

J&E Hall Limited

Annual report and financial statements

For the year ended 31 March 2021

Registration number: 03120673



J&E Hall Limited
For the year ended 31 March 2021

Contents

Officers and professionals	1
Strategic report	2
Directors' report	7
Directors' responsibilities statement	10
Independent auditor's report	11
Profit and loss account	14
Statement of comprehensive income	14
Balance sheet	15
Statement of changes in equity	16
Notes to the financial statements	17

J&E Hall Limited
For the year ended 31 March 2021

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A Bowden
B Liow
VP Chen
A Proffitt
I Creasey

COMPANY SECRETARY

I Creasey

REGISTERED OFFICE

Questor House
191 Hawley Road
Dartford
Kent
DA1 1PU

BANKERS

Barclays Bank plc
71 Grey Street
Newcastle upon Tyne
NE1 4QL

AUDITOR

Deloitte LLP
Statutory Auditor
1 City Square,
Leeds,
United Kingdom
LS1 2AL

J&E Hall Limited

For the year ended 31 March 2021

STRATEGIC REPORT

The directors present their strategic report, annual report and the audited financial statements for the year ended 31 March 2021.

BUSINESS REVIEW AND PRINCIPAL RISKS AND UNCERTAINTIES.

Performance Review

The Directors are pleased to report company's markets were relatively insulated from the worst effects of COVID-19 and the lock down policy implemented to slow its spread. Revenues increased to £47,227,000 (2020: £45,402,000), an increase of 4% (2020: 7.3%) and gross profit showed a small reduction to £8,144,000 (2020: £8,288,000), a reduction of 1.7% (2020: Increase of 8.0%).

The company made a pre-tax Loss of £707,000 (2020: Profit of £35,000) and an operating loss of £197,000 (2020: Profit of £608,000). The loss was the result of a settlement and curtailment cost on the defined benefit pension scheme of £993,000.

The aftermarket service showed strong growth in both revenues and gross profit of 18% and 35% respectively. Its primary market in food and drink was buoyed by the increased demand from the supermarkets due to the public reaction to COVID 19 lockdown policy.

Contracting held its sales in a difficult market but saw gross margins deteriorate due to the impact of project delays and increasing material costs.

The Commercial products business saw a 17% reduction in sales during the first lockdown but through aggressive remedial actions recovered strongly in the second half of the year to finish flat year on year in both revenues and gross profit.

Order growth slowed versus the prior year resulting in a yearend backlog of £20,791,000 (2020: £22,426,000), a decline of 7% versus the corresponding position in the previous year.

Debtor days increased to 73 days (2020: 67 days). Working capital (net current assets excluding cash and overdraft) at the end of the year increased to £10,441,000 (2020: £9,240,000) due to increase in amounts recoverable on contracts. As a proportion of annual sales, this equates to 22.1% (2020: 20.4%).

Overall net borrowing (cash, overdraft and loans) increased by £967,000 due to an increase in working capital.

The pension deficit increased by £3,628,000. The fair value of assets increased by £4,395,000 however the present value of the funded obligations increased by £8,023,000 resulting in a deterioration in the overall deficit.

The Company is in a net liabilities position of £19,177,000 which has increased from £15,631,000 due to an increase in the net defined pension liability and the loss for the year. The increase in pension liability was mainly due to the lower discount rate.

The analysis provided in the business review forms the key performance indicators that the Directors use to assess the business.

Markets and Strategy

J&E Hall, a pioneer of refrigeration, is a fully integrated refrigeration business supplying products, contracting (design, engineering, and installation) and aftermarket service. To deliver its products and services, J & E Hall has regional offices in the UK and at various international locations supported by distributors and representatives as part of the Company's wider family. J&E Hall customer market segments are varied, from Food Processing, Pharmaceutical, Marine, Oil & Gas to other industrial sectors.

The key to success for the Company's evolution is listening to its customers and aligning with global megatrends. Since the introduction of the F Gas regulations, J&E Hall has been in consultation with its customer base to update their installations with available greener alternatives and energy efficient solutions in products and contracting. To add recent IPCC climate report has cited 'Code Red for Humanity' thereby green economies are only way forward.

This direction forms the basis for the research and development team to introduce products which improve customer processes, save energy costs and minimise environmental impact. As a result, this has fast tracked the development and acceptance of low GWP refrigerant based products in various market segments, ranging from commercial to industrial sectors. In this financial year itself J&E Hall has delivered projects with CO2 in addition to NH3 and Heat Pump for district energy sector which is a growing market.

J&E Hall Limited

For the year ended 31 March 2021

STRATEGIC REPORT (CONTINUED)

Markets and Strategy (continued)

During the year J&E Hall's key focus was 'employee safety' and 'business continuity' for our customers. Therefore, in line with the local COVID-19 regulations, our critical customers were supported on site and remotely. The company's new ERP system, commissioned in the year ended 31 March 2018, and other Information Technology based tools played a key role in providing services remotely. Further, the company developed a new website specifically for commercial products customers and launched a new range of variable frequency drive mounted compressors for its industrial customers.

In the year commencing 1 April 2021 it will continue to focus on 'employee safety' with a background of COVID-19, support its customer base and focus on development of natural refrigerant products. Technology will be playing an important role both in products and how it deals with customers. The importance of refrigeration within the food supply chain and pharmaceutical sector, where cooling has been fundamental in delivering vaccinations across the globe, has been highlighted by the stress that Covid-19 has placed on both these supply chains. The company's experience and market penetration is key to evolving solutions to challenges like the pandemic.

