J&E Hall Limited

Annual report and financial statements

For the year ended 31 March 2022

Registration number: 03120673

J&E Hall Limited
For the year ended 31 March 2022

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J&E Hall Limited
For the year ended 31 March 2022

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 2022

STRATEGIC REPORT

The directors present their strategic report, annual report and the audited financial statements for the year ended 31 March 2022.

BUSINESS REVIEW AND PRINCIPAL RISKS AND UNCERTAINTIES.

Performance Review

The Directors are pleased to report Revenues increased to £49,515,000 (2021: £47,227,000), an increase of 5% (2021: 4%) and gross profit also increase to £9,231,000 (2021: £8,144,000), an increase of 13% (2021: Increase of 1.7%).

The company made a pre-tax Loss of £1,785,000 (2021: Loss of £707,000) and an operating loss of £1,259,000 (2021: £197,000). The operating loss arose after charging £1,375,000 to settle a legal claim.

The aftermarket service showed growth in both revenues and gross profit of 3% and 17% respectively. Post Covid many customers spent money to catchup on repair and maintenance work postponed during Covid.

Contracting had another difficult year impacted by the previous year's slowdown in order input. The 4th quarter however showed increasing signs that the market was picking up as enquiries for new projects increased significantly.

The trend showing a strong recovery in Commercial product sales, that was already apparent in the last 6 months of the prior year, continued into the current year delivering a strong sales growth of 16%. Increased freight and production costs due to supply chain disruptions however moderated the impact of the strong growth in sales to a still respectable 8% increase in gross profit.

Order growth slowed versus the prior year resulting in a year-end backlog of £17,096,000 (2021: £20,791,000), a decline of 18% versus the corresponding position in the previous year.

Debtor days decreased to 54 days (2021: 73 days). Working capital (net current assets excluding cash and overdraft) at the end of the year decreased to £5,945,000 (2021: £10,441,000) due to decrease in amounts recoverable on contracts. As a proportion of annual sales, this equates to 12% (2021: 22.1%).

Overall net borrowing (cash, overdraft and loans) decreased by £2,411,000 due to the decrease in working capital.

The pension deficit decreased by £3,131,000. The fair value of assets decreased by £1,014,000 while the present value of the funded obligations decreased by £4,145,000 resulting in an improvement in the deficit.

The Company is in a net liabilities position of £18,024,000 which has decreased from £19,177,000 due to a decrease in the net defined pension liability for the year. The decrease in pension liability was mainly due to the higher discount rate which increased from 2.00% to 2.65%.

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.

In the financial year J&E Hall continued its growth in aftermarket service, products (industrial and commercial), lifecycle services beside continued supply chain pressures. Post pandemic key challenge has been increasing input cost and delayed deliveries due to demand of containers and increasing energy prices in Europe due to the conflict in Ukraine. J&E Hall is constantly monitoring the situation and working closely with all stakeholders to mitigate these supply chain risk, which is ongoing.

In terms of long-term strategy J&E Hall is committed to energy efficient greener technology thereby investing in research and development. Once development is complete it will add new capabilities on standard product which will add value to customer processes. During the year company continued to deliver successful projects in food manufacturing, pharmaceutical, nuclear, district heating and retail market segment. J&E Hall in line with parent Daikin's philosophy of people centred management has continued investment in people in terms of training and apprenticeship scheme.

STRATEGIC REPORT (CONTINUED)

Markets and Strategy (continued)
Markets are evolving at a faster pace post COVID due to pent up demand and changes in business model due to technology and increased input cost. J&E Hall is constantly evaluating customer needs to adjust its deliverables to meet the requirements.

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 satisfy 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 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 and geopolitical factors, including tax policy, tariffs and trading policy and government grant schemes. The sanctions imposed on Russia and the impact of the war on Ukraine are an example that have impacted both markets and supply chains of the company.
- 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.

