
L Wells
James Neill Holdings Limited

**SECRETARY**
W Fletcher

**AUDITOR**
Grant Thornton UK LLP
Chartered Accountants
Registered Auditors
2 Broadfield Court
Sheffield
S8 0XF

**BANKERS**
HSBC Bank plc
17 Church Street
Sheffield
S1 1HH

**SOLICITORS**
hlw
Commercial House
Commercial Street
Sheffield
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**REGISTERED OFFICE**
Atlas Way
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Sheffield
S4 7QQ

The directors present their report and accounts for the year ended 30 September 2007

**PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activity of the company throughout the year has been the manufacture, procurement and sale 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

In December 2006, the company ceased certain manufacturing activities at its site in Sheffield, England and relocated its remaining business to the Spear & Jackson plc's principal manufacturing site at Atlas, Sheffield

During the year, the company has continued to be adversely affected by increased competition from Far Eastern suppliers and by high raw material and utility charges Despite these negative factors, turnover has increased by 16 6%, and the company, helped by the savings generated from the transfer of operations to the Atlas site, has improved its operating profit before exceptional items from £221,000 in 2006 to £1,143,000 this year

The directors believe that the key risks facing the company include, without limitation

- consumer and retail demand deteriorating amid a general economic slow down,
- current sales prices and product mixes not being maintained,
- the loss of key customers resulting in reduced revenues or significant bad debts,
- raw material, factored product, and utility prices increasing above current levels, and
- unfavourable exchange movements, etc

In managing the business the directors have established controls to enable them to respond to and mitigate the impact of such risks

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as inter-company and external debtors and inter-company and external trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the company's operations The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and foreign currency risk The directors review and agree policies for managing each of these risks and they are summarised below The policies have remained unchanged from previous periods

**Interest rate risk**

The company finances its operations through a mixture of retained profits, inter-company accounts and bank borrowings The company's exposure to interest rate fluctuations on its borrowings is managed on a group basis by the use of both fixed and floating facilities

**Liquidity risk**

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably Primarily, this is achieved through utilisation of a pooled banking arrangement within the UK subsidiaries of Spear & Jackson plc and Bowers Group plc, as well as the utilisation of short-term money market deposits Short term flexibility is achieved by overdraft facilities

**Currency risk**

The company is exposed to transaction and translation foreign exchange risk In relation to translation risk, transaction exposures are hedged, when known

# DIRECTORS' REPORT

**RESULTS AND DIVIDEND**

The operating profit for the year was £1,035,000 (2006 – £410,000 loss) after charging exceptional items of £108,000 (2006 - £631,000) The directors do not recommend the payment of a dividend (2006 - £nil)

**ULTIMATE PARENT UNDERTAKING**

Until 28 July 2006, 61 8% of the common stock of Spear & Jackson, Inc ("S&J"), the US parent undertaking of Eclipse Magnetics Limited, was held by Jacuzzi Brands, Inc , a company registered in the United States of America On that date the shares owned by Jacuzzi Brands, Inc., were sold to United Pacific Industries Limited ("UPI"), a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange

The acquisition of the remaining 38 2% of the common stock of S&J by UPI was accomplished on 25 September 2007 by a merger of S&J with a wholly owned subsidiary of UPI, Pantene Global Acquisition Corp ("PGAC") PGAC was the survivor corporation resulting from the merger and, as a result, S&J ceased to exist after the completion of that merger transaction

**DIRECTORS AND THEIR INTERESTS**

The directors of the company during the year were

J B Dargavel
W Fletcher
T Kelly
K Martin
L Wells
James Neill Holdings Limited

Eclipse Magnetics Limited is a wholly owned subsidiary undertaking of Neill Tools Limited

The entire issued share capital of the company's ultimate UK parent undertaking, Spear & Jackson plc, is held by S and J Acquisitions Corp , a company incorporated in the United States of America, whose immediate parent undertaking is PGAC In addition to its shareholding in Spear & Jackson plc, S and J Acquisitions Corp also owns the entire issued share capital of Bowers Group plc, a fellow subsidiary undertaking of Eclipse Magnetics Limited

