

Company Registration No. 3120673

J & E HALL LIMITED

Report and Financial Statements

31 March 2014

REPORT AND FINANCIAL STATEMENTS 2014

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Y Watanabe
C Capozio
M Roberts
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
Chartered Accountants and Statutory Auditor
One Trinity Gardens
Broad Chare
Newcastle upon Tyne
United Kingdom
NE1 2HF

STRATEGIC REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

BUSINESS REVIEW AND PRINCIPAL RISKS AND UNCERTAINTIES

The directors are pleased to report a pre-tax profit of £1,212,000 (2013: £472,000 pro rata) and an operating profit of £1,441,000 (2013: £914,000 pro rata). On a pro rata basis this represents a 58% increase in operating profit.

Revenue on the same basis saw growth of 5.2% and a Gross Margin increase of 8.1%. The markets within the sector remained competitive and through control of overheads and material costs our overall margin percentage improved by 0.5%.

Backlog at the end of March 2014 and order intake are lower than the corresponding year. However, owing to the nature of larger contracting and installation projects, J&E Hall expects fluctuations in order intake owing to variations in timing.

Debtor days have increased to 63 days (2011: 45 days). Working capital of £6,307,000 (net current assets excluding cash and overdraft) at the end of the period has increased compared to the prior year (2013: £4,130,000). As a percentage of annual sales this is 14% and 9.6% respectively.

Overall net borrowing (cash, overdraft and loans) increased by £1,493,000. This was predominately manifest as an increase in short term borrowing.

As part of the company's long term goals, it will continue with its plan to continue to improve profits through sales growth. In 2014 the directors expect to further expand its Contracting, Service and Products businesses.

The company will maintain its investment in bringing new products to the market that will benefit its Direct Product sales business as well as promoting the Contracting and Service businesses.

J&E Hall provides goods and services throughout the world and there is the possibility that performance could be impacted if economic changes occur, in markets such as Europe, Middle East and countries in the Asia region. Overseas sales also bring fluctuations in currency exchange rates. To avoid such currency related risks, the Company undertakes short-term risk hedging via forward exchange contracts. However, exchange rate related risk cannot be completely avoided.

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 in order to fix the value of sales and purchases in foreign currencies thereby reducing the financial risk of exchange rate fluctuation.

Credit Risk

The company's principal financial assets are bank balances and 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 credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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.

STRATEGIC REPORT (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Pension risk

The company operates two pension schemes one of which is a defined benefit scheme. The pension fund liabilities are partially matched with a portfolio of assets, which leaves potential risk around the amount of the liabilities as a result of changes in life expectancy, inflation, future salary increases, risks regarding the value of investments, the returns derived from such investments and the Pension Protection Fund levy. In addition, actions by the Pensions Regulators or the Trustees and/or any material revisions to the existing pension legislation could require increased contributions by the company to the pension fund.

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 Creasey
Director

Date: 18 December 2014

A handwritten signature in black ink, appearing to read 'I Creasey', written over a horizontal line.

DIRECTORS' REPORT

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

During the prior year, at the request of the ultimate parent company, Daikin Industries Ltd, the company adopted the accounting year 1 April to 31 March, in order to be aligned with that of the ultimate parent and the directors therefore present financial statements for the year to 31 March 2014. The comparative period is the 15 month period ended 31 March 2013.

The profit after taxation for the year amounted to £633,000 (2013: £221,000).

There were no dividends paid during the year (2013 - £nil) and the directors do not recommend the payment of a final dividend.

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 group should be able to operate within the level of its 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.

After making enquiries, the directors have a reasonable expectation 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 financial statements.

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:

C Capozio
M Roberts
Y Watanabe
B Liow
VP Chen
A Proffitt
I Creasey

EMPLOYEES

The directors attach the greatest importance to employee involvement. Financial and commercial information is made available to all groups of employees.

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.

DIRECTORS' REPORT (CONTINUED)

CHARITABLE CONTRIBUTIONS

Donations to UK charities amounted to £600 (2013: £891).

