

J&E Hall Limited

Annual report and financial statements

for the year ended 31 March 2017

Registration number: 03120673

J&E Hall Limited

Annual report and financial statements for the year ended 31 March 2017

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J&E Hall Limited

Annual report and financial statements for the year ended 31 March 2017

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

AUDITORS

Deloitte LLP
Statutory Auditor
One Trinity Gardens
Broad Chare
Newcastle upon Tyne
United Kingdom
NE1 2HF

J&E Hall Limited

STRATEGIC REPORT

The directors present their strategic report, annual report and the audited financial statements for the year ended 31 March 2017.

BUSINESS REVIEW AND PRINCIPAL RISKS AND UNCERTAINTIES

The directors are pleased to report a pre-tax profit of £300,000 (2016: a loss of £56,000) and an operating profit of £967,000 (2016: £632,000), which has increased 53% on the previous year.

Revenue on the same basis saw growth of 2.1% and Gross Profit increased by 5.1%. The markets within the sector remained competitive, however through control of overheads and material costs overall margin percentage improved by 0.6%.

Backlog at the 31 March 2017 and order intake are both lower than in the corresponding year. However, owing to the nature of larger contracting and installation projects, the company expects fluctuations in order intake owing to variations in timing.

Debtor days increased to 59 days (2016: 55 days). Working capital of £9,650,000 (net current assets excluding cash and overdraft) at the end of the year increased compared to the prior year (2016: £7,726,000). As a proportion of annual sales this equates to 22.1% and 17.81% respectively.

Overall net borrowing (cash, overdraft and loans) increased by £1,289,000.

The company is aware of the continued challenges within the food, defence and oil and gas sectors. While continuing to seek expansion in these sectors, the company will look to maintain margins whilst improving services in these markets.

The company will continue its investment in new products that will benefit its direct Product sales business as well as promoting the Contracting and Service businesses.

The pension liability increased by £4,248,000.

J&E Hall Limited 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 Asia. Overseas sales also bring exposure to fluctuations in currency exchange rates. To mitigate currency related risks, the Company takes out short-term forward foreign exchange contracts. However, exchange rate related risk cannot be completely avoided.

Future Developments

At the date of this report the directors are not aware of any likely major changes in the company's activities during the next year or of any significant events beyond the control of the company which have occurred or are expected to occur, which could be likely to have a significant impact on earnings or on the course of the business

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, 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.

J&E Hall Limited

STRATEGIC REPORT (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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. 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



Ian Creasey
Director
22 December 2017
Questor House
191 Hawley Road
Dartford
Kent
DA1 1PU

J&E Hall Limited

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 2017.

The profit after taxation for the year amounted to £120,000 (2016: loss of £303,000).

There were no dividends paid during the year (2016: £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 future developments are presented in the Strategic Report on pages 2 to 3 as the directors consider these areas to be of strategic importance to the company.

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 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.

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

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.

DIRECTORS AND THEIR INTERESTS

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

C Capozio (resigned 27 June 2017)
M Roberts
Y Watanabe (resigned 26 June 2017)
B Liow
VP Chen
A Proffitt
I Creasey

Director's Indemnities

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

J&E Hall Limited

DIRECTORS' REPORT (CONTINUED)

EMPLOYEES

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the company intranet system and a special annual business roadshow to inform employees of the annual financial performance. The company has an inherent People Centred Management philosophy where employee representatives are consulted regularly on a wide range of matters affecting their current and future interests for the mutual benefit of all.

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.

CHARITABLE CONTRIBUTIONS

Donations to UK charities amounted to £560 (2016: £750).

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 Creasey
Director
22 December 2017
Questor House
191 Hawley Road
Dartford
Kent
DA1 1PU

J&E Hall Limited

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 year. 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 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

We have audited the financial statements of J&E Hall Limited for the year ended 31 March 2017 which comprise of 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 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 2017 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 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 and the Directors' Report.

