Registered number: 609353

NEILL TOOLS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NEILL TOOLS LIMITED

COMPANY INFORMATION

Directors	S Hsu I Archer A Shone James Neill Holdings Limited
Company secretary	J M Dallman (resigned 31 December 2019) D M George (appointed 01 January 2020)
Registered number	609353
Registered office	Atlas Way Atlas North Sheffield S4 7QQ
Independent auditor	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL

NEILL TOOLS LIMITED

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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 increased customer demand in certain of its geographical and product markets. Despite this, operating losses have increased due to increased overhead cost. Please see the Covid-19 and Going Concern section of the Strategic Report below for information regarding the forthcoming year.

The operating loss for the year was £330,000 (2018 – £160,000). After charging net interest and crediting taxation, the loss for the financial year amounted to £340,000 (2018 – £100,000).

The directors do not recommend the payment of a dividend (2018 - £nil).

Financial key performance indicators

	2019	*2018*
Turnover from continuing operations (£000)	**7,344**	*6,410*

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 (%)	**24.9**	*27.0*
Gross margin from continuing operations (£000)	**1,831**	*1,729*

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 directors believe that the key risks facing the Company include, without limitation:

- consumer and industrial sector demand deteriorating amid a general global economic slow down;
- current sales prices and product mixes not being maintained;
- the loss of key customers resulting in reduced revenues or significant bad debts;
- raw material, factored product, and utility prices increasing significantly above current levels;
- unfavourable exchange movements;
- attracting and retaining suitably experienced employees in a highly competitive labour market; and
- volatility in investment returns and actuarial assumptions which can significantly affect the defined benefit pension plan deficit for which the Company is a participating employer, impacting on future funding requirements.

The markets in which the Company operates are highly competitive and subject to inflationary pressures across its customer and supplier base. It is Company policy to manage these risks by offering a high level of customer service, by building strong customer and supplier relationships and by adopting a pricing policy that reflects both the cost of purchases and competitor pricing. Credit risks are limited by credit insurance and by procedures under which customer accounts are constantly monitored.

Health and safety, environmental and related issues are becoming an increasing risk to all companies. The Company mitigates risk by a combination of contractual consultancy advice, insurance and the adoption of appropriate working practices.

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 and asset-backed lending facilities 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 facilities.

Foreign exchange risk

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

Brexit

The UK left the European Union ("EU") on 31 January 2020 and is now in the transition period for the negotiation of the additional arrangements which expires on 31 December 2020. The terms of the future relationship between the UK and the EU are unknown.

The Company and the wider Spear & Jackson Group has engaged in planning since the result of the referendum was announced, including internal management reviews of the challenges and dialogue with customers and suppliers, along with consultation with professional advisors. Although the Group believes the risks from Brexit are manageable in the medium-term, the short-term challenges from the uncertainty remain.

The current uncertainty over the nature of the trading relationship following the end of the transition period could be significant in terms of the Company's overall profitability. The financial results may be impacted by the macroeconomic instability arising from the introduction of tariffs and other barriers to trade, such as a depressed UK economy or a substantial depreciation in Sterling. In such a scenario, there may be a reduction in the Company's turnover and operating profits. However, there is also potential for increased customer demand where devalued Sterling leads to reduced costs for overseas customers in their local currency. It is also likely that a depreciation in Sterling would lead to stronger inflation in supplier costs for the Company, which would need to be managed robustly to maintain gross margins.

The Company is both an importer and exporter of goods with the EU. A prolonged disruption at the UK's borders has the potential to impact the ability to deliver to customers, as well as the supply chain of the Company's UK businesses. However, the Company has maintained a strong depth of stock and has proactively begun to build stock levels in order to mitigate the impact on activities from a significant disruption in cross border trade.

Covid-19 and Going Concern

Spear & Jackson Group Limited ("the Group"), the Company's ultimate UK parent undertaking, has witnessed a significant decline in trading activity as a direct result of the Covid -19 pandemic. Precautionary measures imposed by individual countries to contain the spreading of Covid-19 have meant that some of the Group's business segments, principally Precision Measurement and Magnetic Technologies, where some of their end-users are automotive, aerospace and oil and gas based, have been operating at reduced capacity since March 2020. In other areas, where the end-users are food-processing related, there has been sustained demand throughout the global pandemic. For the Group's Tools business, including Neill Tools Limited, after an initial brief slow-down, having hardware and gardening tools designated as essential business in the United Kingdom, France and Australia and higher volume sales to on-line rather than traditional bricks and mortar retailers, the Group has seen strong demand for its products throughout April 2020 to August 2020.