Mr Fletcher was appointed as director of UPI, the Company's ultimate holding undertaking, on 8 April 2008

The directors have no other interests in the shares of group companies

## DIRECTORS' REPORT

**ADMINISTRATIVE ORGANISATION**

Eclipse Magnetics Limited acts on behalf of Magnacut Limited for the purpose of invoicing customers, collecting debts and paying creditors and expenses

**AUDITOR**

Chantrey Vellacott DFK LLP resigned as auditor on 17 December 2007 Grant Thornton UK LLP were appointed as auditor on that date to fill the casual vacancy Grant Thornton UK LLP have expressed their willingness to continue in office and a resolution to re-appoint them as independent auditor will be proposed at the forthcoming AGM

By order of the Board

W Fletcher
Secretary

25 July 2008

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The accounts are required by law to 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 these accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Grant Thornton

**ECLIPSE MAGNETICS LIMITED**

## REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF ECLIPSE MAGNETICS LIMITED

We have audited the financial statements of Eclipse Magnetics Limited for the year ended 30 September 2007 which comprise the profit and loss account, the balance sheet and notes 1 to 22 These financial statements have been prepared under the accounting policies set out therein

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

### Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

ECLIPSE MAGNETICS LIMITED

**REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF ECLIPSE MAGNETICS LIMITED (continued)**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Grant Thornton UK LLP

**Grant Thornton UK LLP**
**Chartered Accountants**
**Registered Auditors**
**Sheffield**
**28 July 2008**

# PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2007

| | Notes | *2007* £000 | *2006* £000 |
|---|---|---|---|
| **TURNOVER** | 2 | 8,350 | 7,159 |
| **NET OPERATING COSTS** | 3 | (7,315) | (7,569) |
| **OPERATING PROFIT/(LOSS)** | 3 | 1,035 | (410) |
| **PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION** | | 1,035 | (410) |
| Taxation on profit/(loss) on ordinary activities | 6 | - | - |
| **PROFIT/(LOSS) FOR THE FINANCIAL YEAR** | 16 | 1,035 | (410) |

All the above activities relate to continuing operations

Movements in reserves are set out in note 16 to the accounts

There are no recognised gains or losses other than the profit for the financial year as set out above

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year as stated above, and the historical cost equivalents, therefore no separate note of historical cost profit and losses has been presented

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

## BALANCE SHEET
at 30 September 2007

| | Notes | *2007* *£000* | *2006* *£000* |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Tangible assets | 8 | 24 | 66 |
| Investments | 9 | 130 | 130 |
| | | 154 | 196 |
| **CURRENT ASSETS** | | | |
| Stocks | 10 | 1,603 | 1,732 |
| Debtors | 11 | 3,465 | 3,267 |
| Cash at bank and in hand | | 1,743 | 806 |
| | | 6,811 | 5,805 |
| **CREDITORS** amounts falling due within one year | 12 | 3,910 | 3,641 |
| **NET CURRENT ASSETS** | | 2,901 | 2,164 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 3,055 | 2,360 |
| **PROVISIONS FOR LIABILITIES** | 13 | 1,180 | 1,520 |
| **NET ASSETS** | | 1,875 | 840 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 15 | 80 | 80 |
| Profit and loss account | 16 | 1,795 | 760 |
| **SHAREHOLDERS' FUNDS** | 17 | 1,875 | 840 |

These accounts were approved by the directors and authorised for issue on 25 July 2008, and are signed on their behalf by:

W Fletcher

The accompanying notes are an integral part of this balance sheet

## 1. ACCOUNTING POLICIES

***Basis of preparation***
The accounts are prepared under the historical cost convention in accordance with applicable accounting standards The accounting policies of the company have remained unchanged from the prior year

***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 |

***Impairment***
Fixed assets are subject to review for impairment in accordance with Financial Reporting Standard ("FRS") 11 "Impairment of Fixed Assets and Goodwill" Any impairment is recognised in the profit and loss account in the year in which it occurs

