

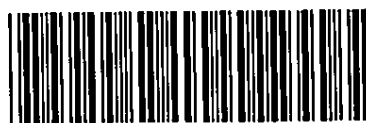
Registered number  
4296822

Adwest Engineering Limited

Directors' report and financial statements

2 March 2007

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**Adwest Engineering Limited**  
**Directors' report and financial statements**  
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## **Adwest Engineering Limited Company Information**

### **Directors**

G Magal  
KG Lowen  
D Woolford  
D Batten  
D Lawrence

### **Secretary**

KG Lowen

### **Auditors**

KPMG LLP  
Arlington Business Park  
Theale  
Reading

### **Registered office**

47 Castle Street, Berkshire RG1 7SR

### **Registered number**

4296822

## **Adwest Engineering Limited**

### **Directors' Report**

The directors present their report and financial statements for the year ended 2 March 2007

#### **Principal activities and review of the business**

The company's principal activities during the year, was the manufacture of steering gears for the automotive industry and curtain walling for the construction industry. Management and reporting of risk and key performance indicators is undertaken at the group level. This information is available in the Magal Engineering Limited group annual report under the heading business review.

The company achieved a turnover of £8,387,727 (2006 - £6,331,090) and a loss before taxation of £610,620 (2006 - loss £995,199). The directors are optimistic in respect of the company's future prospects.

#### **Results and dividends**

The result for the year is set out in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend (2006 - £nil).

#### **Directors**

The directors who served during the year were as follows:

G Magal  
KG Lowen  
D Woolford  
D Batten (resigned 22/12/2006)  
D Lawrence

Messrs Magal, Lowen and Woolford are also directors of the ultimate parent company, Magal Engineering Limited. Their interests in the share capital of that company are shown in its financial statements.

All other directors have no interests in the share capital of the company.

None of the directors had any beneficial interest in any contract in which the company was a party during the period.

All directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

#### **Political and charitable donations**

During the year the company made no political or charitable contributions (2006 - £nil).

#### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

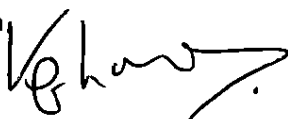
#### **Auditors**

The directors will place a resolution before the annual general meeting to reappoint KPMG LLP as auditors for the ensuing year.

This report was approved by the board on 28th September 2007.

KG Lowen,

Director



## **Adwest Engineering Limited**

### **Statement of directors' responsibilities in respect of the Director's report and the financial statements**

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 UK Accounting Standards.

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 judgments and 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, and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Adwest Engineering Limited**

### **Independent auditors' report to the members of Adwest Engineering Limited**

We have audited the financial statements of Adwest Engineering Limited for the year ended 2 March 2007 which comprise the Profit and Loss Account, the Balance Sheet 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 UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 audit opinion**

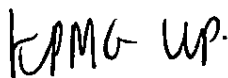
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 2 March 2007 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.



KPMG LLP  
Chartered Accountants  
Registered Auditor  
Arlington Business Park  
Theale  
Reading

28th September 2007

**Adwest Engineering Limited**  
**Profit and Loss Account**  
**for the year ended 2 March 2007**

	Notes	2007 £	2006 £
<b>Turnover</b>		8,387,727	6,331,090
Cost of sales		(7,707,236)	(6,505,421)
<b>Gross profit/(loss)</b>		<u>680,491</u>	<u>(174,331)</u>
Distribution costs		(142,136)	(125,589)
Administrative expenses		(472,856)	(947,630)
<b>Operating Profit / (loss) before exceptional items</b>	3	<u>65,499</u>	<u>(1,247,550)</u>
Exceptional items	4	(678,068)	243,149
<b>Operating loss after exceptional items</b>		<u>(612,569)</u>	<u>(1,004,401)</u>
Interest receivable	7	1,949	9,202
<b>Loss on ordinary activities before taxation</b>		<u>(610,620)</u>	<u>(995,199)</u>
Tax on loss on ordinary activities	8	-	-
<b>Loss for the period</b>		<u>(610,620)</u>	<u>(995,199)</u>
<b>Retained loss for the period</b>	16	<u>(610,620)</u>	<u>(995,199)</u>

**Continuing operations**

All amounts relate to continuing activities

**Statement of total recognised gains and losses**

All recognised gains and losses are included in the profit and loss account

**Adwest Engineering Limited**  
**Balance Sheet**  
**as at 2 March 2007**

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	9	263,870	239,150
<b>Current assets</b>			
Stocks	10	864,822	372,841
Debtors	11	1,902,860	1,243,038
Cash at bank and in hand		-	9,595
		<u>2,767,682</u>	<u>1,625,474</u>
<b>Creditors, amounts falling due within one year</b>	12	(2,676,437)	(827,593)
<b>Net current assets</b>		<u>91,245</u>	<u>797,881</u>
<b>Total assets less current liabilities</b>		<u>355,115</u>	<u>1,037,031</u>
<b>Provisions for liabilities and charges</b>			
Other provisions	13	(147,704)	(219,000)
<b>Net Assets</b>		<u>207,411</u>	<u>818,031</u>
<b>Capital and reserves</b>			
Called up share capital	14	101	101
Share premium	15	3,064,711	3,064,711
Profit and loss account	16	(2,857,401)	(2,246,781)
		<u>207,411</u>	<u>818,031</u>



