

ECLIPSE MAGNETICS LIMITED

Report and Financial Statements

30 September 2011

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COMPANIES HOUSE

Eclipse Magnetics Limited

Registered No 531327

DIRECTORS

J B Dargavel
P J Dyson
M B Franckel
H W Lim
K Martin
S B McCallorum
L J Wells
James Neill Holdings Limited

SECRETARY

J M Dallman

AUDITOR

BDO LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5RU

BANKERS

HSBC Bank plc
Unit 4 Europa Court
Sheffield Business Park
Sheffield
S9 1XE

SOLICITORS

hlw Keeble Hawson LLP
Commercial House
Commercial Street
Sheffield
S1 2AT

REGISTERED OFFICE

Atlas Way
Atlas North
Sheffield
S4 7QQ

Eclipse Magnetics Limited

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report for the year ended 30 September 2011

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company throughout the year has continued to be 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.

During the year the company has benefitted from an upturn in the company's principal markets, resulting in a 12% increase in turnover and 109% increase in operating profit. The directors expect the current level of activity to be maintained in the forthcoming 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

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. Transaction exposures are hedged, when known.

Eclipse Magnetics Limited

DIRECTORS' REPORT

RESULTS AND DIVIDEND

The operating profit for the year was £1,236,000 (2010 – £592,000 after charging exceptional items of £192,000) The profit for the year after charging interest and taxation was £872,000 (2010 - £551,000) The directors do not recommend the payment of a dividend (2010 - £nil)

ULTIMATE PARENT UNDERTAKING

Eclipse Magnetics Limited is a fully owned subsidiary 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 Acquisition Corp, a company incorporated in the United States of America, whose immediate parent undertaking is Pantene Global Acquisitions Corp ("PGAC"), a company incorporated in the United States of America. In addition to its shareholding in Spear & Jackson plc, S and J Acquisition Corp also owns the entire issued share capital of Bowers Group plc, a fellow subsidiary undertaking of Eclipse Magnetics Limited. 100% of the common stock of PGAC is owned by United Pacific Industries Limited ("UPI"), a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange.

DIRECTORS

The directors of the company who served during the year and up to the date of this report were

J B Dargavel
P J Dyson
T Kelly (resigned 30 September 2011)
K Martin
L Wells
H W Lim
S B McCallorum
James Neill Holdings Limited

M B Franckel (appointed 9 January 2012)

ADMINISTRATIVE ORGANISATION

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

DIRECTORS' STATEMENT AS TO THE DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

Grant Thornton UK LLP resigned as auditor during the year. On 13 April 2011 BDO LLP was appointed as auditor to fill the casual vacancy. BDO LLP has expressed its willingness to continue in office and a resolution will be proposed to re-appoint BDO LLP at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by



J M Dallman
Secretary
18 May 2012

Eclipse Magnetics Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ECLIPSE MAGNETICS LIMITED

We have audited the financial statements of Eclipse Magnetics Limited for the year ended 30 September 2011 which comprise the profit and loss account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ECLIPSE MAGNETICS
LIMITED (CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



*Ian Beaumont (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
United Kingdom*

22 May 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Eclipse Magnetics Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 September 2011

	<i>Notes</i>	<i>2011 £000</i>	<i>2010 £000</i>
TURNOVER	2	8,937	8,000
NET OPERATING COSTS	3	(7,701)	(7,408)
OPERATING PROFIT	3	1,236	592
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		1,236	592
Interest payable	6	(11)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,225	592
Taxation on profit on ordinary activities	7	(353)	(41)
PROFIT FOR THE FINANCIAL YEAR	17	872	551

All the above results arose from continuing operations

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

The accompanying accounting policies and notes form an integral part of this profit and loss account

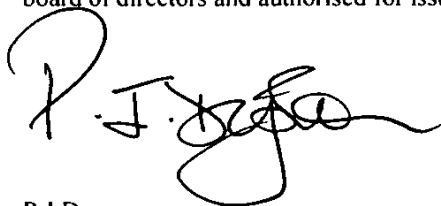
Eclipse Magnetics Limited

BALANCE SHEET at 30 September 2011

	<i>Notes</i>	<i>2011 £000</i>	<i>2010 £000</i>
FIXED ASSETS			
Intangible assets	8	-	-
Tangible assets	9	-	-
Investments	10	130	130
		<u>130</u>	<u>130</u>
CURRENT ASSETS			
Stocks	11	1,613	1,034
Debtors	12	3,970	3,773
Cash at bank and in hand		5,347	5,425
		<u>10,930</u>	<u>10,232</u>
CREDITORS: amounts falling due within one year	13	5,402	4,963
NET CURRENT ASSETS		<u>5,528</u>	<u>5,269</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,658</u>	<u>5,399</u>
PROVISIONS FOR LIABILITIES	14	44	657
NET ASSETS		<u>5,614</u>	<u>4,742</u>
CAPITAL AND RESERVES			
Called up share capital	16	80	80
Profit and loss account	17	5,534	4,662
SHAREHOLDERS' FUNDS	18	<u>5,614</u>	<u>4,742</u>