STRATEGIC REPORT (CONTINUED)

Section 172 Statement (continued)

During the year the company transitioned back to office working routine as the government relaxed the rules imposed in the COVID-19 emergency. The period of the emergency required a certain amount of innovation in the company's approach to organising and communicating in its work to ensure continued delivery of a quality service to its customers and many changes born of necessity in this difficult time live on post Covid to create a leaner and more efficient organisation. During the pandemic the advantages of working from home made this a desirable option for some staff and the feasibility of allowing for this by the company became apparent so post Covid the company has adopted a hybrid working policy where practical.

People

During the year with the backdrop of COVID-19, the company continued its investment in technical training, which is planned to continue, 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.

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 5 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 260 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 for 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, HR Director and relevant departmental heads, 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. There is also 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. 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

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 customer are prioritised by all staff, up to and including the Managing Director. J & E Hall takes a long-term approach to its decision-making to ensure that the Company is able to deliver its strategy of creating long-term sustainable value for all of our stakeholders. The Company maintains a commitment to promoting an active, open and honest approach to interactions with the Company's stakeholder community, and this includes regularly interaction with customers, suppliers and industry bodies. The Company has a strong belief that engaging with our people is of key importance to successfully implementing its long-term strategies, which is aligned with the Group.

Effective risk management systems are also imperative to understanding the likely long-term consequences of actions. J & E Hall's Governance Committee, supported by the Executive Team, play a key role in reviewing the Company's approach to risk, including an assessment of its emerging and principal risks. Contacts are maintained with the customer to ensure an understanding of their purpose and values and meet their evolving needs. 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 with the customer and its future development. Monthly meetings are held with many customers to discuss Key Performance Indicators and evaluate decisions and developments affecting either party.

Customer feedback, as well as the latest developments concerning customers, are communicated to the Executive Team at monthly Management Meetings to ensure that all decisions are taken with consideration to the view of customers and an understanding of the impact on them. Through this feedback we have gained an understanding of the importance customers attach to energy efficiency and high environmental standards and we have responded by 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

We recognise that people are our most valuable asset. Our success is dependent on their efforts and investment into our people creates a culture that allows our business to thrive. 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.

In addition to the apprenticeship scheme, J & E Hall supported the UK Government's "Kickstart" Scheme. The aim of this scheme is to get young people into jobs giving them in-work training to help develop transferable skills, to increase their chances of sustained employment. Elements include:

- Offering a six-month work placement.
- Helping them look for long-term work, including career advice and setting goals.
- Support with curriculum vitae (CV) and interview preparations.
- Developing their skills in the workplace.

STRATEGIC REPORT (CONTINUED)

J & E Hall are committed to ensuring individuals get real work experience and can help make a real difference to our Company, customers and our communities. J & E Hall wanted to support people who might otherwise be at risk of simply not being able to get into the workplace, as well as promoting sustainability within the community and contribute positively, both socially and economically. Striving to develop and supply sustainable, environmentally conscious products and services, J & E Hall are committed to moving towards sourcing 100% of its electricity from renewable sources. The Executive Team regularly review the renewable energy strategy, which is approved on an annual basis. In addition to our local initiatives, the Company maintains a set of principles and policies in relation to diversity and inclusion which are applied throughout.

Future Development

The high inflationary pressures, already visible in some areas of the business due to the supply change disruption caused by COVID, are expected to get worst and impact the business over a broader spectrum of operations. To the material costs increase that we have already experienced we expect pressures for salary increases to intensify and for the market for certain labour skills to become very competitive over the next two years.

Some of the company's key customers in the food processing and beverage sectors are sensitive to the cost of energy which in the current environment of increasing in energy costs may result in a drive for cost reduction that may impact the company's revenues from this sector.

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. The company's borrowings expose it to risk of increases in interest rates. However, a large part of the company's borrowings is through group loans at favourable interest rates which reduces risk for the company.

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. The potential risk is the amount of the net liabilities determined by 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 other scheme is a defined contribution scheme and has no associated future risk.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.

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

I P Creasey

Ian Creasey
Director and Secretary
24 November 2022
Questor House
191 Hawley Road
Dartford
Kent DA1 1PU

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 2022.

The loss after taxation for the year amounted to £134,000 (2021: loss of £597,000).