G Magal  
Director

Approved by the board on 28th September 2007



KG Lowen  
Director



**Adwest Engineering Limited**  
**Notes to the Accounts**  
**for the year ended 2 March 2007**

**1 Accounting policies**

***Accounting convention***

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

The company is exempt from the requirement of Financial Reporting Standard 1 "Cash flow statements" to present a cash flow statement because it is a wholly owned subsidiary of Magal Engineering Limited which prepares publicly available consolidated accounts that incorporate the results of the company

***Turnover***

Turnover represents sales to customers at invoiced amounts less value added tax

***Depreciation***

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates

Plant, vehicles and equipment - 10-50% per annum

***Research and development***

Research and development expenditure is charged to the profit and loss as incurred

***Stocks***

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal

***Deferred taxation***

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefit in the future is uncertain

Deferred tax assets and liabilities recognised are not discounted

***Operating Leases***

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

***Pension costs***

Contributions to the company's group personal pension scheme are charged to the profit and loss account in the period in which they become payable

***Forward warranty***

The company makes provision for warranty expenses based upon the number of units in the field and the historic experience of returns

**Adwest Engineering Limited**  
**Notes to the Accounts**  
**for the year ended 2 March 2007**

**Turnover**

Turnover is wholly attributable to the principal activity of the company. An analysis of turnover by geographical market is given below.

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
United Kingdom	7,879,585	5,782,177
France	420,416	366,994
Germany	1,377	1,224
Rest of Europe	34,464	46,770
Asia	14,225	27,940
North America	37,660	80,750
Other	-	25,235
	<u>8,387,727</u>	<u>6,331,090</u>

The directors are of the opinion that to comply fully with the requirements of SSAP25 'Segmental Reporting' would be seriously prejudicial to the interests of the company.

<b>3 Operating loss</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
This is stated after charging		
Depreciation of owned fixed assets	76,192	53,101
Research and development	25,058	34,600
Operating lease rentals - plant and machinery	27,000	29,800
Operating lease rentals - land and buildings	57,501	421,674
Management fees to parent company	1	232,140
Auditors' remuneration - audit	9,030	9,500
Auditors' remuneration - non audit	2,500	3,000
	<u>2,500</u>	<u>3,000</u>

<b>4 Exceptional items</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Write off of bad debt	622,968	-
Reorganisation costs	55,100	-
Profit on release of reorganisation provision	-	243,149
	<u>678,068</u>	<u>243,149</u>

**Adwest Engineering Limited**  
**Notes to the Accounts**  
**for the year ended 2 March 2007**

<b>5 Directors' emoluments</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>

Emoluments	118,640	112,733
Company contributions to money purchase pension schemes	6,533	6,879
	<u>125,173</u>	<u>119,612</u>

The services of Messrs Magal, Lowen and Woolford are provided by Magal Engineering Limited and no part of their remuneration is specifically attributed to Adwest Engineering Limited

<b>Number of directors in company pension schemes:</b>	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>

Money purchase schemes	<u>1</u>	<u>1</u>
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<b>6 Staff costs</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>

Wages and salaries	3,063,595	2,411,659
Social security costs	277,883	245,028
Other pension costs	47,184	48,673
	<u>3,388,662</u>	<u>2,705,360</u>

<b>Average number of employees during the year</b>	<b>Number</b>	<b>Number</b>
--	---------------	---------------

Administration	7	10
Distribution	1	1
Manufacturing	120	98
	<u>128</u>	<u>109</u>

<b>7 Interest receivable</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>

Bank interest receivable	<u>1,949</u>	<u>9,202</u>
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**Adwest Engineering Limited**  
**Notes to the Accounts**  
**for the year ended 2 March 2007**

<b>8 Taxation</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Analysis of charge in period</b>		
Tax on loss on ordinary activities	-	-
<b>Factors affecting tax charge for period</b>		
The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows		
	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Loss on ordinary activities before tax	(610,620)	(995,199)
Standard rate of corporation tax in the UK	30%	30%
	<b>£</b>	<b>£</b>
Loss on ordinary activities multiplied by the standard rate of corporation tax	(183,186)	(298,560)
<b>Effects of</b>		
Expenses not deductible for tax purposes/ non taxable income	657	(6,895)
Capital allowances for period in excess of depreciation	21,888	41
Group relief for nil consideration	160,641	305,414
Current tax charge for period	-	-

The company does not recognise any deferred tax asset where there is insufficient evidence that the asset will be recoverable in the foreseeable future. The amount of unrecognised deferred tax asset is £1,717,972 (2006- £1,696,657) all relating to unclaimed capital allowances.

