

901740

SPEAR & JACKSON GARDEN PRODUCTS LIMITED

Report and Accounts

30 September 2006



Spear & Jackson Garden Products Limited

Registered No 901740

DIRECTORS

P J Dyson
W Fletcher
L J Wells
James Neill Holdings Limited

SECRETARY

W Fletcher

AUDITORS

Chantrey Vellacott DFK LLP
Russell Square House
10-12 Russell Square
London WC1B 5LF

BANKERS

HSBC Bank plc
17 Church Street
Sheffield S1 1HH

SOLICITORS

hlw
Princess House
122 Queen Street
Sheffield S1 2DW

REGISTERED OFFICE

Atlas Way
Atlas North
Sheffield S4 7QQ

Spear & Jackson Garden Products Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 September 2006

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company continues to be the manufacture and sale of garden, agricultural and contractors' hand tools, woodsaws and builders' tools

Neill Tools Limited, a fellow subsidiary undertaking, continues to act on behalf of Spear & Jackson Garden Products Limited for the purposes of invoicing customers, collecting debts and paying creditors and expenses

During the year, the company continued to be adversely affected by softening demand, increased competition from Far Eastern suppliers and higher raw material and utility charges. In order to address the current trading situation and to leave the company better positioned to benefit from future upturns in its principal markets, the company announced, in January 2006, the closure of the remaining element of its manufacturing site at St Paul's Road, Wednesbury and the transfer of any residual manufacturing activities to the Neill Tools Limited Atlas site in Sheffield, England. Costs of £612,000 have been incurred in relation to this relocation which was completed in November 2006.

The site closure forms part of a UK manufacturing reorganisation programme which has been initiated to regenerate and modernise key areas of the hand and garden tool business. The closure will enable the consolidation of the hand and garden tool manufacturing processes and will allow the company to develop a modern manufacturing, warehouse and distribution facility which will be well placed to meet the current and future needs of its customers.

Additionally, in July 2006 the Company sold, for £2,600,000, the remaining element of its manufacturing site at Wednesbury.

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

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

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

RESULTS AND DIVIDENDS

The operating loss for the year was £1,875,000 (2005 - £1,329,000) after charging exceptional items of £612,000 (2005 - £1,027,000). After crediting the profit on sale of land and buildings, and charging impairment write-downs of tangible fixed assets, interest and taxation, the loss for the financial year amounted to £367,000 (2005 - £114,000 profit). No dividend can be paid (2005 - £nil).

Spear & Jackson Garden Products Limited

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were

W Fletcher

P J Dyson

L J Wells (appointed 13 March 2006)

P J Moore (resigned 6 March 2006)

James Neill Holdings Limited

James Neill Holdings Limited is the parent undertaking of the company's immediate holding company Spear & Jackson Holdings Limited

The entire issued share capital of Spear & Jackson plc, the immediate parent undertaking of James Neill Holdings Limited, is held by S and J Acquisitions Corp, a company incorporated in the United States of America whose own parent undertaking is Spear & Jackson, Inc, a company which is also registered in the United States of America. In addition to its shareholding in Spear & Jackson plc, S and J Acquisitions Corp also owns the entire issued share capital of Bowers Group plc, a fellow subsidiary undertaking of Spear & Jackson plc. From 28 July 2006, 61.8% of the common stock of Spear & Jackson, Inc has been owned by United Pacific Industries Limited, a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange.

Interests in Spear & Jackson, Inc, the company's ultimate parent undertaking, Spear & Jackson plc, the company's ultimate UK parent undertaking and Bowers Group plc, by directors of Spear & Jackson Garden Products Limited who are also directors of Spear & Jackson, Inc, Spear & Jackson plc and Bowers Group plc, are disclosed in the accounts of those companies.

No directors have any other interests in the shares of group companies.

EVENTS SINCE THE BALANCE SHEET DATE

On 14 May 2007, United Pacific Industries, Limited ("UPI") made a formal offer to the Board of Spear & Jackson, Inc ("S&J") to acquire the remaining 38.2% of outstanding shares of common stock of S&J of US\$0.001 par value per share ("S&J Shares") not already owned by UPI for an aggregate cash consideration of US\$3,251,510 representing a price of US\$1.483 ("the Acquisition").