***Investments***
Fixed asset investments are shown at cost less amounts written off

***Stocks***
Stocks are stated at the lower of cost and net realisable value Cost includes all costs incurred in bringing each product to its present location and condition, as follows

| | | |
|---|---|---|
| Raw materials and consumables | - | 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

***Deferred taxation***
In accordance with FRS 19, provision for deferred taxation is made in full on all timing differences that have originated but not reversed at the balance sheet date Deferred tax assets are regarded as recoverable, and therefore recognised, only when it is regarded as more likely than not that there will be sufficient future taxable profits from which the reversal of the underlying timing differences can be deducted

Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enabled or substantially enacted by the balance sheet date Deferred taxation is measured on a non-discounted basis

Advance corporation tax, which is expected to be recoverable in the future, is deducted from the deferred taxation balance

1. **ACCOUNTING POLICIES (continued)**

***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

***Leasing commitments***

Rentals paid under operating leases are charged in the profit and loss account on a straight line basis over the lease term

***Goodwill***

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life of no more than 20 years Any permanent impairment in the value of goodwill is recognised immediately through the profit and loss account

***Pensions***

The company operates a defined contribution pension scheme Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme In addition, certain senior employees are members of a defined benefit scheme administered by a fellow subsidiary undertaking of the company, James Neill Holdings Limited The amount charged to the profit and loss account represents employer contributions paid in the year unless actuarial estimates for the provision of pension benefits in the year less an allowance for interest on the scheme prepayment is materially different

***Financial instruments***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

***Cash flow statement***

The directors have taken advantage of the exemption in FRS 1 (Revised 1996) from including a cash flow statement in the accounts on the grounds that the company is wholly owned and its ultimate parent publishes a consolidated cash flow statement

## 2 TURNOVER

Turnover, which is stated net of value added tax, represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities Turnover is attributable to one continuing activity, the manufacture and marketing of permanent magnets, magnetic work holding systems and other associated products

An analysis of turnover by geographical market is given below

| | *2007* | *2006* |
|---|---|---|
| | *£000* | *£000* |
| United Kingdom | 4,720 | 3,746 |
| Other EC countries | 1,814 | 1,459 |
| Rest of Europe | - | 67 |
| Africa | - | 33 |
| North and South America | 1,288 | 1,410 |
| Australasia | 238 | 291 |
| Rest of the World | 290 | 153 |
| | 8,350 | 7,159 |

## 3. OPERATING PROFIT/(LOSS)

(a) Operating profit before exceptional item comprises

| | *2007* | *2006* |
|---|---|---|
| | *£000* | *£000* |
| Turnover | 8,350 | 7,159 |
| Change in stocks of finished goods and work in progress | (29) | (132) |
| Other operating income | 18 | 25 |
| | 8,339 | 7,052 |
| Raw materials and consumables | 4,366 | 3,233 |
| Staff costs (note 5) | 1,429 | 1,479 |
| Depreciation of owned fixed assets | 20 | 85 |
| Auditors' remuneration – audit services | 11 | 9 |
| - non audit services (taxation) | 5 | 5 |
| Operating lease rentals - plant and machinery | 53 | 67 |
| - land and buildings | 181 | 177 |
| Other operating charges | 1,131 | 1,776 |
| | 7,196 | 6,831 |
| Operating profit before exceptional items | 1,143 | 221 |

(b) Exceptional items charged to operating profit

| | *2007* | *2006* |
|---|---|---|
| Relocation of Company's offices and manufacturing activities (note 13) | - | (631) |
| Share of special pension contribution paid to the group pension plan (note 22) | (108) | - |
| Total exceptional items | (108) | (631) |
| Net operating profit/(loss) | 1,035 | (410) |

Total operating costs as analysed above are split as follows

| | *2007* | *2006* |
|---|---|---|
| Other external charges | 4,735 | 4,229 |
| Staff costs | 1,429 | 1,479 |
| Depreciation written off fixed assets | 20 | 85 |
| Other operating charges | 1,131 | 1,776 |
| | 7,315 | 7,569 |