There were no dividends paid during the year (2021: £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 6 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.

DIRECTORS' REPORT (CONTINUED)

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

Statement of carbon emissions compliant with UK legislation set out in the Streamlined Energy and Carbon Reporting (SECR), 21 January 2021 covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and energy efficiency actions.

	This reporting period (Apr 2021 – Mar 2022)	**Prior reporting period (Apr 2020 – Mar 2021)**
Total electricity use	581,388 kWh	559,050 kWh
Total gas use	639,398 kWh	683,261 kWh
Total transport fuel	3,456,897 kWh	3,220,905 kWh
Total energy use (all sources)	4,677,684 kWh	4,463,216 kWh
Total carbon emissions (electricity)	169 tCO2e	130 tCO2e
Total carbon emissions (gas)	137 tCO2e	126 tCO2e
Total carbon emissions (transport fuel)	1,092 tCO2e	795 tCO2e
Total carbon emissions	1,398 tCO2e	1,051 tCO2e
Total estate size	71,843 sqft	55,997 sqft
Carbon intensity ratio	19.4 kgCO2e per sqft	18.8 kgCO2e per sqft

The latest emissions data includes WTT and T&D.

WTT accounts for the upstream emissions associated with extraction, refining and transportation of raw fuel sources prior to combustion (gas, fuel) or for use in the generation of electricity.

T&D accounts for the emissions associated through grid energy loss which occurs in getting the electricity from the powerplant to your sites.

For comparison purposes, WTT and T&D added to previous years data below.

	This reporting period (Apr 2021 – Mar 2022)	**Prior reporting period (Apr 2020 – Mar 2021)**
Total carbon emissions (electricity)	169 tCO2e	163 tCO2e
Total carbon emissions (gas)	137 tCO2e	147 tCO2e
Total carbon emissions (transport Company and Grey Fleet)	1,092 tCO2e	986 tCO2e
Total carbon emissions	1,398 tCO2e	1,296 tCO2e
Total estate size	71,843 sqft	55,997 sqft
Carbon intensity ratio	19.4 kgCO2e per sqft	23.1 kgCO2e per sqft

Energy efficiency actions

We are committed to responsible carbon 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. Will review when situation permits.
- Implemented and encouraged use of video conferencing.

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, 21.01.21) used in conjunction with Government GHG reporting conversion factors.

For carbon only related matters, the SECR methodology as specified in "Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting and greenhouse gas reporting" was used in conjunction with Government GHG reporting conversion factors.

CHARITABLE CONTRIBUTIONS

Donations to UK charities amounted to £200 (2021: nil).

The company made no political donations.

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:

I P Creasey

Ian Creasey
Director and Secretary
24 November 2022

Questor House
191 Hawley Road
Dartford
Kent
DA1 1PU

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

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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice 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 Profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards , including 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.

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

We have nothing to report in this regard.

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.
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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.

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

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;
- 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

24 November 2022

J&E Hall Limited

Profit and loss account
For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	3	49,515	47,227
Cost of sales		(40,284)	(39,083)
Gross profit		9,231	8,144
Distribution costs		(3,302)	(2,614)
Administrative expenses		(5,813)	(4,734)
Settlement of legal claim		(1,375)	-
Defined benefit scheme settlement and curtailment cost	19	-	(993)
Operating loss		(1,259)	(197)
Finance Costs (net)	4	(526)	(510)
Loss before taxation	5	(1,785)	(707)
Tax on loss	9	1,651	110
Loss for the financial year attributable to the equity shareholders of the Company		(134)	(597)

Statement of comprehensive Income
For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Loss for the financial year		(134)	(597)
Re-measurement of net defined benefit liability	19	2,012	(3,641)
Tax (credit)/charge relating to components of other comprehensive income.		(725)	692
Other comprehensive income/(expense)		1,287	(2,949)
Total comprehensive income/(expense) attributable to equity shareholders of the Company		1,153	(3,546)