Following extensive discussions between UPI and the Finance Committee of S&J, a revised offer price of US\$1.96 per share was agreed representing a total amount due to the minority shareholders of US\$4,297,343. Consequently, on 22 June 2007 S&J entered into a definitive merger agreement (the "Agreement") with UPI, under the terms of which S&J will be merged with a newly formed Nevada corporation (the "Merger Sub"). At the effective date of the merger the separate existence of S&J will cease and the Merger Sub will continue as the surviving corporation. Accordingly, the stockholders of S&J (other than UPI, Pantene Global Holdings Limited, any of their wholly owned subsidiaries, Merger Sub and any S&J stockholders who exercise their dissenter's rights) will receive a cash payment of US\$1.96 per share. Dissenters will be entitled to seek court adjudication as to the fair value of their shares.

The closing of the proposed transaction is subject to, among other things, affirmative vote of majority outstanding shares of S&J (UPI, being S&J's majority stockholder, intends to vote its shares in favour of the merger transaction), approval of the proposed transaction by the shareholders of UPI, receipt of any regulatory approvals and third party consents, and since the date of the Agreement no Event (as described in the Agreement) shall have occurred which has, or would be reasonably expected to have, a Company Material Adverse Effect (again, as described in the Agreement).

As previously disclosed in the Directors' Report for the year ended 30 September 2005, a number of class action lawsuits were initiated against S&J and Mr Dennis Crowley, its then Chief Executive.

Spear & Jackson Garden Products Limited

DIRECTORS' REPORT

EVENTS SINCE THE BALANCESHEET DATE (continued)

Officer/Chairman, among others ("the Class Action"), alleging violations of US federal security laws. Following settlement negotiations, a Stipulation of Settlement was filed. On 11 May 2007, the U S District Court for the Southern District of Florida, sitting in West Palm Beach Florida, heard the Plaintiffs motion for Final Approval of the Class Action Settlement and Plan of Allocation, to which there were no objectors or class members that opted out of, the settlement. On 14 May 2007, the Court signed the Final Judgment thus forever extinguishing all of the class claims against S&J, and barring any claims for contribution by third parties. The Final Judgment made clear that the settlement was not an admission of wrongdoing or liability by S&J.

A derivative action was also brought by shareholders against certain officers and directors of S&J and other defendants, naming S&J as nominal defendant ("the Derivative Action"). A Stipulation of Settlement was subsequently filed on 31 October 2006 (the "Stipulation"). On 29 May 2007, the Circuit Court in Palm Beach County entered a Final Judgment and Order approving the settlement and award of attorneys' fees and expenses detailed in the Stipulation, resulting in the dismissal of the suit and the release of S&J and certain officers and directors.

AUDITORS

Chantrey Vellacott DFK LLP have expressed their willingness to continue in office and will seek re-election as auditors to the company at the forthcoming AGM.

By order of the Board



W Fletcher
Secretary
13 July 2007

Spear & Jackson Garden Products Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

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



SPEAR & JACKSON GARDEN PRODUCTS LIMITED

Independent Auditors' Report to the Shareholders of Spear & Jackson Garden Products Limited

We have audited the financial statements of Spear & Jackson Garden Products Limited for the year ended 30 September 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Historical Cost Profits and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985.

We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

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

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



Chantrey Vellacott DFK

SPEAR & JACKSON GARDEN PRODUCTS LIMITED

Independent Auditors' Report to the Shareholders of Spear & Jackson Garden Products Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of company's affairs as at 30 September 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Chantrey Vellacott DFK LLP
CHANTREY VELLACOTT DFK LLP

Chartered Accountants
Registered Auditors

LONDON

20 July 2007

Spear & Jackson Garden Products Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 September 2006

	<i>Notes</i>	<i>2006 £000</i>	<i>2005 £000</i>
TURNOVER	2	13,191	13,217
OPERATING LOSS	3	(1,875)	(1,329)
Profit on sale of land and buildings	4a	1,932	1,611
Impairment write-down of tangible fixed assets	4b	(385)	(82)
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(328)	200
Interest payable	7	(39)	(86)
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(367)	114
Taxation	8	-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	15	(367)	114

All activities above relate to continuing operations

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

There are no recognised gains or losses other than the loss (2005 – profit) for the financial year

There is no difference between the loss (2005 – profit) on ordinary activities before taxation and the loss (2005-profit) for the financial year, as stated above, and the historical cost equivalents and, therefore, no separate note of historical cost profits and losses has been prepared

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

Spear & Jackson Garden Products Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 30 September 2006