Section 172 Statement

Stakeholder Engagement

The company has a diverse and global community of stakeholders which includes colleagues, customers, supply partners and its parent company. It continues to listen to these stakeholders and their insights, which in turn help shape its strategy and the decisions it takes. However, it is not possible to please all stakeholders all of the time and a key part of the senior management team process is to balance the conflicting needs of the stakeholders, to ensure all are treated consistently and fairly. The company also receives regular updates throughout the year through engagement with its stakeholders, including feedback from employees and discussions with customers and suppliers. Building trusted partnerships with its suppliers is important in enabling it to provide the best products and services for its customers and provide a platform for suppliers to grow.

The main forums for considering the important factors at the core of section 172 requirements are the monthly executive and management meetings, the governance meeting and strategy meetings. These meetings consider and evaluate the consequences of the company's long term and strategic decisions on all key stakeholders. These meetings also form a key part of the mechanism to align the company's activities with its values and vision. Important factors to evaluate include:

- Political factors, including tax policy, tariffs and trading policy and government grant schemes. For example, the COVID-19 job retention scheme, RDEC credits and the new tariffs resulting from Brexit.
- Economic factors, including growth in the economy, inflationary pressures due the supply chain constraints, future interest rate changes, employment environment and the resulting impact on skills availability and salary levels
- Legal factors, including environment laws that affect the design specification of its products and changes in employment law.
- Technological factors, including new product technologies, new production technologies, new design technologies and new communication technologies. For example, increasing use of design software, internet sales and marketing and increasing use of social media for marketing and recruitment.
- Social factors, such as increasing demand for hybrid working as a result of employees' experience of working under COVID-19 restrictions.
- Environmental factors, including social and customer driven demand for greener more environmentally friendly products and natural refrigerants.

J&E Hall Limited

For the year ended 31 March 2021

STRATEGIC REPORT (CONTINUED)

Section 172 Statement (continued)

During the year COVID-19 and Brexit necessitated changes to the operations and work routines to adapt to an unfamiliar and rapidly changing environment. The company's values of prioritising service to its customers and safeguarding the welfare of employees drove the key decisions adopted to reorientate the company to thrive under these adverse conditions. Decisions were made regarding technology to adopt for home working, staff to be furloughed, new processes and policies to maintain the organisational control and monitoring mechanisms to maintain quality of operations and security of company assets, the inventory levels required to ensure continuity of supply to key customers while coping with the issues and uncertainty created by COVID-19 and Brexit.

People

During the year with the backdrop of Covid-19, the company continued its investment in technical training, which is planned to continue into the future, alongside investment in behavioural skills training, especially for managers, with the aim of empowering people to deliver for the customers. The company has identified the need to shift its culture, strengthening the focus on delivering through people as they are closest to the customers and recognising the part each employee plays in the success of the business. The company has also invested in an executive team training programme, to ensure this change in culture is led from the top. It has also shown its commitment by introducing an HR Director role onto the Executive Team.

The company has also demonstrated its commitment to developing skills for the future, supporting the UK as it comes through the Covid-19 Pandemic. This year 9 apprentices were taken on (a normal intake is 3) and 5 'Kickstart' scheme placements were supported for those at risk of long-term unemployment.

As the company is a relatively small business of approximately 300 employees, both the Managing Director and the Executive Team are accessible to the employees and believe in being connected. Management maintains an "open door policy" to make it easy employees to contact them when needed.

Management believe that communication is key, and in past years an annual "roadshow" was held in which the Managing Director, Finance Director and HR Director visited each of the locations to share news of the company's performance in the prior year and also the ongoing strategy and aims of the business for the future. This was not possible this year due to the Covid-19 restrictions in 2020. However there is an open forum for employee questions and a monthly newsletter which conveys important company news and features, as well as giving updates and celebrating successes. Alongside these channels, the line managers directly communicate important decisions and discuss their impact on people concerned and return feedback to the senior management team. Management believes it is important for the employees to have a voice and each business unit has a structured approach to both sharing information and receiving feedback and ideas. There is a 'bright ideas scheme' which encourages suggestions and may result in a financial reward being given for any that are implemented. This has yielded improvements to personal protective equipment allocations in the past year. On the occasions where a change is needed which affects the employees, this is done sensitively, following employment law and balancing the individual needs of the employee.

The company believe its employees are its most valuable asset as they play a key role in delivering for customers. It aims to treat them fairly and consistently and to communicate with them regularly, to ensure they are engaged and understand the importance of role they play. The company encourages employee's involvement in the company's performance through various incentive schemes linked to the company's profit.

The company gives full and fair consideration to applications for employment made by disabled persons. The company's policy includes, where practicable, the continued employment of those who become disabled during their employment. Equal training facilities are provided for disabled and other employees to improve performance, to learn new skills and to qualify for promotion.

Suppliers

As the company does not manufacture the majority of the products it sells, it is critical that it has strong relationships with suppliers and manufacturers worldwide who can achieve our high standards. Suppliers must demonstrate that they always operate to a recognised standard while complying with:

- The recognition of Human Rights
- Regulation relating to Health and safety
- The prohibition of modern slavery
- The promotion of sustainable consumption
- Regulation relating to Anti-bribery

J&E Hall Limited

For the year ended 31 March 2021

STRATEGIC REPORT (CONTINUED)

Section 172 Statement (continued)

The company engages with its suppliers through regular strategic meetings and conduct audits annually with core suppliers, monitoring performance of the above which are fundamental to a successful trading relationship between customer and supplier. The audits are reviewed by the company directors.

Supplier questionnaires provide a platform for all other suppliers as they enable the supplier to demonstrate adherence to the high standards expected by J&E Hall.

The impact of decisions on suppliers are discussed and evaluated by project managers, the purchasing team and the company directors in monthly management meetings. Communication and feedback from suppliers occur through the strategic meetings.