The accompanying accounting policies and notes form an integral part of this balance sheet

The financial statements of Eclipse Magnetics Limited, registered number 531327, were approved by the board of directors and authorised for issue on 18 May 2012. They were signed on its behalf by



P J Dyson

Director

Eclipse Magnetics Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2011

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.

After making appropriate enquiries and reviewing budgets, profit and cash flow forecasts and business plans, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company has more than sufficient resources and available facilities to continue in operational existence for the foreseeable future. For this reason the Directors consider that the adoption of the going concern basis in preparing the financial statements is appropriate.

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 enacted 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.

Eclipse Magnetics Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2011

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, with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves.

Leasing commitments

Rentals paid under operating leases are charged to 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 to 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.

Eclipse Magnetics Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2011

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

	2011 £000	2010 £000
United Kingdom	4,991	4,800
Europe	3,129	2,202
Africa	44	78
North and South America	518	637
Australasia	117	95
Rest of the World	138	188
	<u>8,937</u>	<u>8,000</u>

3 OPERATING PROFIT

(a) Operating profit before exceptional items comprises

	2011 £000	2010 £000
Turnover	8,937	8,000
Change in stocks of finished goods and work in progress	190	(184)
Other operating income	244	142
	<u>9,371</u>	<u>7,958</u>
Raw materials and consumables	4,553	4,114
Staff costs (note 5)	1,623	1,403
Fees payable to the company's auditor	13	11
– audit services	4	4
– non-audit services	65	59
Operating lease rentals - plant and machinery	55	-
Other external charges	1,822	1,583
Other operating charges	<u>8,135</u>	<u>7,174</u>
Operating profit before exceptional items	<u>1,236</u>	<u>784</u>

Eclipse Magnetics Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2011

3 OPERATING PROFIT (continued)

	2011 £000	2010 £000
(b) Exceptional items charged to operating profit		
Increase in provision for onerous lease obligations in connection with the company's leasehold premises	-	(141)
Legal fees	-	(51)
Exceptional items	-	(192)
Operating profit	1,236	592
Net operating costs are analysed as		
Other external charges	4,256	4,230
Staff costs	1,623	1,403
Other operating charges	1,822	1,583
Exceptional items	-	192
	7,701	7,408

4 DIRECTORS' REMUNERATION

	2011 £000	2010 £000
Emoluments	292	187
	2011 No	2010 No
Members of a defined benefit pension scheme	2	2

The amount payable to the highest paid director was £86,000 (2010 - £70,000) Accrued pension benefits of the highest paid director under the defined benefit pension scheme were £nil (2010 - £1,000)

5 STAFF COSTS

	2011 £000	2010 £000
Wages and salaries	1,328	1,148
Social security costs	147	123
Other pension costs	148	132
	1,623	1,403

Eclipse Magnetics Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2011

5 STAFF COSTS (continued)

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

	2011 No	2010 No
Manufacturing	26	11
Office and management	21	29
	<u>47</u>	<u>40</u>

6 INTEREST PAYABLE

	2011 £000	2010 £000
Bank interest	<u>11</u>	<u>-</u>

7 TAXATION

The taxation charge arising on the profit on ordinary activities comprises the following

	2011 £000	2010 £000
Current taxation		
Group relief payable for the year	107	-
Group relief payable in respect of prior years	<u>68</u>	<u>-</u>
	175	-
Deferred taxation, origination and reversal of timing differences	<u>178</u>	<u>41</u>
	<u>353</u>	<u>41</u>

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

	2011 £000	2010 £000
Tax on the profit on ordinary activities at the UK statutory rate of 27% (2010 – 28%)	331	166
Permanently disallowable items	30	4
Group relief received for which no payment will be made	-	(112)
Non-taxable income	(49)	(23)
Release of provisions	(173)	(35)
Excess of capital allowances over qualifying depreciation	(32)	-
Underprovision in respect of prior years	<u>68</u>	<u>-</u>
Current taxation charge as reported	<u>175</u>	<u>-</u>