As individual countries begin to ease their precautionary measures, the Group is witnessing some increase in revenue levels and order activity in these two principal business segments. However, forecast results for the year ended 30 September 2020 year show significant decreases the Group's in revenue and profit before tax compared to the position for the year ended 30 September 2019.

Throughout the Covid-19 pandemic, the Group's trading entities have continued to respond to customer demand, within the constraints of any local geographical restrictions. Management has taken decisive proactive action to protect the welfare of its employees while maintaining operations. Appropriate measures have been taken to reduce costs and manage immediate cash flows, including accessing Government worker retention schemes, where applicable, and coming to arrangements with certain stakeholders to defer payments.

As a result of the Group's overall decline in business activity, the Company's membership of that Group and the Company's inclusion within the Group's UK banking facilities, attention is drawn, in these financial statements to the impact of Covid-19 on going concern. Further information is disclosed in note 1 to the financial statements.

This report was approved by the board on 22 September 2020 and signed on its behalf.

D M George

D M George
Secretary

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their report and the financial statements for the year ended 30 September 2019.

Directors

The directors who served during the year were:

I Archer
S Hsu
A Shone
James Neill Holdings Limited

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.

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 (2018 - £nil). Research costs incurred that did not meet the criteria for capitalisation and were therefore expensed in the period totalled £nil (2018 - £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.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Going Concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities of Spear & Jackson Group Limited ("The Group"), the Company's ultimate UK parent undertaking as well as the Group's principal risks and uncertainties in addition to the business activities of the Company as an individual entity. Based on the Group's cash flow forecasts and projections, the Directors are satisfied that the Company will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Company adopts the going concern basis in preparing its financial statements. For further details on how the Covid-19 pandemic has affected the Company's going concern assessment, see the Strategic Report as well as note 1 of the financial statements.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 22 September 2020 and signed on its behalf.

David George

D M George
Secretary

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

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 AUDITOR'S REPORT TO THE MEMBERS OF NEILL TOOLS LIMITED

Opinion

We have audited the financial statements of Neill Tools Limited (the 'Company') for the year ended 30 September 2019, 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 2019 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.

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 Auditor's 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.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements which indicates that the Company has been impacted by Covid-19 and if certain revenue downside scenarios occur additional facilities may be required. As stated in note 1 these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Auditor's 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 7, 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.

Auditor's 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 Auditor's 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 Auditor's Report.

Use of our report

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Paul Davies (Senior Statutory Auditor)

for and on behalf of
BDO LLP

Statutory Auditor

Leeds, United Kingdom
Date: 22 September 2020

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 2019

	Note	2019 £000	*2018 £000*
Turnover	3	**7,344**	*6,410*
Cost of sales		**(5,513)**	*(4,681)*
Gross profit		**1,831**	*1,729*
Distribution costs		**(922)**	*(806)*
Administrative expenses		**(1,385)**	*(1,262)*
Other operating income		**146**	*179*
Operating loss	4	**(330)**	*(160)*
Loss on ordinary activities before interest and taxation		**(330)**	*(160)*
Interest receivable and similar income		**-**	*85*
Interest payable and similar charges	7	**(95)**	*(63)*
Loss on ordinary activities before taxation		**(425)**	*(138)*
Tax on loss	8	**85**	*38*
Loss for the financial year		**(340)**	*(100)*
Total comprehensive income for the year		**(340)**	*(100)*

The notes on pages 14 to 32 form part of these financial statements.

All the above activities arose from continuing operations.

