Registered number
04824345

Magal AWT Limited

Report and Accounts

30 March 2018

Magal AWT Limited
Report and accounts
Contents

Magal AWT Limited
Company Information

Directors
MB Franckel
SG Greenhalgh
G Magal
S Bamber

Secretary
Pitsec Limited

Auditor
KPMG LLP
Arlington Business Park
Theale
Reading
Berkshire
RG7 4SD

Registered office
47 Castle Street
Reading
Berkshire
RG1 7SR

Registered number
04824345

Magal AWT Limited is a Private Limited Company, incorporated in the United Kingdom. The address of its registered office and principal place of business are disclosed on the Company Information Page.

The directors present their strategic report for the period ended 30 March 2018.

Principal activities
The company's principal activities during the year was the manufacture of systems and components for the automotive industry.

Accounting Date
To bring it in line with Arlington Industries Group Limited, the largest group in which the results of the company are consolidated, the accounting date for Magal AWT Limited was changed from 30 June to 30 March during the period. The accounts prepared for the period to 30 March 2018 represent a 9 month period and are therefore not directly comparable to the 30 June 2017 figures which represent 12 months.

Review of the business
The Company achieved revenue of £21,674,122 (2017: £27,907,133) and a profit before taxation of £1,123,724 (2017: £2,233,832).

Future Outlook
The Company will continue to grow organically and by acquisition as suitable opportunities arise. The directors are optimistic about the Group's future prospects.

Principal risks and uncertainties
The management of the business and the execution of the company's strategy are subject to a number of risks. These risks are managed at a group level.

The key business risks and uncertainties affecting the company are considered to relate to the impact that interest rate fluctuation would have on automotive volumes. Magal's ultimate customer base is the Original Equipment manufacturers "OEM" market which continue 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 ("KPIs")
KPI's are managed at the group level. The company has financial objectives which include, Revenue, Cash Flow, Investment and Profit performance. These are continually monitored.

	2018	**2017**
	£	**£**
Cash and cash equivalents	298,157	296,515
Revenue	21,674,122	27,907,133
Operating Profit	1,227,291	2,279,553
Capital Investment	1,040,986	1,113,777

The group 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 12th March 2019 and signed by its order.

MB Franckel
Director

The directors present their report and accounts for the period ended 30 March 2018.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future being a period at least 12 months from the date of signing of these financial statements.

In the period to 30 March 2018, the profit for the year was £1,005,851. At 30 March 2018, the net current asset position was £6,980,664 and net asset position was £10,229, 195.

Arlington Industries Group Limited (the Group parent company) exchanged contracts in December 2018 to acquire the thermostat business from BorgWarner but has not yet completed the acquisition (expected during the first quarter of 2019), therefore the Directors have prepared cash flow forecasts for a period in excess of twelve months from the date of their approval of these financial statements for both the existing business, including this company, and for the enlarged Group post completion of the acquisition.

The existing business is financed by a joint facility from Wells Fargo Capital Finance (UK) Limited and Shawbrook Bank Limited totalling £45million which comprise a combination of invoice discounting, revolving credit facilities and asset loans. There is also an additional working capital facility of £5million guaranteed by the shareholders and a Eurobond listed debt of £13million and an invoice discounting facility in relation to the French business of £l .33million. At 30 March 2018, the headroom in relation to these facilities was £7.8million.

Post year-end, a £3million extension to the Wells Fargo and Shawbrook facilities was put in place and the shareholder working capital facility was extended by £8million. The Eurobond listed debt of £13 million was converted into equity in February 2019. The headroom position at 31 January 2019 was £3.1 million.

The cash flow forecasts for the existing group that the directors have prepared are based on their current best estimate of trading levels with the Group's key customers and the Group's expected cost base. They have been sensitised for reasonably possible scenarios and show that the Group can operate within the available facilities and existing covenants for the foreseeable future. The effect of Brexit has been considered and the potential scenarios in the market has been reflected in the sensitivities.

The Directors are currently in discussions with current and potential funders to provide financing for the enlarged Group, which will also include further equity support from the shareholders. Cash flow forecasts for the enlarged post acquisition Group have been prepared and demonstrate there is sufficient headroom against the enlarged facilities. Again these have been sensitised for reasonably possible scenarios to demonstrate that the enlarged Group can operate within these facilities. The shareholders have committed that they will provide financial support to ensure the completion of the transaction and subsequent funding requirements, since the value of the external funding is not yet finalised.

Based on their assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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.

