Registered number: 00531327

ECLIPSE MAGNETICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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ECLIPSE MAGNETICS LIMITED

COMPANY INFORMATION

Directors	J B Dargavel S Hsu K Martin S B McAllorum A Shone S P White James Neill Holdings Limited
Company secretary	J M Dallman
Registered number	00531327
Registered office	Atlas Way Atlas North Sheffield S4 7QQ
Independent auditors	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL

ECLIPSE MAGNETICS LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Business model and strategy

The principal activity of the Company throughout the year has continued to be the design, procurement and sale of permanent magnets, magnetic work holding systems and other associated products.

Financial review

The Company has experienced increased customer demand in certain of its geographical and product markets. This has led to an increase in operating profits. The directors expect the current level of activity to be maintained in the forthcoming year.

The operating profit for the year was £1,501,000 (2016 – £1,108,000). After crediting dividends receivable, charging net interest and charging taxation, the profit for the financial year amounted to £1,622,000 (2016 – £983,000).

A final dividend of £1,243,000 (£15.54 per ordinary share) was paid in September 2017 (2016 - £nil).

Key performance indicators

	2017	2016
Turnover from continuing operations (£000)	**12,338**	*10,489*

As the prime measure of our economic output, revenue growth is key to measuring shareholder return and the success of our expansion strategies.

	2017	2016
Gross margin from continuing operations (%)	**38.3**	*41.0*
Gross margin from continuing operations (£000)	**4,725**	*4,303*

Gross margin provides an indication of the quality of turnover growth and is also a measure of value added by the company, reflecting the quality of design and production processes

Principal risks and uncertainties

The Company uses financial instruments, other than derivatives, comprising other items such as inter-company balances and other liabilities that arise directly from its operations. The main purpose of these financial instruments is to finance 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 these risks as summarised below. The policies have remained unchanged from previous periods

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, asset-backed lending facilities and a term-loan within Spear & Jackson Group Limited and its UK subsidiary undertakings.

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 facilitie

Foreign exchange risk

The Company is exposed to transaction and translation foreign exchange risk. Transaction exposures are hedged, when known.

This report was approved by the board on 27 June 2018 and signed on its behalf.

J M Dallman
Secretary

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their report and the financial statements for the year ended 30 September 2017.

Directors

The directors who served during the year were:

J B Dargavel
S Hsu
K Martin
S B McAllorum
A Shone
S P White
James Neill Holdings Limited

Dividends

Information on the ordinary dividend paid has been included in the Strategic Report on page 1.

Qualifying third party indemnity provisions

The Company has put in place qualifying third party indemnity provisions for all of the directors of Eclipse Magnetics Limited.

Financial instruments

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Company policy to assess the credit risk of new customers before entering contracts. Each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval.

A monthly review of the trade receivables' ageing analysis is undertaken and customers' credit is reassessed periodically. Existing customers that become "high risk" as a result of the periodic reassessment are placed on a restricted customer list and future credit sales are made only with approval of management, otherwise payment in advance is required.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

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, asset-backed lending facilities and a term-loan within Spear & Jackson Group Limited and its UK subsidiary undertakings.

Foreign exchange risk

The Company is exposed to transaction and translation foreign exchange risk. Transaction exposures are hedged, when known.

Research and development activities

The Company continues to invest in research and development. This has resulted in improvements in the products across the range, which will benefit the Company in the medium to long term. The amount of development costs capitalised in the year was £nil (2016 - £nil). Research costs incurred that did not meet the criteria for capitalisation and were therefore expensed in the period totalled £6,000 (2016 - £24,000).

Likely future developments in the business of the Company

Information on likely future developments in the business of the Company has been included in the Strategic Report on page 1.

Existence of branches of the company outside of the United Kingdom

The Company has no branches outside of the United Kingdom.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, BDO LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed as the Annual General Meeting.

This report was approved by the board on 27 June 2018 and signed on its behalf.