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
Statutory Auditor
Newcastle upon Tyne, UK
22 December 2017

J&E Hall Limited

Profit and loss account

For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	3	43,715	42,798
Cost of sales		(35,338)	(34,824)
		<hr/>	<hr/>
Gross profit		8,377	7,974
Distribution costs		(2,723)	(2,630)
Administrative expenses		(4,687)	(4,712)
		<hr/>	<hr/>
Operating profit		967	632
Interest payable and similar charges	4	(153)	(163)
Other finance charges	4	(514)	(525)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	5	300	(56)
Tax on loss on ordinary activities	9	(180)	(247)
		<hr/>	<hr/>
Profit/(loss) for the financial year attributable to the equity shareholders of the Company		<hr/> <hr/> 120	<hr/> <hr/> (303)

J&E Hall Limited

Statement of comprehensive income

For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Profit/(loss) for the financial year		120	(303)
Re-measurement of net defined benefit liability	21	(4,392)	1,346
Tax credit/(charge) relating to components of other comprehensive (expense)/ income.		726	(389)
Other comprehensive (expense)/income		(3,666)	957
Total comprehensive (expense)/ income attributable to equity shareholders of the Company		(3,546)	654

J&E Hall Limited

Balance sheet

At 31 March 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	10		-
Tangible assets	11	1,200	959
Investments	12	1,815	1,815
		<u>3,015</u>	<u>2,774</u>
Current assets			
Stocks	13	5,074	3,430
Debtors			
- due within one year	14	14,363	12,219
- due after one year	14	3,244	2,670
Cash at bank and in hand		142	128
		<u>22,823</u>	<u>18,447</u>
Creditors: amounts falling due within one year	15	(15,049)	(10,629)
Net current assets		<u>7,774</u>	<u>7,818</u>
Total assets less current liabilities		10,789	10,592
Creditors: amounts falling due after one year	16	(10,000)	(10,500)
Provisions for liabilities	17	(583)	(588)
Pension liability	21	(19,081)	(14,833)
Net liabilities		<u>(18,875)</u>	<u>(15,329)</u>
Capital and reserves			
Called-up share capital	19	8,000	8,000
Profit and loss account		(26,875)	(23,329)
Shareholders' deficit		<u>(18,875)</u>	<u>(15,329)</u>

The financial statements of J&E Hall Limited (registered number 03120673) were approved by the board of directors and authorised for issue on 22 December 2017. They were signed on its behalf by:



Ian Creasey
Director

J&E Hall Limited

Statement of changes in equity At 31 March 2017

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2015	8,000	(23,983)	(15,983)
Loss for the financial year	-	(303)	(303)
Re-measurement of net defined benefit liability	-	1,346	1,346
Tax relating to items of other comprehensive income	-	(389)	(389)
Total comprehensive income	-	654	654
At 31 March 2016	8,000	(23,329)	(15,329)
Loss for the financial year	-	120	247
Re-measurement of net defined benefit liability	-	(4,392)	(4,392)
Tax relating to items of other comprehensive income	-	726	599
Total comprehensive income	-	(3,666)	(3,546)
At 31 March 2017	8,000	(26,875)	(18,875)

J&E Hall Limited

Notes to the financial statements

For the year ended 31 March 2017

1. ACCOUNTING POLICIES

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

a. 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, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 25.

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

J&E Hall Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. J&E Hall Limited is consolidated in the financial statements of its ultimate parent, Daikin Industries Ltd, which may be obtained at the address given in note 24. 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 22 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 Europe NV was renewed on 31 March 2017. The UK group overdraft and guarantee facility with Barclays Bank plc was renewed on 31 March 2017 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 £10,000,000 will not be demanded before 31 January 2019.

Given the long term nature of the pension liability and the intercompany loans due after more than one year, combined with 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 (continued)

For the year ended 31 March 2017

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:

Short leasehold buildings	9 - 25% per annum
Fixtures, fittings, 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.

Notes to the financial statements (continued)

For the year ended 31 March 2017

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

Leases

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

Post-retirement benefits

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

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

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

Research and development expenditure

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

Stocks

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

Long term contracts

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

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

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

Notes to the financial statements (continued)

For the year ended 31 March 2017

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.

(i) 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.

Notes to the financial statements (continued)

For the year ended 31 March 2017

(ii) 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.

(iii) 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.

Notes to the financial statements (continued)

For the year ended 31 March 2017

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

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), 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.

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.

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 21.

J&E Hall Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

3. Turnover and revenue

An analysis of the Company's turnover by geographical market is set out below.