Dividends
The directors do not recommend the payment of a dividend (2017: £ nil).

Directors
The following persons served as directors during the period:

MB Franckel
SG Greenhalgh
G Magal
S Bamber

None of the Directors have interests in the share capital of the company or any beneficial interest in any contract to which the company was a party during the period.

Disclosure of information to the auditor
Each person who was a director at the time this report was approved 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.

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 company made donations of £nil (2017: £nil).

Auditor
The directors intend to tender the audit and KPMG LLP will not be seeking reappointment because the directors wish to use KPMG LLP and other member firms of the KPMG network to provide other services, not compatible with the audit.

This report was approved by the board on 12th Mar 2019 and signed by its order.

MB Franckel
Director
Registered Office
47 Castle Street
Reading

Magal AWT Limited
Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 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 financial statements;

- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGAL AWT LIMITED

Opinion

We have audited the financial statements of Magal AWT Limited ("the company") for the year ended 30 March 2018 which comprise the Statement Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 March 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and intangible assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease their operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGAL AWT LIMITED

Strategic report and directors' report (Continued)

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Derek McAllan (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

12 March 2019
KPMG LLP
Arlington Business Park
Reading, Berkshire
RG7 4SD

Derek McAll

Magal AWT Limited Registered number: 04824345

Statement of comprehenisive income
for the period ended 30 March 2018

	Notes	30 March 2018 £	30 June 2017 £
Revenue	3	21,674,122	27,907,133
Cost of sales		(17,339,170)	(21,461,134)
Gross profit		4,334,952	6,445,999
Distribution costs		(165,343)	(245,827)
Administrative expenses		(2,942,318)	(3,920,619)
Operating profit	4	1,227,291	2,279,553
Finance costs	6	(103,567)	(45,721)
Profit before taxation		1,123,724	2,233,832
Tax	7	(117,873)	(947)
Profit for the period		1,005,851	2,232,885
Other comprehensive income for the period		-	-
Total comprehensive income for the period		1,005,851	2,232,885

All transactions in the current year relate to continuing operations.

The company has no other income or expenses recognised in the current and preceding period, other than those shown in the Income statement shown above.

The notes on pages 11 to 21 form part of these financial statements.

Magal AWT Limited Registered number: 04824345

Balance Sheet

as at 30 March 2018

	Notes		30 March 2018 £		30 June 2017 £
Fixed Assets					
Property, plant and equipment	8		4,082,675		3,619,887
Current assets					
Inventories	9	1,504,879		1,584,875	
Trade and other receivables	10	13,073,493		12,352,205	
Deferred tax asset	11	826,571		944,444	
Cash and cash equivalents	12	298,157		296,515	
		15,703,100		15,178,039	
Current liabilities					
Bank loans and overdrafts	13	(118,000)		(118,000)	
Trade and other payables	14	(8,604,436)		(8,325,118)	
		(8,722,436)		(8,443,118)	
Net current assets			6,980,664		6,734,921
Total assets less current liabilities			11,063,339		10,354,808
Non-current liabilities					
Other interest-bearing loans and borrowings	13	(373,667)		(462,167)	
Trade and other payables	15	(460,477)		(669,297)	
			(834,144)		(1,131,464)
Net assets			10,229,195		9,223,344
Capital and Reserve					
Called up share capital	18		100,001		100,001
Share premium account	19		900,000		900,000
Profit and loss account			9,229,194		8,223,343
Shareholder's funds			10,229,195		9,223,344

The notes on pages 11 to 21 form part of these financial statements.

MB Franckel

Director

Approved by the board on 12th March 2019.

Magal AWT Limited Registered number 04824345
Statement of Changes in Equity
as at 30 March 2018

	Called up Share Capital	Share premium account	Profit and loss account	Total
Balance at 2 July 2016	100,001	900,000	5,990,458	6,990,459
Total comprehensive income for the year	-	-	2,232,885	2,232,885
Balance at 30 June 2017	**100,001**	**900,000**	**8,223,343**	**9,223,344**
Balance at 1 July 2017	100,001	900,000	8,223,343	9,223,344
Total comprehensive income for the period	-	-	1,005,851	1,005,851
Balance at 30 March 2018	**100,001**	**900,000**	**9,229,194**	**10,229,195**

Profit and loss account
This reserve represents cumulative profits and losses net of any dividends.

The notes on pages 11 to 21 form part of these financial statements.

1 Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in

Accounting convention and basis of preparation
Magal AWT Limited is a company limited by shares and incorporated and domiciled in the UK.

