

J & E HALL LIMITED

Report and Financial Statements

31 March 2013

REPORT AND FINANCIAL STATEMENTS 2013

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

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 Registered Auditor
One Trinity Gardens
Broad Chare
Newcastle upon Tyne
NE1 2HF

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 15 month period ended 31 March 2013.

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW AND PRINCIPAL RISKS AND UNCERTAINTIES

During the period, at the request of the ultimate parent company, Daikin Industries Ltd, the company adopted the accounting period 1 April to 31 March, in order to be aligned with that of the ultimate parent and the directors therefore present financial statements for a 15 month period ended 31 March 2013. The comparative period is for the period ended 31 December 2011.

The directors are pleased to report a pre-tax profit of £590,000 (2011: £672,000 profit) and an operating profit of £1,142,000 (2011: £941,000). On a pro rata basis this represents a 2.9% reduction on operating profit. Revenue on the same basis saw growth of 6.8% and a Gross Margin reduction of 0.6%. The markets within the sector remained competitive and although cost reduction was realised in some areas the company did see a reduction in margin.

Backlog at the end of March 2013 is up 59.5% on the corresponding year with order intake up 15.4% compared with 2011. 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 been reduced to 45 days (2011: 67 days). Overall net borrowing (cash, overdraft and loans) has reduced by £2,605,000. This was predominately due to a fall in short term borrowing.

Working capital of £4,130,000 (net current assets excluding cash and overdraft) at the end of the period has decreased compared to the prior year (2011: £6,384,000). As a percentage of annual sales this is 9.6% and 15.9% respectively.

The Group will continue its strategy of sales growth. This growth will be in part from its strong enquiry and order input activity particularly in Contracting and Service. The company will be aware of the continued challenges within the food and defence sectors of maintaining margin whilst improving service. The opportunities for new overseas markets are still viewed with confidence.

The company will continue its investment in new products and services that will benefit its direct product sales business as well as promoting the contracting and service businesses.

Agreement has been reached with the Trustees of the J&E Hall Pension Scheme in respect of the 2012 valuation and the future funding of the Scheme. As a result of the agreement it is planned that the deficit will be repaid over 16 years. The pension liability net of deferred tax shows an increase in net liability of £773,000.

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.

RESULTS AND DIVIDENDS

The profit after taxation for the period amounted to £221,000 (2011: £309,000).

There were no dividends paid during the period (2011 - £nil) and the directors do not recommend the payment of a final dividend.

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

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

C Capozio
M Roberts
Y Watanabe (appointed 9 November 2012)
S Furuta (resigned 9 November 2012)
B Liow
VP Chen
A Proffitt
I Creasey

DIRECTORS' INDEMNITIES

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

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.

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.

DIRECTORS' REPORT (continued)

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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no political contributions during the period. Donations to UK charities amounted to £891 (2011: £300).

AUDITORS

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 auditors are 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 auditors are 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 auditors 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
16 August 2013



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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 15 month period ended 31 March 2013 which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23. 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. 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 2013 and of its profit for the period 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.

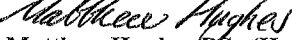
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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
16 August 2013

PROFIT AND LOSS ACCOUNT
Period ended 31 March 2013

	Note	15 months ended 31 March 2013 £'000	Year ended 31 December 2011 £'000
TURNOVER	2	53,516	40,101
Cost of sales		(43,401)	(32,293)
GROSS PROFIT		10,115	7,808
Distribution costs		(3,689)	(2,636)
Administrative expenses	3, 20	(5,284)	(4,231)
OPERATING PROFIT		1,142	941
Interest payable and similar charges	6	(505)	(303)
Other finance (expense)/income	20	(47)	34
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	590	672
Tax charge on profit on ordinary activities	7	(369)	(363)
PROFIT FOR THE PERIOD	16	221	309

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Period ended 31 March 2013

	15 months ended 31 March 2013	Year ended 31 December 2011
Profit for the financial period	221	309
Actuarial loss recognised in the pension scheme	(1,123)	(4,795)
Deferred tax arising on loss in the pension scheme	80	1,057
Total recognised gains and losses relating to the financial period	(822)	(3,429)

