

# **Mitsubishi Heavy Industries Air-Conditioning Europe Ltd**

Registered number: 08391144

**Report and Financial Statements for the year ended  
31 March 2021**



# Mitsubishi Heavy Industries Air-Conditioning Europe Ltd

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## **Directors**

R Kariya  
S Morisaki  
N Suzuki  
Y Tsunashima

## **Secretary**

H Marcincinova

## **Auditor**

KPMG LLP  
15 Canada Square  
London E14 5GL

## **Bankers**

National Westminster Bank Plc  
St Paul's Branch, Juxon House  
98 St Paul's Churchyard  
London EC4M 8BU

MUFG Bank, Ltd.  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9AN

Mizuho Bank, Ltd.  
Bracken House  
One Friday Street  
London EC4M 9JA

## **Registered Office**

5 The Square  
Stockley Park, Uxbridge  
UB11 1ET United Kingdom

Registered No. 08391144

## Strategic Report

The board of directors presents its strategic report for the year ended 31 March 2021.

### Principal activity and review of the business

The principal activity of the company is sale of energy efficient air conditioning systems, such as home-use air conditioners and commercial-use air conditioners to distributors in the United Kingdom, Europe and CIS region. In addition, the company is engaged in the sale and marketing operations of heat-pump type hot-water supply systems in support of Mitsubishi Heavy Industries' expanding product portfolio. The company has a facility that serves as a product showroom and an after-sale service training centre.

The company's immediate parent undertaking is Mitsubishi Heavy Industries Thermal Systems, Ltd. (MTH) a wholly owned subsidiary of Mitsubishi Heavy Industries Ltd (MHI).

In supplying air conditioning systems, the company established a direct order/supply relationship with Mitsubishi Heavy Industries – Mahajak Air Conditioners Co., Ltd. (MACO), a MHI air-conditioning equipment production base in Thailand. This arrangement enables the company to efficiently supply demanded products and respond to fluctuations in the market environment.

### COVID-19 Pandemic Resilience

Sales have been resilient throughout the pandemic increasing by €5m. Falls in commercial-use air conditioners have been offset by increased demand for home-use air conditioners as consumers have invested in their home environment.

The company's profit from continuing operations for the year ended 31 March 2021 reached €8,261,000 (year ended 31 March 2020 – profit of €6,465,000).

### Key financial performance indicators

Turnover by region:

The company recorded strongest sales in the European market, where the Mitsubishi brand faces fierce competition from other manufacturers of air conditioning equipment. MHIAE's approach to competition is to deliver high quality, high efficiency and ecologically compliant products with strong after sales support.

Although the company faced some challenges in the UK market, the directors are satisfied with the sales achieved within the UK, considering both the uncertainty created by the pandemic and the "Brexit" deal negotiations with the EU.

The CIS region was the region where Covid-19 pandemic had the biggest impact on sales, with weaker sales compared to other regions. The directors consider CIS market to be challenging but at the same time full of growth potential. Despite high political and economic risks, MHIAE strives to maintain and expand the sales of its products in this market.

Region	Turnover (€m)	
	<i>Year ended</i> <i>31 March 2021</i>	<i>Year ended</i> <i>31 March 2020</i>
UK	€21m	€23m
EU	€216m	€203m
RoW	€1m	€1m
CIS	<u>€12m</u>	<u>€18m</u>
	<u>€250m</u>	<u>€245m</u>

The directors acknowledge the impact of the weather conditions on the company's business and achievable turnover. The weather influences consumers' behaviour and significantly impacts on the demand trend.

## Strategic Report (continued)

### Key financial performance indicators (continued)

A key performance indicator of the company is debtor days, debtor days in the current year were 76 days (2020: 91 days). Debtor days have decreased by 16% compared to the prior year helping to improve cash flow. Operating profit margin has increased to 4.2% (2020: 3.2%) as the company was successful in controlling costs.

### Principal risks and uncertainties

The company has identified the principal risks that it faces as:

#### COVID-19 Pandemic

The coronavirus pandemic outbreak continues to have a major impact across the whole global economy. Sales have remained resilient for the company and the success of the vaccines and their continued roll out should encourage an uplift in sales. The company is well placed to respond quickly to increased demand due to its efficient supply chain. Other risks from the coronavirus pandemic such as counterparty and operational risk are limited and are not expected to materially affect the business or financials.

There is though extreme uncertainty around the global economic outlook. How long vaccine induced immunity lasts is unclear, shorter-lived immunity than anticipated could complicate the recovery. Economic growth could be weaker if there are surges in the virus due to new variants that prove difficult to contain. There is also uncertainty in how governments will respond to the gradual return to normal economic activity as social distancing measures are withdrawn; with the risk that governments will start to withdraw support to the economy before a full recovery has emerged. The pandemic outbreak therefore is an evolving situation which management will closely monitor to assess its impact on customers and demand across the European market and CIS region.