AUDITOR

Each of the persons who are a director at the date of approval of this report confirms that:

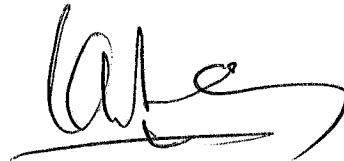
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor 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 expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

I Creasey
Director
Date: 18 December 2014

A handwritten signature in black ink, appearing to read 'I Creasey', with a long horizontal flourish extending to the right.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the audited 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). 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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

We have audited the financial statements of J & E Hall Limited for the year ended 31 March 2014 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet and the related notes 1 to 24. The financial reporting framework that has been applied is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

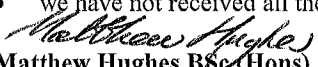
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


Matthew Hughes BSc (Hons) ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne, UK

Date: 18/12/2014

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2014

	Note	Year ended 31 March 2014 £'000	15 Months ended 31 March 2013 £'000
TURNOVER	2	45,054	53,516
Cost of sales		(36,309)	(43,401)
GROSS PROFIT		8,745	10,115
Distribution costs		(2,804)	(3,689)
Administrative expenses	3, 20	(4,500)	(5,284)
OPERATING PROFIT		1,441	1,142
Interest payable and similar charges	6	(384)	(505)
Other finance (expense)/income	20	155	(47)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1,212	590
Tax charge on profit on ordinary activities	7	(579)	(369)
PROFIT FOR THE YEAR/PERIOD	16	633	221

All of the company's activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2014

	Year ended 31 March 2014	15 Months ended 31 March 2013
Profit for the financial year	633	221
Actuarial loss recognised in the pension scheme	347	(1,123)
Deferred tax arising on loss in the pension scheme	(321)	80
Total recognised gains and losses relating to the financial year	659	(822)

J & E HALL LIMITED

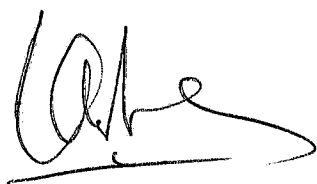
BALANCE SHEET 31 March 2014

	Note	31 March 2014 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2013 £'000
FIXED ASSETS					
Intangible fixed assets	8		474		767
Tangible fixed assets	9		713		677
Investments	10		1,815		1,815
			3,002		3,259
CURRENT ASSETS					
Stocks	11	2,882		4,020	
Debtors due within one year	12	14,646		8,780	
Debtors due after one year	12	-		501	
Cash at Bank and in hand		33		445	
		17,561		13,746	
CREDITORS: amounts falling due within one year					
	13	(11,195)		(8,541)	
NET CURRENT ASSETS					
			6,366		5,205
TOTAL ASSETS LESS CURRENT LIABILITIES					
			9,368		8,464
CREDITORS: amounts falling due after more than one year					
	14		(11,585)		(11,223)
PROVISIONS FOR LIABILITIES					
	15		(733)		(595)
NET LIABILITIES EXCLUDING PENSION LIABILITY					
			(2,950)		(3,354)
PENSION LIABILITY					
	21		(10,955)		(11,210)
NET LIABILITIES					
			(13,905)		(14,564)
CAPITAL AND RESERVES					
Called-up share capital	16		8,000		8,000
Profit and loss account	17		(21,905)		(22,564)
SHAREHOLDERS' DEFICIT					
	18		(13,905)		(14,564)

The financial statements of J&E Hall Limited, registered number 3120673, were approved by the Board of Directors and authorised for issue on 18 December 2014

Signed on behalf of the Board of Directors

I Creasey
Director



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in both the current and prior years in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt from preparing group financial statements under section 401 of the Companies Act 2006, as it is itself a subsidiary undertaking of Daikin Industries Limited. Therefore information is presented in the financial statements about the company as an individual undertaking and not about its group.

Under FRS 1, Cash Flow Statements, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Daikin Industries Limited, the company has taken advantage of the exemption contained in FRS 8, Related Party Disclosures, and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Daikin Industries Limited, within which this company is included, can be obtained from the address given in note 24.

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.

As highlighted in notes 13, 14 and 19 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 overdraft and guarantee facility with Bank of Tokyo Mitsubishi-UFJ Ltd was renewed on 1 April 2014 and is due for renewal on 31 March 2015. The UK group overdraft and guarantee facility with Barclays Bank plc was renewed on 14 September 2012 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 £2,000,000 loan will not be demanded before 31 March 2015.