J M Dallman
Secretary

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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 AUDITORS' REPORT TO THE SHAREHOLDERS OF ECLIPSE MAGNETICS LIMITED

Opinion

We have audited the financial statements of Eclipse Magnetics Limited (the 'Company') for the year ended 30 September 2017, which comprise the Income Statement and Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ECLIPSE MAGNETICS LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

BDO LLP

Paul Davies (Senior Statutory Auditor)

for and on behalf of
BDO LLP

Leeds, United Kingdom
Date: 27 June 2018

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

ECLIPSE MAGNETICS LIMITED

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Note	2017 £000	*2016 £000*
Turnover	3	12,338	*10,489*
Cost of sales		(7,613)	*(6,186)*
Gross profit		4,725	*4,303*
Distribution costs		(1,936)	*(1,555)*
Administrative expenses		(1,794)	*(1,645)*
Exceptional other operating charges		-	*(53)*
Other operating income	13	506	*58*
Operating profit	4	1,501	*1,108*
Income from shares in group companies	7	292	-
Operating profit on ordinary activities before interest and taxation		1,793	*1,108*
Interest receivable and similar income		16	*16*
Interest payable and similar charges	8	(26)	*(31)*
Profit on ordinary activities before taxation		1,783	*1,093*
Taxation on profit on ordinary activities	9	(161)	*(110)*
Profit for the financial year		1,622	*983*
Total comprehensive income for the year		1,622	*983*

The notes on pages 12 to 31 form part of these financial statements.

All the above activities arose from continuing operations.

ECLIPSE MAGNETICS LIMITED
REGISTERED NUMBER:00531327

BALANCE SHEET
AS AT 30 SEPTEMBER 2017

	Note		2017 £000		*2016 £000*
Fixed assets					
Intangible assets	11		-		-
Tangible assets	12		270		*239*
Investments	13		207		*207*
			477		*446*
Current assets					
Stocks	14	3,419		*2,474*	
Debtors: amounts falling due within one year	15	5,180		*4,125*	
Debtors: amounts falling due after more than one year	15	26		*27*	
Cash at bank and in hand		3,822		*5,907*	
		12,447		*12,533*	
Creditors: amounts falling due within one year	16	(4,877)		*(5,263)*	
Financial instruments	17	(5)		-	
Net current assets			**7,565**		*7,270*
Total assets less current liabilities			**8,042**		*7,716*
Provisions for liabilities	18		-		*(53)*
Net assets			**8,042**		*7,663*
Capital and reserves					
Called up share capital	20		80		*80*
Profit and loss account			7,962		*7,583*
			8,042		*7,663*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

27 June 2018

A Shone
Director

The notes on pages 12 to 31 form part of these financial statements.

ECLIPSE MAGNETICS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 October 2015	**80**	**6,600**	**6,680**
Comprehensive income for the year			
Profit for the year	-	983	983
Total comprehensive income for the year	-	983	983
At 1 October 2016	**80**	**7,583**	**7,663**
Comprehensive income for the year			
Profit for the year	-	1,622	1,622
Total comprehensive income for the year	-	1,622	1,622
Contributions by and distributions to owners			
Dividends	-	(1,243)	(1,243)
At 30 September 2017	**80**	**7,962**	**8,042**

The notes on pages 12 to 31 form part of these financial statements.

1. Accounting policies

Eclipse Magnetics Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the Strategic Report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. There were no material departures from that standard.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying accounting policies (see note 2).

As at 30 September 2017, the Company was a 100% subsidiary of Spear & Jackson Group Limited, a company incorporated in England. Spear & Jackson Group Limited prepares its financial statements in accordance with International Financial Reporting Standards and, as such, the Company is entitled to the exemption from the requirement to prepare consolidated financial statements provided under the Section 400 of the Companies Act 2006. These financial statements therefore contain information about Eclipse Magnetics Limited as an individual company, and not about its group.

The directors have taken advantage of the exemption in FRS 102 section 1.12 from including a Statement of Cash Flows in the financial statements on the grounds that, at 30 September 2017, the Company was wholly owned and its ultimate United Kingdom parent published a consolidated cash flow statement.