	2017 £'000	2016 £'000
Turnover by geographic market		
UK	37,687	36,635
Europe	3,856	3,883
Asia	1,558	1,520
America	216	347
Rest of the World	398	413
	<u>43,715</u>	<u>42,798</u>

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

4. Finance costs (net)

	2017 £'000	2016 £'000
Interest payable and similar charges	153	163
Other finance costs	514	525
	<u>667</u>	<u>688</u>

Interest payable and similar charges

	2017 £'000	2016 £'000
Payable to Group	<u>111</u>	<u>128</u>

Other finance costs

	2017 £'000	2016 £'000
Net interest on defined benefit liability (see note 21)	<u>514</u>	<u>525</u>

J&E Hall Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

5. Loss on ordinary activities before taxation

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

	2017 £'000	2016 £'000
Depreciation of tangible fixed assets (note 11)	238	216
Amortisation of intangible assets (note 10)	-	181
Research and development	802	834
Impairment of stock recognised as an expense	34	43
Operating lease rentals	1,247	1,275
Foreign exchange (gain)/loss	(487)	74
Loss on disposal of fixed assets (note 11)	1	3
	<u>238</u>	<u>1,340</u>

Impairments and reversal of impairments of stocks are included in distribution costs.

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's financial statements were £38,000 (2016: £45,000).

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

7. Staff numbers and costs

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

	2017 Number	2016 Number
Manufacturing and Engineering	166	182
Administration	91	93
	<u>257</u>	<u>275</u>

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	11,065	10,967
Social security costs	1,179	1,134
Other pension costs – Defined benefit (note 21)	467	842
Other pension costs – Defined Contribution (note 21)	473	441
	<u>13,184</u>	<u>13,384</u>

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

J&E Hall Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

8. Directors' remuneration

	2017 £'000	2016 £'000
Directors' emoluments	159	158

The aggregate of the emoluments of the highest paid director was £159,000 (2016: £158,000). The highest paid director is a member of the Company's defined benefit scheme.

Retirement benefits are no longer accruing for any directors (2016: were not accrued for any directors) under defined benefit schemes.

9. Tax on loss on ordinary activities

The tax charge comprises:

	2017 £'000	2016 £'000
Current tax on profit on ordinary activities		
UK corporation tax charge/(credit)	42	29
Deferred R&D tax credit	-	12
Adjustments in respect of prior years	(42)	33
Total current tax	-	74
Deferred tax		
Origination and reversal of timing differences	-	24
Deferred R&D tax credit	-	(12)
Effect of decrease in tax rate on opening asset	130	181
Adjustments in respect of prior periods	25	-
Movement in respect of defined benefit scheme	25	(20)
Total deferred tax (see note 14)	180	173
Total tax on loss on ordinary activities	180	247
Total deferred tax relating to items of other comprehensive income	(726)	389
	(546)	636

The standard rate of tax applied to reported profit on ordinary activities is 20% (2016: 20%).

Finance Act No. 2 2015, which was substantively enacted on 26 October 2015, included provisions to reduce the corporation tax rate to 19% with effect from 1 April 2017. In addition, the Finance Act 2016, which was substantively enacted on 6th September 2016, introduced a further reduction in the main rate of corporation tax to 17% from 1 April 2020. Accordingly these rates have been taken into account when calculating deferred tax assets, giving consideration to when the assets will reverse.

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

J&E Hall Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

9. Tax on loss on ordinary activities (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:

	2017 £'000	2016 £'000
Profit (Loss) on ordinary activities before tax	300	(56)
Tax on loss on ordinary activities at standard UK corporation tax rate of 20% (2016: 20%)	60	(11)
Effects of:		
- Expenses not deductible for tax purposes	10	45
- Effect of difference between corporate and deferred tax rates	(4)	(1)
- Effect of rate change on opening deferred tax asset	130	181
- Adjustments to tax charge in respect of previous years	(16)	33
Total tax charge for period	180	247

During the year beginning 1 April 2017, the net reversal of deferred tax assets and liabilities is not expected to have a material impact on the corporation charge.

10. Intangible fixed assets

	2017 £'000	2016 £,000
Cost		
At beginning and end of year	7,228	7,228
Amortisation		
At beginning of year	7,228	7,047
Charge for the year	-	181
At end of year	7,228	7,228
Net book value		
At end of year	-	-
At beginning of year	-	181

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.