NEILL TOOLS LIMITED
REGISTERED NUMBER:609353

BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note		2019 £000		2018 £000
Fixed assets					
Intangible assets	9		**23**		*29*
Tangible assets	10		**9**		*-*
Investments	11		**1,921**		*1,921*
			1,953		*1,950*
Current assets					
Stocks	12	**2,094**		*1,711*	
Debtors: amounts falling due after more than one year	13	**67**		*74*	
Debtors: amounts falling due within one year	13	**9,974**		*10,103*	
Financial instruments		**26**		*44*	
Cash at bank and in hand		**1**		*1*	
		12,162		*11,933*	
Creditors: amounts falling due within one year	16	**(16,260)**		*(15,688)*	
Net current liabilities			**(4,098)**		*(3,755)*
Total assets less current liabilities			**(2,145)**		*(1,805)*
Net liabilities			**(2,145)**		*(1,805)*
Capital and reserves					
Called up share capital	17		**-**		*-*
Profit and loss account			**(2,145)**		*(1,805)*
			(2,145)		*(1,805)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
22 September 2020.

Naina Shone

A Shone
Director

The notes on pages 14 to 32 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 October 2017	**-**	**(1,705)**	**(1,705)**
Comprehensive income for the year			
Loss for the year	-	(100)	(100)
Total comprehensive income for the year	**-**	**(100)**	**(100)**
At 1 October 2018	**-**	**(1,805)**	**(1,805)**
Comprehensive income for the year			
Loss for the year	-	(340)	(340)
Total comprehensive income for the year	**-**	**(340)**	**(340)**
At 30 September 2019	**-**	**(2,145)**	**(2,145)**

The notes on pages 14 to 32 form part of these financial statements.

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.

The financial statements have been prepared on a historical cost basis.

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 (see note 2).

The presentation currency is Pounds Sterling, rounded to the nearest thousand Pounds.

As at 30 September 2019, 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 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 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 2019, 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:

1. Accounting policies (continued)

Going concern

Directors have prepared forecasts for the period to September 2021 based upon a best-estimate scenarios which have then been sensitised to incorporate the potential impact of a further reduction in revenue. Prior to the Covid-19 pandemic, Directors had evaluated ongoing forecasts and had concluded that adequate financial resources were available to ensure that the Company would meet its obligations for a twelve-month period with reasonable certainty.

Directors have considered the available cash resources of Spear & Jackson Group Limited ("the Group"), and the Company and their current forecasts. These monthly forecasts show that an adequate month end headroom regarding the cash position is maintained. However within each month the Group has significant fluctuations in cash requirements due to specific timings of payments making the headroom smaller. These factors indicate that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore its ability to operate and pay its liabilities as they fall due for payment through the forecast period. The financial statements do not include the adjustments that would be necessary if the Company is unable to continue as a going concern.

Whilst acknowledging that there are material uncertainties relating to the intra month cash requirements if certain revenue downside scenarios occur and additional facilities are required in such circumstances, the Directors have a reasonable expectation that the Company has adequate resources for the foreseeable future and will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements and that the going concern basis of preparation is appropriate. The Directors will continue to take all steps possible to ensure that all available external facilities and incentives are accessed to ameliorate the impact that this pandemic is having on the business, its employees, its stakeholders and customers. The Group is in discussion with its key lender regarding extension of facilities, should the need for them arise, hence have prepared the financial statements on a going concern basis.

Valuation of investments

Investments in subsidiaries 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 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)

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.

Depreciation is provided on the following basis:

Plant and machinery	- 1 to 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. The useful economic life of capitalised development costs is 5 years.

Impairment of fixed assets

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.

Other operating income

Other operating income consists of income not directly related to the sale of goods and mainly comprises licence fee income, rental income from leased properties and outbound freight income.

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 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

Exceptional items are items which derive from events or transactions that fall within the ordinary activities of the business and which need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

1. Accounting policies (continued)

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.

Leased assets: lessor

Where assets are leased to a third party and give rights approximating to ownership (finance leases), the assets are treated as if they have been sold outright. The amount removed from the fixed assets is the net book value on disposal of the asset. The profit on disposal, being the excess of the present value of the minimum lease payments over net book value is credited to profit or loss.

Lease payments are analysed between capital and interest components so that the interest element of the payment is credited to profit or loss over the term of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts owed by the lessee.

Incentive payments to new tenants to occupy the Company's investment properties are treated as a reduction in revenue and initially recorded as prepayments. The payments are charged to profit or loss over the term of the lease. Where such prepayments relate to investment properties, the properties are carried at open market value less the amount of the unamortised incentive.

However, 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 the lease.