To bring it in line with Arlington Industries Group Limited, the Company's ultimate parent undertaking, these financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2015/15 Cycle) issued in July 2016 and effective immediately have been applied.

This is the first year that the Company has presented its results under FRS 101. The last financial statements prepared under FRS102 were for the year ended 30 June 2017. In the transition to FRS101 the company has made no measurement and recognition adjustments.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Arlington Industries Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Arlington Industries Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Suite 15b, Manchester International Office Centre, Styal Road, Manchester, M22 5WB.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries and other related parties;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The presentational and functional currency of the Company is pounds sterling, as this is the currency of the economic area in which the Company operates.

1 Accounting policies (continued)

Accounting Date

To bring it in line with Arlington Industries Group Limited the accounting date for Magal AWT Limited was changed from 30 June to 30 March during the period. The accounts prepared for the period to 30 March 2018 represent a 9 month period and are therefore not directly comparable to the 30 June 2017 figures which represent 12 months.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future being a period at least 12 months from the date of signing of these financial statements.

In the period to 30 March 2018, the profit for the year was £1,005,851. At 30 March 2018, the net current asset position was £6,980,664 and net asset position was £10,229, 195.

Arlington Industries Group Limited (the Group parent company) exchanged contracts in December 2018 to acquire the thermostat business from BorgWarner but has not yet completed the acquisition (expected during the first quarter of 2019), therefore the Directors have prepared cash flow forecasts for a period in excess of twelve months from the date of their approval of these financial statements for both the existing business, including this company, and for the enlarged Group post completion of the acquisition.

The existing business is financed by a joint facility from Wells Fargo Capital Finance (UK) Limited and Shawbrook Bank Limited totalling £45million which comprise a combination of invoice discounting, revolving credit facilities and asset loans. There is also an additional working capital facility of £5million guaranteed by the shareholders and a Eurobond listed debt of £13million and an invoice discounting facility in relation to the French business of £l .33million. At 30 March 2018, the headroom in relation to these facilities was £7.8million.

Post year-end, a £3million extension to the Wells Fargo and Shawbrook facilities was put in place and the shareholder working capital facility was extended by £8million. The Eurobond listed debt of £13 million was converted into equity in February 2019. The headroom position at 31 January 2019 was £3.1 million.

The cash flow forecasts for the existing group that the directors have prepared are based on their current best estimate of trading levels with the Group's key customers and the Group's expected cost base. They have been sensitised for reasonably possible scenarios and show that the Group can operate within the available facilities and existing covenants for the foreseeable future. The effect of Brexit has been considered and the potential scenarios in the market has been reflected in the sensitivities.

The Directors are currently in discussions with current and potential funders to provide financing for the enlarged Group, which will also include further equity support from the shareholders. Cash flow forecasts for the enlarged post acquisition Group have been prepared and demonstrate there is sufficient headroom against the enlarged facilities. Again these have been sensitised for reasonably possible scenarios to demonstrate that the enlarged Group can operate within these facilities. The shareholders have committed that they will provide financial support to ensure the completion of the transaction and subsequent funding requirements, since the value of the external funding is not yet finalised.

Based on their assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Magal AWT Limited
Notes to the Accounts
for the period ended 30 March 2018

1 Accounting policies (*continued*)

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the

Sale of goods
Revenue from the sale of goods is recognised when all of the following conditions are satisfied:
- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership not
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Property, plant & equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Other leases are operating leases and are not recognised in the Company's balance sheet.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. It is calculated at the following rates:

Plant, vehicles and equipment	10-25% per annum

Research and development
Research and development expenditure is charged to the income statement as incurred

Holiday pay accrual
A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

Inventories
Inventories are stated 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. At each balance sheet date, stocks are assessed for impairment. If the stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Profit and Loss.

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.

1 Accounting policies (*continued*)

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Foreign currencies
Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets

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 income statement 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.

Pensions
The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under

Contributions to the company's group personal pension scheme, which is a defined contribution scheme, are charged to the income statement in the period in which they become payable.

2 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The principal accounting estimates, assumptions and judgements employed in the preparation of these financial statements which could affect the carrying amounts of assets and liabilities at the balance sheet dates are as follows:

Taxation
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

Customer relationships
The assessment of the future economic benefits generated from acquired customer relationships and the determination of the related amortisation profit involves a significant degree of judgement based on management estimation of future potential revenue and profit and the useful lives of the assets.