Eclipse Magnetics Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2011

8	INTANGIBLE FIXED ASSETS	<i>Goodwill</i> <i>£000</i>
	Cost	
	At 1 October 2010 and 30 September 2011	80
	Amortisation	
	At 1 October 2010 and 30 September 2011	80
	Net book value	
	At 1 October 2010 and 30 September 2011	-
9	TANGIBLE FIXED ASSETS	<i>Plant, machinery and equipment</i> <i>£000</i>
	Cost	
	As 1 October 2010 and 30 September 2011	403
	Depreciation	
	As at 1 October 2010 and 30 September 2011	403
	Net book value	
	At 1 October 2010 and 30 September 2011	-
10	INVESTMENTS	<i>Total</i> <i>£000</i>
	At 1 October 2010 and 30 September 2011	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	
11	STOCKS	
		<i>2011</i> <i>£000</i>
		<i>2010</i> <i>£000</i>
	Raw materials and consumables	623
	Work in progress	60
	Finished goods	930
		1,613
		1,034

Eclipse Magnetics Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2011

12	DEBTORS	2011 £000	2010 £000
	Amounts falling due within one year		
	Trade debtors	1,158	1,081
	Amounts due from group undertakings	323	464
	Amounts due from fellow subsidiary undertakings	1,820	1,629
	Prepayments and accrued income	538	290
	Deferred taxation assets (note 15)	35	218
		<u>3,874</u>	<u>3,682</u>
	Amounts falling due after one year		
	Deferred taxation assets (note 15)	96	91
		<u>3,970</u>	<u>3,773</u>

13	CREDITORS amounts falling due within one year	2011 £000	2010 £000
	Bank borrowings	445	319
	Trade creditors	1,184	1,019
	Amounts due to group undertakings	485	544
	Amounts due to immediate parent undertaking	3,068	2,919
	Other taxes and social security	53	106
	Accruals and deferred income	167	56
		<u>5,402</u>	<u>4,963</u>

Bank borrowings of £445,000 (2010 - £319,000) comprise amounts drawn down on a confidential invoice discounting facility secured by certain of the Company's trade receivables. Refer to note 20 for further details.

14 PROVISION FOR LIABILITIES

Relocation provision	£000
At 1 October 2010	657
Paid in the year	(613)
At 30 September 2011	<u>44</u>

The provision relates to costs incurred in connection with the onerous lease obligation regarding the relocation of the company's office and factory premises.

Eclipse Magnetics Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2011

15 DEFERRED TAXATION

Deferred taxation is included in the balance sheet as follows

	2011 £000	2010 £000
Debtors receivable within one year (note 12)	35	218
Debtors receivable after more than one year (note 12)	96	91
	<u>131</u>	<u>309</u>

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

	2011 £000	2010 £000
Depreciation in advance of capital allowances	120	123
Other timing differences relating to provisions	11	186
	<u>131</u>	<u>309</u>

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

	2011 £000	2010 £000
Depreciation in advance of capital allowances	-	37
Other timing differences relating to provisions	5	4
	<u>5</u>	<u>41</u>

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 (2010 - £1,127,000) available for offset against future taxation liabilities

16 SHARE CAPITAL

	<i>Authorised, allotted, called up and fully paid</i>			
	2011 No	2010 No	2011 £000	2010 £000
Ordinary shares of £1 each	<u>80,000</u>	<u>80,000</u>	<u>80</u>	<u>80</u>

Eclipse Magnetics Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2011

17 RESERVES

	<i>Profit and loss account £000</i>
At 1 October 2010	4,662
Profit for the year	872
At 30 September 2011	<u>5,534</u>

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>2011 £000</i>	<i>2010 £000</i>
Shareholders' funds at 1 October 2010	4,742	4,191
Profit for the financial year	872	551
Shareholders' funds at 30 September 2011	<u>5,614</u>	<u>4,742</u>

19 OTHER FINANCIAL COMMITMENTS

At 30 September 2011 the company had annual commitments under non-cancellable operating leases as set out below

	<i>Land and buildings</i>		<i>Plant, machinery and Motor vehicles</i>	
	<i>2011 £000</i>	<i>2010 £000</i>	<i>2011 £000</i>	<i>2010 £000</i>
Operating leases which expire				
Within one year	-	158	16	28
Within two to five years	-	-	48	7
	<u>-</u>	<u>158</u>	<u>64</u>	<u>35</u>

20 CONTINGENT LIABILITIES

Bank facility

The bank overdrafts and bank borrowings of Eclipse Magnetics Limited, together with those of Bowers Group plc, Spear & Jackson plc and their UK subsidiary undertakings ('the group') have been secured by a mortgage debenture with the HSBC Bank plc, incorporating a fixed first charge on certain of the group's freehold land and buildings, a charge on certain trade receivables of the UK trading subsidiaries and a fixed and floating charge over the group's remaining undertakings and assets

The group's UK bank borrowing 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 2011 the extent of this guarantee was £29,352,000 (2010 - £27,290,000). The net pooled borrowings position at 30 September 2011 was £759,000 (2010 - £2,741,000).