## 4. DIRECTORS' REMUNERATION

| | *2007* | *2006* |
|---|---|---|
| | *£000* | *£000* |
| Emoluments (excluding pension contributions) | 159 | 215 |

| | *2007* | *2006* |
|---|---|---|
| | *No* | *No* |
| Members of a defined benefit pension scheme | 3 | 3 |

## 5. STAFF COSTS

| | *2007* | *2006* |
|---|---|---|
| | *£000* | *£000* |
| Wages and salaries | 1,127 | 1,140 |
| Social security costs | 114 | 119 |
| Other pension costs | 188 | 220 |
| | 1,429 | 1,479 |

The average number of employees (excluding directors) during the year was as follows

| | *2007* | *2006* |
|---|---|---|
| | *No* | *No* |
| Manufacturing | 16 | 38 |
| Office and management | 30 | 22 |
| | 46 | 60 |

## 6 TAXATION

No taxation charge or credit arises in the year

The effective rate of current taxation assessed on the profit for the year differs from the standard rate of corporation tax in the UK The differences are as follows

| | *2007* | *2006* |
|---|---|---|
| | *£000* | *£000* |
| Tax on profit/(loss) on ordinary activities at the UK statutory rate of 30% | 311 | (123) |
| Permanently disallowed items | 5 | 10 |
| Group relief received for which no payment will be made | (225) | (22) |
| Annual effect of prior year special pension contribution | (35) | (35) |
| Shortfall in capital allowances over qualifying depreciation | 6 | 26 |
| (Release) of /increase in provisions | (57) | 144 |
| Other | (5) | - |
| Current taxation as reported | - | - |

Potential deferred tax assets of £174,000 (2006 - £302,000) relating to capital allowances in excess of depreciation and other timing differences have not been recognised in these accounts There is insufficient evidence that these assets will be recoverable within the meaning of FRS 19 "Deferred Taxation"

Additionally, the company has advance corporation tax of £1,127,000 (2006 - £1,127,000) available for offset against future taxation liabilities

## 7. INTANGIBLE FIXED ASSETS

| | *Goodwill* *£'000* |
|---|---|
| Cost At 1 October 2006 and 30 September 2007 | 80 |
| Amortisation | |
| At 1 October 2006 and 30 September 2007 | 80 |
| Net Book Value | |
| At 30 September 2006 and 30 September 2007 | - |

## 8. TANGIBLE FIXED ASSETS

| | *Plant, machinery and equipment* *£000* |
|---|---|
| Cost | |
| At 1 October 2006 | 1,933 |
| Disposals | (1,530) |
| At 30 September 2007 | 403 |
| Depreciation | |
| At 1 October 2006 | 1,867 |
| Charge for the year | 20 |
| Disposals | (1,508) |
| At 30 September 2007 | 379 |
| Net book value | |
| At 30 September 2007 | 24 |
| At 30 September 2006 | 66 |

## 9. INVESTMENTS

| | *Total* *£'000* |
|---|---|
| At 1 October 2006 and 30 September 2007 | 130 |

In January 2006 the Company paid £130,000, including costs, to acquire a 25% ordinary shareholding in a joint venture company, Ningbo Hitech Magnetic Assemblies Co Ltd, a company incorporated in the Peoples Republic of China

## 10. STOCKS

| | *2007* | *2006* |
|---|---|---|
| | *£000* | *£000* |
| Raw materials and consumables | 311 | 411 |
| Work in progress | 230 | 342 |
| Finished goods | 1,062 | 979 |
| | 1,603 | 1,732 |

## 11. DEBTORS

| | *2007* | *2006* |
|---|---|---|
| | *£000* | *£000* |
| Amounts falling due within one year | | |
| Trade debtors | 1,094 | 949 |
| Amounts due from parent undertaking | - | 881 |
| Amounts due from group undertakings | 746 | 19 |
| Amounts due from fellow subsidiary undertakings | 1,183 | 987 |
| Prepayments and accrued income | 92 | 81 |
| Deferred tax assets (note 14) | 87 | 86 |
| | 3,202 | 3,003 |
| Amounts falling due after one year | | |
| Deferred tax assets (note 14) | 263 | 264 |
| | 3,465 | 3,267 |

