

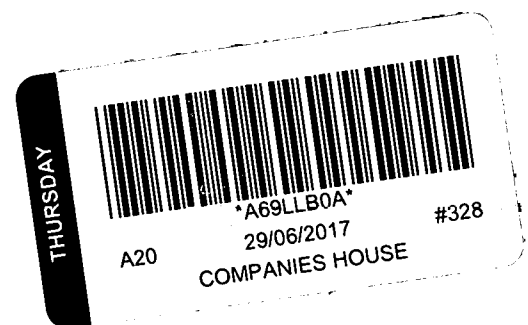
# Neill Tools Limited

Report and Financial Statements

For the Year Ended

30 September 2016

Company Number  
609353



# Neill Tools Limited

## Report and Financial Statements for the year ended 30 September 2016

---

### Contents

#### Page:

1	Strategic Report
3	Report of the Directors
5	Statement of Directors' Responsibilities
6	Independent Auditor's Report
8	Income Statement and Statement of Comprehensive Income
9	Balance Sheet
10	Statement of Changes in Equity
11	Index of Notes
12	Notes Forming Part of the Financial Statements

---

#### Directors

I Archer  
S Hsu  
A Shone  
James Neill Holdings Limited

#### Secretary and registered office

J M Dallman

Atlas Way  
Atlas North  
Sheffield  
S4 7QQ

#### Company number

609353

#### Auditor

BDO LLP  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

# Neill Tools Limited

## Strategic Report for the year ended 30 September 2016

### Statutory information

Neill Tools Limited is a private company, limited by shares, domiciled in England and Wales, registration number 609353. The registered office is Atlas Way, Atlas North, Sheffield, S4 7QQ.

### Business model and strategy

The principal activity of the company throughout the year has continued to be procurement, distribution and sale of hacksaw blades, other engineers' cutting tools, pliers and other hand tools.

### Financial review

The company has experienced decreased customer demand in certain of its geographical and product markets. Despite this, operating profits have increased due to reduced overhead costs and the non-repetition of a receivable write-off. The directors expect the current level of activity to be maintained in the forthcoming year.

The operating profit for the year was £54,000 (2015 – loss of £469,000). After charging net interest and taxation, the loss for the financial year amounted to £57,000 (2015 – £494,000).

The directors do not recommend the payment of a dividend (2015 - £nil).

### Key performance indicators

	2016	2015
Turnover from continuing operations (£000)	5,590	7,096

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

Gross margin from continuing operations (%)	24.0	24.6
Gross margin from continuing operations (£000)	1,342	1,743

*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.

# Neill Tools Limited

## Strategic Report (*continued*) for the year ended 30 September 2016

---

### Principal risks and uncertainties (*continued*)

#### *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.

#### *Foreign exchange risk*

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

### Approval

This Strategic Report was approved by order of the Board on 22 June 2017.



J M Dallman  
**Secretary**

# Neill Tools Limited

## Report of the Directors for the year ended 30 September 2016

---

### Directors

The directors of the company throughout the year were:

I Archer  
S Hsu (appointed 30 November 2015)  
A Shone  
James Neill Holdings Limited

H W Lim (resigned 30 November 2015)

### Administrative organisation

The company acts on behalf of Spear & Jackson UK Limited for the purpose of invoicing customers, collecting debts and paying creditors and expenses.

### Qualifying third party indemnity provisions

The company has put in place qualifying third party indemnity provisions for all of the directors of Neill Tools Limited.

### Dividends

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

### 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.

# **Neill Tools Limited**

## **Report of the Directors for the year ended 30 September 2016**

---

### **Research and development**

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 (2015 - £nil). Research costs incurred that did not meet the criteria for capitalisation and were therefore expensed in the period totalled £nil (2015 - £nil).

### **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.

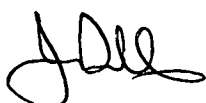
### **Auditor**

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

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

### **Approval**

This Directors' Report was approved by order of the Board on 22 June 2017.



**J M Dallman  
Secretary**

# Neill Tools Limited

## Statement of Directors' Responsibilities

---

### Directors' responsibilities

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 group and company 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 group and company and of the profit or loss of the group 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.