#### Political risk

The company operates predominantly in the European market. The European Economic Area (EEA) enjoyed a few decades of stable monetary policy, export oriented trade policies and benefits of a common labour market. However, recent rise of Eurosceptic parties in the EEA countries posed new challenges to the common market and economic policies of the region. High levels of immigration, increased risk of terrorism contributed to elevated levels of uncertainty in the market.

In the UK, after the exit from the European Union, a new trade agreement with the EU has been agreed on 24 December 2020 providing certainty to businesses. The company was able to implement the necessary changes to its operations ensuring the new trading arrangements had no material impact on the business.

Ties between the EU and Russia have worsened in recent years. The Crimean peninsula was annexed from Ukraine by the Russian Federation in 2014. As a result of annexation, the European Union imposed restrictions on diplomatic and economic relations with Russia. The economic sanctions are currently extended to July 2021 but are expected to be prolonged further. The sanctions will continue to have a dampening effect on potential sales growth in this region.

#### Credit risk

The company's principal financial assets are cash pooling receivables and trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the company's management on a regular basis in conjunction with debt ageing and collection history.

The company has a number of core distributors who account for a significant proportion of revenue. To maintain these relationships, the company and its management strive to work in partnership with key distributors to deliver the products required whilst through the use of bank guarantees, letters of credit, non-recourse factoring, trade insurance and payments in advance, attempting to minimise the risk of being unable to recover a debt.

#### Liquidity risk

The activities of the company in the year ended 31 March 2021 were funded from available cash resources. The receivables, payables and borrowings and the nature thereof are disclosed in notes 13, 15 and 17.

The company participates in the MHI International Investment B.V. London Branch (MII London Branch) cash pooling arrangement in order to minimise the external funding requirements of the company and group.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

The cash pooling is managed by MII London Branch, another group entity, in order to focus on the financial services.

The company has considerable financial resources together with long-standing distributorship agreements and relationships with a number of customers across different geographic areas. In addition, the major supplier company is MACO, a related party undertaking. Therefore directors do not consider that there is any particular liquidity risk facing MHI group and consequently the MHIAE company.

#### Foreign currency risk

In addition to Euro which is the functional currency of the company, the company sells its products in two other currencies (GB Pound and US Dollar). To reduce transaction risk the company uses a strategy of matching. The company holds both GB Pound and US Dollar bank accounts. Therefore, GB Pound and US Dollar received on sales can subsequently be used to pay suppliers in each of the respective currencies.

IFRS 7 defines currency risk as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate.

The table below shows the company's sensitivity to non – Euro exchange rates on its non – Euro financial instruments (mainly Cash Pooling Receivables and Trade and Related party payables/receivables).

A 10% (2020 – 10%) strengthening of Euro against the following currencies would have reduced pre-tax profit by the amounts shown below. This analysis assumes that all other variables remain constant. In this table financial instruments are only considered sensitive to exchange rates where they are not in the functional currency of the company.

	31 March 2021	31 March 2020
	Decrease in profit €000	Decrease in profit €000
USD	1,423	1,412
GBP	622	859

A 10% (2020 – 10%) weakening of Euro against these currencies would have the equal and opposite effect to that shown above on the basis that other variables remain constant.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to an interest rate charged on the borrowing from MHI International Investment London Branch (MII London Branch) cash pool. In addition to MII London Branch cash pooling, the company utilises non-recourse factoring scheme which is also subject to the interest rate risk.

#### Capital risk management

The company considers the equity (share capital and reserves – see Statement of changes in equity) to be the capital of the business. At 31 March 2021 this was €97,465,000 (2020 - €89,204,000) and the movement is due to the retained earnings. In the year of 31 March 2021, the company did not pay a dividend (2020 – €nil).

#### Operational management

The company must maintain core operational activities by regularly assessing all factors influencing the operations by instilling an awareness of accountability and risk management.

The objective is to ensure sufficient working capital within the company and monitor the management of credit and operational risks at a business unit level on an on-going basis.

The directors regularly review company's management financial statements along with forecasts for the current year and a 3-5 year plan and as a consequence believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### Legislative risks

The company is subject to continuous changes in the UK and European standards and any new Directive may have an impact on the ability of the company to distribute and supply products at a profit.

#### Modern Slavery Act – Transparency requirements

The company adheres to a Global Code of Conduct issued by its ultimate parent MHI. The directors can influence the long term financial performance through awareness of the social aspects of the business and by maintaining good standards of corporate governance. The company routinely monitors the performance, values and risks of its business partners to ensure that no slavery and forced labour takes place within its supply chain. The Company's Modern Slavery Act Statement is available on the company's website.

