

Registered number  
4407738

Magal Engineering Limited

Report and Accounts

3 July 2015

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**Magal Engineering Limited**  
**Report and accounts**  
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**Magal Engineering Limited**  
**Company Information**

**Director**

G Magal  
D Woolford  
KG Lowen  
D Brooks (non-executive) Chairman  
M Beasley (non-executive)

**Secretary**

KG Lowen  
Pitsec Limited

**Auditor**

KPMG LLP  
Arlington Business Park  
Theale  
Reading  
Berkshire  
RG7 4SD

**Registered office**

47 Castle Street  
Reading  
Berkshire  
RG1 7SR

**Registered number**

4407738

**Magal Engineering Limited**  
**Strategic Report**

Registered number 4407738

The director presents his strategic report for the year ended 3 July 2015

**Principal activities**

The principal activity of the group is the manufacture of systems and components for the automotive industry

The Group is organised into two divisions, Powertrain (Western Thomson Plastics and Dauphinoise Thomson) and Chassis (Advest Engineering and Magal Cables)

Key product groups of Steering, Cables and Driver Controls form Chassis with Thermostats forming Powertrain. The customer base is primarily Automotive Original Equipment manufacturers, with some aftermarket and spares across the Group

During the year the group also undertook a number of contracts in the construction industry. This activity was discontinued on the 3 July 2015. The financial results of this discontinued activity are shown in the Consolidated Profit and Loss account on page 6

**Review of the business**

The group achieved a turnover of £65,744,669 (2014 - £49,784,129) and a profit after taxation of £4,860,021 (2014 - £2,412,086). Net cash inflow from operating activities was £3,008,576 (2014 - inflow £3,429,335). The closing cash balance at 3 July 2015 was £2,140,896 (2014 - £2,596,362)

**Future Outlook**

The company will continue to grow organically and by acquisition as suitable opportunities arise. The directors remain optimistic about the Group's future prospects

**Principle risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks

Business risks and uncertainties affecting the company are considered to relate to the impact interest rate fluctuation would have on automotive volumes. Magal's ultimate customer base is the Original Equipment manufacturers "OEM" market which continues to restructure, consolidate and reorganise

The company's approach to Liquidity Risk is to manage cash flow on a daily basis, which includes forecasting under normal and stressed scenarios, commitments and headroom over the foreseeable future to ensure liabilities may be met as and when they fall due

Foreign exchange risk is managed by a policy of natural matching of income and expenditure in foreign currencies. The company does not hedge currencies nor engage in interest rate swaps

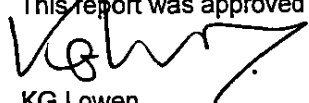
**Key Performance Indicators**

The company has financial objectives which include, Sales, Cash Flow, Investment and profit Performance. These are continually monitored

		2015	2014
		£	£
Cash Flow	From Operating Activities	3,008,576	3,429,335
Sales		65,744,669	49,784,129
Operating profit		3,948,262	2,587,337
Investment		2,218,143	1,437,104

The company has non-financial objectives that incorporate quality and customer service indicators. These are continually monitored in conjunction with the customers

This report was approved by the board on 30 September 2015 and signed by its order



KG Lowen  
Director

47 Castle Street, Reading

**Magal Engineering Limited**  
**Director's Report**

Registered number 4407738

The director presents his report and accounts for the year ended 3 July 2015

**Research and development**

The company continues to invest in a proven methodology known as the Magal Way which features high levels of accountability and a management system which focuses on providing a lean smooth service of the highest quality to its customers

**Results and dividends**

The result for the year is set out in the profit and loss account on page 6

An interim dividend of £225,712 was paid in the year (2014 - £nil)

**Directors**

The directors of the company during the period and their interests in its share capital were as follows

	3 July 2015		27 June 2014	
	Ordinary shares of £1 each		Ordinary shares of £1 each	
	A Shares	B Shares	A Shares	B Shares
G Magal	750	-	750	-
D Woolford	-	150	-	150
KG Lowen	100	-	100	-
D Brooks (non-executive) Chairman	-	-	-	-
M Beasley (non-executive)	-	-	-	-

**Third party indemnity provisions**

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

**Political donations**

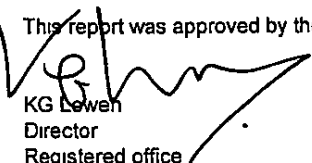
The group made a donation to The Conservative Party of £1,000 (2014 - £nil)

**Disclosure of information to the auditor**

The director confirms that.