J&E Hall Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

11. Tangible fixed assets

	Short Leasehold £'000	Fixtures, fittings Plant, tools & Vehicles £'000	Total £'000
Cost or valuation			
At 1 April 2016	446	4,654	5,100
Additions	3	477	480
Disposals	-	(32)	(32)
At 31 March 2017	449	5,099	5,548
Depreciation			
At 1 April 2016	429	3,712	4,141
Charge for the year	10	228	238
Disposals	-	(31)	(31)
At 31 March 2017	439	3,909	4,348
Net book value			
At 31 March 2017	10	1,189	1,200
At 31 March 2016	17	942	959

12. Fixed asset investments

	2017 £'000	2016 £'000
Cost		
At 31 March 2017 and 31 March 2016	1,815	1,815

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

Subsidiary undertakings	Country of incorporation	Principal activity	Holding*	%
Coulstock and Place engineering Company Limited	England	Electrical motor rewinding, component	Ordinary	100%
Balmsound limited	England	Manufacturing and cable preparation	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 ending 31 March 2017 Coulstock and Place Engineering Company Limited reported a profit after tax of £18,000 and its aggregate capital and reserves stood at £1,767,100

J&E Hall Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

13. Stocks

	2017 £'000	2016 £'000
Work in progress	2,554	1,381
Finished goods and goods for resale	2,520	2,049
	<u>5,074</u>	<u>3,430</u>

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

14. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	6,988	6,458
Gross amount due from customers for contract work	4,917	3,743
Amounts owed by group undertakings	1,257	840
Other debtors	120	146
VAT	515	419
Deferred tax assets	40	68
Prepayments and accrued income	526	545
	<u>14,363</u>	<u>12,219</u>

Amounts falling due after more than one year:

Deferred tax on pension liability	<u>3,244</u>	<u>2,670</u>
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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 21) £'000	Total £'000
At 1 April 2016	11	17	40	68	2,670	2,738
Charge to the profit and loss account for the year	-	-	-	-	-	-
Adjustment for prior period	(25)			(25)	-	(25)
Charge Related to Final salary Scheme	-	-	-	-	(25)	(25)
Effect of rate change through profit and loss account	(1)	(2)	-	(3)	(127)	(130)
Effect of rate change through OCI	-	-	-	-	(21)	(21)
Amounts included in OCI	-	-	-	-	747	747
At 31 March 2017	<u>(15)</u>	<u>15</u>	<u>40</u>	<u>40</u>	<u>3,244</u>	<u>3,284</u>

J&E Hall Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

15. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank overdraft (see note 22)	1,967	164
Payments received on long term contracts	380	704
Trade creditors	1,940	1,208
Amounts owed to group undertakings	2,681	1,651
Corporation tax	41	29
Other taxation and social security	480	540
VAT	220	598
Derivative financial liabilities (see note 18)	-	125
Other creditors	267	224
Accruals and deferred income	7,073	5,386
	<u>15,049</u>	<u>10,629</u>

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

	2017 £'000	2016 £'000
Amounts owed to group undertakings – variable interest rate loans	<u>10,000</u>	<u>10,500</u>

Amounts owed to group undertakings comprise two variable interest rate loans of £8,000,000 (2016: £8,500,000) and £2,000,000 (2016: £2,000,000) from AAF McQuay UK Limited. On the 31 March 2017 the interest rates applicable were 1.3073% per annum and 0.64% per annum respectively. The loans have no fixed repayment date and are payable on demand. £500,000 was repaid in March 2017. However the directors of AAF McQuay UK Ltd have confirmed that they will not seek any repayment of the balance before 31 March 2018.

17. Provisions for liabilities

	Product warranties £'000
At 1 April 2016	588
Charged to profit and loss account	88
Released unused	-
Utilisation of provision	(93)
At 31 March 2017	<u>583</u>

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.

J&E Hall Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

18. Derivative financial instruments

	Due within one year		Due after one year	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Derivatives that are designated measured at fair value through profit or loss				
Liabilities				
Forward foreign currency contracts	-	125	-	-
		125	-	-

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2017 [rate]	2016 [rate]	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<i>Sell Euro</i>	-	1.29553	-	6,851	-	125
			-	6,851	-	125

The Company has entered into contracts to buy and supply goods to customers abroad. The Company has entered into forward foreign currency contracts to hedge the exchange rate risk arising from these anticipated future transactions, which are designated fair value through profit and loss account. The hedged cash flows are expected to occur and to affect profit or loss within the next financial year.

19. Called-up share capital and reserves

	2017 £'000	2016 £'000
Allotted, called-up and fully-paid		
8,000,100 ordinary shares of £1 each	8,000	8,000

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

The profit and loss reserve represents cumulative profits and losses.