### The Board's Statement on s172(1)

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the company are appropriately informed by s172 factors.

As part of the Board's decision-making process, the Board consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term. Decisions made by the board will have regard to the values embedded in the Global Code of Conduct. This code sets out the basic principles and policies that all group employees are expected to follow ensuring high standards of business conduct are maintained throughout the group. The global Code of Conduct is available on MHI's website. It is recognised by the ultimate parent that the success of the group is the trust and reputation MHI group maintains among stakeholders and this has been a keystone of the business for more than 130 years. The code details the values of the company and key policies on the environment; on health and safety; and on compliance with laws designed to ensure companies act in socially responsible ways, including fair competition and anti-corruption practices. Acting in accordance with this code ensures regard to s172 factors are taken into account.

The directors consider employees, distributors and end consumers to be the company's key stakeholders. The board seeks to understand the respective interests of such stakeholders so that these may be considered in the Board's decisions. The views of stakeholders are obtained through various methods including direct engagement, receiving reports from management that engage directly with these groups and wider market surveys.

#### Employees

The Board takes active steps to ensure that the suggestions, views and interests of the workforce are captured and considered in the decision-making. The managing director works closely with team members and has a clear understanding of the mood, culture and views of the workforce. Employees are regularly informed about company's performance and strategy through interactive presentations and updates delivered by senior management. In addition, employees are encouraged to engage in business strategy and ask questions. During the year, employee engagement surveys are undertaken covering the vast majority of the workforce.

The results are reported to the Board, which considers that, taken together, these arrangements deliver an effective means of ensuring the Board stays alert to the views of the workforce.

#### Distributors

Long-term relationships have been established with distributors across the different regions the company operates in. Partnerships with distributors are carefully selected to ensure they deliver on the values, quality and level of service embedded in the MHI brand. Information shared by distributors is key to decision making; feedback from distributors on market sentiment and requirements of consumer demands provide vital insight.

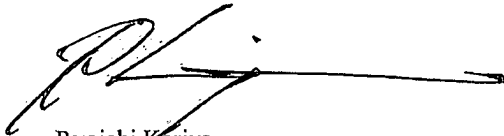
## Principal risks and uncertainties (continued)

### The Board's Statement on s172(1) (continued)

#### End consumers

With the interests of end consumers in mind the company continually feeds back design requirements to fellow group companies to provide the best possible product to the market. The company has a continued commitment to excellence in products and technologies coupled with an unshakable commitment to compliance in all its forms. This commitment provides the best products to the consumer while acting ethically and responsibly.

By order of the Board



Ryoichi Kariya

Director

Date: 24 June 2021

## Directors' report

The board of directors presents directors' report and financial statements for the year ended 31 March 2021.

### Directors

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

S Morisaki  
Y Tsunashima  
N Suzuki  
R Kariya

### Results and dividends

The results for the year ended 31 March 2021 show a profit after taxation, attributable to members of the parent undertaking of €8,261,000 (2020 – €6,465,000) as set out in the income statement. The directors do not recommend payment of a dividend (2020 €nil). In 2020, no interim dividend in respect of the year ended 31 March 2021 or final dividend in respect of the period ended 31 March 2020 was paid. The company's business activities and the factors likely to affect its future development, performance and position together with the principal risks it faces are set out in the strategic report on pages 2 to 6.

### Directors' Insurance and indemnities

The company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

### Future developments

As the global economy recovers from the pandemic outbreak the Directors believe that the company is well positioned to grow based on the continuing strong demand for its products and services. MHIAE will continue to proactively explore and expand into the markets for home and commercial use air-conditioning and hot-water supply systems in the area covering UK, Europe and CIS.

The directors believe that there is room for growth in the European market by covering territories without any current representation or distributors channels. Furthermore, the company is keen to support its distributors in growing the Mitsubishi Heavy Industries brand by active and innovative marketing strategy.

The company is looking into increasing sales of one of its heat pump products called Q-ton, which is essentially an air to water heat pump of high efficiency for heating water for use in bathrooms and kitchens, or for industrial process. Q-ton is an ideal heat pump for restaurants, hospitals and care homes, hotels, sports and health clubs.

As well as growing the sales of its existing products, the company is planning an expansion of its business field by entering the refrigeration market. As part of this expansion, the company is introducing a new product, Hyozan, a commercial refrigeration unit, to spearhead its entry into this market.

### Business relationships

The company acts with honesty and integrity, decisions taken by the company have regard for all stakeholders during the financial year. During the year, management's decisions were made on the basis of maintaining strong long term relationships with suppliers, customers and others.