# Neill Tools Limited

## Independent Auditor's Report

---

### Independent Auditor's Report to the Members of Neill Tools Limited

We have audited the financial statements of Neill Tools Limited for the year ended 30 September 2016 which comprise the income statement and statement of comprehensive income, the balance sheet, the statement of changes in equity 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 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

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 Financial Reporting Council's (FRC'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 FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### 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 2016 and of its loss 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



# Neill Tools Limited

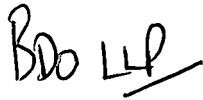
## Independent Auditor's Report (*continued*)

---

### 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.



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

*27 June 2017*

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

# Neill Tools Limited

## Income Statement and Statement of Comprehensive Income for the year ended 30 September 2016

	Note	2016 £'000	2015 £'000
<b>Turnover</b>	3	5,590	7,096
Cost of sales		(4,248)	(5,353)
<b>Gross profit</b>		1,342	1,743
Distribution costs		(545)	(807)
Administrative expenses		(1,161)	(1,465)
Write-off receivable from fellow subsidiary		-	(282)
Other operating income		418	342
<b>Operating profit / (loss)</b>	4	54	(469)
<b>Operating profit / (loss) on ordinary activities before interest and taxation</b>		54	(469)
Interest receivable and similar income		33	42
Interest payable and similar charges	7	(95)	(102)
<b>Loss on ordinary activities before taxation</b>		(8)	(529)
Taxation on loss on ordinary activities	8	(49)	35
<b>Loss for the financial year</b>		(57)	(494)
<b>Total comprehensive income for the year</b>		(57)	(494)

All the above activities arose from continuing operations.

The notes on pages 11 to 27 form part of these financial statements.

# Neill Tools Limited

## Balance Sheet at 30 September 2016

<b>Company number 609353</b>	<b>Note</b>	<b>2016 £'000</b>	<b>2016 £'000</b>	<b>2015 £'000</b>	<b>2015 £'000</b>
<b>Fixed assets</b>					
Intangible assets		-		-	
Tangible assets	9	31		40	
Investments	10	1,921		1,921	
			<hr/>		<hr/>
			1,952		1,961
<b>Current assets</b>					
Stocks	11	1,509		1,722	
Debtors –falling due within one year	12	10,193		10,144	
Debtors – falling due in more than one year	12	3,284		3,329	
Cash at bank and in hand		2		3	
Financial instruments	13	133		45	
		<hr/>		<hr/>	
		15,121		15,243	
<b>Creditors: amounts falling due within one year</b>	14	(18,593)		(18,667)	
		<hr/>		<hr/>	
<b>Net current liabilities</b>		(3,472)		(3,424)	
<b>Total assets less current liabilities</b>			<hr/>		<hr/>
			(1,520)		(1,463)
<b>Net liabilities</b>			<hr/>		<hr/>
			(1,520)		(1,463)
<b>Capital and reserves</b>					
Called up share capital	16	-		-	
Profit and loss account		(1,520)		(1,463)	
		<hr/>		<hr/>	
			(1,520)		(1,463)
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 22 June 2017.

*A Shone*

A Shone  
Director

The notes on pages 11 to 27 form part of these financial statements.

**Neill Tools Limited**  
**Statement of Changes in Equity**  
**for the year ended 30 September 2016**

	Share capital £'000	Profit and loss account £'000	Total equity £'000
<b>1 October 2014</b>	-	(969)	(969)
<b>Comprehensive income for the year</b>			
Loss for the year	-	(494)	(494)
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	-	(494)	(494)
	<hr/>	<hr/>	<hr/>
<b>30 September 2015</b>	-	(1,463)	(1,463)
	<hr/>	<hr/>	<hr/>
<b>Comprehensive income for the year</b>			
Loss for the year	-	(57)	(57)
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	-	(57)	(57)
	<hr/>	<hr/>	<hr/>
<b>30 September 2016</b>	-	(1,520)	(1,520)
	<hr/>	<hr/>	<hr/>

The notes on pages 11 to 27 form part of these financial statements.

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016

---

### Index of Notes

1	Accounting policies
2	Judgements in applying accounting policies and key sources of estimation uncertainty
3	Analysis of turnover
4	Operating profit/(loss)
5	Employees
6	Directors' remuneration
7	Interest payable and similar charges
8	Taxation on loss on ordinary activities
9	Tangible assets
10	Fixed asset investments
11	Stocks
12	Debtors
13	Financial instruments
14	Creditors: amounts falling due within one year
15	Deferred tax
16	Share capital
17	Contingent liabilities
18	Commitments under operating leases
19	Ultimate parent undertaking
20	Related party disclosures
21	First time adoption of FRS 102
22	Capital commitments
23	Retirement benefit obligations

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016

---

### 1 Accounting policies

Neill Tools 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.