Valuation of investments

Investments are measured at cost less accumulated impairment.

Revenue

Revenue from the sale of goods is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Where the buyer has a right of return, the company defers recognition of turnover until the right of return has lapsed. However, where high volumes of sales are made to established wholesale customers, revenue is recognised in the period where the goods are delivered less an appropriate provision for returns based on past experience.

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

1. Accounting policies (continued)

Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Plant and machinery	- 1 - 15 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement and Statement of Comprehensive Income.

Website development costs

Where the Company's website is expected to generate future revenues in excess of the costs of developing the website and all other capitalisation criteria are met, expenditure on the functionality of the website is capitalised and treated as an intangible fixed asset. Expenditure incurred on maintaining websites and expenditure incurred on developing websites used only for advertising and promotional purposes are written off as incurred. Development costs that are capitalised in accordance with the requirements of FRS 102 are not treated, for dividend purposes, as a realised loss.

Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Foreign currency translation

Foreign currency transactions are translated into Pounds Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1. Accounting policies (continued)

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Finance costs

Finance costs are charged to the Income Statement and Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 5 years. Goodwill is being amortised to 'administrative expenses' over periods ranging from 3 to 10 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

1. Accounting policies (continued)

Intangible assets (continued)

(b) Research and development costs

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised to 'administrative expenses' on a straight-line basis over their expected useful economic lives, which range from 3 to 6 years.

The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only.

Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1. Accounting policies (continued)

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the shorter period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Where the Company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon terrmination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease. This is released over the remaining lease term.

Pension costs

Contributions to the Company's defined contribution pension schemes are charged to profit or loss in the year in which they become payable.

The Company is a member of a group defined benefit pension plan which until 30 March 2017 was operated by Spear & Jackson Limited, the immediate parent undertaking. On that date, James Neill Holdings Limited, a fellow subsidiary undertaking, became the principal employer of the Plan and became legally responsible for its operation. There is no contractual agreement or stated policy for charging the net defined benefit cost to individual group entities. In line with the requirements of FRS 102 section 20.38, the net defined benefit cost of the Plan has, therefore, been recognised in the individual financial statements of the group entity legally responsible for the Plan. Until 30 March 2017 the cost was recognised in Spear & Jackson Limited, after which it was recognised in James Neill Holdings Limited. The other group companies who are members of the Plan have recognised a cost equal to their contributions payable for the year in their individual financial statements.

1. Accounting policies (continued)

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Construction contracts

When the outcome of a construction contract can be estimated reliably, the company recognises contract revenue and contract costs associated with the construction contract as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. Reliable estimation of the outcome requires reliable estimates of the stage of completion, future costs and collectability of billings.

The company recognises costs that relate to future activity on the transaction or contract, such as for materials or prepayments, as an asset if it is probable that the costs will be recovered. Where recovery is not probable, the cost is recognised as an expense immediately.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

Tangible fixed assets (see note 12)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Deferred taxation (see note 19)

The Company has recorded significant deferred tax assets in its Balance Sheet. A review of all available positive and negative evidence is undertaken by the Company at the end of each reporting period to determine the likelihood of realising the deferred tax benefits which potentially arise on its property, plant and equipment, the UK pension defined benefit plan, accruals and allowances, inventories and tax loss carry forwards.

Such reviews consider the available positive and negative evidence, and comprise all those factors believed to be relevant, including the Company's recent operating results and its expected future profitability, including the impact of its manufacturing restructuring strategies. Based on these reviews, the Company can then determine whether there is a reasonable expectation that it will generate sufficient future taxable income such that its gross deferred tax assets relating to property, plant and equipment, the UK pension defined benefit plan, accruals and allowances and inventories are likely to be realised.

The Company will continue to review the recoverability of its deferred tax assets and, based on such periodic reviews, the Company could recognise a change in the valuation allowance relating to its deferred tax assets in the future should, for example, estimates of forecast taxable income be reduced or other favourable or adverse events occur.