	<i>2006</i> <i>£000</i>	<i>2005</i> <i>£000</i>
(Loss)/profit for the financial year	(367)	114
Group loan capitalisation (note 14)	16,477	-
TOTAL RECOGNISED PROFITS SINCE THE LAST ANNUAL REPORT	16,110	114
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this statement

Spear & Jackson Garden Products Limited

BALANCE SHEET

at 30 September 2006

	Notes	2006 £000	2005 £000
FIXED ASSETS			
Tangible assets	9	159	1,118
CURRENT ASSETS			
Stocks	10	2,780	4,137
Debtors	11	2,605	-
		5,385	4,137
CREDITORS amounts falling due within one year	12	531	16,499
NET CURRENT ASSETS/(LIABILITIES)		4,854	(12,362)
TOTAL ASSETS LESS CURRENT LIABILITIES		5013	(11,244)
PROVISIONS FOR LIABILITIES AND CHARGES	13	362	215
NET ASSETS/ (LIABILITIES)		4,651	(11,459)
CAPITAL AND RESERVES			
Called up share capital	14	16,977	500
Profit and loss account	15	(12,326)	(11,959)
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		4,651	(11,459)



W Fletcher
Director
13 July 2007



P J Dyson
Director
13 July 2007

The accompanying notes are an integral part of this balance sheet

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS

at 30 September 2006

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset, over its expected useful life, as follows:

Freehold buildings	-	over 50 years
Plant and machinery	-	over 1 to 15 years
Motor vehicles	-	25% per annum on a reducing balance basis

Where depreciation charges are increased following a revaluation, an amount equal to such an increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

All fixed assets are written down to their recoverable amount in the event that any impairment review carried out in accordance with FRS11 indicates that the recoverable amount is less than the carrying value.

Stocks and work in progress

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

Raw materials and consumables	-	purchase cost on a first-in first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on the normal level of activity

Net realisable value is based on estimated selling price less further cost expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving, or defective items where appropriate.

Impairment

Fixed assets are subject to review for impairment in accordance with FRS11 "Impairment of Tangible Fixed Assets and Goodwill". Any impairment is recognised in the profit and loss account in the year in which it occurs.

Deferred taxation

In accordance with FRS19, provision for deferred taxation is made in full on all timing differences that have originated, but not reversed, at the balance sheet date. Deferred tax assets are regarded as recoverable, and therefore recognised, only when it is regarded as more likely than not that there will be sufficient future taxable profits from which the reversal of the underlying timing differences can be deducted. Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred taxation is measured on a non-discounted basis.

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS

at 30 September 2006

1. ACCOUNTING POLICIES (continued)

Pension benefits

The company is a member of a group defined benefit pension plan ("the Plan") operated by James Neill Holdings Limited

The company participates in the Plan with other group companies and is unable to identify its share of the underlying assets and liabilities of the Plan on a consistent and reasonable basis for the purpose of FRS 17. Each participating employer is exposed to actuarial risks associated with the current and former employees of the other employers who are members of the Plan. The pension cost to the company under FRS 17, as included in these financial statements, is therefore the contributions paid to the scheme in the year.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet with a corresponding liability included under creditors. The assets are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital payments outstanding.

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

Cash flow statement

The company is a wholly owned subsidiary undertaking of Spear & Jackson, Inc, a company registered in the United States of America. Spear & Jackson, Inc prepares audited consolidated financial statements made up to 30 September each year which are publicly available through its annual 10-K filing with the Securities and Exchange Commission. These financial statements include a consolidated cash flow statement which incorporates the cash flows of the company. Spear & Jackson Garden Products Limited is therefore not required to prepare a cash flow statement for inclusion in its own accounts.

2. TURNOVER

Turnover, which is stated net of value added tax, represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities. Turnover is attributable to one continuing activity, the manufacture and sale of garden, agricultural and contractors' hand tools, woodsaws and builders' tools.