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is given in note 21. The date of transition was 1 October 2014.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

As at 30 September 2016, the company was a 100% subsidiary of James Neill Holdings Limited, which is a 100% subsidiary of Spear & Jackson Limited. Spear & Jackson Limited is a 100% subsidiary of Spear & Jackson Group Limited, a company incorporated in the United Kingdom. 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 Neill Tools 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 2016, the company was wholly owned and its ultimate United Kingdom parent published a consolidated cash flow statement.

The following principal accounting policies have been applied:

#### *Fundamental accounting concept*

These financial statements are prepared on the going concern basis as the immediate parent undertaking has agreed that it will continue to provide financial support to this company to enable it to meet its liabilities as they fall due.

#### *Valuation of investments*

Investments are measured at cost less accumulated impairment.

#### *Revenue*

Revenue from the sales 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 revenue until the right to 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 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 group. 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.

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (*continued*)

### 1 Accounting policies (*continued*)

#### *Depreciation*

Land is not depreciated. Depreciation on other assets 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, machinery and vehicles	-	1 to 15 years
-------------------------------	---	---------------

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, 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 within 'other operating income or losses' in the 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 reporting date, inventories are assessed for impairment. If inventory 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.

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (*continued*)

---

### 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 profit or loss over the term of the debt using the effective interest rate 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*

##### *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 is 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.



# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (*continued*)

### 1 Accounting policies (*continued*)

#### *Current and deferred taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or 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 reporting date in the countries where the company's subsidiaries operate and generate taxable income.

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

- 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 timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### *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 termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (*continued*)

---

### 1 Accounting policies (*continued*)

#### *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 operated by Spear & Jackson Limited, a parent undertaking. 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 as at 30 September 2016, Spear & Jackson 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.

#### *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.

### 2 Judgements 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 9)*

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.

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (continued)

### 2 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

#### Other key sources of estimation uncertainty (continued)

- *Deferred taxation (see note 15)*

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 Analysis of turnover

	2016 £'000	2015 £'000
Analysis of turnover by country of destination:		
United Kingdom	2,183	2,457
Europe	510	524
Africa	583	479
North and South America	506	620
Australasia	223	206
Rest of the World	1,585	2,810
	<u>5,590</u>	<u>7,096</u>

### 4 Operating profit/(loss)

	2016 £'000	2015 £'000
This is arrived at after charging/(crediting):		
Inventory recognised as an expense	4,261	5,355
Reversal of impairment of inventory	(13)	(2)
Depreciation of tangible fixed assets	32	29
Operating lease expense	345	247
Fees payable to the company's auditor for the audit of the company's annual accounts	20	17
Fees payable to the company's auditor for taxation compliance services	4	4
Exchange differences	(862)	(127)
Defined contribution pension cost	13	10
Defined benefit pension cost (see note 23)	665	665
	<u></u>	<u></u>

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (*continued*)

### 5 Employees

	2016 £'000	2015 £'000
Staff costs (including directors) consist of:		
Wages and salaries	1,499	1,486
Social security costs	124	125
Cost of defined benefit scheme (see note 23)	665	665
Cost of defined contribution scheme	13	10
	<u>2,301</u>	<u>2,286</u>

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

	2016 Number	2015 Number
Manufacturing	16	16
Office and management	36	35
	<u>52</u>	<u>51</u>

### 6 Directors' remuneration

	2016 £'000	2015 £'000
Directors' emoluments	13	11

There was 1 director in the group's defined benefit pension scheme (2015 - 1).

On 28 March 2014, certain directors transferred their contracts of employment from the company to Spear & Jackson Limited, the immediate parent undertaking. Emoluments of £109,000 (2015 - £100,000) have been included within the staff costs of Spear & Jackson Limited in relation to these individuals.