3. Turnover

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	6,500	5,277
Europe	4,408	3,547
Africa	31	28
North and South America	276	617
Australasia	28	13
Rest of the World	1,095	1,007
	12,338	10,489

4. Operating profit

The operating profit is stated after charging/(crediting):

	2017 £000	2016 £000
Research and development charged as an expense	6	24
Inventory recognised as an expense	7,536	6,156
Impairment of inventory	77	30
Depreciation of tangible fixed assets	62	46
Operating lease expense	125	122
Fees payable to the Company's auditor:		
- Audit of the Company's annual financial statements	10	13
- Taxation compliance services	4	8
Exchange differences	3	(204)
Defined contribution pension cost	25	21
Defined benefit pension cost (note 25)	377	377

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £000	*2016 £000*
Wages and salaries	1,491	*1,315*
Social security costs	186	*164*
Cost of defined benefit scheme (note 25)	377	*377*
Cost of defined contribution scheme	25	*21*
	2,079	*1,877*

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	*2016 No.*
Manufacturing	21	*17*
Office and management	23	*25*
	44	*42*

6. Directors' remuneration

	2017 £000	*2016 £000*
Directors' emoluments	44	*40*

There were 3 directors in the group's defined benefit pension scheme (2016 - 3).

On 28 March 2014, certain directors transferred their contracts of employment from the company to Spear & Jackson Limited, the immediate parent undertaking. Emoluments of £257,000 (2016 - £283,000) have been included within the staff costs of Spear & Jackson Limited in relation to these individuals.

7. Income from investments

	2017 £000	*2016 £000*
Income from fixed asset investments (unlisted shares)	292	-

On 31 August 2017, the Company received dividends of £292,000 from Eclipse Tools North America Inc., a wholly owned subsidiary.

8. Interest payable and similar charges

	2017 £000	*2016 £000*
Bank borrowings	**26**	*31*

9. Taxation on profit on ordinary activities

	2017 £000	*2016 £000*
UK corporation tax		
Current tax on profits for the year	**190**	*210*
Adjustments in respect of previous periods	**(39)**	*(123)*
Total current tax	**151**	*87*
Deferred tax		
Origination and reversal of timing differences	**3**	*(4)*
Adjustment in respect of previous periods	**7**	*20*
Changes to tax rates	**-**	*7*
Total deferred tax	**10**	*23*
Taxation charge on ordinary activities	**161**	*110*

The tax assessed for the year is lower than *(2016 - lower than)* the standard rate of corporation tax in the UK of 19.5% *(2016 - 20%)*. The differences are explained below:

	2017 £000	*2016 £000*
Profit on ordinary activities before taxation	**1,783**	*1,093*
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.5% (2016 - 20%)	**348**	*219*
Effects of:		
Permanently disallowable items	**1**	*2*
Non-taxable income	**(156)**	*(12)*
Over provision in respect of prior years	**(32)**	*(103)*
Timing differences in respect of derivative financial instruments	**-**	*(3)*
Changes in tax rates	**-**	*7*
Total tax charge for the year	**161**	*110*

For further information on deferred tax balances see note 19.

10. Dividends

	2017 £000	*2016* *£000*
Ordinary		
Final dividend for the year of £15.54 (2016 - £nil) per share	**1,243**	*-*

In September 2017, the Company paid a dividend of £1,243,000 (£15.54 per ordinary share) to its immediate parent undertaking, Spear & Jackson Limited.

11. Intangible assets

	Goodwill £000
Cost	
At 1 October 2016 and 30 September 2017	**80**
Amortisation	
At 1 October 2016 and 30 September 2017	**80**
Net book value	
At 30 September 2017	**-**
At 30 September 2016	*-*

12. Tangible fixed assets

	Plant and machinery £000
Cost or valuation	
At 1 October 2016	769
Additions	93
At 30 September 2017	862
Depreciation	
At 1 October 2016	530
Provision for the year	62
At 30 September 2017	592
Net book value	
At 30 September 2017	270
At 30 September 2016	*239*

13. Fixed asset investments

	Subsidiary undertakings £000	*Other* investments £000	Total £000
Cost			
At 30 September 2017 and 30 September 2016	49	158	207

13. Fixed asset investments (continued)

The Company holds an 18% shareholding in a joint venture company, Ningbo Hitech Magnetic Assemblies Co. Ltd. ("Ningbo"), a company incorporated in the Peoples' Republic of China. The principal activities of the company are the manufacture and sale of magnetic, plastic and other materials and magnetic assemblies.