An analysis of turnover by geographical market is as follows:

	2006 £000	2005 £000
United Kingdom	11,351	11,053
Other EC countries	899	1,011
Africa	104	95
North and South America	494	591
Australasia	189	360
Rest of World	154	107
	<u>13,191</u>	<u>13,217</u>

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS

at 30 September 2006

3. OPERATING LOSS

(a) Operating loss before exceptional items

	2006 £000	2005 £000
Turnover	13,191	13,217
Change in stocks of finished goods and work in progress	(1,313)	1,203
	<u>11,878</u>	<u>14,420</u>
Government grant release	11	11
Other operating income	103	103
	<u>11,992</u>	<u>14,534</u>
Raw materials and consumables	5,929	6,477
Staff costs (note 6)	1,732	2,555
Depreciation of owned fixed assets	150	209
Auditors' remuneration	12	10
Operating lease rentals - plant and machinery	-	53
Other operating charges	5,432	5,532
	<u>13,255</u>	<u>14,836</u>
Operating loss before exceptional items	<u>(1,263)</u>	<u>(302)</u>

(b) Exceptional items charged to operating losses

(i) Costs in connection with the reorganisation of the company's manufacturing operation (note 13(a))	(612)	(246)
(ii) Share of special pension contribution paid to the group pension plan (note 19)	-	(781)
Exceptional items charged to operating losses	<u>(612)</u>	<u>(1,027)</u>
Operating loss	<u>(1,875)</u>	<u>(1,329)</u>

4. OTHER EXCEPTIONAL ITEMS

	2006 £000	2005 £000
(a) Profit on sale of land and buildings	<u>1,932</u>	<u>1,611</u>

The profit in 2006 relates to the sale, for £2,600,000, of the remaining element of the company's manufacturing site at St Paul's Road, Wednesbury. The profit in 2005 relates to the sale, for £2,800,000, of the excess element of the Wednesbury site.

(b) Impairment write-down of tangible fixed assets following a review of remaining asset lives	<u>(385)</u>	<u>(82)</u>
--	--------------	-------------

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS

at 30 September 2006

5 DIRECTORS' REMUNERATION

No remuneration was paid in the year to the directors of the company by Spear & Jackson Garden Products Limited (2005 - £nil) The emoluments of directors of the company who are also directors of Spear & Jackson plc are disclosed in the accounts of that company

6. STAFF COSTS

	2006 £000	2005 £000
Wages and salaries	1,404	2,088
Social security costs	101	150
Other pension costs (notes a)	227	317
	<u>1,732</u>	<u>2,555</u>

(a) In addition to the annual ongoing pension costs shown above for the year to 30 September 2005, £781,000 of a total of a special contribution of £4,000,000 paid to the group pension plan has been allocated to the company in the year (see note 19)

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

	2006 No	2005 No
Manufacturing	71	107
Office and management	9	12
	<u>80</u>	<u>119</u>

7. INTEREST PAYABLE

	2006 £000	2005 £000
Group loan stock	39	86

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS

at 30 September 2006

8. TAXATION

No taxation charge or credit arises in the year. The rate of current taxation assessed on the (loss)/profit for the year differs from the standard rate of corporation tax in the UK. The differences are as follows:

	2006 £000	2005 £000
Tax on (loss)/profit on ordinary activities before taxation at the UK statutory rate of 30%	(110)	34
Group relief surrendered for which no payment will be received	-	268
Permanently disallowable items	14	9
Shortfall in capital allowances over qualifying depreciation	160	41
Annual effect of prior year special pension contribution	(59)	-
Losses carried forward	566	-
Element of special pension contribution paid in the year not tax deductible until future years	-	176
Elimination of tax arising on profit on sale of land and buildings through utilisation of group capital losses	(594)	(483)
Increase in / (release of) general provisions	17	(45)
Other	6	-
Current taxation as reported	-	-

Potential deferred tax assets of £784,000 (2005 - £674,000), relating to capital allowances in excess of depreciation, and other timing differences have not been recognised in these accounts. There is insufficient evidence that these assets will be recoverable within the meaning of FRS 19 "Deferred Taxation". Similarly, trading losses carried forward of approximately £3,519,000 (2005 - £1,632,000), which are available for relief against future trading profits, have not been recognised in these accounts. Additionally, the company has advance corporation tax of £1,005,000 (2005 - £1,005,000) available for offset against future taxation liabilities for which no recognition has been made in these financial statements.