Given the long term nature of the pension liability and the intercompany loans due after more than one year, and the positive net current assets the directors do not believe the net deficit is an indication of risk to going concern. Rather, after making enquiries, the directors have a reasonable expectation that the company and group have 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

For the year ended 31 March 2014

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 value 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:

Freehold buildings	1 - 4% per annum
Short leasehold buildings	9 - 25% per annum
Fixtures, fittings, tools and vehicles	4 - 33% per annum

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 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 total recognised gain and losses, actuarial gains and losses.

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

Research and development expenditure

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

Stocks

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. ACCOUNTING POLICIES (continued)

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.

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.

Financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Turnover

In the case of short term contracts, turnover represents the invoiced value of contracts progressed during the year exclusive of VAT and trade discounts. For long term contracts, see above.

2. ANALYSIS OF TURNOVER

The turnover is attributable to the company's principal activity. An analysis of turnover by geographical market is given below:

	Year ended 31 March 2014	15 Months ended 31 March 2013
By geographical market		
UK	38,675	45,534
Europe	3,659	4,756
Americas	189	324
Rest of World	2,531	2,902
	<u>45,054</u>	<u>53,516</u>

All turnover originated in the UK.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 March 2014	15 Months ended 31 March 2013
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Fees payable to the company's auditors for the audit of the company's annual financial statements	38	64
Depreciation and other amounts written off owned tangible fixed assets	185	232
Amortisation of goodwill	292	366
Current year expenditure on research and development net of RDEC	766	914
Hire of plant and machinery – short term rentals	17	31
Hire of motor vehicles – rentals payable under operating leases	778	862
Hire of land and buildings – rentals payable under operating leases	348	453
Foreign exchange (gain)/loss on translation of balances and realisation of assets and liabilities denominated in foreign currencies	54	(135)
	<u>54</u>	<u>(135)</u>

4. REMUNERATION OF DIRECTORS

	Year ended 31 March 2014	15 Months ended 31 March 2013
Directors' emoluments	434	292
	<u>434</u>	<u>292</u>

The aggregate of emoluments of the highest paid director was £ 268,057 (2013: £182,335). The highest paid director is not a member of the defined benefit scheme.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

5. STAFF NUMBERS AND COSTS

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

	Year ended 31 March 2014 Number	15 Months ended 31 March 2013 Number
Manufacturing and engineering	177	170
Administration	92	90
	<u>269</u>	<u>260</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2014 £'000	15 Months ended 31 March 2013 £'000
Wages and salaries	10,403	11,980
Social security costs	1,085	1,265
Other pension costs - Defined benefit (note 20)	1,046	1,322
Other pension costs - Defined contributions (note 20)	248	254
	<u>12,782</u>	<u>14,821</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2014 £'000	15 Months ended 31 March 2013 £'000
Interest payable to group undertakings	<u>384</u>	<u>505</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

i) Analysis of charge in year/period

	Year ended 31 March 2014	15 months ended 31 March 2013
UK corporation tax		
Group relief	(257)	(460)
Deferred R&D tax credit	14	-
Adjustment in respect of prior periods	(14)	(43)
Total current taxation	(257)	(503)
Deferred taxation:		
Origination and reversal of timing differences	(6)	26
Deferred R&D tax credit	(14)	-
Timing differences in respect of the Pension Scheme	538	612
Effect of rate change on opening balance	133	134
Effect of rate change on opening balance regarding pension deficit	185	100
Total deferred taxation	836	872
Total tax charge	579	369

ii) Factors affecting the tax charge for the current and prior periods

The current tax credit (2013: credit) for the year is higher than the standard rate of corporation tax in the UK of 23% (2013: 24.4%). The differences are explained below:

	Year ended 31 March 2014	15 months ended 31 March 2013
Current tax reconciliation		
Profit on ordinary activities before taxation	1,212	590
Tax at 23 % (2013: 24.4%) thereon:	279	144
Effects of:		
Expenses not deductible for tax purposes	74	115
Additional Tax credit for R&D	-	(42)
Deferred R&D tax credit	14	-
Capital allowances for year in excess of depreciation	2	-
Amounts included in profit/(loss) on ordinary activities before taxation under FRS17	205	334
Tax relief on Contributions paid in the year	(324)	(451)
Tax relief disallowed in current year and deferred		
Tax relief on contributions previously deferred	(501)	(532)
Other short term timing differences	8	(28)
Adjustment in respect of prior periods	(14)	(43)
Current tax credit for the year/period	(257)	(503)

iii) Factors that may affect the future tax charge

Deferred tax has not been provided in respect of gains realised that will be rolled over into the acquisition cost of replacement assets. This tax will become payable if the replacement assets are sold and further rollover relief is not obtained. The estimated tax which would become payable in these circumstances would be £7,000.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

8. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At beginning and end of year/period	7,228
Amortisation	
At 1 April 2013	6,462
Amortisation during the year/period	292
At 31 March 2014	6,754
Net book value	
At 31 March 2014	474
At 31 March 2013	767

Goodwill is amortised over the directors' estimate of its useful life, which is currently twenty years. The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises.