Ningbo declared dividends payable equal to the amount of distributable reserves available on 31 December 2016. As a result, the Company received a dividend of £279,000 during the year ended 30 September 2017, with the remaining amount outstanding of £227,000 recorded as a dividend receivable at 30 September 2017 (note 15). The dividends receivable are recorded within "Other operating income". The amount is expected to be received in full during the year ended 30 September 2018.

On 28 September 2012, Eclipse Magnetics Limited purchased the entire issued share capital of Eclipse Tools North America Inc., a company incorporated in Canada, from a fellow subsidiary undertaking, Neill Tools Limited, for a purchase consideration of £49,364. The principal activities of the company are the distribution of magnetic products, hand tools and other related products. The registered address of the company is 442 Millen Road, Units 9 & 10, Stoney Creek, Ontario, L8E 6H2, Canada.

14. Stocks

	2017 £000	*2016* *£000*
Raw materials and consumables	1,256	*604*
Work in progress (goods to be sold)	128	*74*
Finished goods and goods for resale	2,035	*1,796*
	3,419	*2,474*

15. Debtors

	2017 £000	2016 £000
Amounts falling due after more than one year		
Deferred tax asset (note 19)	26	27

	2017 £000	2016 £000
Amounts falling due within one year		
Trade debtors	2,329	1,612
Amounts owed by group undertakings	2,334	2,063
Amounts owed by subsidiary undertakings	39	83
Amounts owed by fellow subsidiary undertakings	3	5
Dividends receivable (note 13)	227	-
Amounts owed by parent undertakings	-	261
Other debtors	41	86
Tax recoverable	201	-
Deferred taxation (note 19)	6	15
	5,180	4,125

16. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank borrowings	1,659	705
Trade creditors	1,467	738
Amounts owed to fellow subsidiary undertakings	485	3,281
Amounts owed to parent undertakings	475	22
Amounts owed to group undertakings	12	25
Other taxation and social security	296	217
Corporation tax	190	44
Accruals and deferred income	293	231
	4,877	5,263

Bank borrowings of £1,659,000 (2016 - £705,000) comprise amounts drawn down on a confidential invoice discounting facility secured by certain of the Company's trade receivables and stocks. Refer to note 21 for further details.

17. Financial instruments

	2017 £000	*2016* *£000*
Derivative financial liabilities		
Forward foreign exchange contracts - held for trading	**5**	-

The fair values for the above contracts have been estimated using relevant market exchange and interest rates.

The Company enters into significant medium term currency exposures that are not expected to be off-set by other currency transactions. They are considered to be part of an economic hedge arrangement but have not been formally designated. The foreign exchange forward contracts relate primarily to forward purchases of US Dollars with Euros. The cash flows are expected to occur before 31 March 2018 (2016 - no open contracts).

18. Provision for liabilities

	Retrenchment costs £000
At 1 October 2016	53
Utilised in year	(53)
At 30 September 2017	-

The provision related to retrenchment costs, and has been paid in full during the reporting period.

19. Deferred tax

	Accelerated capital allowances £000	Financial instruments revaluations £000	Other timing difference £000	Total £000
At 1 October 2015	*43*	*(3)*	*25*	*65*
Taxation (charge)/credit in the year	*(13)*	*3*	*(13)*	*(23)*
At 30 September 2016	**30**	**-**	**12**	**42**
Taxation charge in the year	**(1)**	**-**	**(9)**	**(10)**
At 30 September 2017	**29**	**-**	**3**	**32**

The Company has an advance corporation tax balance of £916,000 (2016 - £916,000); this is potentially available for offset against future taxation liabilities to the extent that the quantum and timing of the group's UK taxable profits interacts with dividend flows in and out of the UK group in such a way that there is capacity to shelter a liability in a given accounting period. No recognition has been made in these financial statements.