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

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 termination 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 operated by James Neill Holdings Limited, the immediate 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, 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.

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

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

- 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 investments and intangible assets. 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 cashgenerating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- 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. Turnover

Analysis of turnover by country of destination:

	2019 £000	*2018 £000*
United Kingdom	**2,063**	*2,205*
Europe	**690**	*652*
Africa	**581**	*721*
North and South America	**689**	*615*
Australasia	**127**	*262*
Rest of the world	**3,194**	*1,955*
	7,344	*6,410*

4. Operating loss

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

	2019 £000	*2018 £000*
Inventory recognised as an expense	**5,452**	*4,662*
Impairment/(reversal of impairment) of inventory	**61**	*19*
Amortisation of intangible fixed assets	**6**	*1*
Depreciation of tangible fixed assets	**-**	*5*
Operating lease expense	**232**	*240*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**20**	*26*
Fees payable to the Company's auditor for taxation compliance services	**4**	*4*
Exchange differences	**(112)**	*(147)*
Defined contribution pension cost	**30**	*18*
Defined benefit pension cost (see note 22)	**665**	*665*

5. Employees

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

	2019 £000	2018 £000
Wages and salaries	**1,651**	*1,569*
Social security costs	**138**	*137*
Cost of defined benefit scheme (see note 22)	**665**	*665*
Cost of defined contribution scheme	**30**	*18*
	2,484	*2,389*

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

	2019 No.	2018 No.
Manufacturing and distribution	**12**	*13*
Office and management	**37**	*36*
	49	*49*

6. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	**97**	*18*
	97	*18*

There was 1 director in the group's defined benefit pension scheme (2018 - 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 £130,000 (2018 - £115,000) have been included within the staff costs of Spear & Jackson Limited in relation to these individuals.

7. Interest payable and similar expenses

	2019 £000	2018 £000
Bank interest payable	**95**	*63*

8. Taxation

	2019 £000	*2018 £000*
Corporation tax		
Current tax on losses for the year	**(94)**	*(53)*
	(94)	*(53)*
Overseas corporation tax		
Total current tax	**(94)**	*(53)*
Deferred tax		
Origination and reversal of timing differences	**13**	*19*
Adjustment in respect of previous periods	**(4)**	*(4)*
Total deferred tax	**9**	*15*
Taxation credit on ordinary activities	**(85)**	*(38)*

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2018 - lower than)* the standard rate of corporation tax in the UK of 19% *(2018 - 19%)*. The differences are explained below:

	2019 £000	*2018 £000*
Loss on ordinary activities before tax	**(425)**	*(138)*
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 - 19%)	**(81)**	*(26)*
Effects of:		
Permanently disallowed items	**4**	*(16)*
Under-provision in respect of previous years	**(4)**	*(4)*
Losses utilised for which no deferred tax asset is recognised	**(4)**	*(1)*
Group relief surrendered for which no payment will be received	**-**	*9*
Total tax credit for the year	**(85)**	*(38)*

For further information on deferred tax balances see note 15.

9. Intangible assets

	Website development costs £000
Cost	
At 1 October 2018	30
At 30 September 2019	30
Amortisation	
At 1 October 2018	1
Charge for the year	6
At 30 September 2019	7
Net book value	
At 30 September 2019	23
At 30 September 2018	*29*

10. Tangible fixed assets

	Plant and machinery £000
Cost	
At 1 October 2018	**267**
Additions	**9**
At 30 September 2019	**276**
Depreciation	
At 1 October 2018	**267**
At 30 September 2019	**267**
Net book value	
At 30 September 2019	**9**
At 30 September 2018	**-**

11. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 October 2018	**1,921**
At 30 September 2019	**1,921**

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 2019, the Company had contributed the full US$3,000,000, £1,921,000 (2018 - 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.

12. Stocks

	2019 £000	2018 £000
Raw materials and consumables	99	105
Finished goods and goods for resale	1,995	1,606
	2,094	1,711

13. Debtors

	2019 £000	2018 £000
Due after more than one year		
Deferred tax asset (note 15)	67	74
	67	74

	2019 £000	2018 £000
Due within one year		
Trade debtors	4,681	4,349
Amounts owed by group undertakings	83	48
Amounts owed by fellow subsidiary undertakings	3,815	4,305
Amounts owed by parent undertakings	1,205	1,224
Other debtors	164	149
Deferred tax asset (note 15)	26	28
	9,974	10,103

14. Financial instruments

	2019 £000	*2018 £000*
Derivative financial assets/(liabilities)		
Forward foreign exchange contracts - held for trading	**26**	*44*

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 30 April 2020 (2018 – 31 March 2019).