J&E Hall Limited

Balance sheet
At 31 March 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	10	858	888
Investments	11	1,815	1,815
		2,673	2,703
Current assets			
Stocks	12	5,091	4,615
Debtors			
- due within one year	13	15,126	16,702
- due after one year	13	4,099	3,710
Cash at bank and in hand		741	682
		25,057	25,709
Creditors: amounts falling due within one year	14	(19,923)	(18,491)
Net current assets		5,134	7,218
Total assets less current liabilities		7,807	9,921
Creditors: amounts falling due after one year	15	(9,000)	(9,000)
Provisions for liabilities	16	(434)	(570)
Pension deficit	19	(16,397)	(19,528)
Net liabilities		(18,024)	(19,177)
Capital and reserves			
Called-up share capital	17	8,000	8,000
Profit and loss account		(26,024)	(27,177)
Shareholders' deficit		(18,024)	(19,177)

The financial statements of J&E Hall Limited (registered number 03120673) were approved by the board of directors and authorised for issue on 24 November 2022. They were signed on its behalf by:

I P Creasey

Ian Creasey
Director

J&E Hall Limited

Statement of changes in equity
For the year ended 31 March 2022

		Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2020		8,000	(23,631)	(15,631)
Loss for the financial year		-	(597)	(597)
Re-measurement of net defined benefit liability	Note 19	-	(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)
Loss for the financial year		-	(134)	(134)
Re-measurement of net defined benefit liability	Note 19	-	2,012	2,012
Tax relating to items of other comprehensive income		-	(725)	(725)
Total comprehensive Income		-	1,153	1,153
At 31 March 2022		8,000	(26,024)	(18,024)

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 Limited, which may be obtained at the address given in note 22. 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 2022 until June 2023. The UK group overdraft and guarantee facility with Barclays Bank plc was renewed on 30 June 2022 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 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.

Notes to the financial statements
For the year ended 31 March 2022

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.

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 weighted average cost 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.

Notes to the financial statements
For the year ended 31 March 2022

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.

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.

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.

Notes to the financial statements
For the year ended 31 March 2022

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 19.

3. Turnover

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

	2022 £'000	2021 £'000
Turnover by geographic market		
UK	38,274	39,920
Europe	5,280	4,135
Asia	2,209	2,000
America	656	637
Rest of the World	3,096	535
	49,515	47,227

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

4. Finance costs (net)

	2022 £'000	2021 £'000
Interest payable and similar charges	150	155
Other finance costs	376	355
	526	510

Interest payable and similar charges

	2022 £'000	2021 £'000
Receivable	(3)	-
Payable to Group	153	155
	150	155

Other finance costs

	2022 £'000	2021 £'000
Net interest on defined benefit liability (see note 19)	376	355

5. Loss before taxation

Loss before taxation is stated after charging/(crediting):

	2022 £'000	2021 £'000
Depreciation of tangible fixed assets (note 10)	273	341
Research and development	1,623	1,516
Impairment of stock recognised as an expense	25	52
Charge to settle legal claim	1,375	-
Defined benefit scheme settlement and curtailment cost	-	993
Operating lease rentals	1,157	1,255
Foreign exchange loss/(gain)	1	(81)

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 £49,352 (2021: £46,150).

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:

	2022 Number	2021 Number
Manufacturing and Engineering	171	170
Administration	90	92
	261	262

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	13,087	12,712
Social security costs	1,413	1,402
Other pension costs – Defined benefit (note 19)	-	1,296
Other pension costs – Defined Contribution (note 19)	1,201	939
	15,701	16,349

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

Notes to the financial statements
For the year ended 31 March 2022

8. Directors' remuneration

	2022 £'000	2021 £'000
Directors' emoluments	145	126

The aggregate of the emoluments of the highest paid director was £145,454 (2021: £126,248).

The highest paid director is a member of the company's defined contribution scheme to which payments totalling £6,536 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 loss

The tax charge comprises:

	2022 £'000	2021 £'000
Current tax on loss		
Group relief payable	(575)	(115)
Adjustments in respect of prior years	8	(14)
Foreign Taxation	6	6
Total current tax	(561)	(123)
Deferred tax		
Origination and reversal of timing differences	280	(31)
Adjust opening deferred tax to 25%	(1,400)	-
Adjustments in respect of prior periods	30	44
Total deferred tax (see note 13)	(1,090)	13
Total tax on loss	(1,651)	(110)
Total deferred tax relating to items of other comprehensive income/(expense)	725	(692)
	926	(802)

The standard rate of tax applied to reported profit on is 19% (2021: 19%).