20. Share capital

	2017 £000	*2016 £000*
Authorised, allotted, called up and fully paid		
80,000 ordinary shares of £1 each	**80**	*80*

21. Contingent liabilities

Pledge of assets

At the reporting date, the banking facilities of the UK subsidiaries of Spear & Jackson Group Limited (the "UK Group") with the HSBC Bank plc comprise asset-backed lending facilities (confidential invoice discounting and inventory borrowing line) and, until 21 August 2017, a Base Rate term loan.

The asset-backed lending facilities are secured on certain trade receivables and inventories in the UK trading operations of the UK Group.

The amount drawn down on the Base Rate term loan at 30 September 2017 was £nil (2016 - £760,000). It was secured by fixed and floating charges on the assets and undertakings of the UK Group and its trading subsidiaries, by a first fixed charge on the Group's freehold properties in the United Kingdom and certain cross-guarantees from UK and non-UK subsidiaries of the Spear & Jackson Group Limited group of companies.

Additionally, the UK Group's net cash balances with the HSBC form a pooled fund. Individual account balances may be in an overdrawn position but, collectively a positive net pooled position is required. As part of this pooled fund arrangement, the company has entered into a cross guarantee to guarantee any bank borrowings within that pooled fund. At 30 September 2017, the extent of this guarantee was £18,726,000 (2016 - £31,870,000). The net pooled cash position at 30 September 2017 was £65,000 (2016 - £237,000).

Refer to note 25 in respect of security and guarantees that are in place in relation to the James Neill Pension Plan.

Other

The Company is, from time to time, subject to legal proceedings and claims arising from the conduct of its business operations, including litigation related to personal injury claims, customer contract matters, employment claims and environmental matters.

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits, the directors of the Company believe that the aggregate amount of such liabilities, if any, in excess of amounts accrued, will not have a material adverse effect on the financial position or results of operations of the Company.

22. Commitments under operating leases

At 30 September 2017 the Company had future minimum lease payments under non-cancellable operating leases of motor vehicles as follows:

	2017 **£000**	*2016* *£000*
Within one year	**40**	*98*
Between one and five years	**106**	*105*
	146	*203*

23. Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of Spear & Jackson Limited. The entire issued share capital of Spear & Jackson Limited is held by 30 September 2017, a company registered in the United Kingdom. The entire issued share capital of Spear & Jackson Group Limited is held by Pantene Global Holdings Limited, a company registered in Hong Kong.

Pantene Global Holdings Limited is a wholly owned subsidiary of Kings Victory Limited, a company incorporated in the British Virgin Islands with limited liability. Kings Victory Limited is a wholly owned subsidiary of SNH Global Holdings Limited, a privately-owned company incorporated in the British Virgin Islands with limited liability.

The smallest group in which the results of the company are consolidated is that headed by Spear & Jackson Group Limited. The address of Spear & Jackson Group Limited's registered office is Atlas Way, Atlas North, Sheffield, S4 7QQ.

24. Related party transactions

The Company has taken advantage of the exemption under FRS 102 section 33.1A, "Related Party Disclosures", not to disclose transactions with other wholly owned subsidiaries of the group headed by Spear & Jackson Group Limited.

The Company purchases manufactured parts directly from Ningbo Hi-tech Assemblies Co. Ltd ("Ningbo Hi-tech), a company in which it has an 18% interest (note 13). In the year ended 30 September 2017, goods to the value of approximately £3,768,000 (2016 - £2,848,000) were purchased from Ningbo Hi-tech. At 30 September 2017, the amount payable to Ningbo Hi-tech was £594,000 (2016 - £301,000).

The Company purchases manufactured parts directly from Pantene Industrial Co. Ltd ("Pantene"), a fellow subsidiary undertaking of SNH Global Holdings Limited. In the year ended 30 September 2017, goods to the value of approximately £236,000 (2016 - £12,000) were purchased from Pantene. At 30 September 2017, the amount payable to Pantene was £68,000 (2016 - £12,000).