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS at 30 September 2006

9 TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings £'000</i>	<i>Plant and equipment £'000</i>	<i>Total £'000</i>
Cost or valuation			
At 1 October 2005	737	5,150	5,887
Additions	-	213	213
Disposals	(737)	(352)	(1,089)
At 30 September 2006	-	5,011	5,011
Depreciation			
At 1 October 2005	60	4,709	4,769
Charge for the year	41	109	150
Impairment write-down (note 4b)	-	385	385
Disposals	(101)	(351)	(452)
At 30 September 2006	-	4,852	4,852
Net book value			
At 30 September 2006	-	159	159
At 30 September 2005	677	441	1,118

10. STOCKS

	<i>2006 £000</i>	<i>2005 £000</i>
Raw materials and consumables	651	695
Work in progress	129	1,213
Finished goods	2,000	2,229
	2,780	4,137

11. DEBTORS

	<i>2006 £000</i>	<i>2005 £000</i>
Amounts falling due within one year		
Amounts owed by group undertakings	2,605	-

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS

at 30 September 2006

12. CREDITORS: amounts falling due within one year

	2006 £000	2005 £000
Loan stock	-	1,500
Amounts owed to other group undertakings	-	14,209
Amounts owed to parent undertaking	531	779
Deferred income	-	11
	<u>531</u>	<u>16,499</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

(a) Manufacturing reorganisation provision

	£000
At 1 October 2005	215
Provisions charged to the profit and loss account (note 3b (i))	612
Payments in the year	(465)
At 30 September 2006	<u>362</u>

The provision relates to the costs in connection with the reorganisation of the company's manufacturing operations

b) Deferred taxation

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

	2006 £000	2005 £000
Capital allowances in excess of depreciation	318	166
Other timing differences relating to		
Current assets and liabilities	349	332
Special pension contribution	117	176
	<u>784</u>	<u>674</u>

There is insufficient evidence that these assets will be recoverable within the meaning of FRS 19 'Deferred Taxation'

Similarly, trading losses carried forward of approximately £3,519,000 (2005 - £1,632,000), which are available for relief against future trading profits, have not been recognised in these accounts

Additionally, the company has advance corporation tax of £1,005,000 (2005 - £1,005,000) available for offset against future taxation liabilities for which no recognition has been made in these financial statements

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS at 30 September 2006

14. CALLED UP SHARE CAPITAL

		<i>Authorised</i>	<i>Allotted, called up and fully paid</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>No</i>	<i>No</i>	<i>£000</i>
			<i>2005</i>
			<i>£000</i>
Ordinary shares of £1 each	17,000,000	500,000	16,977
			500

On 28 March 2006 the company increased its authorised share capital by 16,500,000 ordinary £1 shares. On the same date, liabilities in the form of group loans totalling £16,477,374 owed to the company's immediate parent undertaking, Spear & Jackson Holdings Limited, were settled by the issue of 16,477,374 ordinary £1 shares to that company.

15. RESERVES

	<i>Profit and loss account £000</i>
At 1 October 2005	(11,959)
Loss for the year	(367)
At 30 September 2006	(12,326)

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
(Loss)/profit for the financial year	(367)	114
Loan capitalisation (note 14)	16,477	-
Shareholders' funds at 1 October 2005	16,110	114
	(11,459)	(11,573)
Shareholders' funds at 30 September 2006	4,651	(11,459)

17. OBLIGATIONS UNDER OPERATING LEASES

At 30 September 2006 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Plant, motor vehicles and machinery</i>
	<i>2006</i>
	<i>£000</i>
	<i>2005</i>
	<i>£000</i>
Operating leases which expire Between two to five years	-
	10

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS

at 30 September 2006

18. CONTINGENT LIABILITIES

Borrowings under the bank overdraft facility of Spear & Jackson Garden Products Limited are secured by a mortgage debenture with the HSBC Bank plc, incorporating fixed and floating charges on the whole undertaking and assets of the company. The company's UK bank accounts with the HSBC Bank plc, together with those of certain other fellow UK subsidiaries within the Spear & Jackson, Inc group form a pooled fund. As part of this arrangement the company has entered into a cross guarantee with the HSBC Bank plc to guarantee any bank overdrafts of the undertakings within the pool. At 30 September 2005 the extent of this guarantee was £11,579,000 (2005 - £11,557,000). The net pooled position at 30 September 2006 was £2,870,000 in credit (2005 - £425,000 overdrawn).

19. PENSION COMMITMENTS

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

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

The pension charge attributable to the annual contributions payable by the company to the Plan, amounted to £227,00 (2005 - £317,000). In addition, in the year to September 2005, the special contribution referred to below was allocated pro rata to the member companies of the Plan and Spear & Jackson Garden Products Limited's share was £781,000. This has been presented as an exceptional item charged in arriving at the net operating loss for the year to 30 September 2005 (see note 3b).