Eclipse Magnetics Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2011

20 CONTINGENT LIABILITIES (continued)

Litigation

A claim has been brought against the company regarding an alleged defective magnetic lifting application. No provision for any potential costs has been made in these financial statements as the directors believe that the case has no merit and it will therefore be vigorously defended.

21 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.

22 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under FRS 8, "Related Party Disclosures", not to disclose transactions with other wholly owned subsidiaries of the group headed by United Pacific Industries Limited.

23 DERIVATIVES

The fair value of derivatives held by the company at the year end, not recognised in the financial statements is set out below:

	2011 £000	2010 £000
Forward exchange contracts – (liability)	-	(33)

24 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 based on final salaries, the assets of which are held in trustee administered funds separate from those of the group. The Plan is not 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.

Eclipse Magnetics Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2011

24 PENSIONS (continued)

The total contributions paid to the Plan for the year ended 30 September 2011 amounted to approximately £0.8 million (2010 - £1.3 million). Contributions will be £0.954 million for the year to 31 March 2012 and £1.079 million for the year to 31 March 2013. From 1 April 2013 the annual rate of contribution will be £2.1 million and this will increase each year at a rate of 4.2% for the remainder of the recovery period. 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 and the financial strengths and cash flow requirements of the Plan's sponsoring employers. Additionally, a charge has been executed in favour of the Plan, representing 50% of the value of the Spear & Jackson group's freehold land and buildings at Atlas Way, Sheffield.

In addition, in connection with the renegotiation of the employer's contribution scheme relating to the annual payments to be made by the participating employers of the Plan, guarantees have been provided by Spear & Jackson plc and Bowers Group plc to secure certain obligations ("the guaranteed obligations") relating to the Plan in the event of a contribution default by any of the participating companies or in certain other circumstances.

The guaranteed obligations means all present and future obligations (actual or contingent) of each participating employer to make payments to the Plan up to a maximum amount equal to the lowest non-negative amount which, when added to the assets of the Plan, would result in the Plan being at least 105% funded on the date on which any liability under the guarantee crystallised based on an actuarial valuation of the Plan carried out on that date.

The pension charge attributable to the annual contributions payable to the Plan by the company amounted to £148,000 (2010 - £132,000).

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	<i>At 30 September 2011 %</i>	<i>At 30 September 2010 %</i>
Discount rate for assessing plan liabilities	5.30	5.10
Rate of increase in salaries	0.00	0.00
Rate of increases in inflation-linked deferred pensions	2.80	2.85
Rate of increase for pensions in payment		
- Pre 88 GMPs	0.00	0.00
- Post 88 GMPs	1.90	2.40
- Excess Over GMP (Fixed 5% increases)	5.00	5.00
- Excess over GMP (increase in line with LPI)	2.80	2.85
RPI Inflation Rate Assumption	2.90	3.00
CPI Inflation Rate Assumption	2.20	N/A
Number of years a current pensioner is expected to live beyond 65		
- Men	18.3	17.8
- Women	20.6	20.1
Number of years a current pensioner is expected to live beyond 70		
- Men	13.3	12.8
- Women	15.6	15.1

Following the changes in applicable legislation, inflationary increases applied to the value of deferred members' pension liabilities have been calculated using CPI rather than RPI.

Eclipse Magnetics Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2011

24 PENSIONS (continued)

	<i>Long-term rate of return expected at 30 September 2011 %</i>	<i>Long-term rate of return expected at 30 September 2010 %</i>
Equities	7.70	8.00
Bonds	5.30	5.10
Cash	0.50	0.50

The expected return on assets assumption has been derived by considering the appropriate return for each of the main asset classes. The yields assumed on bond type investments are based on published redemption yields at the balance sheet date. The assumed return on equities reflects an assumed allowance for the out-performance of these asset classes over UK Government bonds in the long-term. The rates of return are shown net of investment manager expenses.

The fair value of the assets held by the Plan as at 30 September 2011 and 2010, together with the liabilities at those dates calculated on the above bases, are as follows:

	<i>2011 £000</i>	<i>2010 £000</i>
Total market value of Plan assets	98,171	101,850
Present value of Plan liabilities	(106,859)	(114,405)
Deficit in the Plan	(8,688)	(12,555)
Related deferred tax asset	2,172	3,390
Net pension liability	(6,516)	(9,165)