J&E Hall Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

20. Financial commitments

There were no capital commitments at the balance sheet date (2016: none).

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

	31 March 2017		31 March 2016	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- within one year	373	493	82	176
- between one and five years	477	225	851	855
- after five years	-	-	-	-
	850	718	933	1,031

21. 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 £473,275 (2016: £440,819).

Defined benefit schemes

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

The scheme is a funded scheme.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 1 April 2015 and rolled forward to 31 March 2017 by an independent actuary, who is a Fellow of the Institute and Faculty of Actuaries and a Partner in Barnett Waddingham. 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.

Contributions amounting to £81,117 (2016: £89,147) are payable to the scheme and are included in creditors.

It has been agreed that an employer contribution rate of 15% of pensionable pay will apply in future years.

In addition to the above contribution rates the company is paying £697,314 (2016: £677,422) per annum as fixed contributions. The total contributions to the scheme by the company during the year were £1,126,000 (2016: £1,258,000). The total contributions for the year ended 31 March 2018 are forecast to be £1,144,000.

J&E Hall Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

21. Employee benefits (continued)

	Valuation at	
	2017	2016
Key assumptions used:		
Discount rate	2.7%	3.6%
Future pension increases		
LPI5% (RPI)	3.4%	3.1%
LPI3% (CPI)	2.4%	2.1%
Inflation	3.4%	3.1%
Salary Increases	2.9%	3.0%
Mortality assumptions:		
120% of S1PXA tables	CMI 2015 projections	CMI 2015 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:

	2017 £'000	2016 £'000
Current service cost	467	555
Administration cost	-	287
Net interest cost (note 4)	514	525
	<u>981</u>	<u>1,367</u>
(Gain)/loss on scheme assets in excess of interest	(10,387)	979
Experience losses on liabilities	-	69
Losses/(Gains) from changes to assumptions	14,779	(2,394)
	<u>4,392</u>	<u>(1,346)</u>
Recognised in other comprehensive income		
Total cost relating to defined benefit scheme	<u>5,373</u>	<u>21</u>

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

	2017 £'000	2016 £'000
Present value of defined benefit obligations	90,204	75,605
Fair value of scheme assets	(71,123)	(60,772)
Net liability recognised in the balance sheet	<u>19,081</u>	<u>14,833</u>

J&E Hall Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

21. Employee benefits (continued)

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

	2017 £'000	2016 £'000
At 1 April 2016	75,605	77,520
Service cost	467	555
Interest cost	2,663	2,584
Actuarial gains and losses	14,779	(2,325)
Benefits paid	(3,311)	(2,731)
Contributions by members	1	2
	<hr/>	<hr/>
At 31 March 2017	<u>90,204</u>	<u>75,605</u>

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

	2017 £'000	2016 £'000
At 1 April 2016	60,772	61,452
Interest income	2,149	2,059
Return on plan assets (excluding amounts included in net interest cost)	10,387	(979)
Contributions from the employer	1,125	1,256
Contributions from scheme participants	1	2
Benefits paid	(3,311)	(2,731)
Administration cost	-	(287)
	<hr/>	<hr/>
At 31 March 2017	<u>71,123</u>	<u>60,772</u>

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

	2017 £'000	2016 £'000
Equity	36,273	24,309
Bonds	30,583	32,209
Property	3,556	3,646
Cash	711	608
	<hr/>	<hr/>
	<u>71,123</u>	<u>60,772</u>

The actual return on the Scheme's assets over the year was £12,536,000. The assets do not include any investment in shares of the Company.

Notes to the financial statements (continued)

For the year ended 31 March 2017

22. Contingent liabilities

At 31 March 2017 bank bonds, indemnities and guarantees issued by Barclays Bank Plc on behalf of the company, amounting to £4,584,504 (2016: £2,988,000), 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 2017, comprising contingent liabilities plus total overdrawn balances less positive account balances amounted to £17,226,000 (2016: £13,237,000).

23. 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 24.

24. Parent companies and ultimate controlling party

The company's immediate parent undertaking and controlling party is AAF McQuay UK Limited, incorporated in England, registered address c/o AAF Ltd, Bassington Lane, Cramlington, 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 Daikin Industries Limited, Umeda Centre Bldg, 2-4-12 Nakazaki Nishi, Kita-Ku, Osaka 530-8323, Japan.