A full actuarial valuation of the Plan was performed by PricewaterhouseCoopers as at 31 December 2004, using the projected unit method. The main valuation assumptions adopted for funding purposes were that, over the long term, the annual discount rate of investment returns was 5.9% (post-retirement) and 5.9% (pre-retirement). Annual LPI pension increases were assumed to be 2.9%, and for other fixed rate increases the relevant fixed rate was assumed to apply. Inflation and salary increases were assumed to be equal at 2.9% and assets were taken at current market value. This actuarial valuation revealed that the market value of assets was sufficient to cover 79% of the liabilities of the Plan.

Following discussions between James Neill Holdings Limited ("JNH"), the sponsoring employer, and the Trustees of the Plan, it was agreed that JNH would make a special contribution to the Plan of £4,000,000. £2,000,000 was paid in June 2005 and a further £2,000,000 was paid in September 2005. In addition, from May 2005, it was agreed that the total annual employer pension contributions to the Plan would increase from £1,500,000 to £1,900,000. Contributions will continue at this rate, subject to certain conditions, until April 2007.

During the year, total employer contributions of £1,907,000 (2005- £5,500,000 of which £4,000,000 related to the lump sum contribution referred to above) the Plan.

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS

at 30 September 2006

19. PENSION COMMITMENTS (continued)

The principal financial assumptions used in calculating the liabilities of the Plan as at 30 September 2006, 2005 and 2004 under FRS17 are as follows

	<i>At 30 September 2006</i>	<i>At 30 September 2005</i>	<i>At 30 September 2004</i>
Discount rate for assessing plan liabilities	5.05%	5.00%	5.50%
Rate of increase in salaries	3.10%	2.80%	2.80%
Rate of increases in inflation-linked Deferred pensions	3.00%	2.80%	2.80%
Rate of increase for pensions in payment			
- Pre 88 GMPs	0.00%	0.00%	0.00%
- Post 88 GMPs	2.50%	2.40%	2.40%
- Excess over GMP (fixed 5% increases)	5.00%	5.00%	5.00%
- Excess over GMP (increase in line with LPI)	2.80%	2.70%	2.70%
Inflation rate assumption	3.00%	2.80%	2.80%
	<i>Long-term rate of return expected at 30 September 2006</i>	<i>Long-term rate of return expected at 30 September 2005</i>	<i>Long-term rate of return expected at 30 September 2004</i>
Equities	8.20%	8.10%	8.75%
Bonds	5.05%	5.00%	5.50%
Cash	4.75%	4.50%	4.75%

The fair value of the assets held by the Plan as at 30 September 2006, 2005 and 2004, together with the liabilities at those dates calculated on the above bases, are as follows

	<i>Fair Value at 30/09/2006 £ 000</i>	<i>Fair Value at 30/09/2005 £000</i>	<i>Fair Value at 30/09/2004 £ 000</i>
Equities	50,407	47,654	37,631
Bonds	48,751	42,695	38,388
Cash	513	5,824	2,562
Total market value of assets	99,671	96,173	78,581
Present value of plan liabilities	(125,421)	(120,480)	(99,642)
Deficit in the scheme	(25,750)	(24,307)	(21,061)
Related deferred tax asset	7,725	7,292	6,318
Net pension liability	(18,025)	(17,015)	(14,743)

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS

at 30 September 2006

19. PENSION COMMITMENTS (continued)

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

	2006 £000	2005 £000
Operating profit		
Current service cost	(1,187)	(926)
Finance cost		
Expected return on pension plan assets	6,241	5,487
Interest on pension scheme liabilities	(5,949)	(5,407)
Net finance income	292	80
Total charge	(895)	(846)

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

	2006 £000	2005 £000
Actual return less expected return on pension scheme assets	969	10,005
Experience gains and losses arising on the scheme liabilities	315	(3,635)
Changes in assumptions underlying the present value of scheme liabilities	(3,739)	(14,274)
Actuarial loss recognised in the STRGL	(2,455)	(7,904)

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

	2006 £000	2005 £000
Deficit in the scheme at the beginning of the year	(24,307)	(21,061)
Current service cost	(1,187)	(926)
Employer contributions	1,907	5,504
Past service costs	-	-
Other finance income	292	80
Actuarial loss	(2,455)	(7,904)
Actuarial loss recognised in the STRGL	(25,750)	(24,307)