### 7 Interest payable and similar charges

	2016 £'000	2015 £'000
Bank borrowings	95	102

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (*continued*)

### 8 Taxation on loss on ordinary activities

	2016 £'000	2015 £'000
<i>UK corporation tax</i>		
Current tax on losses for the year	(45)	(66)
<i>Overseas corporation tax</i>		
Withholding tax on interest received	21	-
Total current tax	(24)	(66)
<i>Deferred tax</i>		
Origination and reversal of timing differences	43	30
Adjustment in respect of previous periods	11	1
Changes to tax rates	19	-
Total deferred tax	73	31
Taxation charge/(credit) on loss on ordinary activities	49	(35)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	(8)	(529)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 20.0% (2015 – 20.5%)	(2)	(109)
Effects of:		
Permanently disallowable items	1	63
Under-provision in respect of prior years	11	-
Changes to tax rates	19	-
Losses utilised for which no deferred tax asset is recognised	(19)	-
Timing differences in respect of derivative financial instruments	18	-
Group relief surrendered for which no payment will be received	-	11
Overseas withholding tax on interest received	21	-
Total tax charge/(credit) for the year	49	(35)

For further information on deferred tax balances see note 15.

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (*continued*)

### 9 Tangible fixed assets

	Plant, machinery and equipment £'000
<i>Cost</i>	
At 1 October 2015	244
Additions	23
	<hr/>
At 30 September 2016	267
<i>Depreciation</i>	
At 1 October 2015	204
Provision for the year	32
	<hr/>
At 30 September 2016	236
<i>Net book value</i>	
At 30 September 2016	31
	<hr/>
At 30 September 2015	40
	<hr/>

### 10 Fixed asset investments

	Subsidiary undertakings £'000
<i>Cost</i>	
At 30 September 2016 and 30 September 2015	1,921
	<hr/>

In August 2010, the company formed Eclipse Tools Manufacturing Company Limited, ("ETM") a company registered in China in which Neill Tools Limited has a 100% equity interest. The total registered capital of ETM is US\$3,000,000. At 30 September 2015, the company had contributed the full US\$3,000,000, £1,921,000 (2015 – US\$3,000,000, £1,921,000). The principal activity of ETM is the manufacture of hacksaw blades.

The registered address of ETM is Building 4, No. 128, Jiangmu Road, Gaoxin District, Jiangmen City, Guangdong Province, People's Republic of China.

### 11 Stocks

	2016 £'000	2015 £'000
Raw materials and consumables	92	78
Finished goods and goods for resale	1,417	1,644
	<hr/>	<hr/>
	1,509	1,722
	<hr/>	<hr/>

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (continued)

### 12 Debtors

	2016 £'000	2015 £'000
<i>Amounts falling due within one year:</i>		
Trade debtors	5,650	4,499
Amounts owed by group undertakings	85	104
Amounts owed by subsidiary undertakings	-	881
Amounts owed by fellow subsidiary undertakings	3,120	3,279
Amounts owed by parent undertakings	1,260	1,261
Prepayments and accrued income	70	84
Deferred tax asset (note 15)	8	36
	<u>10,193</u>	<u>10,144</u>
<i>Amounts falling due after one year:</i>		
Deferred tax asset (note 15)	101	146
Amounts owed by fellow subsidiary undertakings	3,183	3,183
	<u>3,284</u>	<u>3,329</u>
	<u>13,477</u>	<u>13,473</u>

### 13 Financial instruments

	2016 £'000	2015 £'000
<i>Derivative financial assets</i>		
Forward foreign exchange contracts – held for trading	133	45

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 and the cash flows are expected to occur before 31 March 2017 (2015 – 31 March 2016).

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (continued)

### 14 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank borrowings	6,483	7,474
Trade creditors	1,867	2,260
Amounts owed to fellow subsidiary undertakings	3,060	2,443
Amounts owed to parent undertakings	4,699	4,832
Amounts owed to subsidiary undertakings	255	-
Other taxes and social security	875	699
Other creditors	1,354	959
	<b>18,593</b>	<b>18,667</b>

Refer to note 17 for details of security relating to the company's bank borrowings.

### 15 Deferred tax

	Accelerated capital allowances £'000	Financial instruments revaluations £'000	Other timing differences £'000	Total £'000
At 1 October 2014	206	(9)	16	213
Taxation (charge)/credit in the year	(33)	-	2	(31)
At 30 September 2015	173	(9)	18	182
Taxation charge in the year	(56)	(14)	(3)	(73)
At 30 September 2016	<b>117</b>	<b>(23)</b>	<b>15</b>	<b>109</b>

The company has £2,507,000 of trading losses available for utilisation in future periods (2015 - £2,507,000). Mastercraft Tools Limited and James Neill (One) Limited, whose trades were transferred to the Company on 1 October 1991, have taxation losses amounting in total to approximately £5,984,000 (2015 - £6,162,000) which are available for offset against future taxable profits arising in their respective trades. None of these losses have been recognised in the accounts, as there is insufficient evidence that the deferred taxation assets will be recoverable within the meaning of FRS 102, section 29 "Income Tax".