Key management personnel include all directors and a number of senior managers across the company who together have authority and responsibility for planning, directing and controlling the activities of the Company. The total compensation paid to key management personnel for services provided was £355,000 (2016 - £333,000). This includes amounts paid on behalf of the Company by fellow group undertakings.

25. Retirement benefit obligations

The Company is a member of a group pension plan (the "Plan") which at 30 September 2017 was operated by James Neill Holdings Limited ("JNH"). Up to 30 March 2017, the Plan was operated by Spear & Jackson Limited ("SJL"). The Plan is a contributory defined benefit pension plan covering certain employees in the UK-based subsidiaries of Spear & Jackson Group Limited. The benefits covered by the Plan are based on years of service and compensation history. The Plan's assets are held separately from the assets of the Spear & Jackson Group Limited and are administered by the Plan's trustees and are managed professionally. The Plan is not open to new entrants.

The Company is a participating employer in the Plan. There is no contractual agreement or stated policy for charging the net defined benefit cost to individual group entities. In line with the requirements of FRS 102 section 20.38, the net defined benefit cost of the Plan has, therefore, been recognised in the individual financial statements of the group entity legally responsible for the Plan, SJL. The other group companies who are members of the Plan have recognised a cost equal to their contributions payable for the year in their individual financial statements.

The pension charge attributable to the annual contributions payable to the Plan by the Company amounted to £377,000 (2016 - £377,000).

The latest formal valuation of the Plan was carried out at 05 April 2016 by KPMG, the actuarial advisors to the Plan. Following the finalisation of the 2016 actuarial valuation, a long-term funding plan was agreed between the Plan and SJL which provided for a fixed annual contribution of £2.8 million commencing on 1 March 2017 to 29 February 2032.

The contribution is based on the recovery of a deficit of £70.8 million as indicated in the triennial valuation at 5 April 2016. In addition to recovering the deficit, the annual fixed contributions also cover the funding of the annual ongoing accrual and the annual Pension Protection Fund Levy which is borne directly by the Plan. The revised schedule is subject to UK pension regulatory approval, and may be liable to revision and amendments in future periods dependent on fluctuations, both favourable and adverse, in the actuarially determined value of the Plan investments and liabilities and financial strengths and cash flow requirements of the Plan's sponsoring employers.

Full disclosure of the net pension liability is included in the financial statements of JNH.

The fair value of the assets held by the Plan as at 30 September 2017 and 2016 together with the liabilities at those dates, are as follows:

	2017	*2016*
	£000	*£000*
Total market value of Plan assets	**119,045**	*116,064*
Present value of Plan liabilities	**(161,939)**	*(167,072)*
Deficit in the Plan	**(42,894)**	*(51,008)*
Related deferred tax asset	**7,320**	*8,699*
Net pension liability	**(35,574)**	*(42,309)*

25. *Retirement benefit obligations (continued)*

On 28 March 2014, a Flexible Apportionment Agreement was entered into whereby the employment of members of the Plan in the company and certain other participating employers was transferred to SJL. SJL became the Principal Employer of the Plan and the liabilities of the relevant participating employers were apportioned and transferred to SJL. At the same time the company and the relevant participating employers entered into separate agreements with the Trustees of the Plan whereby they guaranteed all present and future monies, obligations and liabilities whether actual or contingent and whether owned jointly or severally.

In addition to cash contributions made to the Plan, a second legal charge has been executed in favour of the Plan representing 50% of Spear & Jackson Group Limited's freehold land and buildings at Atlas Way, Sheffield England,

Furthermore, guarantees have been provided by SJL and Bowers Group Limited, to secure certain obligations ("the guaranteed obligations") relative to the Plan in the event of a contribution default by any of the participating employers or in certain other circumstances.

The guaranteed obligations represent all present and future obligations (actual or contingent) of each participating employer to make payments to the Plan up to a maximum amount that is equal to the lowest non-negative amount which, in 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.