Customers

Serving its customers defines the company's purpose and contacts with the customers' organisations at multiple levels up to and including the Managing Director. Contacts are maintained with to ensure their purpose and evolving needs are understood. Front-line service staff and project managers hold monthly meetings with sales staff, account managers and service unit managers to pool their knowledge and discuss all issues that impact the relationship and its future development. For many customers, monthly meetings are held by salesman, project or service unit managers, where Key Performance Indicators are evaluated and discussed and decisions or other developments affecting either party that may impact the other are communicated.

Customers' feedback, as well as the latest developments concerning customers, are communicated to the executive team at monthly management meeting to ensure that all decisions are taken with consideration to the view of customers and an understanding of the impact on them. This feedback has helped in understanding the importance that customers attach to energy efficiency and high environmental standards, ensuring that this becomes a key focus in future projects.

Regular surveys of customer opinions provide a further channel for customers to communicate their views to the company. The surveys are conducted by the Strategic Planning manager and allow the opinion of customers to be communicated directly to the executive team.

Our community

The J&E Hall name and business has been part of the Dartford community for over two centuries and is deeply intertwined with the history of the town. In the past it was one of the biggest employers in the town and it still has much to contribute as a local employer, supplier and customer.

Its apprenticeship training scheme is an important point of engagement with the community where dedicated support and opportunities are provided to young people to learn core engineering skills and develop an aptitude for problem solving. The scheme provides young people with an opportunity to learn key skills which are in demand and gives them a clear career path. It also helps to seed the industry with new young engineering talent to ensure its future prosperity.

The company is committed to promoting sustainability in the community and contribute positively, both socially and economically. It strives to develop and supply sustainable, environmentally conscious products and services. It is committed to sourcing 100% of its electricity from renewable sources. The senior management team regularly review the renewable energy strategy, which is approved on an annual basis.

Future Development

COVID-19 has made the business environment more challenging in some of the market segments within which the company operates but the overall impact on trading has been muted. The principle risk is a slow recovery in the hospitality sector impacting revenue growth in the product business. The company has been mildly impacted by the disruption to supply chains caused in the aftermath of COVID-19 and the resulting increase in prices. These price increases may affect margins and or future demand if they persist. However, the company has benefited from being able to leverage the power of the Daikin group to mitigate the impact of the price increase on its profits thus far.

J&E Hall Limited

For the year ended 31 March 2021

STRATEGIC REPORT (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company uses foreign currency exchange forward contracts to fix the value of sales and purchases in foreign currencies thereby reducing the financial risk of exchange rate fluctuation.

Credit Risk

The company's principal financial assets are bank balances, trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The company has no significant concentration of credit risk with exposure spread over a number of counterparties and customers.

Liquidity Risk

In order to maintain liquidity and to ensure that sufficient funds are available for on-going operations and future developments, the company uses a mixture of inter group borrowings and bank overdraft. Further details can be found in note 1 of the notes to the financial statements.

Daikin Industries Limited issued a letter of undertaking to Barclays Bank plc regarding the overdraft and guarantee facilities.

Pension Risk

The company operates two pension schemes, one of which is a defined benefit scheme which was closed to future accrual from 1st of August 2020. The pension fund liabilities are partially matched with a portfolio of assets, which leaves potential risk around the amount of the liabilities because of changes in life expectancy, inflation, future salary increases, risks regarding the value of investments, the returns derived from such investments and the Pension Protection Fund levy.

The pension trustees, in consultation with the company, regularly review the scheme's investment strategy to maximise asset returns and to diversify investment risk and the company takes professional advice regarding options to manage liability volatility.

COVID 19 Risk

The company has experienced increase in raw material prices and freight costs in some areas of the business which has impact on the margins. The expectation is for this to continue until the second quarter of 2022 and then to fall back in line with the general rate of inflation. The effect on the company is manageable and actions are planned to dampen the impact.

Brexit Risk

The company has adjusted well to the post Brexit regime with minimum impact on its markets and supply chains in the EU. The new regulatory environment has been integrated into the company's administrative and operational processes.

Approved by the board of directors and signed on behalf of the board.

Ian Creasey
Director and Secretary
15 December 2021
Questor House
191 Hawley Road
Dartford
Kent
DA1 1PU

ICreasey

J&E Hall Limited

For the year ended 31 March 2021

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The directors present their annual report on the affairs of the company, together with the audited financial statements for the year ended 31 March 2021.

The loss after taxation for the year amounted to £597,000 (2020: profit of £395,000).

There were no dividends paid during the year (2020: £nil) and the directors do not recommend the payment of a final dividend.

PRINCIPAL ACTIVITY

The principal activity of the company is the supply, installation and servicing of refrigeration and freezer products and systems.

Financial risk management objectives and disclosures in relation to employee consultations, disabled employees and future developments are presented in the Strategic Report on pages 2 to 5 as the directors consider these areas to be of strategic importance to the company.

RESEARCH AND DEVELOPMENT

The company continues to invest in the development of commercial and industrial products to keep pace with changing market demands. Industrial product development will open up new revenue streams for the company in the future. To support this project the company is looking to invest in creating in house testing facilities. The company maintains key competencies in compressor R&D which benefits and is funded by Daikin in the interests of the Daikin group. The directors regard investment in R&D as vital for success in the medium to long term future. (Note 5)

GOING CONCERN

The company's forecasts and projections, taking account of reasonably possible changes in trading performance of both itself and the other UK resident members of the group of companies headed by AAF McQuay UK Limited ("the UK Group"), show that the company and the UK group can operate within the level of their current facilities for the foreseeable future. The UK group continues to hold discussions with its bankers about its future borrowing needs and no matters have been brought to its attention to suggest that future renewal may not be forthcoming on acceptable terms.