9. TANGIBLE FIXED ASSETS

	Short leasehold buildings £'000	Fixtures, fittings, Plant, tools and vehicles £'000	Total £'000
Cost			
At 1 April 2013	432	3,903	4,335
Additions	4	216	220
Transfer	-	-	-
Disposals	-	(43)	(43)
At 31 March 2014	436	4,076	4,512
Accumulated depreciation			
At 1 April 2013	397	3,261	3,658
Charge for the year/period	16	169	185
On disposals	-	(42)	(42)
At 31 March 2014	413	3,388	3,801
Net book value			
At 31 March 2014	23	688	711
At 31 March 2013	35	642	677

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

10. INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost	
At 31 March 2013 and 31 March 2014	1,815

Details of the investment in which the company's interest is more than 20% is as follows:

Subsidiary undertaking	Country of incorporation	Principal activity	Class and percentage of shares held
Coulstock and Place Engineering Company Limited	England	Electrical motor rewinding, component manufacture and cable preparation	Ordinary 100%
Balmsound Limited	England	Dormant company	Ordinary 100%

11. STOCKS

	31 March 2014 £'000	31 March 2013 £'000
Work in progress	1,991	2,066
Finished goods and goods for resale	891	1,954
	<u>2,882</u>	<u>4,020</u>

12. DEBTORS

	31 March 2014 £'000	31 March 2013 £'000
Trade debtors	7,780	5,246
Amounts recoverable on contracts	4,216	1,010
Amounts owed by group undertakings	1,140	910
Other debtors	96	44
Amounts receivable for group relief	257	460
Deferred tax assets (see below)	472	1,020
Prepayments and accrued income	685	591
	<u>14,646</u>	<u>9,281</u>

Debtors include £ Nil (2013 - £501,000) due after more than one year in respect of deferred tax.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

12. 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 2013	1	1,019		1,020	3,348	4,368
Charge to the profit and loss account for the year	4	2	14	20	-	20
Charge Related to Final salary Scheme	-	(435)	-	(435)	(103)	(538)
Effect of rate change in profit and loss account	-	(133)	-	(133)	(185)	(318)
Effect of rate change in STRGL	-	-	-	-	(252)	(252)
Amounts included in STRGL	-	-	-	-	(69)	(69)
At 31 March 2014	5	453	14	472	2,739	3,211

The deferred tax asset has been recognised as the directors are of the opinion, based on recent and forecast trading, that there will be sufficient profits in the current and subsequent financial years to utilise the asset.

The Finance Act 2013, which provided for a reduction in the main rate of UK corporation tax to 21% effective from 1 April 2014 and 20% from 1 April 2015 was substantively enacted on 2nd July 2013. As 20% was the rate substantively enacted prior to 31 March 2014, it has been reflected in the deferred tax liability at 31 March 2014.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2014 £'000	31 March 2013 £'000
Bank overdraft (see note 18)	719	-
Trade creditors	2,427	2,137
Amounts owed to group undertakings	1,648	939
Other creditors	2,175	1,533
Accruals and deferred income	4,226	3,932
	<u>11,195</u>	<u>8,541</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2014 £'000	31 March 2013 £'000
Amounts owed to group undertakings	<u>11,585</u>	<u>11,223</u>

Amounts owed to group undertakings represents an interest free loan of £2,000,000 (2013: 2,000,000) from AAF McQuay UK Limited who have confirmed that they will not seek repayment of this amount within the next twelve months and an interest bearing fixed rate loan of £8,500,000 which is repayable over six years beginning in 2016 plus accrued interest of £1,085,000 at 4.25% (2013: £723,000).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

15. PROVISION FOR LIABILITIES

	Warranty £'000
At 1 April 2013	595
Charged to the profit and loss account	286
Utilised in the year	(148)
	<hr/>
At 31 March 2014	733
	<hr/>

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

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.