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

Notes to the financial statements
For the year ended 31 March 2022

9. Tax on 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:

	2022 £'000	2021 £'000
Loss before tax	(1,785)	(707)
Tax on (loss)/profit at standard UK corporation tax rate of 19 % (2021: 19%)	(339)	(134)
Effects of:		
- Expenses not deductible for tax purposes	4	1
- Fixed asset differences	(12)	3
- Remeasurement of deferred tax for change in tax rate.	(1,400)	-
-Differences between Corporate tax and deferred tax rate	60	-
- Foreign Tax	6	6
- Adjustments to tax charge in respect of previous years	30	14
Total tax credit for period	(1,651)	(110)

During the year beginning 1 April 2022, the net reversal of deferred tax assets and liabilities is not expected to have a material impact on the corporation charge.

Notes to the financial statements
For the year ended 31 March 2022

10. Tangible fixed assets

	Short Leasehold £'000	Fixtures, fittings, Plant, tools & Vehicles £'000	Total £'000
Cost			
At 1 April 2021	538	3,807	4,345
Additions	3	241	244
Disposals	-	(43)	(43)
At 31 March 2022	541	4,005	4,546
Depreciation			
At 1 April 2021	509	2,948	3,457
Charge for the year	7	266	273
Disposals	-	(42)	(42)
At 31 March 2022	516	3,172	3,688
Net book value			
At 31 March 2022	25	833	858
At 31 March 2021	29	859	888

11. Fixed asset investments

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

Cost and Net Book value	2022 £'000	2021 £'000
At 31 March 2022	1,815	1,815

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 2022 Coulstock and Place Engineering Company Limited reported a Profit after tax of £116,000 and its aggregate capital and reserves stood at £1,807,000.

Notes to the financial statements
For the year ended 31 March 2022

12. Stocks

	2022 £'000	2021 £'000
Work in progress	1,989	1,212
Finished goods and goods for resale	3,102	3,403
	5,091	4,615

There is no material difference between the carrying amount and replacement cost of stock. There was an impairment of inventory of £25,000 recognised as an expense in the year.

13. Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	10,165	9,857
Gross amount due from customers for contract work	1,604	3,338
Amounts owed by group undertakings	1,552	1,711
Other debtors	3	11
VAT	187	248
R&D tax credit receivable	174	206
Deferred tax assets	135	159
Group relief receivable	576	200
Prepayments and accrued income	730	972
	15,126	16,702

The amounts related to group undertakings are receivable balances and are subject to agreed payment terms and are not subject to interest and are not secured. See related note 21.

Amounts falling due after more than one year:

Deferred tax on pension liability	4,099	3,710

Notes to the financial statements
For the year ended 31 March 2022

13. 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 2021	1	17	141	**159**	3,710	**3,869**
Charge to the profit and loss account for the year	(28)	8	20	-	-	-
Charge Related to Final salary Scheme	-	-	-	-	(280)	**(280)**
Rate change from 19% to 25%		6	-	**6**	1,394	**1,400**
Prior Year adjustment	(30)	-	-	**(30)**	-	**(30)**
Amounts included in OCI	-	-	-	-	(503)	**(503)**
Rate change in OCI	-	-	-	-	(222)	**(222)**
At 31 March 2022	(57)	31	161	**135**	4,099	**4,234**

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 substantially enacted on 24th May 2021 the rate increase has been applied to the deferred tax position on 31 March 2022.

14. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank overdraft (see note 20)	1,552	3,904
Payments received on long term contracts	837	1,383
Trade creditors	1,341	2,517
Amounts owed to group undertakings	3,591	2,122
Other taxation and social security	573	509
VAT	781	225
Other Creditors	170	-
Accruals and deferred income	11,078	7,831
	19,923	18,491

The amounts related to group undertakings are payable balances and are subject to agreed payment terms and are not subject to interest and are not secured. See related party transactions, note 21.