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This report was approved by the board on 30 September 2015 and signed by its order

  
KG Lowen  
Director  
Registered office  
47 Castle Street  
Reading

## **Magal Engineering Limited**

### **Statement of Director's Responsibilities**

The director is responsible for preparing the strategic report, directors' report and accounts in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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 accounts,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable him to ensure that its accounts comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGAL ENGINEERING LIMITED**

We have audited the financial statements of Magal Engineering Limited for the year ended 03 July 2015 set out on pages 6 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 03 July 2015 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

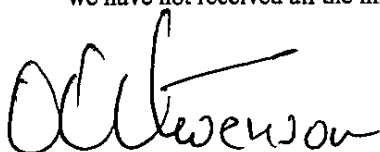
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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



Andrew Stevenson (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
Arlington Business Park  
Theale, Reading  
RG7 4SD  
30 September 2015

**Magal Engineering Limited**  
**Consolidated Profit and Loss Account**  
**for the year ended 3 July 2015**

		Continuing Operations 3 July 2015 £	Discontinued Operations 3 July 2015 £	Total 3 July 2015 £	Continuing Operations 27 June 2014 £	Discontinued Operations 27 June 2014 £	Total 27 June 2014 £
	Notes						
Turnover	2	58,407,006	7,337,663	65,744,669	49,255,466	528,663	49,784,129
Operating profit	3	<u>4,815,869</u>	<u>(867,607)</u>	<u>3,948,262</u>	<u>2,716,105</u>	<u>(128,768)</u>	<u>2,587,337</u>
Interest receivable		-	-	-	2,562	-	2,562
Interest payable	6	<u>(336,796)</u>	<u>(4,226)</u>	<u>(341,022)</u>	<u>(278,464)</u>	<u>(2,267)</u>	<u>(280,731)</u>
Profit on ordinary activities before taxation		4,479,073	(871,833)	3,607,240	2,440,203	(131,035)	2,309,168
Tax on profit on ordinary activities	7	<u>1,252,781</u>	<u>-</u>	<u>1,252,781</u>	<u>102,918</u>	<u>-</u>	<u>102,918</u>
Profit on ordinary activities after taxation		5,731,854	(871,833)	4,860,021	2,543,121	(131,035)	2,412,086
Minority Interest		<u>(263,324)</u>	<u>-</u>	<u>(263,324)</u>	<u>(110,255)</u>	<u>-</u>	<u>(110,255)</u>
Profit for the financial year		<u>5,468,530</u>	<u>(871,833)</u>	<u>4,596,697</u>	<u>2,432,866</u>	<u>(131,035)</u>	<u>2,301,831</u>

**Discontinued operations**

Discontinued operations include those activities ceased during the year

The notes on pages 11 to 26 form part of these financial statements



**Magal Engineering Limited**  
**Statement of total recognised gains and losses**  
**for the year ended 3 July 2015**

	Notes	28 June 2015 £	29 June 2014 £
Profit for the financial year		4,596,697	2,301,831
Revaluation Reserve	22	-	(50,000)
Currency translation difference on net investments	24	(378,473)	(186,545)
Total recognised gains and losses related to the year		<u>4,218,224</u>	<u>2,065,286</u>

The notes on pages 11 to 26 form part of these financial statements

**Magal Engineering Limited**  
**Consolidated Balance Sheet**  
**as at 3 July 2015**

Registered number

4407738

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Intangible assets	9	(612,816)	(632,196)
Tangible assets	10	7,028,079	6,190,681
Investments	11	<u>1,705,608</u>	<u>1,705,608</u>
		8,120,871	7,264,093
<b>Current assets</b>			
Stocks	12	3,343,041	3,057,855
Debtors	13	14,370,123	12,368,373
Cash at bank and in hand		<u>2,140,896</u>	<u>2,596,362</u>
		19,854,060	18,022,590
<b>Creditors: amounts falling due within one year</b>	14	(13,004,983)	(14,083,862)
<b>Net current assets</b>		<u>6,849,077</u>	<u>3,938,728</u>
<b>Total assets less current liabilities</b>		<u>14,969,948</u>	<u>11,202,821</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(2,016,800)	(2,285,289)
<b>Provisions for liabilities</b>			
Other provisions	19	<u>(92,231)</u>	<u>(92,231)</u>
		(92,231)	(92,231)
<b>Net assets</b>		<u>12,860,917</u>	<u>8,825,301</u>
<b>Capital and reserves</b>			
Called up share capital	20	1,000	1,000
Share premium	21	284,850	284,850
Revaluation reserve	22	397,797	397,797
Capital redemption reserve	23	150	150
Profit and loss account	24	12,052,188	8,059,676
<b>Shareholders' funds</b>			
Equity	26	<u>12,735,985</u>	<u>8,743,473</u>
Minority equity interests		124,932	81,828
		<u>12,860,917</u>	<u>8,825,301</u>