Current asset provisions
Judgement is used by management to establish the net realisable value of various elements of working capital, principally inventories and trade receivables. Provisions are established for net realisable value and bad and doubtful debt risks. Provisions are based on the facts available at the time and applied to Inventories and aged receivables.

In estimating the net realisable value of Inventories, judgement is required in assessing their likely value on realisation taking into account market and technological changes.

In estimating the collectability of trade receivables, judgement is required in assessing their likely realisation, including the current creditworthiness of each customer and related ageing of past due balances. Specific accounts are assessed in situations where a customer may not be able to meet its financial obligations due to deterioration of its financial condition.

Determining residual values and useful economic lives of property, plant and equipment
The company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of the asset is based on historic performance as well as expectations of future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the Company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

3 Analysis of Revenue

	30 March 2018 £	30 June 2017 £
Revenue is wholly attributable to the principal activity of the company, and all relates to the sale of goods.		
By geographical market:		
UK	13,614,269	18,454,438
Europe	7,476,195	8,508,067
North America	135,338	239,250
Rest of world	448,320	705,378
	21,674,122	27,907,133

4 Operating profit

	30 March 2018 £	30 June 2017 £
This is stated after charging:		
Depreciation of owned Property, plant and equipment (see note 8)	412,673	369,231
Depreciation of property, plant & equipment held under finance leases and hire purchase contracts (see note 8)	165,525	202,284
Research & Development	63,441	27,854
Operating lease rentals - plant and machinery	106,391	164,536
Operating lease rentals - land buildings	367,500	490,000
Auditor's remuneration for audit services	21,000	20,100
Auditor's remuneration for tax compliance	3,000	4,000

5 Staff costs

	30 March 2018 £	30 June 2017 £
Wages and salaries	4,931,877	6,271,369
Social security costs	382,187	545,650
Other pension costs	49,152	72,364
	5,363,216	6,889,383

Average number of employees during the year	**Number**	**Number**
Administration	92	89
Distribution	2	2
Manufacturing	128	150
	222	241

6 Finance costs

	30 March 2018 £	30 June 2017 £
Bank loans and overdrafts	83,148	14,637
Exchange loss	-	-
Finance charges payable under finance leases and hire purchase contracts	20,419	31,084
	103,567	45,721

7 Taxation

	30 March 2018 £	30 June 2017 £
Analysis of charge in period		
Current tax:		
UK corporation tax on profits of the period	-	(209,810)
Deferred tax:		
Origination and reversal of timing differences	139,541	210,757
Adjustments in respect of prior periods	8,790	
Effect of change in tax rate	-	-
Recognition of timing differences not previously recognised	(30,458)	-
	117,873	210,757
Tax on profit	117,873	947

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:

	30 March 2018 £	30 June 2017 £
Profit before tax	1,123,724	2,233,832
Standard rate of corporation tax in the UK	19.00%	19.75%
	£	£
Profit multiplied by the standard rate of corporation tax	213,508	441,182
Effects of:		
Expenses not deductible for tax purposes	(10,916)	5,461
Depreciation in excess of capital allowances		(263,850)
Recognition of timing differences not previously recognised	(30,458)	
Group relief for nil consideration	(75,389)	(182,793)
Adjustments to tax charge in respect of prior years	8,790	(209,810)
Change in timing differences on capital allowance and accumulated losses on foreseeable future profits	-	210,757
Total tax charge for period	105,535	947

7 Taxation (continued)

Factors which may affect future tax charges
A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 March 2018 has been calculated based on 19%.

The Company recognises deferred tax assets where there is sufficient evidence that the asset will be recoverable in the foreseeable future. The amount of unrecognised deferred tax asset is £nil (2017: £30,458) all relating to unclaimed capital allowances. The deferred tax asset will be appropriately recognised as and when the utilisation of the Company's capital allowances is reasonably foreseeable. The unrecognised UK deferred tax asset has been calculated at 19% (2017: 19%).

