

Registered number 02683478

Lock Inspection Systems Limited

Financial statements

For the year ended 31 December 2012



CLB
coopers
Chartered Accountants
Delivering solutions through excellence

LOCK INSPECTION SYSTEMS LIMITED

Company Information

| | |
|----------------------------|---|
| Directors | D Garnett G Hudson E Ufland O Barreto-Morley P Deakin |
| Company secretary | S & J Registrars Limited |
| Registered number | 02683478 |
| Registered office | Lock House Neville Street Oldham Lancashire OL9 6LF |
| Independent auditor | CLB Coopers Ship Canal House 98 King Street Manchester M2 4WU |

LOCK INSPECTION SYSTEMS LIMITED

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LOCK INSPECTION SYSTEMS LIMITED

Directors' report For the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently,
- make 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 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.

Principal activities

The principal activities of the company are the manufacture and sale of metal detectors and checkweighing equipment.

Review of performance

The directors are pleased with the results achieved.

Results

The profit for the year, after taxation, amounted to £1,035,000 (2011: £794,000).

Directors

The directors who served during the year were

D Garnett
H Hiran (resigned 26 October 2012)
P Hartley (resigned 26 October 2012)
G Hudson (appointed 26 October 2012)
E Ufland (appointed 26 October 2012)
O Barreto-Morley (appointed 26 October 2012)
P Deakin (appointed 26 October 2012)

LOCK INSPECTION SYSTEMS LIMITED

Directors' report
For the year ended 31 December 2012

Principal risks and uncertainties facing the company

A large proportion of the company's business is transacted overseas, and the performance of the business is therefore exposed to significant movements in foreign currency exchange rates

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The group has significant cashflows in major currencies and the company uses group offset facilities to minimise these exposures.

Credit risk

The company's principal financial assets are bank balances and cash, stock, and trade and other debtors.

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

There is a minimal liquidity risk but the company utilises the group's cash pool arrangements to cover short term requirements.

Price risk

The company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk due to cost benefit considerations.

LOCK INSPECTION SYSTEMS LIMITED

Directors' report

For the year ended 31 December 2012

Provision of information to auditor

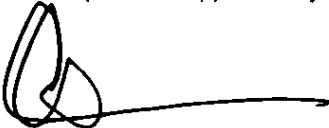
Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

Auditor

The auditor, CLB Coopers, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board and signed on its behalf

A handwritten signature in black ink, appearing to be 'G Hudson', with a long horizontal line extending to the right.

G Hudson
Director

Date 6 March 2013

LOCK INSPECTION SYSTEMS LIMITED

Independent auditor's report to the shareholder of Lock Inspection Systems Limited

We have audited the financial statements of Lock Inspection Systems Limited for the year ended 31 December 2012, set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

LOCK INSPECTION SYSTEMS LIMITED

Independent auditor's report to the shareholder of Lock Inspection Systems Limited

Matters on which we are required to report by exception

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

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

A handwritten signature in black ink, appearing to read 'CLB Coopers', is written over the printed name.

David Clift (senior statutory auditor)

for and on behalf of

CLB Coopers

Statutory Auditors and Chartered Accountants

Ship Canal House
98 King Street
Manchester
M2 4WU

6 March 2013

LOCK INSPECTION SYSTEMS LIMITED

Profit and loss account For the year ended 31 December 2012

| | Note | 2012 £000 | 2011 £000 |
|---|------|--------------|--------------|
| Turnover | 2 | 8,743 | 8,632 |
| Cost of sales | | (4,727) | (4,675) |
| | | <hr/> | <hr/> |
| Gross profit | | 4,016 | 3,957 |
| Distribution costs | | (542) | (733) |
| Administrative expenses | | (2,198) | (2,151) |
| | | <hr/> | <hr/> |
| Operating profit | 3 | 1,276 | 1,073 |
| Interest payable and similar charges | 6 | (52) | (56) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 1,224 | 1,017 |
| Tax on profit on ordinary activities | 7 | (189) | (223) |
| | | <hr/> | <hr/> |
| Profit for the financial year | 14 | <u>1,035</u> | <u>794</u> |

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

The notes on pages 8 to 15 form part of these financial statements

LOCK INSPECTION SYSTEMS LIMITED

Registered number. 02683478

Balance sheet

As at 31 December 2012

| | Note | £000 | 2012 £000 | £000 | 2011 £000 |
|--|------|----------------|---------------------|----------------|---------------------|
| Fixed assets | | | | | |
| Tangible assets | 8 | | 271 | | 282 |
| Current assets | | | | | |
| Stocks | 10 | 1,200 | | 1,052 | |
| Debtors | 11 | 6,236 | | 3,442 | |
| Cash at bank and in hand | | 701 | | 261 | |
| | | <u>8,137</u> | | <u>4,755</u> | |
| Creditors amounts falling due within one year | 12 | <u>(4,724)</u> | | <u>(2,388)</u> | |
| Net current assets | | | <u>3,413</u> | | <u>2,367</u> |
| Net assets | | | <u><u>3,684</u></u> | | <u><u>2,649</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 13 | | 2,000 | | 2,000 |
| Profit and loss account | 14 | | <u>1,684</u> | | <u>649</u> |
| Shareholder's funds | 15 | | <u><u>3,684</u></u> | | <u><u>2,649</u></u> |