The notes on pages 11 to 26 form part of these financial statements



G Magal  
Director

Approved by the board on 30 September 2015

**Magal Engineering Limited**  
**Balance Sheet**  
**as at 3 July 2015**

Registered number

4407738

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Tangible assets	10	60,516	122,840
Investments	11	<u>13,051,492</u>	<u>8,924,668</u>
		13,112,008	9,047,508
<b>Current assets</b>			
Debtors	13	2,051,150	1,854,974
Cash at bank and in hand		<u>419,290</u>	<u>322,923</u>
		2,470,440	2,177,897
<b>Creditors: amounts falling due within one year</b>	14	(2,753,161)	(794,454)
<b>Net current (liabilities)/assets</b>		<u>(282,721)</u>	<u>1,383,443</u>
<b>Total assets less current liabilities</b>		<u>12,829,287</u>	<u>10,430,951</u>
<b>Creditors: amounts falling due after more than one year</b>	15	-	(707,166)
<b>Net assets</b>		<u>12,829,287</u>	<u>9,723,785</u>
<b>Capital and reserves</b>			
Called up share capital	20	1,000	1,000
Share premium	21	284,850	284,850
Revaluation reserve	22	10,105,752	5,978,928
Capital redemption reserve	23	150	150
Profit and loss account	24	2,437,535	3,458,857
<b>Shareholders' funds</b>	26	<u>12,829,287</u>	<u>9,723,785</u>

The notes on pages 11 to 26 form part of these financial statements



G Magal  
Director

Approved by the board on 30 September 2015

**Magal Engineering Limited**  
**Cash Flow Statement**  
**for the year ended 3 July 2015**

	<b>Notes</b>	<b>2015 £</b>	<b>2014 £</b>
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		3,948,263	2,587,337
Depreciation charges		1,002,287	1,033,670
Amortisation of goodwill		(19,380)	(19,380)
Increase in stocks		(371,205)	(308,709)
Increase in debtors		(969,937)	(3,525,898)
(Decrease)/increase in creditors		(581,452)	3,662,315
<b>Net cash inflow from operating activities</b>		<b>3,008,576</b>	<b>3,429,335</b>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash inflow from operating activities</b>		<b>3,008,576</b>	<b>3,429,335</b>
<b>Returns on investments and servicing of finance</b>	27	(495,306)	(340,332)
<b>Taxation</b>		(391,045)	(327,045)
<b>Capital expenditure</b>	27	(2,158,898)	(1,422,026)
		(36,673)	1,339,932
<b>Equity dividends paid</b>		(225,712)	-
		(262,385)	1,339,932
<b>Financing</b>	27	(180,636)	(691,964)
<b>(Decrease)/increase in cash</b>		<b>(443,021)</b>	<b>647,968</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/increase in cash in the period		(443,021)	647,968
(Increase)/decrease in debt and lease financing		(743,497)	216,083
New Loans		703,913	441,666
<b>Change in net debt</b>	28	<b>(482,605)</b>	<b>1,305,717</b>
<b>Net funds/(net debt) at 27 June 2014</b>		<b>762,465</b>	<b>(543,252)</b>
<b>Net funds at 3 July</b>		<b>279,860</b>	<b>762,465</b>

The notes on pages 11 to 26 form part of these financial statements

**Magal Engineering Limited**  
**Notes to the Accounts**  
**for the year ended 3 July 2015**

**1 Accounting policies**

***Accounting convention and basis of preparation***

The financial statements have been prepared under the historical cost convention modified for the revaluation of certain fixed assets and for the revaluation of investments and in accordance with applicable accounting standards. The following principal accounting policies have been applied:

The financial statements have been prepared upon a going concern basis as the directors believe this to be appropriate. Based upon management's cash flow forecasts, the Magal group has sufficient facilities to fund the requirements for working capital and investment for the foreseeable future.

***Basis of consolidation***

The consolidated financial statements incorporate the results of Magal Engineering Limited and all of its subsidiary undertakings as at 27 June 2014, using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

***Goodwill***

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full year following acquisitions,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Where the fair value of the separate net assets exceeds the fair value of the consideration for an acquired business or subsidiary undertaking, the difference is treated as negative goodwill and is capitalised and amortised through the profit and loss account in the period in which the non-monetary assets acquired are recovered. Negative goodwill in excess of the fair values of the non-monetary assets acquired is released to the profit and loss account in the periods expected to be benefited. Negative goodwill is currently being released to the profit and loss account over periods between one and fifty years from acquisition.