## 12. CREDITORS: amounts falling due within one year

| | *2007* | *2006* |
|---|---|---|
| | *£000* | *£000* |
| Trade creditors | 665 | 505 |
| Amounts due to group undertakings | 181 | 3,082 |
| Amounts due to immediate parent undertaking | 2,918 | - |
| Other taxes and social security | 108 | 31 |
| Accruals and deferred income | 38 | 23 |
| | 3,910 | 3,641 |

## 13. PROVISIONS FOR LIABILITIES

| Relocation provision | £000 |
|---|---|
| At 1 October 2006 | 1,520 |
| Paid in the year | (340) |
| At 30 September 2007 | 1,180 |

The provision relates to costs to be incurred in connection with the relocation of the company's office and factory premises

## 14. DEFERRED TAXATION

Deferred taxation is included in the balance sheet as follows

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Debtors receivable within one year (note 11) | 87 | 86 |
| Debtors receivable after more than one year (note 11) | 263 | 264 |
| | 350 | 350 |

Deferred taxation is included in the balance sheet in respect of the following items

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Capital allowances in excess of depreciation | 39 | 164 |
| Other timing differences relating to | | |
| Special pension contribution | 33 | 70 |
| Provisions | 278 | 116 |
| | 350 | 350 |

The following deferred tax assets have not been recognised in the accounts

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Other timing differences relating to | | |
| Provisions | 116 | 302 |
| Capital allowances in excess of depreciation | 58 | - |
| | 174 | 302 |

There is insufficient evidence that these assets will be recoverable within the meaning of FRS 19 "Deferred Taxation" Additionally, the company has advance corporation tax of £1,127,000 (2006 - £1,127,000) available for offset against future taxation liabilities

## 15. SHARE CAPITAL

| | Authorised | | Allotted, called up and fully paid | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | *No* | *No* | *£000* | *£000* |
| Ordinary shares of £1 each | 80,000 | 80,000 | 80 | 80 |

## 16. RESERVES

| | *Profit and loss account* |
|---|---|
| | *£000* |
| At 1 October 2006 | 760 |
| Profit for the year | 1,035 |
| At 30 September 2007 | 1,795 |

## 17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | *2007* | *2006* |
|---|---|---|
| | *£000* | *£000* |
| Profit/(loss) for the financial year | 1,035 | (410) |
| Shareholders' funds at 1 October 2006 | 840 | 1,250 |
| Shareholders' funds at 30 September 2007 | 1,875 | 840 |

## 18. OTHER FINANCIAL COMMITMENTS

At 30 September 2007 the company had annual commitments under non-cancellable operating leases as set out below

| | *Land and buildings* | | *Plant, machinery and Motor vehicles* | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | *£000* | *£000* | *£000* | *£000* |
| Operating leases which expire | | | | |
| Within one year | - | - | 2 | 16 |
| Within two to five years | 181 | - | 41 | 5 |
| After five years | - | 181 | - | - |
| | 181 | 181 | 43 | 21 |

**19. CONTINGENT LIABILITIES**

Borrowings under the bank overdraft facility of Eclipse Magnetics Limited are secured by a mortgage debenture with the HSBC Bank plc, incorporating fixed and floating charges to the whole undertaking and assets of the company

The UK bank accounts of Spear & Jackson plc and its fellow subsidiary undertaking, Bowers Group plc, with the HSBC Bank plc form a pooled fund. As part of this arrangement, the company has entered into a cross guarantee with the HSBC Bank plc to guarantee any bank overdrafts of other undertakings within the pooled fund. At 30 September 2007 the extent of this guarantee was £12,418,000 (2006 - £11,579,000) The net pooled cash position at 30 September 2007 was £1,352,000 (2006 - £2,870,000)