All members of the AAF McQuay UK Ltd group, of which the company is one, continue to enjoy the support of the ultimate parent company, Daikin Industries Ltd which has confirmed that it will provide sufficient financial support, should it be required, to enable the Company to meet its liabilities as they fall due for a period of not less than 12 months from the date of the approval of the financial statements. The going concern of the company is therefore dependant on the going concern of the Group which has been assessed and has adequate resources to be able to provide this support.

Further details regarding the adoption of the going concern basis can be found in note 1 of the notes to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and subsequently were as follows:

A Bowden
B Liow
VP Chen
A Proffitt
I Creasey

Director's Indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

J&E Hall Limited

For the year ended 31 March 2021

DIRECTORS' REPORT (CONTINUED)

Statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR)

This section covers the energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and information relating to energy efficiency actions.

	April 20 – March 21	April 19 – March 20	% difference
Total energy use covering electricity, gas, other fuels and transport (kWh)	4,463,216	4,644,152	-3.90%
Total emissions generated through combustion of gas (tCO ₂ e)	125.63	217.47	-42.23%
Total emissions generated through use of purchased electricity (tCO ₂ e)	130.34	202.32	-35.58%
Total emissions generated through use of other fuels (tCO ₂ e)	-	-	-
Total emissions generated through business travel (tCO ₂ e)	795.29	938.90	-15.30%
Total gross emissions (tCO ₂ e)	1,051.26	1,200.72	-12.45%
Intensity ratio - total gross emissions (kgCO ₂ per sqft)	18.77	20.45	-8.22%
Intensity ratio - transport emissions (kgCO ₂ per mile)	0.26	0.28	-7.14%

Energy efficiency actions

We are committed to responsible energy management and will practise energy efficiency throughout our organisation, wherever it's cost effective. We recognise that climate change is one of the most serious environmental challenges, currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions.

We have implemented the policies below for the purpose of increasing the businesses energy efficiency in the relevant financial year.

- Moved to remote home working due to Covid-19. Will review when situation permits.
- Encouraged use of video conferencing.
- Travel reduced due to increased use of technology.

Methodology used in the calculation of disclosures

ESOS methodology (as specified in Complying with the Energy Savings Opportunity Scheme version 6, published by the Environment Agency 28/10/2019) used in conjunction with Government GHG reporting conversion factors.

CHARITABLE CONTRIBUTIONS

Donations to UK charities amounted to nil (2020: £129).

The company made no political donations.

J&E Hall Limited
For the year ended 31 March 2021

DIRECTORS' REPORT (CONTINUED)

AUDITOR

Each person who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have been deemed re-appointed under section 487 of the 2006 Act.

Approval of reduced disclosures

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. Daikin Industries Limited, the company's ultimate shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the company by Daikin Industries Limited, as the ultimate parent of the entity.

Approved by the Board and signed on its behalf by:

ICreasey

Ian Creasey
Director and Secretary
15 December 2021

Questor House
191 Hawley Road
Dartford
Kent
DA1 1PU

J&E Hall Limited

For the year ended 31 March 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland." 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of J&E Hall Limited (continued)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of J&E Hall Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is Financial Reporting Standard 102

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of J&E Hall Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address it are described below:

- Accuracy and cut-off of revenue
 - Design and implementation testing of relevant controls;
 - Tests of details across the balance.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Independent auditor's report to the members of J&E Hall Limited (continued)

- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in [the strategic report or] the directors' report.

Matters on which we are required to report by exception

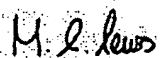
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 respect of these matters.

Use of our report

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.



Mark Lewis ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

16 December 2021

J&E Hall Limited

Profit and loss account

For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Turnover	3	47,227	45,402
Cost of sales		(39,083)	(37,113)
Gross profit		8,144	8,289
Distribution costs		(2,614)	(3,287)
Administrative expenses		(4,734)	(4,394)
Defined benefit scheme settlement and curtailment cost	20	(993)	-
Operating (loss)/profit		(197)	608
Interest payable and similar charges	4	(510)	(573)
(Loss)/Profit before taxation	5	(707)	35
Tax on (loss)/profit	9	110	360
(Loss)/Profit for the financial year attributable to the equity shareholders of the Company		(597)	395

Statement of comprehensive Income

For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
(Loss)/Profit for the financial year		(597)	395
Re-measurement of net defined benefit liability	20	(3,641)	1,510
Tax credit relating to components of other comprehensive income		692	(287)
Other comprehensive (expense)/income		(2,949)	1,223
Total comprehensive (expense)/income attributable to equity shareholders of the Company		(3,546)	1,618

J&E Hall Limited

Balance sheet At 31 March 2021

		2021 £'000	2020 £'000
Fixed assets			
Tangible assets	11	888	1,075
Investments	12	1,815	1,815
		<u>2,703</u>	<u>2,890</u>
Current assets			
Stocks	13	4,615	5,828
Debtors			
- due within one year	14	16,702	15,447
- due after one year	14	3,710	3,021
Cash at bank and in hand		682	28
		<u>25,709</u>	<u>24,324</u>
Creditors: amounts falling due within one year	15	<u>(18,491)</u>	<u>(17,339)</u>
Net current assets		<u>7,218</u>	<u>6,985</u>
Total assets less current liabilities		<u>9,921</u>	<u>9,875</u>
Creditors: amounts falling due after one year	16	(9,000)	(9,000)
Provisions for liabilities	17	(570)	(606)
Pension deficit	20	<u>(19,528)</u>	<u>(15,900)</u>
Net liabilities		<u>(19,177)</u>	<u>(15,631)</u>
Capital and reserves			
Called-up share capital	18	8,000	8,000
Profit and loss account		<u>(27,177)</u>	<u>(23,631)</u>
Shareholders' deficit		<u>(19,177)</u>	<u>(15,631)</u>