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



G Hudson
Director

Date 6 March 2013

The notes on pages 8 to 15 form part of these financial statements

LOCK INSPECTION SYSTEMS LIMITED

Notes to the financial statements For the year ended 31 December 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

As the company is a wholly owned subsidiary of Illinois Tool Works Inc., the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions with entities which form part of the group.

1.2 Cash flow statement

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Sales are recognised when goods are physically delivered to the customer, and deposits and other payments on account, made by customers, are held in creditors until this point.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | |
|---|---------------|
| Long leasehold land and buildings - | 40 years |
| Plant, machinery, fixtures and fittings - | 3 to 10 years |

1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods, cost is taken as production cost and includes an appropriate proportion of production overheads.

LOCK INSPECTION SYSTEMS LIMITED

Notes to the financial statements
For the year ended 31 December 2012

1 Accounting policies (continued)

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.8 Post retirement benefits

The company operates a defined contribution pension scheme. The assets of the fund are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

1.9 Leasing

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

1.10 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and the gains or losses on translation are included in the profit and loss account.

2. Turnover

The whole of the turnover is attributable to the principal activities of the company.

A geographical analysis of turnover is as follows:

| | 2012 £000 | 2011 £000 |
|--------------------|--------------|--------------|
| United Kingdom | 1,082 | 1,136 |
| Continental Europe | 3,044 | 2,696 |
| America | 2,637 | 2,856 |
| Rest of World | 1,980 | 1,944 |
| | <u>8,743</u> | <u>8,632</u> |

LOCK INSPECTION SYSTEMS LIMITED

Notes to the financial statements For the year ended 31 December 2012

3. Operating profit

The operating profit is stated after charging

| | 2012 £000 | 2011 £000 |
|---------------------------------------|--------------|--------------|
| Depreciation of tangible fixed assets | | |
| - owned by the company | 35 | 32 |
| Auditor's remuneration | 10 | 12 |
| Operating lease rentals | | |
| - other operating leases | 84 | 77 |
| | <u>129</u> | <u>121</u> |

4. Staff costs

Staff costs, including directors' remuneration, were as follows

| | 2012 £000 | 2011 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 1,941 | 1,903 |
| Social security costs | 176 | 177 |
| Pension costs | 158 | 110 |
| | <u>2,275</u> | <u>2,190</u> |

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

| | 2012 No. | 2011 No. |
|------------------------------|-------------|-------------|
| Production | 49 | 45 |
| Selling and distribution | 9 | 9 |
| Administrative and technical | 22 | 23 |
| | <u>80</u> | <u>77</u> |

5. Directors' remuneration

| | 2012 £000 | 2011 £000 |
|---|--------------|--------------|
| Emoluments | 165 | 178 |
| | <u>165</u> | <u>178</u> |
| Contributions to defined contribution pension schemes | 15 | 15 |
| | <u>15</u> | <u>15</u> |

During the year retirement benefits were accruing to 3 directors (2011: 2) in respect of defined contribution pension schemes

During the year, those directors who were also directors of Lock Inspection Group Limited were remunerated by that company

LOCK INSPECTION SYSTEMS LIMITED

Notes to the financial statements
For the year ended 31 December 2012

6 Interest payable and similar charges

| | 2012 £000 | 2011 £000 |
|------------------------------|--------------|--------------|
| On bank loans and overdrafts | 5 | 1 |
| Other interest payable | 47 | 47 |
| Loss on exchange | - | 8 |
| | <u>52</u> | <u>56</u> |

7. Taxation

| | 2012 £000 | 2011 £000 |
|--|--------------|--------------|
| Analysis of tax charge in the year | | |
| UK corporation tax charge on profit for the year | 235 | 223 |
| Adjustments in respect of prior periods | (46) | - |
| | <u>189</u> | <u>223</u> |
| Tax on profit on ordinary activities | | |

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 lower than) the standard rate of corporation tax in the UK of 24% (2011 26%). The differences are explained below

| | 2012 £000 | 2011 £000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax | <u>1,224</u> | <u>1,017</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2011 26%) | 294 | 264 |
| Effects of | | |
| Expenses not deductible for tax purposes | 6 | 6 |
| Difference between capital allowances and depreciation | (1) | (4) |
| Adjustments to tax charge in respect of prior periods | (46) | (50) |
| Other short term timing differences | 1 | 1 |
| Research and development tax allowance | (65) | - |
| Difference in tax rates | - | 6 |
| | <u>189</u> | <u>223</u> |
| Current tax charge for the year (see note above) | | |