### Greenhouse gas emissions

The company used 54,400 kWh (2020: 52,700 kWh) during the year, the total annual quantity of emissions in kilograms of carbon dioxide equivalent from UK energy usage was 12,700 (2020: 13,500kg CO<sub>2</sub>e). All UK energy usage related to the operation and running of the company's office premises. Energy usage equated to 1.81 kg CO<sub>2</sub>e per square foot (2020: 1.93 kg CO<sub>2</sub>e per sq ft). The company has energy saving technology fitted at its office to minimise energy consumption, including motion sensors, which ensure office lighting is only on when the office is in use, minimising any waste. Emission calculation to calculate carbon dioxide equivalent is based on 'Greenhouse gas reporting: conversion factors 2020' published by HMRC.



## Directors' report (continued)

### Going Concern

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible severe downsides, the company will have sufficient funds, from operations and in severe downside cases from cash pooling (which is available on demand), to meet its liabilities as they fall due for that period.

The directors are therefore satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

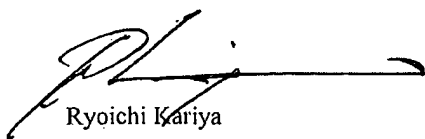
### Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditor

The auditors, KPMG Audit have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Board



Ryoichi Kariya

Director

Date: 24 June 2021

## **Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements**

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.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITSUBISHI HEAVY INDUSTRIES AIR-CONDITIONING EUROPE LTD**

### **Opinion**

We have audited the financial statements of Mitsubishi Heavy Industries Air-Conditioning Europe Limited ("the company") for the year ended 31 March 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year 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.

### **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 its 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 its 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITSUBISHI HEAVY INDUSTRIES AIR-CONDITIONING EUROPE LTD (continued)

- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet revenue targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue from sale of goods is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying sales at the period end to test based on risk criteria and vouching to contractual terms and evidence of transfer of control of the goods in order to establish that revenue was recognised in the appropriate period. These included the largest sales in March 2021 to customers for which sales in the last two months was significantly higher than sales for the rest of the period
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue for which the corresponding entry was posted to unusual accounts

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITSUBISHI HEAVY INDUSTRIES AIR-CONDITIONING EUROPE LTD (continued)**

statements, the less likely the inherently limited procedures required by auditing standards would identify it.

*In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.*

### **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.

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 9, 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**

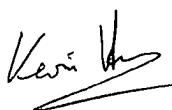
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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](http://www.frc.org.uk/auditorsresponsibilities).

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITSUBISHI  
HEAVY INDUSTRIES AIR-CONDITIONING EUROPE LTD (continued)**

**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.



**Kevin Hall (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

25 June 2021

## Income statement

For the year ended 31 March 2021

		2021 €000	2020 €000
	<i>Notes</i>		
<b>Revenue</b>	5	250,119	245,289
Cost of sales		(227,318)	(223,672)
<b>Gross profit</b>		22,801	21,617
Administrative expenses		(11,999)	(13,771)
<b>Operating profit from continuing operations</b>	6	10,802	7,846
Finance income	9	22	313
Finance costs	9	(633)	(166)
<b>Profit from continuing operations before taxation</b>		10,191	7,993
Taxation charge	10	(1,930)	(1,528)
<b>Profit for the year from continuing operations</b>		8,261	6,465
Profit for the year attributable to: Equity holders of the parent		8,261	6,465

## Statement of comprehensive income

For the year ended 31 March 2021

	2021 €000	2020 €000
Profit for the year	8,261	6,465
<b>Total comprehensive income for the year</b>	8,261	6,465

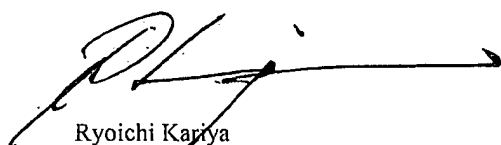
Registered No. 08391144

## Statement of financial position

At 31 March 2021

	Notes	2021 €000	2020 €000
<b>Non-current assets</b>			
Intangible assets	11	387	95
Leasehold property, plant and equipment	12	602	926
Financial assets		43	16
Investments	14	5,354	5,354
Trade and other receivables	15	15,176	-
Deferred tax asset	10	59	64
		<u>21,621</u>	<u>6,455</u>
<b>Current assets</b>			
Trade and other receivables	15	121,249	131,520
Inventories	16	8,944	10,245
Cash at bank and in hand		2	2
		<u>130,195</u>	<u>141,767</u>
<b>Total assets</b>		<u>151,816</u>	<u>148,222</u>
<b>Current liabilities</b>			
Creditors: amounts due within one year	17	<u>(54,242)</u>	<u>(58,653)</u>
<b>Non-current liabilities</b>			
Lease Liability	13	<u>(109)</u>	<u>(365)</u>
		<u>(109)</u>	<u>(365)</u>
<b>Total liabilities</b>		<u>(54,351)</u>	<u>(59,018)</u>
<b>Net assets</b>		<u>97,465</u>	<u>89,204</u>
<b>Capital and reserves</b>			
Equity share capital	18	29,663	29,663
Retained earnings		<u>67,802</u>	<u>59,541</u>
<b>Total equity</b>		<u>97,465</u>	<u>89,204</u>

The accompanying notes form part of these financial statements.