The company has an advance corporation tax balance of £2,724,000 (2015 - £2,724,000); 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.



# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (continued)

### 16 Share capital

	2016 £'000	2015 £'000
<i>Authorised, allotted, called up and fully paid</i>		
100 (2015 – 100) ordinary shares of £1 each	-	-

### 17 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 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, which was set-up following the repayment of the previous term loan in September 2015, at 30 September 2016 was £760,000 (2015 - £950,000). It is 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 accounts may be in an overdrawn position, but collectively a positive net position is required. As at 30 September 2016, the company was in an overdrawn position of £4,171,000 (2015 - £4,696,000). 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 2015, the extent of this guarantee was £31,870,000 (2015 - £32,970,000). The net pooled cash position at 30 September 2016 was £237,000 (2015 - £971,000).

Refer to note 23 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.

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (continued)

### 18 Commitments under operating leases

The company had minimum lease payments under non-cancellable operating leases in relation to motor vehicles as set out below:

	2016 £'000	2015 £'000
Within one year	59	38
Between one and five years	48	28
	<hr/>	<hr/>
	107	66
	<hr/>	<hr/>

### 19 Ultimate parent undertaking

The company is a wholly owned subsidiary undertaking of James Neill Holdings Limited, which is a wholly owned subsidiary undertaking of Spear & Jackson Limited. Spear & Jackson Limited is a wholly owned subsidiary undertaking of Spear & Jackson Group Limited, 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, and 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.

For the year ended 30 September 2016, the parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up, which are publically available, and of which the company is a member, is Spear & Jackson Group. The address of Spear & Jackson Group Limited's registered office is Atlas Way, Atlas North, Sheffield, S4 7QQ.

### 20 Related party disclosures

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.

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 £276,000 (2015 - £262,000). This includes amounts paid on behalf of the company by fellow group undertakings.

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (*continued*)

### 21 First time adoption of FRS 102

	Note	Equity as at 1 October 2014 £'000	Profit for the Year ended 30 September 2015 £'000	Equity as at 30 September 2015 £'000
<b>As previously stated under former UK GAAP</b>		(1,002)	(497)	(1,499)
<b>Transitional adjustments</b>				
Recognition at fair value of financial instruments	a	42	3	45
Deferred taxation on recognition at fair value of financial instruments	a	(9)	-	(9)
<b>As stated in accordance with FRS 102</b>		<b>(969)</b>	<b>(494)</b>	<b>(1,463)</b>

Explanation of changes to previously reported profit and equity

- a. FRS 102 requires that financial instruments be recognised at fair value in the balance sheet. This was not required under previous UK GAAP as the company is a wholly owned subsidiary which is included in the publicly available consolidated financial statements of Spear & Jackson Group Limited. This change has been retrospectively applied, however £nil financial instruments were held by the company at 30 September 2014. The recognition of the financial instruments also attracts a deferred tax charge at the prevailing UK rate of corporation tax on the reporting date.

### 22 Capital commitments

	2016 £'000	2015 £'000
<i>Contracted but not provided for:</i>		
Plant, machinery and equipment	-	23

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (continued)

### 23 Retirement benefit obligations

The company is a member of a group pension plan (the "Plan") which at 30 September 2016 was operated by Spear & Jackson Limited. The Plan is a contributory defined benefit pension plan covering certain of the 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 latest formal valuation of the Plan was carried out at 5 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.

The pension charge attributable to the annual contributions payable to the Plan by the company amounted to £665,000 (2015 - £665,000).

The fair value of the assets held by the Plan as at 30 September 2016 and 2015, together with the liabilities at those dates calculated on the above bases, are as follows:

	2016 £'000	2015 £'000
Total market value of Plan assets	116,064	110,587
Present value of Plan liabilities	(167,072)	(143,580)
Deficit in the Plan	(51,008)	(32,993)
Related deferred tax asset	8,699	6,599
Net pension liability	(42,309)	(26,394)

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

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.

# Neill Tools Limited

## Notes Forming Part of the Financial Statements for the year ended 30 September 2016 (*continued*)

---

### **23 Retirement benefit obligations** (*continued*)

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.