8 Property, plant and equipment

	Plant and machinery	
	30 March 2018	30 June 2017
	£	£
Cost		
At 1 July 2017	11,087,648	10,011,973
Additions	1,040,986	1,113,777
Disposals	(437,430)	(38,102)
At 30 March 2018	11,691,204	11,087,648
Depreciation		
At 1 July 2017	7,467,761	6,926,331
Charge for the period	578,198	571,515
On disposals	(437,430)	(30,085)
At 30 March 2018	7,608,529	7,467,761
Net book value		
At 30 March 2018	4,082,675	3,619,887
At 1 July 2017	3,619,887	3,085,642

	30 March 2018	30 June 2017
	£	£
Net book value of Property, plant and equipment included above held under finance leases and hire purchase contracts	677,919	787,963

9 Inventories

	30 March 2018	30 June 2017
	£	£
Raw materials and consumables	495,835	623,086
Work in progress	802,876	846,795
Finished goods and goods for resale	206,168	114,994
	1,504,879	1,584,875

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

Inventories are stated after provisions for impairment of £192,633 (2017: £161,300).

The amount of inventories recognised as an expense in the period is £11,247,270 (2017: £12,859,535).

10 Trade and other receivables

	30 March 2018 £	30 June 2017 £
Trade receivables	6,188,352	5,455,961
Amounts owed by group undertakings and undertakings in which the company has a participating interest	6,308,106	6,100,686
Other receivables	421,013	661,354
Prepayments and accrued income	156,022	134,204
	13,073,493	12,352,205

All amounts shown under receivables are receivable within one year.

11 Deferred Tax Asset

	30 March 2018 £	30 June 2017 £
Deferred tax Asset (see note 18)	826,571	944,444

12 Cash and cash equivalents

	30 March 2018 £	30 June 2017 £
Cash and cash equivalents	298,157	296,515

13 Other interest-bearing loans and borrowings

	30 March 2018 £	30 June 2017 £
Current liabilities; Bank Loans (see note 16)	118,000	118,000
Non-current liabilities Bank Loans (see note 16)	373,667	462,167

14 Current liabilities; Trade and other payables

	30 March 2018 £	30 June 2017 £
Obligations under finance lease and hire purchase contracts	204,087	201,280
Trade payables	2,891,136	2,806,214
Amounts owed to group undertakings and undertakings in which the company has a participating interest	265,897	298,542
Other taxes and social security costs	508,686	902,993
Other payables	4,392,932	3,048,186
Accruals and deferred income	341,698	1,067,903
	8,604,436	8,325,118

Other payables include amounts owing to Invoice Discounting facilities of 2018 £3,532,107 (2017: £2,902,277).

15 Non-current liabilities; Trade and other payables

	30 March 2018 £	30 June 2017 £
Obligations under finance lease and hire purchase contracts	203,495	313,249
Other payables	256,982	356,048
	460,477	669,297

16 Obligations under finance leases and hire purchase contracts

	30 March 2018 £	30 June 2017 £
Amounts payable:		
Within one year	204,087	201,280
Within two to five years	203,495	313,249
	407,582	514,529

17 Deferred taxation

	30 March 2018 £	30 June 2017 £
Accelerated capital allowances	826,571	944,444
Undiscounted provision for deferred tax	826,571	944,444

	30 March 2018 £	30 June 2017 £
At start of period	944,444	1,155,201
Deferred tax charge in income statement	(117,873)	(210,757)
At end of period	826,571	944,444

18 Share capital

	Nominal value	Number	30 March 2018 £	30 June 2017 £
Allotted, called up and fully paid:				
Ordinary shares	£1 each	100,001	100,001	100,001

19 Share premium account

	30 March 2018 £	30 June 2017 £
At 1 July 2017	900,000	900,000
At 30 March 2018	900,000	900,000

The share premium accounts represents the additional amount shareholders paid for their issued shares that was in excess of the par value of those shares.

20 Pension commitments

The company operates a 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 £45,399 (2017: £72,364). Contributions amounting to £15,952 (2017: £12,283) were payable to the fund and are included in payables.

21 Other financial commitments

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

	Total 30 March 2018 £	Total 30 June 2017 £
Operating leases which expire:		
within one year	47,287	75,303
within two to five years	27,384	24,933
	74,671	100,236

22 Contingent liabilities

The bank loans of the Arlington Group are secured by a fixed and floating charge across the UK assets, including the assets of Magal AWT Limited.

At 30 March 2018, the company had a contingent liability of £20,000 (2017: £20,000) in respect of a VAT deferment guarantee.

23 Ultimate controlling party

At 30 March 2018 the company's immediate parent company was Magal Engineering Limited, which is the parent of the smallest group of which the company is a member.

The largest group in which the results of the company are consolidated is that headed by Arlington Industries Group Limited. The consolidated financial statements of the group are available to the public and may be obtained from Companies House, Cardiff CF4 3UZ. The ultimate controlling party is Pangaea Two Acquisition Holdings VIII, LLC.