Ryoichi Kariya  
Managing Director  
Date: 24 June 2021



## Statement of changes in equity

For the year ended 31 March 2021

	<i>Equity share capital €000</i>	<i>Retained earnings €000</i>	<i>Total equity €000</i>
At 1 April 2019	29,663	53,076	82,739
Total recognised income and expense	-	6,465	6,465
At 31 March 2020 and 1 April 2020	29,663	59,541	89,204
Total recognised income and expense	-	8,261	8,261
At 31 March 2021	29,663	67,802	97,465

The accompanying notes form part of these financial statements.

## Notes to the financial statements

At 31 March 2021

### 1. General information

The financial statements of Mitsubishi Heavy Industries Air-Conditioning Europe Limited for the year ended 31 March 2021 were authorised for issue by the board of directors on 24 June 2021 and the statement of financial position was signed on the board's behalf by the Managing Director. Mitsubishi Heavy Industries Air-Conditioning Europe Limited ('MHIAE') is a subsidiary undertaking of Mitsubishi Heavy Industries Thermal Systems Ltd. ('MTH'), which is itself a subsidiary undertaking of Mitsubishi Heavy Industries Ltd. ('MHI'), the ultimate parent undertaking. Both MTH and MHI are companies incorporated in Japan. MHI's registered address is 2-16-5 Konan, Minato-ku, Tokyo 108-8215, Japan.

MHIAE's financial statements are consolidated into MTH financial statements and ultimately into MHI's. The MHI consolidated financial statements are published on the group's website [www.mhi.com](http://www.mhi.com).

MHIAE is a private company incorporated and domiciled in England and Wales. The address of the company's registered office is 5 The Square, Stockley Park, Uxbridge, UB11 1ET, United Kingdom. The principal activity of the company is sale of air conditioning products manufactured by the parent undertaking and another related entity, to distributors in the United Kingdom, other European countries and CIS region.

### 2. Basis of preparation

The financial statements are prepared on the historical cost basis and are presented in Euro which is the functional currency of the company.

#### *Statement of compliance*

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Cash Flow Statement and related notes
- Certain disclosures regarding revenue
- IAS 8, IFRSs issued but not yet effective
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24 'Related party disclosures', to disclose related party transactions entered into between two or more wholly owned members of a group.
- Disclosures in respect of capital management.
- Comparative period reconciliations for share capital and tangible fixed assets

As the consolidated financial statements of MHI include equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 7, 'Financial instruments: Disclosures'.

#### *Going Concern*

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible severe downsides, the company will have sufficient funds, from operations and in severe downside cases from cash pooling (which is available on demand), to meet its liabilities as they fall due for that period.

The directors are therefore satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

## Notes to the financial statements

At 31 March 2021

### 2. Basis of preparation (continued)

#### *Consolidation*

The company is exempt, by virtue of section 405 (2) of the Companies Act 2006, from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

### 3. Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the course of preparing the financial statements, no judgements have been made in the process of applying the company's accounting policies, other than those involving estimations that have had a significant effect on the amounts recognised in the financial statements.

#### *Critical accounting estimates and assumptions*

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses for the period. The nature of estimation means that actual outcomes could differ from those estimates.

#### *Key sources of estimation uncertainty*

##### *Impairment of receivables*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the prior experience with debtors, past due status of debtors and payment history. The company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

### 4. Accounting policies

The accounting policies which follow set out the significant policies which apply in preparing the financial statements for the year ended 31 March 2021. The accounting policies adopted are consistent with those of the previous financial year.

#### *New and amended standards and interpretations*

A number of new and amended IFRS and IFRIC interpretations are mandatory and applicable to the company as of 1 April 2020 and have been adopted in the year. The directors consider none of them has a material impact on the company's financial statements.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand and current bank account balance.

#### *Property, plant and equipment*

Property, plant and equipment are stated in the Statement of financial position at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised on a straight-line basis over the asset's useful life, as follows:

Leasehold land and buildings	– Remaining lease term
Computer and office equipment	– 3 to 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset

## Notes to the financial statements

At 31 March 2021

### 4. Accounting policies (continued)

#### *Intangible asset*

##### **Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets where the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

All development costs are fees incurred from third party developers.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed five years.

#### *Revenue recognition*

The company recognises revenue from the sale of energy efficient air conditioning systems and heat-pump type hot-water supply systems to distributors in the EU and CIS region.