***Turnover***

Turnover represents sales to customers at invoiced amounts less value added tax. For turnover which is not recognised on receipt by the customer revenue is recognised on a percentage of completion basis. Except where the contract is viewed to be loss making in which case an onerous contracting provision is created or where there is material uncertainty over the future performance of the contract in which case the cash received and the costs incurred are offset in work in progress.

***Investments***

Fixed asset investments in subsidiaries are shown at net asset value, other investments are shown at cost. Investments are revalued at the end of each reporting period, with any movement going to the revaluation reserve.

**Magal Engineering Limited**  
**Notes to the Accounts**  
**for the year ended 3 July 2015**

**1 Accounting policies (continued)**

**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:

Buildings	2% per annum
Plant, vehicles and equipment	10-25% per annum

**Research and development**

Research and development expenditure is charged to the profit and loss account 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.

**Foreign currencies**

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

**Leasing and hire purchase commitments**

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

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 repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

**Government grants**

Government Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

**Forward warranty**

The company provides for warranty costs based on the matching principle. Provision is made for the anticipated cost of repair and rectification of products under warranty based on known exposures and historical occurrences.

**Pensions**

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.

**Magal Engineering Limited**  
**Notes to the Accounts**  
**for the year ended 3 July 2015**

**2 Analysis of turnover**

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

	<b>3 July 2015 £</b>	<b>27 June 2014 £</b>
By geographical market		
UK	30,461,003	17,625,046
Europe	31,578,126	28,740,893
North America	1,568,790	1,172,826
Rest of world	2,136,750	2,245,364
	<u>65,744,669</u>	<u>49,784,129</u>

**3 Operating profit**

	<b>3 July 2015 £</b>	<b>27 June 2014 £</b>
Turnover	65,744,669	49,784,129
Cost of sales	(56,718,673)	(42,407,461)
	<u>9,025,996</u>	<u>7,376,668</u>
Gross profit		
Distribution costs	(740,772)	(549,753)
Administrative expenses	(4,336,962)	(4,239,578)
	<u>3,948,262</u>	<u>2,587,337</u>
Operating profit		

	<b>3 July 2015 £</b>	<b>27 June 2014 £</b>
Operating profit has been arrived at after (crediting)/charging		
Depreciation of owned fixed assets	822,648	770,756
Depreciation of assets held under finance leases and hire purchase contracts	179,638	262,302
Research and development	315,000	45,628
Amortisation of negative goodwill	(19,380)	(19,380)
Operating lease rentals - plant and machinery	-	8,360
Operating lease rentals - land buildings	445,000	355,011
Auditors' remuneration for audit services	55,441	61,735
Auditors' remuneration for other services	35,167	26,554
	<u>1,833,414</u>	<u>1,529,722</u>

**Magal Engineering Limited**  
**Notes to the Accounts**  
**for the year ended 3 July 2015**

**3 Operating profit (continued)**

**Segmental Analysis**

Turnover of the group, operating profit and net assets are analysed as follows:

	2015 £	2014 £
<b>Turnover</b>		
United Kingdom	43,641,771	30,425,730
Europe	22,102,898	19,358,399
	<u>65,744,669</u>	<u>49,784,129</u>
 <b>Operating profit</b>		
United Kingdom	2,566,008	1,431,901
Europe	1,383,020	1,159,325
Asia	(765)	(3,889)
	<u>3,948,263</u>	<u>2,587,337</u>
 <b>Net Assets</b>		
United Kingdom	9,921,128	6,037,457
Europe	2,939,255	2,786,544
Asia	532	1,297
	<u>12,860,915</u>	<u>8,825,298</u>

Operations discontinued in 2015, contributed the following amounts in the year to 27 June 2014, Sales £528,663, Cost of sales £659,731, Interest paid £2,267, Loss on ordinary activities before and after taxation of £131,035.

**4 Director's emoluments**

	3 July 2015 £	27 June 2014 £
Emoluments	807,823	809,096
Company contributions to money purchase pension schemes	112,869	110,425
	<u>920,692</u>	<u>919,521</u>
 Highest paid director		
Emoluments	313,214	295,358
Company contributions to money purchase pension schemes	49,376	48,615
	<u>362,590</u>	<u>343,973</u>