BALANCE SHEET
31 March 2013

	Note	31 March 2013 £'000	31 March 2013 £'000	31 December 2011 £'000	31 December 2011 £'000
FIXED ASSETS					
Intangible fixed assets	8		767		1,133
Tangible fixed assets	9		677		748
Investments	10		1,815		1,815
			<u>3,259</u>		<u>3,696</u>
CURRENT ASSETS					
Stocks	11	4,020		4,630	
Debtors due within one year	12	8,780		11,352	
Debtors due after one year	12	501		1,089	
Cash at Bank and in hand		445		130	
		<u>13,746</u>		<u>17,201</u>	
CREDITORS: amounts falling due within one year	13	<u>(9,136)</u>		<u>(13,430)</u>	
NET CURRENT ASSETS			<u>4,610</u>		<u>3,771</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			7,869		7,467
CREDITORS: amounts falling due after more than one year	14		<u>(11,223)</u>		<u>(10,772)</u>
NET LIABILITIES EXCLUDING PENSION LIABILITY			(3,354)		(3,305)
PENSION LIABILITY	20		<u>(11,210)</u>		<u>(10,437)</u>
NET LIABILITIES			<u>(14,564)</u>		<u>(13,742)</u>
CAPITAL AND RESERVES					
Called up share capital	15		8,000		8,000
Profit and loss account	16		<u>(22,564)</u>		<u>(21,742)</u>
SHAREHOLDERS' DEFICIT	17		<u>(14,564)</u>		<u>(13,742)</u>

The financial statements of J&E Hall Limited, registered number 3120673, were approved by the Board of Directors and authorised for issue on 16 August 2013.

Signed on behalf of the Board of Directors

I Creasey

Director

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

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 22.

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 Business Review on page 2.

As highlighted in notes 13, 14 and 18 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 2013 and is due for renewal on 31 March 2014. 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 2014.

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

Period ended 31 March 2013

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 period 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 surplus/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 period.

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

Period ended 31 March 2013

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:

	15 months ended 31 March 2013	Year ended 31 December 2011
By geographical market		
UK	45,534	32,165
Europe	4,756	4,639
Americas	324	347
Rest of World	2,902	2,950
	<hr/>	<hr/>
	53,516	40,101
	<hr/>	<hr/>

All turnover originated in the UK.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 March 2013

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	15 months ended 31 March 2013	Year ended 31 December 2011
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	64	34
Depreciation and other amounts written off owned tangible fixed assets	232	196
Amortisation of goodwill	366	292
Hire of plant and machinery – short term rentals	31	23
Hire of motor vehicles – rentals payable under operating leases	862	633
Hire of land and buildings – rentals payable under operating leases	453	428
Foreign exchange (gain)/loss on translation of balances and realisation of assets and liabilities denominated in foreign currencies	(135)	41
	<u> </u>	<u> </u>

4. REMUNERATION OF DIRECTORS

	15 months ended 31 March 2013	Year ended 31 December 2011
Directors' emoluments	292	278
	<u> </u>	<u> </u>

The aggregate of emoluments of the highest paid director was £182,335 (2011 - £158,592). The highest paid director is a member of a defined benefit scheme, under which his accrued pension at the period end was £37,642 (2011 - £34,214) and his accrued lump sum was £537,000 (2011 – £473,000).

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 March 2013

5. STAFF NUMBERS AND COSTS

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

	15 months ended 31 March 2013 Number	Year ended 31 December 2011 Number
Manufacturing and engineering	170	164
Administration	90	89
	<u>260</u>	<u>253</u>

	15 months ended 31 March 2013 £'000	Year ended 31 December 2011 £'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	11,980	9,277
Social security costs	1,265	953
Other pension costs - Defined benefit (note 20)	1,322	953
Other pension costs - Defined contributions (note 20)	254	177
	<u>14,821</u>	<u>11,360</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	15 months ended 31 March 2013	Year ended 31 December 2011
Interest payable to group undertakings	<u>505</u>	<u>303</u>