It recognises this revenue when it transfers control of the goods to the distributor. Control of the goods is transferred at the point of delivery, at this point the company's performance obligation, to deliver the goods, is satisfied.

The date of delivery is the contractually agreed date in accordance with distributor agreements. At delivery, control is passed to the distributor as only the distributor has the ability to direct the use of the goods. Following delivery, the distributor has sole possession of the right to use the goods for the remainder of its economic life or to consume the goods in its own operations. The distributor has full discretion over the manner of distribution, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. The company has no warranty for the goods.

A receivable is recognised by the company when the goods are delivered to the distributor as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The transaction price is the amount charged on normal credit terms, there is no allocation between performance obligations as delivery is the only performance obligation.

#### *Finance income*

Interest income is accrued using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

#### *Foreign currency translation*

Items included in the financial statements of the company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial information, the results and financial position of the company are expressed in Euro, which is the functional currency of the company.

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement and presented as part of Finance income or Finance cost.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## Notes to the financial statements

At 31 March 2021

### 4. Accounting policies (continued)

#### *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the company financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### *Current income tax*

The company is subject to income taxes in the United Kingdom. Significant judgement is required in determining the worldwide provision and liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for tax issues based on estimates of whether additional taxes will be due, based on its best interpretation of the relevant tax laws. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

#### *Leases*

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### *Inventories*

Inventories are assets:

- Held for sale in the ordinary course of business
- In the process of production for resale
- In the form of materials or supplies to be consumed in the production process or in the rendering of services

Inventories are valued at the lower of cost and net realisable value (NRV). Any write-down or reversal of the write down to NRV should be recognised as a charge to the income statement in the period in which the reversal occurs.

#### *Financial assets and financial liabilities*

##### • *Initial recognition*

Financial assets and liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. The initial recognition is at fair value. The company's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables.

## Notes to the financial statements

At 31 March 2021

### 4. Accounting policies (continued)

- *Trade receivables and other receivables*

Trade and intercompany receivables are carried at original invoice amount, including value added tax, less the recognised lifetime expected credit losses. The expected credit losses on the receivables are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of condition at the reporting date. Bad debts are written off in the period they are recognised.

- *Financial liabilities and equity*

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.

- *Loans and borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

- *Borrowing costs*

Borrowing costs are recognised as an expense when incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

*Employee benefits*

*Defined contribution pension scheme*

The company operates defined contribution schemes for all members of staff. The company pays a fixed contribution into a separate entity which operates the schemes. Other than this contribution the company has no further legal or constructive obligation to make further contributions to the scheme.

Obligations for contributions to the scheme are recognised as an expense in the income statement in the period in which they arise.

*Investment in subsidiaries*

Investments in subsidiaries are held at cost less accumulated impairment losses.

*Investments in joint ventures*

Investments in joint ventures are held at cost less accumulated impairment losses.

## Notes to the financial statements

At 31 March 2021

### 5. Revenue

Analysis of revenue by category:

	2021	2020
	€000	€000
Sale of goods	249,623	244,573
Rendering of services	496	716
	<u>250,119</u>	<u>245,289</u>

Analysis of revenue by geography:

	2021	2020
	€000	€000
Europe (exclude CIS)	237,151	226,551
CIS	12,015	17,670
Middle East	183	119
Rest of the World	770	949
	<u>250,119</u>	<u>245,289</u>

### 6. Operating profit

This is stated after charging/ (crediting):

	2021	2020
	€000	€000
Cost of inventory	224,083	219,797
Provision movement on trade receivables	85	-

### 7. Auditor's Remuneration

	2021	2020
	€000	€000
Audit of the financial statements	121	106
Other fees to auditor - Tax advisory services	5	18
	<u>126</u>	<u>124</u>

## Notes to the financial statements

At 31 March 2021

### 8. Staff costs

	2021	2020
	€000	€000
Wages and salaries	2,744	3,161
Social security costs	458	492
Other pension costs	63	66
	<u>3,265</u>	<u>3,719</u>

Other pension costs are represented by the Mitsubishi Heavy Industries Air – Conditioning Personal Pension Plan for its employees in the United Kingdom. It is a defined contribution pension scheme provided by Aviva and has been approved under Schedule IV Part XIV of the Income and Corporation Taxes Act 1988.

The average monthly number of employees was made up as follows:

	2021	2020
	No.	No.
Administrative, sales and operating staff	<u>34</u>	<u>35</u>

Total remuneration paid to directors for the year ended 31 March 2021 was €416,154 (2020: €378,360). The remuneration of the highest paid director during the year was €416,154 (2020: €376,360).