15. Deferred tax

	Accelerated capital allowances £000	Other timing differences £000	Total £000
At 1 October 2017	*105*	*12*	*117*
Taxation charge in the year	*(15)*	-	*(15)*
At 30 September 2018	**90**	**12**	**102**
Taxation charge in the year	**(9)**	**-**	**(9)**
At 30 September 2019	**81**	**12**	**93**

The Company has £2,507,000 of trading losses available for utilisation in future periods (2018 - £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 £5,870,000 (2018 - £5,892,000) 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 (2018 - £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.

16. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Bank borrowings	4,704	4,194
Trade creditors	1,838	2,727
Amounts owed to fellow subsidiary undertakings	2,000	2,000
Amounts owed to parent undertakings	4,485	4,654
Amounts owed to subsidiary undertakings	1,664	668
Other taxation and social security	762	711
Accruals and deferred income	807	734
	16,260	15,688

Bank borrowings of £4,704,000 (2018 - £4,194,000) comprise overdrawn bank accounts and amounts drawn down on asset-backed lending facilities secured by certain of the Company's trade receivables and stocks. Refer to note 18 for further details.

17. Share capital

	2019	2018
	£	£
Authorised, allotted, called up and fully paid		
100 *(2018 - 100)* ordinary shares of £1.00 each	100	100

18. 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).

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

Additionally, the UK Group's net cash balances with 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 2019, the extent of this guarantee was £17,780,000 (2018 - £16,670,000). The net pooled cash position at 30 September 2019 was £137,000 (2018 - £17,000).

Refer to note 22 in respect of security and guarantees that are in place in relation to the James Neill Pension Plan.

18. Contingent liabilities (continued)

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.

19. Commitments under operating leases

At 30 September 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	*2018*
	£000	*£000*
Within one year	**34**	*42*
Between one and five years	**12**	*38*
	46	*80*

20. 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. The entire issued share capital of Spear & Jackson Limited is held by 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, 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.

21. 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 Eclipse Magnetics, a fellow subsidiary undertaking, has an 18% interest. In the year ended 30 September 2019, goods to the value of approximately £233,000 (2018 - £274,000) were purchased from Ningbo Hi-tech. At 30 September 2019, the amount payable to Ningbo Hi-tech was £39,000 (2018 - £66,000).

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 £453,000 (2018 - £409,000). This includes amounts paid on behalf of the Company by fellow group undertakings.

22. Retirement benefit obligations

The Company is a member of a group pension plan (the "Plan") which is operated by James Neill Holdings Limited ("JNH"). 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, JNH. 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 £665,000 (2018 - £665,000).

The latest formal valuation of the Plan was carried out at 5 April 2019 by Isio, the actuarial advisors to the Plan and was agreed by the Trustees of the Plan and the Company on 30 April 2020. Following the finalisation of the 2019 actuarial valuation, a long-term funding plan was agreed between the Plan and the Company which provided for a fixed annual contribution of £2.892 million commencing from 1 July 2020 and extending to 29 February 2032.

This contribution schedule is based on the recovery of a deficit of £59.2 million as indicated by the triennial valuation at 5 April 2019. 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 the 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.

22. Retirement benefit obligations (continued)

The fair value of the assets held by the Plan as at 30 September 2019 and 2018 together with the liabilities at those dates, are as follows:

	2019	*2018*
	£000	*£000*
Total market value of Plan assets	**119,461**	*118,810*
Present value of Plan liabilities	**(161,155)**	*(153,370)*
Deficit in the Plan	**(41,694)**	*(34,560)*
Related deferred tax asset	**7,099**	*5,906*
Net pension liability	**(34,595)**	*(28,654)*

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 Spear & Jackson Limited ("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.

23. Events after the reporting period

For further details on how the Covid-19 pandemic has affected the Company's going concern assessment, see the Strategic Report as well as note 1 of the financial statements.