The financial statements of J&E Hall Limited (registered number 03120673) were approved by the board of directors and authorised for issue on 15 December 2021. They were signed on its behalf by:

ICreasey

Ian Creasey
Director

J&E Hall Limited

Statement of changes in equity For the year ended 31 March 2021

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2019	8,000	(25,249)	(17,249)
Loss for the financial year	-	395	395
Re-measurement of net defined benefit liability	-	1,510	1,510
Tax relating to items of other comprehensive income	-	(287)	(287)
Total comprehensive income	-	1,618	1,618
At 31 March 2020	8,000	(23,631)	(15,631)
Loss for the financial year		(597)	(597)
Re-measurement of net defined benefit liability	20	(3,641)	(3,641)
Tax relating to items of other comprehensive income		692	692
Total comprehensive expense		(3,546)	(3,546)
At 31 March 2021	8,000	(27,177)	(19,177)

J&E Hall Limited

Notes to the financial statements **For the year ended 31 March 2021**

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

J&E Hall Limited is a private limited company, limited by shares, incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of J&E Hall Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

J&E Hall Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. J&E Hall Limited is consolidated in the financial statements of its ultimate parent, Daikin Industries Ltd, which may be obtained at the address given in note 23. The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance and position, risks and uncertainties are set out in the Strategic Report on page 2-3.

As highlighted in notes 15, 16 and 21 to the financial statements, the company meets its day to day working capital requirements through an overdraft facility which is shared with the rest of the UK resident members of the group of companies headed by AAF McQuay UK Limited ("the UK group") and through inter-company loans from AAF McQuay UK Ltd. The UK group's borrowing facility provided by Daikin Industries Limited was renewed on 30 June 2021 until June 2022. The UK group overdraft and guarantee facility with Barclays Bank plc was renewed on 16 December 2020 and continues until renewed or cancelled. While the current economic conditions create uncertainty over the level of demand for the company's products and uncertainty over future exchange rates creates some uncertainty in some manufacturing cost, the company finds that bank finance is more available through being a subsidiary of Daikin Industries Ltd than it would be for an independent company of its size.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance of both itself and the other members of the UK group, show that the company and group should be able to operate within the level of its current facilities. The UK group continues to hold discussions with its bankers about its future borrowing needs and no matters have been brought to its attention to suggest that future renewal may not be forthcoming on acceptable terms.

The directors have received an assurance from AAF McQuay UK Ltd, the immediate holding company, that the repayment of the loans totalling £9,000,000 will not be demanded in the 12 months following the signing of the financial statements.

Given the long-term nature of the pension liability and the intercompany loans due after more than one year and the net liability position of company, the ultimate parent company, Daikin Industries Limited has confirmed that it will provide sufficient financial support, should it be required, to enable the Company to meet its liabilities as they fall due for a period of not less than 12 months from the date of the approval of the financial statements. Daikin Industries Limited has also provided letters of undertaking to the company's main lenders Barclays Bank plc.

J&E Hall Limited

Notes to the financial statements **For the year ended 31 March 2021**

1. ACCOUNTING POLICIES (CONTINUED)

Intangible fixed assets and amortisation

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years. The carrying values of intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment is charged to the profit and loss account.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold buildings	9 - 25% per annum
Fixtures, fittings, plant, tools and vehicles	4 - 33% per annum

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

J&E Hall Limited

Notes to the financial statements **For the year ended 31 March 2021**

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

Leases

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

Post-retirement benefits

The company operates a funded pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of other comprehensive income. The scheme is revalued tri-annually by a fellow of the institute of actuaries and the net deficit is then rolled forward to the balance sheet date.

The company also participates in a defined contribution pension scheme. For defined contribution schemes, the amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting year.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the first in first out purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Provision is made for obsolete, slow-moving or defective items where appropriate.

Long term contracts

The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

J&E Hall Limited

Notes to the financial statements **For the year ended 31 March 2021**

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax balance are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government Grants

The company uses the accrual model for recognising grants which relate to revenue. The grant income is recognised in the period in which the related costs are incurred.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

J&E Hall Limited

Notes to the financial statements **For the year ended 31 March 2021**

1. ACCOUNTING POLICIES (CONTINUED)

(i) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Turnover

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services. Sales are presented, net of value-added tax. The company recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when risks and rewards have been transferred under the contractual agreement. For long term contracts, see above.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

In the directors' opinion there are no critical judgements. Sources of estimation that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are dealt with below.

Revenue Recognition on Long-term Contracting

Recognition of revenue and profit is based on judgements made in respect of the ultimate profitability of a contract. Such judgements are arrived at through the use of estimates in relation to the costs and value of work performed to date and to be performed in bringing contracts to completion. These estimates are made by reference to recovery of pre-contract costs, surveys of progress against timetable, changes in work scope, the contractual terms under which the work is being performed, including the recoverability of any un-agreed income from variations and the likely outcome of discussions on claims and costs incurred. Revenue is recognized using the cost-to-cost methodology to determine the percentage completion on long term contracts. The gross amounts due on long term contracts from customers is disclosed in note 14.

J&E Hall Limited

Notes to the financial statements For the year ended 31 March 2021

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Post-Employment Benefits

For the defined benefit scheme, pension valuations have been performed using specialist advice obtained from independent qualified actuaries. In performing these valuations, significant actuarial assumptions and judgments have been made to determine the defined benefit obligation, in particular with regard to discount rate, inflation and mortality. Details of assumptions used are set out in Note 20.