On 21 March 2007, the Chancellor announced in his Budget that the corporation tax rate would reduce from 30% to 28% from April 2008. The deferred tax asset that is not recognised in the balance sheet is calculated using a rate of 30%, as this was in force at the balance sheet date. The impact of this will be to reduce the value of the deferred tax asset utilised after this date. The directors consider that this would reduce the value of the deferred tax asset by approximately £84,134.

<b>9 Tangible fixed assets</b>	<b>Plant and machinery</b>
	<b>£</b>
<b>Cost</b>	
At 25 February 2006	1,675,468
Additions	92,984
Transfer from group undertakings	8,850
At 2 March 2007	1,777,302
<b>Depreciation</b>	
At 25 February 2006	1,436,318
Charge for the year	76,192
Transfer from group undertakings	922
At 2 March 2007	1,513,432
<b>Net book value</b>	
At 2 March 2007	263,870
At 25 February 2006	239,150

**Adwest Engineering Limited**  
**Notes to the Accounts**  
**for the year ended 2 March 2007**

<b>10 Stocks</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Raw materials and consumables	594,811	151,036
Work in progress	248,013	181,205
Finished goods and goods for resale	21,998	40,600
	<u>864,822</u>	<u>372,841</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material

<b>11 Debtors</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Trade debtors	1,707,897	1,047,894
Amounts owed by group undertakings and undertakings in which the company has a participating interest	62,670	114,853
Other debtors	1,993	16,812
Prepayments and accrued income	130,300	63,479
	<u>1,902,860</u>	<u>1,243,038</u>

<b>12 Creditors: amounts falling due within one year</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	712,101	-
Trade creditors	1,428,459	517,990
Amounts owed to group undertakings and undertakings in which the company has a participating interest	5,453	70,507
Other taxes and social security costs	320,117	64,116
Other creditors	41,563	30,675
Accruals and deferred income	168,744	144,305
	<u>2,676,437</u>	<u>827,593</u>

**13 Provisions for liabilities and charges**

	<b>Provisions</b>
	<b>£</b>
At 25 February 2006	219,000
Utilised during the period	<u>(71,296)</u>
At 2 March 2007	<u>147,704</u>

**Adwest Engineering Limited**  
**Notes to the Accounts**  
**for the year ended 2 March 2007**

<b>14 Share capital</b>			<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Authorised Ordinary shares of £1 each			<u>101</u>	<u>101</u>
	<b>2007</b> <b>No</b>	<b>2006</b> <b>No</b>	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Allotted, called up and fully paid Ordinary shares of £1 each	101	101	<u>101</u>	<u>101</u>
<b>15 Share premium</b>			<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
At 25 February 2006 and 2 March 2007			<u>3,064,711</u>	<u>3,064,711</u>
<b>16 Profit and loss account</b>			<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
At start of year			(2,246,781)	(1,251,582)
Retained loss			<u>(610,620)</u>	<u>(995,199)</u>
At end of year			<u>(2,857,401)</u>	<u>(2,246,781)</u>
<b>17 Reconciliation of movement in shareholders' funds</b>			<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
At start of year			818,031	1,813,230
Loss for the financial year			<u>(610,620)</u>	<u>(995,199)</u>
At end of year			<u>207,411</u>	<u>818,031</u>
<b>18 Capital commitments</b>			<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Amounts contracted for but not provided in the accounts			<u>-</u>	<u>9,000</u>

**19 Pension commitments**

The company operates a defined contribution group personal pension scheme. The assets of the scheme are held separately from the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund, and together with contributions to other pension schemes amounted to £47,184 (2006 - £48,673). Contributions amounting to £4,360 (2006 - £7,483) were payable to the fund and are included in creditors.

**Adwest Engineering Limited**  
**Notes to the Accounts**  
**for the year ended 2 March 2007**

**20 Other financial commitments**

At the year end the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2007 £	Land and buildings 2006 £	Other 2007 £	Other 2006 £
Operating leases which expire within one year	-	-	27,000	-
within two to five years	421,997	421,674	-	-

**21 Contingent liabilities**

At 2 March 2007, the company had a contingent liability of £15,000 (2006 - £30,000) in respect of a VAT deferment guarantee

The company has guaranteed all sums due and to become due to the bankers of Magal Engineering Limited, its parent company. At 2 March 2007, this amounted to £494,000 (2006 - £nil)

**22 Related party transactions**

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, "Related Party Transactions", not to disclose any transactions with entities that are included in the consolidated financial statements of Magal Engineering Limited

**23 Ultimate parent company and controlling party**

At 2 March 2007 the company's ultimate parent company was Magal Engineering Limited, which is the parent of both the smallest and largest groups of which the company is a member

Copies of the consolidated financial statements of Magal Engineering Limited are available from Companies House

At 2 March 2007 the directors consider G Magal to be the company's ultimate controlling party, by virtue of his majority shareholding in Magal Engineering Limited