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

	2022 £'000	2021 £'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 (2021: £7,000,000) and £2,000,000 (2021: £2,000,000) from AAF McQuay UK Limited. At the 31st March 2022, 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.

16. Provisions for liabilities

	Product warranties £'000
At 1 April 2021	570
Charged to profit and loss account	475
Released unused	(56)
Utilisation of provision	(555)
At 31 March 2022	434

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.

17. Called-up share capital and reserves

	2022 £'000	2021 £'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.

Notes to the financial statements
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18. Financial commitments

There were no capital commitments at the balance sheet date (2021: none).

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

	31 March 2022		31 March 2021	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- within one year	280	517	306	727
- between one and five years	393	583	419	627
	673	1,100	725	1,354

19. 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 £1,200,890 (2021: £938,606). Contributions amounting to £167,526 (2021: £131,962) 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.

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 2022 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 annual 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

The total contributions to the scheme by the company during the year were £1,495,000 (2021: £1,664,000). The total contributions for the year ended 31 March 2023 are forecast to be £1,581,000.

19. Employee benefits (continued)

	Valuation at 2022	Valuation at 2021
Key assumptions used:		
Discount rate	2.65%	2.00%
Future pension increases	3.80%	3.60%
LPI5% (RPI)	3.70%	3.30%
LPI3% (CPI)	3.00%	2.50%
Salary increases	N/A	N/A
Mortality assumptions:		
120% of S2PXA tables		CMI 2019 projections
115% of S3PA tables	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:

	2022 £'000	2021 £'000
Current service cost	-	134
Past service Cost	-	100
Admin Costs	-	69
Settlement and Curtailment	-	993
Net interest cost (note 4)	376	355
	376	1,651
Loss / (Gain) on scheme assets in excess of interest	633	(5,126)
Experience Gains on liabilities	(581)	-
(Gains) / Loss from changes to assumptions	(2,064)	8,767
Recognised in other comprehensive expense/income	(2,012)	3,641
Total (gains)/cost relating to defined benefit scheme	(1,636)	5,292

19. Employee benefits (continued)

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

	2022 £'000	2021 £'000
Present value of defined benefit obligations	87,633	91,778
Fair value of scheme assets	(71,236)	(72,250)
Net liability recognised in the balance sheet	16,397	19,528

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

	2022 £'000	2021 £'000
At 1 April 2021	91,778	83,755
Service cost	-	234
Interest cost	1,797	1,923
Actuarial (gains) and losses	(2,645)	8,767
Benefits paid	(3,921)	(3,894)
Value of insured annuitants	624	-
Changes due to Settlements and curtailments	-	993
At 31 March 2022	87,633	91,778

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

	2022 £'000	2021 £'000
At 1 April 2021	72,250	67,855
Interest income	1,421	1,568
Return on plan assets (excluding amounts included in net interest cost)	(633)	5,126
Contributions from the employer	1,495	1,664
Administration Cost	-	(69)
Value of insured annuitants	624	-
Benefits paid	(3,921)	(3,894)
At 31 March 2022	71,236	72,250

Notes to the financial statements
For the year ended 31 March 2022

19. Employee benefits (continued)

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

	2022 £'000	2021 £'000
Equity	-	31,067
Multi Asset Funds	50,021	-
Bonds	2,092	21,675
Liability driven investment	13,654	14,450
Property	3,212	4,335
Insured assets	624	-
Cash and equivalents	1,633	723
	71,236	72,250

The actual return on the Scheme's assets over the year was £788,000. The assets do not include any investment in shares of the Company.

20. Contingent liabilities

At 31 March 2022 bank bonds, indemnities and guarantees issued by Barclays Bank Plc on behalf of the company, amounting to £5,405,000 (2021: £6,815,000), 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 2022, comprising contingent liabilities plus total overdrawn balances less positive account balances amounted to £9,109,000 (2021: £17,755,000).

21. 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 22.

22. 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.