3. Turnover

An analysis of the Company's turnover by geographical market derived from its principal business activity is set out below.

	2021 £'000	2020 £'000
Turnover by geographic market		
UK	39,920	36,865
Europe	4,135	4,148
Asia	2,000	2,800
America	637	1,106
Rest of the World	535	483
	<u>47,227</u>	<u>45,402</u>

In the opinion of the Directors, any additional disclosure regarding turnover would be prejudicial to the interests of the Company.

4. Finance costs (net)

	2021 £'000	2020 £'000
Interest payable and similar charges	155	162
Other finance costs	355	411
	<u>510</u>	<u>573</u>

Interest payable and similar charges

	2021 £'000	2020 £'000
Payable to Group	155	162

Other finance costs

	2021 £'000	2020 £'000
Net interest on defined benefit liability (see note 20)	355	411

J&E Hall Limited

Notes to the financial statements For the year ended 31 March 2021

5. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging/(crediting):

	2021 £'000	2020 £'000
Depreciation of tangible fixed assets (note 11)	341	344
Research and development	1,516	1,567
Impairment of stock recognised as an expense	52	59
Defined benefit scheme settlement and curtailment cost	993	-
Operating lease rentals	1,255	1,042
Foreign exchange (gain)/loss	(81)	43
	<u> </u>	<u> </u>

Impairments of stocks are included in cost of sales and related to obsolescence of spare parts.

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's financial statements were £46,150 (2020: £47,000).

No other fees were payable to Deloitte LLP and their associates for non-audit services in the current or preceding year.

7. Staff numbers and costs

The average number of monthly persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2021 Number	2020 Number
Manufacturing and Engineering	170	166
Administration	92	89
	<u> </u>	<u> </u>
	262	255
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	12,712	12,384
Social security costs	1,402	1,378
Other pension costs – Defined benefit (note 20)	1,296	439
Other pension costs – Defined Contribution (note 20)	939	769
	<u> </u>	<u> </u>
	16,349	14,970
	<u> </u>	<u> </u>

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

J&E Hall Limited

Notes to the financial statements For the year ended 31 March 2021

8. Directors' remuneration

	2021 £'000	2020 £'000
Directors' emoluments	126	138

The aggregate of the emoluments of the highest paid director was £126,248 (2020: £138,210).

The highest paid director is a member of the company's defined contribution scheme to which payments totalling £6,376 were made in the year.

Directors not paid by J&E Hall Limited are remunerated by other group companies and it not possible to allocate these emoluments across the various entities.

9. Tax on profit/(loss)

The tax charge comprises:

	2021 £'000	2020 £'000
Current tax on profit/(loss)		
Group relief payable	(115)	(27)
Adjustments in respect of prior years	(14)	(5)
Foreign Taxation	6	-
Total current tax	(123)	(32)
Deferred tax		
Origination and reversal of timing differences	(31)	(10)
Adjust opening Deferred tax to 19%	-	(365)
Adjustments in respect of prior periods	44	(1)
Movement in respect of defined benefit scheme	-	48
Total deferred tax (see note 14)	13	(328)
Total tax on profit/(loss)	(110)	(360)
Total deferred tax relating to items of other comprehensive income/(expense)	(692)	287
	(802)	(73)

The standard rate of tax applied to reported profit on is 19% (2020: 19%).

There is no expiry date on timing differences, unused tax losses or tax credits.

J&E Hall Limited

Notes to the financial statements For the year ended 31 March 2021

9. Tax on profit/(loss) (continued)

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2021 £'000	2020 £'000
Profit/(loss) before tax	<u>(707)</u>	<u>35</u>
Tax on (loss)/profit at standard UK corporation tax rate of 19 % (2020: 19%)	(134)	7
Effects of:		
- Expenses not deductible for tax purposes	2	2
- Fixed asset differences	3	2
- RDEC adjustment for prior period	(16)	-
- Adjust opening deferred tax to average rate of 19%	-	(365)
- Foreign Tax	5	-
- Adjustments to tax charge in respect of previous years	30	(6)
Total tax credit for period	<u>(110)</u>	<u>(360)</u>

During the year beginning 1 April 2020, the net reversal of deferred tax assets and liabilities is not expected to have a material impact on the corporation charge.

10. Intangible fixed assets

	2021 £'000	2020 £'000
Cost		
At beginning and end of year	<u>7,228</u>	<u>7,228</u>
Amortisation		
At beginning and end of the year	<u>7,228</u>	<u>7,228</u>
Net book value		
At the beginning and end of year	<u>-</u>	<u>-</u>

Intangible fixed assets relate to goodwill.

J&E Hall Limited

Notes to the financial statements For the year ended 31 March 2021

11. Tangible fixed assets

	Short Leasehold £'000	Fixtures, fittings, Plant, tools & Vehicles £'000	Total £'000
Cost			
At 1 April 2020	505	3,686	4,191
Additions	33	121	154
Disposals	-	-	-
At 31 March 2021	<u>538</u>	<u>3,807</u>	<u>4,345</u>
Depreciation			
At 1 April 2020	504	2,612	3,116
Charge for the year	5	336	341
Disposals	-	-	-
At 31 March 2021	<u>509</u>	<u>2,948</u>	<u>3,457</u>
Net book value			
At 31 March 2021	<u>29</u>	<u>859</u>	<u>888</u>
At 31 March 2020	<u>1</u>	<u>1,074</u>	<u>1,075</u>

12. Fixed asset investments

Details of the investment in which the company has an interest is as follows:

	2021 £'000	2020 £'000
Cost and Net Book value		
At 31 March 2021	<u>1,815</u>	<u>1,815</u>

Subsidiary undertakings	Country of incorporation	Principal activity	Holding	%
Coulstock and Place engineering Company Limited	England	Electrical motor rewinding, component	Ordinary	100%
Balmsound limited	England	Dormant	Ordinary	100%

The registered offices of the subsidiaries are as follows:

Coulstock and Place Engineering Co. Limited: Questor House, 191 Hawley Road, Dartford, Kent
Balmsound Limited: c/o AAF Ltd, Bassington Lane, Cramlington, Northumberland

In the year ended 31 March 2021 Coulstock and Place Engineering Company Limited reported a loss after tax of £75,000 and its aggregate capital and reserves stood at £1,687,000.