**20. ULTIMATE PARENT UNDERTAKING**

The parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up and of which the company is a member is United Pacific Industries Limited ("UPI"), a company registered in Bermuda and listed on the Hong Kong Stock Exchange

**21. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption under FRS 8 not to disclose transactions with other group companies

**22 PENSIONS**

The company is a member of a group pension plan ("the Plan") operated by James Neill Holdings Limited ("JNH") The Plan is a defined benefit scheme, the assets of which are held in trustee administered funds separate from those of the group The Plan is not is open to new members

The company is unable to identify its share of the underlying assets and the liabilities of the Plan on a consistent and reasonable basis for the purpose of FRS 17, 'Retirement Benefits', as it participates in the Plan with other group companies Each participating employer is exposed to actuarial risks associated with the current and former employees of the other employers who are members of the scheme As the company's share of the underlying assets and liabilities of the Plan cannot be reliably identified, the pension cost to the company under FRS 17 is therefore shown as the contributions paid to the scheme by the company in the year

A full actuarial valuation of the Plan was performed by PricewaterhouseCoopers as at 31 December 2004, using the projected unit method The main valuation assumptions adopted for funding purposes were that, over the long term, the annual discount rate of investment returns was 5 9% (post-retirement) and 5 9% (pre-retirement) Annual LPI pension increases were assumed to be 2 9%, and for other fixed rate increases the relevant fixed rate was assumed to apply Inflation and salary increases were assumed to be equal at 2 9% and assets were taken at current market value This actuarial valuation revealed that the market value of assets was sufficient to cover 79% of the liabilities of the Plan

The total contributions paid to the Plan for the period from 1 October 2006 to 30 September 2007 amounted to approximately £2 9 million (2006 - £1 9 million) representing on-going annual payments of £1 9 million (2006 - £1 9 million) and a special contribution of £1 million (2006 - £nil) The ongoing contributions represent payments under two successive funding arrangements agreed between the sponsoring employer and the trustees of the Plan From 1 October 2006 to 31 July 2007 contributions were made at an annual rate of £1 5 million When this funding arrangement came to an end, an interim arrangement was reached between the employer and the Plan's trustees and actuary whereby it was agreed that a one-time special contribution of £1 million was paid to the Plan on 1 August 2007 and that employer contributions would then continue at an annual rate of £1 9 million until a revised schedule of contributions was formally agreed by the parties involved This interim arrangement has now been agreed in principle and, subject to UK Pension Regulator approvals and the satisfactory execution of a charge in favour of the Plan representing 50% of the value of the Group's manufacturing plant in Sheffield, England, contributions are to continue at a fixed annual rate of £1 9 million for two years Thereafter, contributions

**22. PENSIONS (continued)**

will rise to £3 65 million for the following two years and will then revert to £3 25 million for a further three and a half years This contribution schedule may be subject to revision and amendment in future periods dependent on fluctuations, both favourable and adverse, in the actuarially determined value of Plan investments and liabilities

The pension charge attributable to the annual contributions payable by the company to the Plan amounted to £188,000 (2006 - £220,000) In addition, in the year to September 2007, the special contribution referred to above, was allocated pro rata to the member companies of the Plan and Eclipse Magnetics Limited's share was £108,000 This has been presented as an exceptional item charged in arriving at the net operating loss for the year to 30 September 2007 (see note 3b)

The principal financial assumptions used in calculating the liabilities of the Plan as at 30 September 2007, 2006 and 2005 under FRS17 are as follows

| | *At 30 September 2007* | *At 30 September 2006* | *At 30 September 2005* |
|---|---|---|---|
| Discount rate for assessing plan liabilities | 5 95% | 5 05% | 5 00% |
| Rate of increase in salaries | 3 40% | 3 10% | 2 80% |
| Rate of increases in inflation-linked deferred pensions | 3 00% | 3 00% | 2 80% |
| Rate of increase for pensions in payment | | | |
| - Pre 88 GMPs | 0 00% | 0 00% | 0 00% |
| - Post 88 GMPs | 2 70% | 2 50% | 2 40% |
| - Excess over GMP (fixed 5% increases) | 5 00% | 5 00% | 5 00% |
| - Excess over GMP (increase in line with LPI) | 3 00% | 2 80% | 2 70% |
| Inflation rate assumption | 3 20% | 3 00% | 2 80% |