**Number of directors in company pension schemes:**

	2015 Number	2014 Number
Money purchase schemes	<u>3</u>	<u>3</u>

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



**Magal Engineering Limited**  
**Notes to the Accounts**  
**for the year ended 3 July 2015**

<b>5 Staff costs</b>	<b>3 July 2015 £</b>	<b>27 June 2014 £</b>
Wages and salaries	12,278,011	11,689,431
Social security costs	1,771,332	2,047,938
Other pension costs	255,980	179,189
	<u>14,305,323</u>	<u>13,916,558</u>
<b>Average number of employees during the year</b>	<b>Number</b>	<b>Number</b>
Administration	58	55
Distribution	17	17
Manufacturing	396	374
	<u>471</u>	<u>446</u>
<b>6 Interest payable</b>	<b>3 July 2015 £</b>	<b>27 June 2014 £</b>
Bank loans and overdrafts	241,686	197,058
Exchange loss	32,851	22,535
Finance charges payable under finance leases and hire purchase contracts	66,485	61,138
	<u>341,022</u>	<u>280,731</u>
<b>7 Taxation</b>	<b>3 July 2015 £</b>	<b>27 June 2014 £</b>
<b>Analysis of charge in period</b>		
Current tax		
Overseas corporation tax on profits of the period	391,045	348,858
UK adjustments in respect of previous periods	-	(85,912)
	<u>391,045</u>	<u>262,946</u>
Deferred tax		
Origination and reversal of timing differences	(1,643,826)	(365,864)
	<u>(1,252,781)</u>	<u>(102,918)</u>
<b>Tax on profit on ordinary activities</b>		

**Magal Engineering Limited**  
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**7 Taxation (continued)**

**Factors affecting tax charge for period**

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows

	<b>3 July 2015 £</b>	<b>27 June 2014 £</b>
Profit on ordinary activities before tax	<u>3,607,240</u>	<u>2,309,168</u>
Standard rate of corporation tax in the UK	20.0%	22.5%
	<b>£</b>	<b>£</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax	721,448	519,563
Effects of		
Expenses not deductible for tax purposes	73,439	53,506
Capital allowances in excess of depreciation	(510,761)	(335,639)
Goodwill amortisation	(3,876)	(4,361)
Overseas tax differences	157,743	114,820
Adjustments to tax charge in respect of previous periods	-	(85,912)
Losses carried forward	(46,948)	969
Current tax charge for period	<u>391,045</u>	<u>262,946</u>

**Factors which may affect future tax charges**

The Group recognises deferred taxation assets where there is sufficient evidence that the asset will be recoverable in the foreseeable future. The amount of unrecognised UK deferred tax asset is £2,187,366 (2014 - £4,631,258) all relating to unclaimed capital allowances and tax losses.

**8 Profit for the financial year**

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006, and has not presented its own profit and loss account in these financial statements.

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**9 Intangible fixed assets - Negative Goodwill**

<b>Group</b>	<b>Negative goodwill on consolidation £</b>
<b>Cost</b>	
At 28 June 2014	<u>(19,830,589)</u>
At 3 July 2015	<u>(19,830,589)</u>
<b>Amortisation</b>	
At 28 June 2014	<u>(19,198,393)</u>
Provided during the year	<u>(19,380)</u>
At 3 July 2015	<u>(19,217,773)</u>
<b>Net book value</b>	
At 3 July 2015	<u>(612,816)</u>
At 28 June 2014	<u>(632,196)</u>

**10 Tangible fixed assets**

<b>Group</b>	<b>Freehold Land and buildings £</b>	<b>Plant Vehicles and Equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>			
At 28 June 2014	2,590,871	13,242,304	15,833,175
Exchange rate adjustments	(211,155)	(441,011)	(652,166)
Additions	-	2,218,143	2,218,143
Disposals	-	(156,871)	(156,871)
At 3 July 2015	<u>2,379,716</u>	<u>14,862,565</u>	<u>17,242,281</u>
<b>Depreciation</b>			
At 28 June 2014	481,212	9,161,282	9,642,494
Exchange rate adjustments	(54,457)	(278,496)	(332,953)
Charge for the year	37,655	964,632	1,002,287
On disposals	-	(97,626)	(97,626)
At 3 July 2015	<u>464,410</u>	<u>9,749,792</u>	<u>10,214,202</u>
<b>Net book value</b>			
At 3 July 2015	<u>1,915,306</u>	<u>5,112,773</u>	<u>7,028,079</u>
At 28 June 2014	<u>2,109,659</u>	<u>4,081,022</u>	<u>6,190,681</u>

**Magal Engineering Limited**  
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**10 Tangible fixed assets (continued)**

The net book value of Plant, Vehicles and Equipment includes an amount of £1,778,501 in respect of assets held under finance leases

Freehold Land and Buildings held in the UK were valued on an existing use basis by Winterhill Largo on 22 May 2014. The directors do not consider the value has changed from this date