J&E Hall Limited

Notes to the financial statements For the year ended 31 March 2021

13. Stocks

	2021 £'000	2020 £'000
Work in progress	1,212	2,087
Finished goods and goods for resale	3,403	3,741
	<u>4,615</u>	<u>5,828</u>

There is no material difference between the carrying amount and replacement cost of stock.

14. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	9,857	9,407
Gross amount due from customers for contract work	3,338	2,367
Amounts owed by group undertakings	1,711	1,794
Other debtors	11	44
VAT	248	725
R&D tax credit receivable	206	144
Deferred tax assets	159	133
Corporation Tax/Group relief receivable	200	109
Prepayments and accrued income	972	724
	<u>16,702</u>	<u>15,447</u>

The amounts related to group undertakings are trading balances and are subject to agreed payment terms and are not subject to interest and are not secured. See related note 22.

Amounts falling due after more than one year:

Deferred tax on pension liability	<u>3,710</u>	<u>3,021</u>
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J&E Hall Limited

Notes to the financial statements For the year ended 31 March 2021

14. Debtors (continued)

The movements on the deferred tax assets during the year are as follows:

	Difference between accumulated depreciation and capital allowances £'000	Other timing differences, losses and other deductions £'000	Deferred R&D tax credit £'000	Total deferred tax asset (as above) £'000	Deferred tax asset on pension deficit (see note 20) £'000	Total £'000
At 1 April 2020	19	10	104	133	3,021	3,154
Charge to the profit and loss account for the year	26	7	37	70	-	70
Charge Related to Final salary Scheme	-	-	-	-	(3)	(3)
Prior Year adjustment	(44)	-	-	(44)	-	(44)
Amounts included in OCI	-	-	-	-	692	692
At 31 March 2021	1	17	141	159	3,710	3,869

The deferred tax asset has been recognised as the directors are on the opinion based on forecast trading there will be sufficient profits in future years to utilise the asset.

The Finance Act 2021 published on the 11 March 2021 included a provision to increase the rate of UK corporation tax from 19% to 25% with effect from 1st April 2023. As the enabling legislation was not substantially enacted until 24th May 2021 the rate increase does not apply to the deferred tax position on 31 March 2021

15. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank overdraft (see note 21)	3,904	2,282
Payments received on long term contracts	1,383	1,943
Trade creditors	2,517	3,210
Amounts owed to group undertakings	2,122	2,287
Other taxation and social security	509	451
VAT	225	405
Accruals and deferred income	7,831	6,761
	<u>18,491</u>	<u>17,339</u>

The amounts related to group undertakings are trading balances and are subject to agreed payment terms and are not subject to interest and are not secured. See related note 22.

J&E Hall Limited

Notes to the financial statements

For the year ended 31 March 2021

16. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Amounts owed to group undertakings – variable interest rate loans	9,000	9,000

Amounts owed to group undertakings comprise two variable interest rate loans of £7,000,000 (2020: £7,000,000) and £2,000,000 (2020: £2,000,000) from AAF McQuay UK Limited. At the 31 March 2021, the interest rates applicable were 1.3073% per annum and 0.64% per annum respectively. The loans have no fixed repayment date. The directors of AAF McQuay UK Ltd have confirmed that the repayment of loans from AAF McQuay UK Limited totalling £9,000,000 will not be demanded in the 12 months following the signing of the financial statements.

17. Provisions for liabilities

	Product warranties £'000
At 1 April 2020	606
Charged to profit and loss account	384
Released unused	(16)
Utilisation of provision	(404)
At 31 March 2021	570

Warranties

The warranty provision reflects an estimate of future warranty costs, arising on current and prior year.

It is expected that the majority of this expenditure will be incurred in the next financial year and that all will be incurred within three years of the balance sheet date.

18. Called-up share capital and reserves

	2021 £'000	2020 £'000
Allotted, called-up and fully-paid 8,000,100 ordinary shares of £1 each	8,000	8,000

The Company has one class of ordinary shares which carry no right to fixed income.

The profit and loss reserve represents cumulative profits and losses.

J&E Hall Limited

Notes to the financial statements For the year ended 31 March 2021

19. Financial commitments

There were no capital commitments at the balance sheet date (2020: none).

The future minimum lease payment under non-cancellable operating leases are as follows:

	31 March 2021		31 March 2020	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- within one year	306	727	404	780
- between one and five years	419	627	767	930
	<u>725</u>	<u>1,354</u>	<u>1,171</u>	<u>1,710</u>

20. Employee benefits

Defined contribution schemes

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £938,606 (2020: £769,000). Contributions amounting to £131,962 (2020: £18,490) are payable under the scheme and are included in creditors.

Defined benefit schemes

The company also operates a pension scheme providing benefits based on final pensionable pay for qualifying employees. Under the schemes, the employees are entitled to retirement benefits of 1/80th of final pensionable salary for each year of service. No other post-retirement benefits are provided.

The scheme is a funded scheme.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2018 and rolled forward to 31 March 2021 by an independent actuary, who is a Fellow of the Institute and Faculty of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The defined benefit scheme was closed to new members on 13 August 2004 and replaced with a defined contribution scheme on this date. The assets and liabilities of the scheme are held separately from those of the company, in an independently administered fund.