### 9. Finance Activities

	2021	2020
	€000	€000
<i>Finance Income</i>		
Interest from loans to cash pooling	20	313
Other interest income	2	-
	<u>22</u>	<u>313</u>
<i>Finance Cost</i>		
Foreign exchange loss	610	143
Other expense cost	23	23
	<u>633</u>	<u>166</u>



## Notes to the financial statements

At 31 March 2021

### 10. Tax

(a) Tax on profit on ordinary activities:

	2021 €000	2020 €000
<b>Current income tax:</b>		
UK corporation tax – continuing operations	1,955	1,558
Adjustments in respect of prior years	(30)	(3)
Total current income tax charge	1,925	1,555
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(12)	(25)
Effect in change in tax rate	-	(4)
Adjustments in respect of prior years	17	2
Total deferred tax	5	(27)
Tax charge in the income statement	1,930	1,528

The tax charge in the income statement for the year is higher than the theoretical charge based on the standard rate of corporation tax in the UK of 19% (year ended 31 March 2020 – 19%). The differences are reconciled below:

	2021 €000	2020 €000
Profit from continuing activities before taxation	10,191	7,993
Accounting profit multiplied by UK standard rate of corporation tax of 19% (year ended 31 March 2020 – 19%)	1,936	1,518
<b>Effects of:</b>		
Expenses not deductible for tax purposes	7	15
Impact of tax rate change on deferred tax	-	(4)
Adjustments in respect of prior years	(13)	(1)
Tax charge in the income statement	1,930	1,528

Reconciliation of the total tax charge:

b) Deferred tax charge included in the company's statement of financial position relates to the following:

	2021 €000	2020 €000
Decelerated capital allowances	59	64

## Notes to the financial statements

At 31 March 2021

### 10. Tax (continued)

(c) Factors that may affect future tax charges

Legislation introduced in the Finance Bill 2020 will amend the main rate of Corporation Tax for all non-ring fence profits to 19% for financial year 2020. The Corporation Tax main rate for financial year 2020 will have effect from 1 April 2020 to 31 March 2021. The Corporation Tax charge and the main rate will also be set at 19% for all non-ring fence profits for financial year 2021. Therefore deferred tax has been recognised at 19%. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2021. This will have consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by €18,000.

### 11. Intangible assets

	<i>Software</i> €000
At 1 April 2020	95
Additions	346
Disposals	-
At 31 March 2021	<u>441</u>
Depreciation:	
At 1 April 2020	-
Disposals	-
Provided during the period	(54)
At 31 March 2021	<u>(54)</u>
Net book value:	
At 31 March 2021	<u>387</u>
At 1 April 2020	<u>95</u>

The software intangible assets include the company's inventory management system, which was created by an external development firm for the company's specific requirements. The asset is carried at €387,000 (2020: €95,000) and is being amortised on a straight-line basis over five years. There are no other individually material intangible assets.

## Notes to the financial statements

At 31 March 2021

### 12. Property, plant and equipment

	<i>Leasehold land and buildings</i> €000	<i>Plant and equipment</i> €000	<i>Total</i> €000
At 1 April 2020	1,241	448	1,689
Additions	-	29	29
Disposals	-	-	-
At 31 March 2021	1,241	477	1,718
Depreciation:			
At 1 April 2020	(418)	(345)	(763)
Disposals	-	-	-
Provided during the period	(302)	(51)	(353)
At 31 March 2021	(720)	(396)	(1,116)
Net book value:			
At 31 March 2021	521	81	602
At 1 April 2020	823	103	926

### 13. Leases

The company has entered into commercial operating lease on its office premises located in 5 The Square, Stockley Park, UB11 1ET, London, UK which is also a registered office of the company.

This lease has duration of 10 years, expiring, on 12 November 2027 with a break out option after 5 years. The lease is excluded from the provisions of the 1954 Act meaning that, at the end of the contractual term, the company would have no potential rights to require a renewal tenancy.

#### Amounts recognised in the statement of financial position

The amount recognised in the financial statements is included in the same line item as where the corresponding underlying assets would be presented if they were owned.

At 31 March 2021 property, plant and equipment includes right-of-use assets as follows:

	<i>2021</i> <i>Leasehold land and buildings</i> €000	<i>2020</i> <i>Leasehold land and buildings</i> €000
Right of use asset	332	531

## Notes to the financial statements

At 31 March 2021

### 13. Leases (continued)

Lease liabilities are presented in the statement of financial position as follows:

	2021	2020
	€000	€000
Not later than one year	346	258
After one year but not more than five years	109	365
	<u>455</u>	<u>623</u>

Amounts recognised in the income statement

	2021	2020
	€000	€000
Depreciation	199	199
Interest expense (included in finance cost)	8	11
	<u>207</u>	<u>210</u>

The total cash outflow for leases in 2021 was £179,000 (2020: £238,000).