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS

at 30 September 2006

19. PENSION COMMITMENTS (continued)

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

	2006	2005	2004
Difference between the expected and actual return on scheme amount (£'000)	969	10,005	222
percentage of scheme assets	10%	10%	0%
Experience gains and losses on scheme liabilities amount (£'000)	315	(3,635)	3,804
percentage of scheme liabilities	0%	(3%)	4%
Total amount recognised in statement of total Recognised gains amount (£'000)	(2,455)	(7,904)	(4,287)
percentage of scheme liabilities	(2%)	(7%)	(4%)

20. PARENT UNDERTAKING AND CONTROLLING PARTY

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

The parent undertaking of the smallest group for which group accounts are prepared is Spear & Jackson, Inc, a company registered in the United States of America

Up until 28 July 2006 61.8% of the common stock of Spear & Jackson, Inc had been owned by Jacuzzi Brands, Inc, a company incorporated in the United States of America. On 28 July 2006 the shares previously owned by Jacuzzi Brands, Inc were sold to UPI

21. CAPITAL COMMITMENTS

	2006 £000	2005 £000
Contracted for but not provided	-	51

22. RELATED PARTY TRANSACTIONS

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

23. POST BALANCE SHEET EVENTS

On 14 May 2007, United Pacific Industries, Limited ("UPI") made a formal offer to the Board of Spear & Jackson, Inc ("S&J") to acquire the remaining 38.2% of outstanding shares of common stock of S&J of US\$0.001 par value per share ("S&J Shares") not already owned by UPI for an aggregate cash consideration of US\$3,251,510 representing a price of US\$1.483 ("the Acquisition")

Following extensive discussions between UPI and the Finance Committee of S&J, a revised offer price of US\$1.96 per share was agreed representing a total amount due to the minority shareholders of US\$4,297,343. Consequently, on 22 June 2007 S&J entered into a definitive merger agreement (the "Agreement") with UPI, under the terms of which S&J will be merged with a newly formed Nevada corporation (the "Merger Sub"). At the effective date of the merger the separate existence of S&J will cease and the Merger Sub will continue as the surviving corporation. Accordingly, the stockholders of S&J

Spear & Jackson Garden Products Limited

NOTES TO THE ACCOUNTS at 30 September 2006

23. POST BALANCE SHEET EVENTS (continued)

(other than UPI, Pantene Global Holdings Limited, any of their wholly owned subsidiaries, Merger Sub and any S&J stockholders who exercise their dissenter's rights) will receive a cash payment of US\$1.96 per share. Dissenters will be entitled to seek court adjudication as to the fair value of their shares.

The closing of the proposed transaction is subject to, among other things, affirmative vote of majority outstanding shares of S&J (UPI, being S&J's majority stockholder, intends to vote its shares in favour of the merger transaction), approval of the proposed transaction by the shareholders of UPI, receipt of any regulatory approvals and third party consents, and since the date of the Agreement no Effect (as described in the Agreement) shall have occurred which has, or would be reasonably expected to have, a Company Material Adverse Effect (again, as described in the Agreement).

As previously disclosed in the Directors' Report for the year ended 30 September 2005, a number of class action lawsuits were initiated against S&J and Mr. Dennis Crowley, its then Chief Executive Officer/Chairman, among others ("the Class Action"), alleging violations of US federal security laws. Following settlement negotiations, a Stipulation of Settlement was filed. On 11 May 2007, the US District Court for the Southern District of Florida, sitting in West Palm Beach, Florida, heard the Plaintiff's motion for Final Approval of the Class Action Settlement and Plan of Allocation, to which there were no objectors or class members that opted out of, the settlement. On 14 May 2007, the Court signed the Final Judgment, thus forever extinguishing all of the class claims against S&J, and barring any claims for contribution by third parties. The Final Judgment made clear that the settlement was not an admission of wrongdoing or liability by S&J.

A derivative action was also brought by shareholders against certain officers and directors of S&J and other defendants, naming S&J as nominal defendant ("the Derivative Action"). A Stipulation of Settlement was subsequently filed on 31 October 2006 (the "Stipulation"). On 29 May 2007, the Circuit Court in Palm Beach County entered a Final Judgment and Order approving the settlement and award of attorneys' fees and expenses detailed in the Stipulation, resulting in the dismissal of the suit and the release of S&J and certain officers and directors.