Future accrual to the defined benefit scheme was ended on the 1st August 2020. Active members of the defined benefit scheme were given the option of joining the defined contribution scheme as 'preferred deferred' member.

The Company pays Deficit Reducing Contributions towards funding and recovery of the scheme deficit as agreed per the 2018 Valuation. Under the deficit reduction plan the Company is committed to fixed contribution of £1,500,000 per annum which will remain fixed until March 2022 and thereafter increase at 3% per year to March 2035. The Company has also agreed to pay all expenses relating to the pension scheme including reimbursement of the Pension Protection Fund ("PPF") Levies

Contributions amounting to £92,608 (2020: £53,313) are payable to the scheme and are included in creditors. An employer contribution rate of 15% of pensionable pay applied until 31 July 2020.

In addition to the above contribution rates the company is paying £1,500,000 (2020: £806,541) per annum as fixed contributions. The total contributions to the scheme by the company during the year were £1,664,000 (2020: £1,104,000). The total contributions for the year ended 31 March 2022 are forecast to be £1,527,000.

J&E Hall Limited

Notes to the financial statements For the year ended 31 March 2021

20. Employee benefits (continued)

	Valuation at	
	2021	2020
Key assumptions used:		
Discount rate	2.00%	2.35%
Future pension increases	3.60%	3.55%
LPI5% (RPI)	3.30%	2.60%
LPI3% (CPI)	2.50%	1.80%
Salary increases	N/A	2.30%
Mortality assumptions:		
120% of S2PXA tables	CMI 2019 projections	CMI 2019 projections

with a long-term rate of improvement of 1% per annum

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2021 £'000	2020 £'000
Current service cost	134	439
Past service Cost	100	-
Admin Costs	69	-
Settlement and Curtailment	993	-
Net interest cost (note 4)	355	411
	<u>1,651</u>	<u>850</u>
(Gain)/Loss on scheme assets in excess of interest	(5,126)	385
Loss/(Gains) from changes to assumptions	8,767	(1,895)
Recognised in other comprehensive expense/income	<u>3,641</u>	<u>(1,510)</u>
Total (gains)/cost relating to defined benefit scheme	<u>5,292</u>	<u>(660)</u>

The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit schemes is as follows:

	2021 £'000	2020 £'000
Present value of defined benefit obligations	91,778	83,755
Fair value of scheme assets	<u>(72,250)</u>	<u>(67,855)</u>
Net liability recognised in the balance sheet	<u>19,528</u>	<u>15,900</u>

J&E Hall Limited

Notes to the financial statements For the year ended 31 March 2021

20. Employee benefits (continued)

Movements in the present value of defined benefit obligations were as follows:

	2021 £'000	2020 £'000
At 1 April 2020	83,755	86,481
Service cost	234	439
Interest cost	1,923	2,036
Actuarial gains and losses	8,767	(1,895)
Benefits paid	(3,894)	(3,306)
Changes due to Settlements and curtailments	993	-
At 31 March 2021	<u>91,778</u>	<u>83,755</u>

Movements in the fair value of scheme assets were as follows:

	2021 £'000	2020 £'000
At 1 April 2020	67,855	68,817
Interest income	1,568	1,625
Return on plan assets (excluding amounts included in net interest cost)	5,126	(385)
Contributions from the employer	1,664	1,104
Administration Cost	(69)	-
Benefits paid	(3,894)	(3,306)
At 31 March 2021	<u>72,250</u>	<u>67,855</u>

The analysis of the fair value of scheme assets at the balance sheet date was as follows:

	2021 £'000	2020 £'000
Equity	31,067	24,428
Bonds	21,675	27,142
Liability driven investment	14,450	11,535
Property	4,335	4,071
Cash	723	679
	<u>72,250</u>	<u>67,855</u>

The actual return on the Scheme's assets over the year was £6,694,000. The assets do not include any investment in shares of the Company.

J&E Hall Limited

Notes to the financial statements **For the year ended 31 March 2021**

21. Contingent liabilities

At 31 March 2021 bank bonds, indemnities and guarantees issued by Barclays Bank Plc on behalf of the company, amounting to £6,815,000 (2020: £6,700,705), were outstanding with recourse to the company. All the UK resident group companies are jointly and severally liable for all guarantees and all indebtedness to Barclays Bank Plc incurred by the UK Group via a cross guarantee. A list of UK group companies is disclosed in the financial statements of the UK parent company, AAF McQuay UK Limited. The total UK group liability to Barclays Bank Plc, at 31 March 2021, comprising contingent liabilities plus total overdrawn balances less positive account balances amounted to £17,755,000 (2020: £19,801,000).

22. Related party transactions

The company has taken advantage of the exemption available in FRS 102 33.1A, not to disclose transactions with other wholly owned members of Daikin Industries Limited. The consolidated financial statements of Daikin Industries Limited, within which this company is included, can be obtained from the address given in note 23.

J&E Hall Limited

Notes to the financial statements **For the year ended 31 March 2021**

23. Parent companies and ultimate controlling party

The company's immediate parent undertaking is AAF McQuay UK Limited, incorporated in England, registered address c/o AAF Ltd, Bassington Lane, Cramlington NE23 8AF, Northumberland. The ultimate parent undertaking and controlling party is Daikin Industries Limited, incorporated in Japan.

The largest and smallest group in which results of the company are consolidated is that headed by Daikin Industries Limited. The consolidated financial statements of this group are available to the public and may be obtained from their registered address, Daikin Industries Limited, Umeda Centre Bldg, 2-4-12 Nakazaki Nishi, Kita-Ku, Osaka 530-8323, Japan.