LOCK INSPECTION SYSTEMS LIMITED

Notes to the financial statements
For the year ended 31 December 2012

8 Tangible fixed assets

| | Long leasehold and buildings £000 | Plant and machinery £000 | Fixtures and fittings £000 | Total £000 |
|-----------------------|---|--------------------------------|----------------------------------|---------------|
| Cost | | | | |
| At 1 January 2012 | 500 | 379 | 229 | 1,108 |
| Additions | - | 19 | 5 | 24 |
| Disposals | - | (11) | - | (11) |
| At 31 December 2012 | 500 | 387 | 234 | 1,121 |
| Depreciation | | | | |
| At 1 January 2012 | 251 | 368 | 207 | 826 |
| Charge for the year | 13 | 8 | 14 | 35 |
| On disposals | - | (11) | - | (11) |
| At 31 December 2012 | 264 | 365 | 221 | 850 |
| Net book value | | | | |
| At 31 December 2012 | 236 | 22 | 13 | 271 |
| At 31 December 2011 | 249 | 11 | 22 | 282 |

LOCK INSPECTION SYSTEMS LIMITED

Notes to the financial statements For the year ended 31 December 2012

9. Fixed asset investments

Fixed asset investments are represented entirely by shares in a group undertaking, with a cost and net book value of £303

10 Stocks

| | 2012 £000 | 2011 £000 |
|-------------------------------------|--------------|--------------|
| Raw materials and consumables | 874 | 824 |
| Work in progress | 222 | 149 |
| Finished goods and goods for resale | 104 | 79 |
| | <u>1,200</u> | <u>1,052</u> |

11. Debtors

| | 2012 £000 | 2011 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 521 | 445 |
| Amounts owed by group undertakings | 5,615 | 2,835 |
| Other debtors | 44 | 49 |
| Prepayments and accrued income | 56 | 63 |
| Tax recoverable | - | 50 |
| | <u>6,236</u> | <u>3,442</u> |

12. Creditors

Amounts falling due within one year

| | 2012 £000 | 2011 £000 |
|------------------------------------|--------------|--------------|
| Trade creditors | 952 | 940 |
| Amounts owed to group undertakings | 3,347 | 689 |
| Corporation tax | 95 | 272 |
| Social security and other taxes | 51 | 52 |
| Other creditors | 27 | 32 |
| Accruals and deferred income | 252 | 403 |
| | <u>4,724</u> | <u>2,388</u> |

Included within other creditors are unpaid pension contributions of £18,000 (2011 £16,000)

LOCK INSPECTION SYSTEMS LIMITED

Notes to the financial statements For the year ended 31 December 2012

13 Share capital

| | 2012 £000 | 2011 £000 |
|---|--------------|--------------|
| Authorised, allotted, called up and fully paid | | |
| 2,000,000 Ordinary shares of £1 each | <u>2,000</u> | <u>2,000</u> |

14. Reserves

| | Profit and loss account £000 |
|---------------------|------------------------------------|
| At 1 January 2012 | 649 |
| Profit for the year | <u>1,035</u> |
| At 31 December 2012 | <u>1,684</u> |

15. Reconciliation of movement in shareholder's funds

| | 2012 £000 | 2011 £000 |
|-----------------------------|--------------|--------------|
| Opening shareholder's funds | 2,649 | 1,855 |
| Profit for the year | <u>1,035</u> | <u>794</u> |
| Closing shareholder's funds | <u>3,684</u> | <u>2,649</u> |

16. Operating lease commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

| | 2012 £000 | 2011 £000 |
|-----------------------|--------------|--------------|
| Expiry date | | |
| Within 1 year | 3 | 4 |
| Between 2 and 5 years | <u>56</u> | <u>66</u> |

17. Related party transactions

In preparing these financial statements, advantage has been taken of the provision under Financial Reporting Standard 8 which states that disclosure is not required of transactions with entities that are part of the group, on the basis that consolidated financial statements, in which the company is included, are publicly available

LOCK INSPECTION SYSTEMS LIMITED

Notes to the financial statements
For the year ended 31 December 2012

18. Ultimate parent company and controlling party

For the whole of the preceding year and up until 26 October 2012 the company was a wholly owned subsidiary of Lock Inspection Holdings Limited, a company registered in England and Wales. Throughout this period Lock Inspection Holdings Limited was controlled by its directors.

On 26 October 2012 the whole of the issued share capital of Lock Inspection Holdings Limited was acquired by ITW Limited, a company registered in England and Wales. Copies of that company's financial statements are available from the Registrar of Companies.

The company's ultimate parent company and controlling party is Illinois Tool Works Inc., which is incorporated in the State of Delaware, United States of America.