<b>Company</b>	<b>Plant, Vehicles and Equipment £</b>	
<b>Cost</b>		
At 28 June 2014		221,013
Disposals		(94,061)
At 3 July 2015		<u>126,952</u>
<b>Depreciation</b>		
At 28 June 2014		98,173
Charge for the year		37,064
On disposals		(68,801)
At 3 July 2015		<u>66,436</u>
<b>Net book value</b>		
At 3 July 2015		<u>60,516</u>
At 28 June 2014		<u>122,840</u>
<b>Group</b>		<b>£</b>
Freehold land at cost included above not depreciated		<u>55,125</u>
Freehold land and buildings	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Historical cost	<u>350,000</u>	<u>350,000</u>
Cumulative depreciation based on historical cost	<u>79,223</u>	<u>72,223</u>

**Magal Engineering Limited**  
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**11 Investments**

<b>Group</b>	<b>Unlisted investments £</b>		
At 28 June 2014			1,705,608
Additions during the year			-
At 3 July 2015			<u>1,705,608</u>

<b>Company</b>	<b>Investments in subsidiary undertakings £</b>	<b>Other investments £</b>	<b>Total £</b>
<b>At Valuation and cost</b>			
At 28 June 2014	7,219,060	1,705,608	8,924,668
Movement during the period	4,126,824	-	4,126,824
At 3 July 2015	<u>11,345,884</u>	<u>1,705,608</u>	<u>13,051,492</u>

The historical cost of Investments in subsidiary undertakings and other investments is £2,945,740

The company holds 20% or more of the share capital of the following companies.

The difference between Group and company net assets arises principally from the negative goodwill recognised at group level

**Subsidiary undertakings**

The following were the subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements

<b>Company</b>	<b>Country of registration or incorporation</b>	<b>Shares held Class</b>	<b>%</b>
<b>Manufacturers of automotive systems and components</b>			
Magal Cables Limited	England and Wales	Ordinary	100
Magal AWT Limited	England and Wales	Ordinary	100
Dauphinoise Thomson SAS	France	Ordinary	100
Magal Cavo Otomotiv SAS	Turkey	Ordinary	60
<b>Property</b>			
Woolford Properties Limited	England and Wales	Ordinary	100
<b>Intermediate Holding Companies</b>			
Dauphinoise Holdings Limited	England and Wales	Ordinary	100
Magal Mauritius	Mauritius	Ordinary	100
<b>Dormant</b>			
Adwest Engineering Limited	England and Wales	Ordinary	100
Magal Metallifacure Limited	England and Wales	Ordinary	100

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**11 Investments (Continued)**

Investment			
Magal Engg Tech Private Limited	India	Ordinary	38.6
GKD Bowden Limited	England and Wales	Ordinary	38.26

Although Magal Engineering Limited has an interest in 39% of the share capital of Magal Engg Tech Private Limited and 38.26% of the share capital of GKD Bowden Limited, the directors do not regard the companies as associated undertakings since no significant influence is exercised over the company's activities. Accordingly, these interests have been treated as an investment in the consolidated financial statements.

**Statement of guarantee**

For the year ended 3 July 2015 the wholly owned subsidiaries, Woolford Properties Limited (company number 4623971), Magal Metallifacure Limited (company number 5115521) and Dauphinoise Holdings Limited (company number 4624403) were entitled to exemption from audit under section 479A of The Companies Act 2006.

**12 Stocks**

	2015 Group £	2014 Group £
Raw materials and consumables	1,080,714	1,320,032
Work in progress	1,386,826	1,143,631
Finished goods and goods for resale	875,501	616,662
Long-term contract balances	-	(22,470)
	<u>3,343,041</u>	<u>3,057,855</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material. The company held no stock (2014 - £nil).

	2015 £	2014 £
Long-term contract balances consist of		
Costs to date less provisions for losses	-	2,349,302
Less applicable payments on account	-	(2,371,772)
	<u>-</u>	<u>(22,470)</u>

**13 Debtors**

	2015 Group £	2014 Group £	2015 Company £	2014 Company £
Trade debtors	10,733,863	10,758,255	448,349	-
Amounts owed by group undertakings and undertakings in which the company has a participating interest	-	-	1,215,317	1,682,471
Corporation tax recoverable	77,403	47,227	-	25,644
Other debtors	1,617,498	1,321,705	363,050	142,516
Prepayments and accrued income	281,004	248,101	24,434	4,343
Deferred Taxation (note 18)	1,660,355	(6,915)	-	-
	<u>14,370,123</u>	<u>12,368,373</u>	<u>2,051,150</u>	<u>1,854,974</u>

**Magal Engineering Limited**  
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**14 Creditors: amounts falling due within one year**