16. CALLED-UP SHARE CAPITAL

	31 March 2014 £'000	31 March 2013 £'000
Allotted, called-up and fully paid		
8,000,100 ordinary shares of £1 each	8,000	8,000
	<hr/>	<hr/>

17. RESERVES

	Profit and loss account £'000
At 1 April 2013	(22,564)
Profit for the year	633
Actuarial gain recognised in the pension scheme	347
Deferred tax arising on gains in the pension scheme	(321)
	<hr/>
At 31 March 2014	(21,905)
	<hr/>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	31 March 2014 £'000	31 March 2013 £'000
Profit for the financial year/period	633	221
Net reduction in respect of FRS 17	26	(1,043)
	<hr/>	<hr/>
Net reduction to shareholders' deficit	659	(822)
	<hr/>	<hr/>
Opening shareholders' deficit	(14,564)	(13,742)
	<hr/>	<hr/>
Closing shareholders' deficit	(13,905)	(14,564)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. CONTINGENT LIABILITIES

At 31 March 2014 bank bonds, indemnities and guarantees issued by Barclays Bank Plc on behalf of the company, amounting to £7,756,000 (2013 - £4,215,000), were outstanding with recourse to the company. These guarantees and all indebtedness to Barclays Bank Plc incurred by the UK resident group companies is secured by a fixed and floating charge over all the assets of the UK group companies by a cross guarantee. A list of UK group companies is disclosed in the accounts of the UK parent company, AAF McQuay UK Limited. The total UK group liability to Barclays Bank Plc, both contingent liabilities and group net overdraft, at 31 March 2014 amounted to £18,073,000 (2013 - £13,776,000).

20. COMMITMENTS

- (a) There were no capital commitments at the balance sheet date (2013: none).
- (b) Annual commitments under non-cancellable operating leases are as follows:

	31 March 2014		31 March 2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	38	107	77	76
In the second to fifth years inclusive	389	670	461	1,697
Over five years	-	-	535	-
	<u>427</u>	<u>776</u>	<u>1,073</u>	<u>1,773</u>

21. PENSION SCHEME

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 £ 247,983 (2013: £253,960).

Contributions amounting to £88,475 (2013 - £Nil) are payable to the scheme and are included in creditors.

The company also operates a pension scheme providing benefits based on final pensionable pay. The latest full actuarial valuation was carried out at 1 January 2012 and was updated for FRS 17 purposes to 31 March 2014 by a qualified independent actuary.

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.

It has been agreed that an employer contribution rate of 19.6% of pensionable pay will apply in future years.

The major assumptions used in this valuation were:

	31 March 2014	31 March 2013	31 December 2011	31 December 2010	31 December 2009
Rate of increase in salaries	3.0%	3.0%	3.0%	3.0%	3.0%
Rate of increase of pensions in payment and deferred pensions	3.3%	3.3%	3.0%	3.5%	3.5%
Discount rate applied to scheme liabilities	4.5%	4.3%	4.7%	5.4%	5.8%
Inflation assumption	3.4%	3.4%	3.1%	3.6%	3.6%

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. PENSION SCHEME (continued)

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 31 March 2014 £'000	Value at 31 March 2013 £'000	Value at 31 December 2011 £'000	Value at 31 December 2010 £'000	Value at 31 December 2009 £'000
Equities	19,880	19,822	14,638	5,763	4,433
Bonds and Gilts	29,298	30,905	29,136	13,282	12,623
Diversified Growth	-	-	-	13,272	12,507
Property	2,616	2,451	2,956	2,756	2,547
Cash/other	523	106	188	249	200
Total market value of assets	52,317	53,284	46,918	35,322	32,310
Present value of scheme liabilities	(60,011)	(67,842)	(60,834)	(53,439)	(50,397)
Deficit in the scheme	(13,694)	(14,558)	(13,916)	(18,117)	(18,087)
Related deferred tax asset	2,739	3,348	3,479	4,892	5,064
	<u>(10,955)</u>	<u>(11,210)</u>	<u>(10,437)</u>	<u>(13,225)</u>	<u>(13,023)</u>

The expected long term rate of return in the scheme at 31 March 2014 was 5.75 % (2013: 5.9%).