| | *Long-term rate of return expected at 30 September 2007* | *Long-term rate of return expected at 30 September 2006* | *Long-term rate of return expected at 30 September 2005* |
|---|---|---|---|
| Equities | 8 70% | 8 20% | 8 10% |
| Bonds | 5 95% | 5 05% | 5 00% |
| Cash | 5 75% | 4 75% | 4 50% |

## 22. PENSIONS (continued)

The fair value of the assets held by the Plan as at 30 September 2007, 2006 and 2005, together with the liabilities at those dates calculated on the above bases, are as follows

| | *Fair Value at 30/09/2007 £ 000* | *Fair Value at 30/09/2006 £000* | *Fair Value at 30/09/2005 £ 000* |
|---|---|---|---|
| Equities | 51,844 | 50,407 | 47,654 |
| Bonds | 45,236 | 48,751 | 42,695 |
| Cash | 641 | 513 | 5,824 |
| Insurance policies | 1,456 | - | - |
| Total market value of assets | 99,177 | 99,671 | 96,173 |
| Present value of plan liabilities | (114,729) | (125,421) | (120,480) |
| Deficit in the scheme | (15,552) | (25,750) | (24,307) |
| Related deferred tax asset | 4,355 | 7,725 | 7,292 |
| Net pension liability | (11,197) | (18,025) | (17,015) |

The following represents the profit and loss charge for the Plan for the year

| | *2007 £000* | *2006 £000* |
|---|---|---|
| Operating profit | | |
| Current service cost | (1,115) | (1,187) |
| Finance cost | | |
| Expected return on pension plan assets | 6,668 | 6,241 |
| Interest on pension scheme liabilities | (6,260) | (5,949) |
| Net finance income | 408 | 292 |
| Total charge | (707) | (895) |

22 **PENSIONS (continued)**

An analysis of the amount recognised on the statement of total recognised gains and losses (STRGL) under FRS 17 would be as follows

| | *2007* *£000* | *2006* *£000* |
|---|---|---|
| Actual return less expected return on pension scheme assets | (6,026) | 969 |
| Experience gains and losses arising on the scheme liabilities | 1,789 | 315 |
| Changes in assumptions underlying the present value of scheme liabilities | 12,308 | (3,739) |
| Actuarial gain/(loss) recognised in the STRGL | 8,071 | (2,455) |

The movement in the deficit during the year under FRS 17 was as follows

| | *2007* *£000* | *2006* *£000* |
|---|---|---|
| Deficit in the scheme at the beginning of the year | (25,750) | (24,307) |
| Current service cost | (1,115) | (1,187) |
| Employer contributions | 2,834 | 1,907 |
| Other finance income | 408 | 292 |
| Actuarial gain/(loss) | 8,071 | (2,455) |
| Deficit in the scheme at the end of the year | (15,552) | (25,750) |

The history of experience gains and losses recognised in the statement of total recognised gains and losses under FRS 17 is as follows

| | *2007* | *2006* | *2005* | *2004* | *2003* |
|---|---|---|---|---|---|
| Difference between the expected and actual return on scheme amount (£'000) | (6,026) | 969 | 10,005 | 222 | 2,200 |
| percentage of scheme assets | (6%) | 10% | 10% | 0% | 3% |
| Experience gains and losses on scheme liabilities amount (£'000) | 1,789 | 315 | (3,635) | 3,804 | 500 |
| percentage of scheme liabilities | 2% | 0% | (3%) | 4% | 1% |
| Total amount recognised in statement of total Recognised gains amount (£'000) | 8,071 | (2,455) | (7,904) | (4,287) | 4,600 |
| percentage of scheme liabilities | 7% | (2%) | (7%) | (4%) | 5% |