	2015 Group £	2014 Group £	2015 Company £	2014 Company £
Bank loans and overdrafts	398,400	441,666	-	-
Obligations under finance lease and hire purchase contracts	405,745	302,773	-	11,854
Trade creditors	6,469,888	7,400,013	322,151	371,235
Amounts owed to group undertakings and undertakings in which the company has a participating interest	-	-	1,714,260	-
Overseas taxation payable	25,281	26,991	-	-
Other taxes and social security costs	928,331	810,489	137,629	40,585
Other creditors	3,528,630	4,144,252	345,121	351,174
Accruals and deferred income	1,248,708	957,678	234,000	19,606
	<u>13,004,983</u>	<u>14,083,862</u>	<u>2,753,161</u>	<u>794,454</u>

**15 Creditors: amounts falling due after one year**

	2015 Group £	2014 Group £	2015 Company £	2014 Company £
Bank loans and overdrafts	145,999	116,667	-	-
Obligations under finance lease and hire purchase contracts	910,892	282,632	-	17,188
Trade creditors	959,909	1,196,012	-	-
Amounts owed to group undertakings and undertakings in which the company has a participating interest	-	689,978	-	-
Other creditors	-	-	-	689,978
	<u>2,016,800</u>	<u>2,285,289</u>	<u>-</u>	<u>707,166</u>

**16 Loans**

	2015 £	2014 £
Loans repayable within one year		
Repayable in 12 equal monthly instalments Interest rate LIBOR plus 3%	113,400	116,666
Repayable in 12 equal monthly instalments Interest rate LIBOR plus 3.5%	285,000	325,000
Loans repayable between two and five years		
Repayable in equal monthly instalments Interest rate LIBOR plus 3%	122,250	116,667
Repayable in 1 monthly instalment Interest rate LIBOR plus 3.5%	23,749	-
	<u>544,399</u>	<u>558,333</u>

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	£	£
Analysis of maturity of debt		
Between one and two years	-	325,000
Between two and five years	544,339	233,333
	<u>544,339</u>	<u>558,333</u>

The bank loans are secured by fixed and floating charges across the UK assets

**17 Obligations under finance leases**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>

**Group**

The future lease payments to which the Group was committed at 3 July 2015 were as follows

Amounts payable

Within one year	405,745	302,773
Within two to five years	910,892	282,632
	<u>1,316,637</u>	<u>585,405</u>

<b>2015</b>	<b>2014</b>
<b>£</b>	<b>£</b>

**Company**

The future lease payments to which the Company was committed at 3 July 2015 were as follows

Amounts payable

Within one year	11,854	11,854
Within two to five years	17,188	17,188
	<u>29,042</u>	<u>29,042</u>

**18 Deferred taxation (Asset)/Liability- Group**

<b>2015</b>	<b>2014</b>
<b>£</b>	<b>£</b>

Accelerated capital allowances	(1,660,355)	6,915
Undiscounted provision for deferred tax	<u>(1,660,355)</u>	<u>6,915</u>

<b>2015</b>	<b>2014</b>
<b>£</b>	<b>£</b>

At 28 June 2014	6,915	399,686
Deferred tax credit in profit and loss account	(1,617,698)	(367,750)
Foreign exchange	<u>(49,572)</u>	<u>(25,021)</u>
At 3 July 2015	<u>(1,660,355)</u>	<u>6,915</u>



**Magal Engineering Limited**  
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**19 Provisions for liabilities**

<b>Group</b>	<b>Other provisions £</b>
At 27 June 2014 and 3 July 2015	<u>92,231</u>

<b>20 Share capital</b>	<b>Nominal value</b>	<b>Number</b>	<b>2015 £</b>	<b>2014 £</b>
Allotted, called up and fully paid				
'A' Ordinary shares	£1 each	850	850	850
'B' Ordinary shares	£1 each	150	<u>150</u>	<u>150</u>
			<u>1,000</u>	<u>1,000</u>

Class 'B' ordinary shares entitle the holders to 33% of equity dividends and rights to assets on winding-up

<b>21 Share premium</b>	<b>2015 Group £</b>	<b>2014 Group £</b>	<b>2015 Company £</b>	<b>2014 Company £</b>
At 28 June 2014	284,850	284,850	284,850	284,850
At 3 July 2015	<u>284,850</u>	<u>284,850</u>	<u>284,850</u>	<u>284,850</u>

<b>22 Revaluation reserve</b>	<b>2015 Group £</b>	<b>2014 Group £</b>	<b>2015 Company £</b>	<b>2014 Company £</b>
At 28 June 2014	397,797	447,797	5,978,928	3,473,721
Arising on revaluation during the year	-	(50,000)	4,126,824	2,505,207
At 3 July 2015	<u>397,797</u>	<u>397,797</u>	<u>10,105,752</u>	<u>5,978,928</u>