Movement in deficit during the year were as follows:

	31 March 2014 £'000	15 months ended 31 March 2013 £'000
Deficit in scheme at beginning of year/period	14,558	13,916
Current service cost	1,046	1,322
Contributions paid	(1,408)	(1,850)
Other finance (income)/costs	(155)	47
Actuarial loss	(347)	1,123
Deficit in the scheme at the end of year/period	<u>13,694</u>	<u>14,558</u>
Analysis of other pension costs charged in arriving at operating profit:		
Current service cost	<u>1,046</u>	<u>1,322</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

21. PENSION SCHEME (continued)

	Year ended 31 March 2014 £'000	15 months ended 31 March 2013 £'000
Analysis of amounts included in other finance income/(cost)		
Expected return on pension scheme assets	3,019	3,486
Interest on pension scheme liabilities	(2,864)	(3,533)
	<u>155</u>	<u>(47)</u>
Analysis of amount recognised in statement of total recognised gains and losses:		
Actual return less expected return on scheme assets	(2,423)	4,464
Experience gains and losses arising on scheme liabilities	(12)	(685)
Changes in assumptions underlying the present value of scheme liabilities	2,782	(4,902)
	<u>347</u>	<u>(1,123)</u>
Actuarial gains/(losses) recognised in statement of total recognised gains and losses		

Movements in Fair Value of Scheme Assets were as follows:-

	Year ended 31 March 2014 £'000	15 months ended 31 March 2013 £'000
At beginning of the year/period	53,284	46,918
Expected return on scheme assets	3,019	3,486
Contributions paid by employers	1,408	1,850
Contributions paid by members	4	5
Benefits paid	(2,975)	(3,439)
Actuarial (loss)/gain	(2,423)	4,464
	<u>52,317</u>	<u>53,284</u>
At end of the year/period		

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

21. PENSION SCHEME (continued)

Movements in the present value of Scheme Liabilities were as follows:-

	Year ended 31 March 2014 £'000	15 months ended 31 March 2013 £'000
At beginning of the year/period	67,842	60,834
Current service cost	1,046	1,322
Interest cost	2,864	3,533
Contributions paid by members	4	5
Benefits paid	(2,975)	(3,439)
Actuarial loss – experience	12	685
Actuarial (gain)/loss – assumptions	(2,782)	4,902
At end of the year/period	66,043	67,842

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is £9,920,000 (2013: £10,267,000).

History of experience gains and losses	31 March 2014 £'000	31 March 2013 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000
Difference between the expected and actual return of scheme assets:	(2,423)	4,464	1,492	2,466	2,887	(8,566)
Percentage of year/period end scheme assets	4.6%	8.4%	3.2%	7.0%	8.6%	29.3
Experience gains and losses on scheme liabilities	(12)	(685)	-	-	(80)	285
Percentage of year/period end present value of scheme liabilities	0%	1%	0%	0.0%	0.2%	0.9%
Total amount recognised in statement of total recognised gains and losses:	(347)	(1,123)	(4,794)	545	(3,574)	(3,281)
Percentage of year/period end present value of scheme liabilities	1.0%	0.6%	7.9%	1.0%	6.7%	7.6%

22. RELATED PARTY DISCLOSURES

As the company is a wholly owned subsidiary of Daikin Industries Limited, the company has taken advantage of the exemption contained in FRS 8, Related Party Disclosures, and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Daikin Industries Limited, within which this company is included, can be obtained from the address given in note 24.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

23. DERIVATIVES NOT INCLUDED AT FAIR VALUE

The company has derivatives which are not included at fair value in the financial statements:

	Currency Amount	Deal Value	Fair Value	Currency Amount	Deal Value	Fair Value
	31	31	31	31	31	31
	March	March	March	March	March	March
	2014	2014	2014	2013	2013	2013
	€'000	£'000	£'000	€'000	£'000	£'000
Forward foreign exchange contracts						
Company buys, Bank sells – EUR	1,133	933	937	1,098	882	927

The company uses the derivatives to hedge its exposures to changes in foreign currency exchange rates. The fair values are based on market values of equivalent instruments at the balance sheet date.

24. PARENT COMPANIES AND ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking and controlling party is AAF McQuay UK Limited, incorporated in England. The ultimate parent undertaking and controlling party is Daikin Industries Limited, incorporated in Japan.

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