### 14. Investments

	<i>Subsidiary undertakings</i>	<i>Joint ventures</i>	<i>Total</i>
	€000	€000	€000
At 1 April 2020	100	5,254	5,354
Additions	-	-	-
At 31 March 2021	<u>100</u>	<u>5,254</u>	<u>5,354</u>

Investments in equity comprise equity shares in 3D Plus Ltd, Form MHI Klima Sistemleri Sanayi ve Ticaret A.Ş. and MHIAE Service B.V., none of which are publicly traded. 3D Plus Ltd is a distributor focused on sale of the company's goods in the UK market. It is incorporated in the United Kingdom, registered address is 15 Bruntcliffe Avenue, Morley, Leeds, United Kingdom, LS27 0LL. MHIAE Service B.V. is a service company providing general services to the company. It is incorporated in The Netherlands, registered address is Herikerbergweg 238, Luna ArenA, 1101GM Amsterdam, The Netherlands. Form MHI Klima Sistemleri Sanayi ve Ticaret A.Ş. is a distributor principally engaged in the sale of the company's goods in Turkey. It is incorporated in Turkey, registered address is Eski Buyukdere cad, Sumer Sok. No.3 Kat 16 Ayazaga Tic. Merkezi Maslak, Istanbul, Turkey.

The company owns 33% of the ordinary shares of 3D Plus Ltd (2020: 33%).

The company owns 100% of the ordinary shares of MHIAE Services BV (2020: 100%).

The company owns 33% of the ordinary shares of Form MHI Klima Sistemleri Sanayi ve Ticaret A.Ş. (2020: 33%).

## Notes to the financial statements

At 31 March 2021

### 15. Trade and other receivables

	2021	2020
	€000	€000
Non-current trade and other receivables		
Prepayments	15,176	-
	<u>15,176</u>	<u>-</u>
Current trade and other receivables		
Trade receivables	51,800	60,969
Amounts owed by group undertakings	200	269
Cash pooling loan to group undertaking	66,224	50,232
Interest receivable on cash pooling loan	-	21
Prepayments	2,485	19,489
Other debtors	540	540
	<u>121,249</u>	<u>131,520</u>

Trade receivables are stated after provisions for impairment of €85,000. This has been modelled using three scenarios; a baseline scenario, upside scenario and a downside scenario. In the baseline scenario, the wider European economy is expected to grow strongly with an average growth rate of 4% across the region. While the downside and upside scenarios model a one percentage point variance from this baseline, with the downside being a percentage point lower and the upside being a percentage point higher.

Prepayments include €2.4m F-Gas quota purchased in advance of use that are expected to be expensed in the next 12 months, of the 2020 prepayment balance €3.4m was expected to be used in the next 12 months. F-gas quota is required to introduce goods containing F-gas refrigerants into the EU market.

### 16. Inventories

	2021	2020
	€000	€000
Finished goods and goods for resale	8,944	10,245
	<u>8,944</u>	<u>10,245</u>

There is no significant difference between the replacement cost of inventories and their carrying amounts. As at 31 March 2021, inventories at nominal value of €274,000 (2020: €165,000) were impaired and fully provided for. Movements in the provision for impairment of inventories were as follows:

	2021	2020
	€000	€000
At 1 April	(165)	(110)
Charges in the year	(109)	(55)
At 31 March	<u>(274)</u>	<u>(165)</u>

## Notes to the financial statements

At 31 March 2021

### 17. Creditors: amounts falling due within one year

	2021	2020
	€000	€000
Amounts owed to ultimate parent undertaking	5	6
Amounts owed to group undertakings	46,577	50,214
Trade payables	814	3,948
Income tax payable	782	-
Other taxes and social security costs	109	383
Lease liability	346	258
Accruals	5,609	3,844
	<u>54,242</u>	<u>58,653</u>

### 18. Authorised, Allotted, called up and fully paid

	2021	2020
	€000	€000
Ordinary shares of €1 each	<u>29,663</u>	<u>29,663</u>

As at 31 March 2021 share capital of the company comprise 29,663,000 shares (31 March 2020 - 29,663,000 shares).

### 19. Related Party Transactions

#### *Terms and conditions of transactions with related parties*

Sales and purchases between related parties are made at arm's length. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected between 30 and 180 days of the invoice.

The company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 March 2021, the company has not made any provision for doubtful debts relating to amounts owed by related parties.

The only key management personnel are directors. See note 8 for disclosure of directors' remuneration.

During the period the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 March with other not wholly owned related parties, are as follows:

	<i>Sales to related party</i>	<i>Purchases from related party</i>	<i>Amounts owed by related party</i>	<i>Amounts owed to related party</i>
	€000	€000	€000	€000
2021	280	211,345	107	43,341
2020	148	208,510	4	48,324