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<b>23 Capital redemption reserve</b>	<b>2015 Group £</b>	<b>2014 Group £</b>	<b>2015 Company £</b>	<b>2014 Company £</b>
At 28 June 2014	150	150	150	150
At 3 July 2015	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>
<b>24 Profit and loss account</b>	<b>2015 Group £</b>	<b>2014 Group £</b>	<b>2015 Company £</b>	<b>2014 Company £</b>
At 28 June 2014	8,059,676	5,944,390	3,458,857	4,097,830
Profit /(Loss) for the financial year	4,596,697	2,301,831	(1,021,322)	(638,973)
Exchange rate adjustments	(378,473)	(186,545)	-	-
At 3 July 2015	<u>12,052,188</u>	<u>8,059,676</u>	<u>2,437,535</u>	<u>3,458,857</u>
<b>25 Dividends</b>			<b>2015 £</b>	<b>2014 £</b>
Equity dividends on ordinary shares - interim paid			<u>225,712</u>	<u>-</u>
<b>26 Reconciliation of movement in shareholders' funds</b>			<b>2015 £</b>	<b>2014 £</b>
<b>Group</b>				
At 28 June			8,743,473	6,678,187
Profit for the financial year			4,596,697	2,301,831
Ordinary dividends			(225,712)	-
Revaluation reserve			-	(50,000)
Other recognised gains and losses			(378,473)	(186,545)
At 3 July			<u>12,735,985</u>	<u>8,743,473</u>
<b>Company</b>			<b>2015 £</b>	<b>2014 £</b>
At 28 June			9,723,785	7,857,551
Loss for the financial year			(795,610)	(638,973)
Ordinary dividends			(225,712)	-
Revaluation reserve			4,126,824	2,505,207
At 3 July			<u>12,829,287</u>	<u>9,723,785</u>

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<b>27 Gross cash flows</b>	<b>2015 £</b>	<b>2014 £</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	-	2,562
Interest paid	(274,537)	(197,058)
Exchange loss	(154,284)	(84,698)
Interest element of finance lease rental payments	(66,485)	(61,138)
	<u>(495,306)</u>	<u>(340,332)</u>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(2,218,143)	(1,437,104)
Receipts from sales of tangible fixed assets	59,245	15,078
	<u>(2,158,898)</u>	<u>(1,422,026)</u>
<b>Financing</b>		
Minority interest	(220,220)	(34,215)
New loans raised	1,572,245	-
Loan repayments	(1,128,589)	(441,666)
Capital element of finance lease rental payments	(404,072)	(216,083)
	<u>(180,636)</u>	<u>(691,964)</u>

**28 Analysis of changes in net debt**

	<b>Cash at Bank and in hand £</b>	<b>Finance Leases £</b>	<b>Loans £</b>	<b>Total £</b>
At 28 June 2014	2,596,362	(585,585)	(1,248,312)	762,465
Cash Flows	(291,308)	(743,497)	703,913	(330,892)
Foreign Exchange	(164,158)	12,445	-	(151,713)
At 3 July 2015	<u>2,140,896</u>	<u>(1,316,637)</u>	<u>(544,399)</u>	<u>279,860</u>

**29 Pension commitments**

The group operates a group personal pension scheme. The pension charge represents contributions payable by the company to the fund and together with contributions to other pension schemes amounted to £255,980 (2014 - £179,189). The pension charge represents contributions payable by the company to the fund and together with contributions to other pension schemes amounted to £17,295 (2014 - £27,626).

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**30 Other financial commitments**

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

	<b>Land and buildings 2015 £</b>	<b>Land and buildings 2014 £</b>	<b>Other 2015 £</b>	<b>Other 2014 £</b>
Operating leases which expire				
within one year	-	-	-	7,900
within two to five years	445,000	445,000	-	-
	<u>445,000</u>	<u>445,000</u>	<u>-</u>	<u>7,900</u>

The company had no annual commitments under non-cancellable operating leases in 2015 and 2014

**31 Contingent liabilities**

The company has guaranteed all sums due and to become due to the bankers of its subsidiary companies. At 3 July 2015, this amounted to £nil (2014 - £nil)

At 3 July 2015, the group had a contingent liability of £40,000 in respect of a VAT deferment guarantee

**32 Controlling Party**

At 3 July 2015 the directors consider G Magal to be the company's ultimate controlling party, by virtue of his majority shareholding in Magal Engineering Limited