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 March 2013

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

i) Analysis of charge in period

	15 months ended 31 March 2013	Year ended 31 December 2011
UK corporation tax		
Group relief	(460)	(426)
Adjustment in respect of prior periods	(43)	(85)
Total current taxation	(503)	(511)
Deferred taxation:		
Origination and reversal of timing differences	26	20
Timing differences in respect of the Pension Scheme	612	616
Adjustment in respect of prior years	-	11
Effect of rate change on opening balance	134	6
Effect of rate change on opening balance regarding pension deficit	100	221
Total deferred taxation	872	874
Total tax charge	369	363

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

The current tax credit (2011: credit) for the period is higher (2011 – higher) than the standard rate of corporation tax in the UK of 24.4% (2011 – 26.5%). The differences are explained below:

	15 months ended 31 March 2013	Year ended 31 December 2011
Current tax reconciliation		
Profit/(loss) on ordinary activities before taxation	590	672
Tax at 24.4% (2011: 26.5%) thereon:	144	178
Effects of:		
Expenses not deductible for tax purposes	115	114
Additional Tax credit for R&D	(42)	(45)
Capital allowances for period in excess of depreciation	-	(21)
Amounts included in profit/(loss) on ordinary activities before taxation under FRS17	334	244
Tax relief on Contributions paid in the period	(451)	(2,627)
Tax relief disallowed in current period and deferred	-	1,731
Tax relief on contributions previously deferred	(532)	-
Other short term timing differences	(28)	-
Adjustment in respect of prior periods	(43)	(85)
Current tax credit for the period	(503)	(511)

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
Period ended 31 March 2013

8. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At beginning and end of period	7,228
Amortisation	
At 1 January 2012	6,095
Amortisation during the period	366
At 31 March 2013	6,461
Net book value	
At 31 March 2013	767
At 31 December 2011	1,133

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 January 2012	448	3,914	4,362
Additions	14	150	164
Transfer	39	(39)	-
Disposals	(69)	(122)	(191)
At 31 March 2013	432	3,903	4,335
Accumulated depreciation			
At 1 January 2012	418	3,196	3,614
Charge for the period	46	186	232
On disposals	(67)	(121)	(188)
At 31 March 2013	397	3,261	3,658
Net book value			
At 31 March 2013	35	642	677
At 31 December 2011	30	718	748

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 March 2013

10. INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2012 and 31 March 2013	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 2013 £'000	31 December 2011 £'000
Work in progress	2,066	1,728
Finished goods and goods for resale	1,954	2,902
	<u>4,020</u>	<u>4,630</u>

12. DEBTORS

	31 March 2013 £'000	31 December 2011 £'000
Trade debtors	5,246	7,364
Amounts recoverable on contracts	1,010	1,429
Amounts owed by group undertakings	910	1,028
Other debtors	44	64
Amounts receivable for group relief	460	384
Deferred tax assets (see below)	1,020	1,681
Prepayments and accrued income	591	491
	<u>9,281</u>	<u>12,441</u>

Debtors include £501,000 (2011 - £1,089,000) due after more than one year in respect of deferred tax.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 March 2013

12. DEBTORS (CONTINUED)

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

	Difference between accumulated depreciation and capital allowances £'000	Other timing differences, losses and other deductions £'000	Total deferred tax asset (as above) £'000	Deferred tax asset on pension deficit (see note 20) £'000	Total £'000
At 1 January 2012	2	1,679	1,681	3,479	5,160
Charge to the profit and loss account for the period	(1)	(25)	(26)	-	(26)
Charge Related to Final salary Scheme	-	(501)	(501)	(111)	(612)
Effect of rate change in profit and loss account	-	(134)	(134)	(100)	(234)
Effect of rate change in STRGL	-	-	-	(178)	(178)
Amounts included in STRGL	-	-	-	258	258
At 31 March 2013	1	1,019	1,020	3,348	4,368

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 UK Government announced in March 2012 that it intended to reduce the main rate of UK corporation tax from 25% to 23% and Finance Act 2012, which was substantively enacted on 3 July 2012, included provisions to reduce the rate of corporation tax to 23% with effect from 1 April 2013. Accordingly, deferred tax balances have been revalued to the lower rate of 23% in these accounts, which has resulted in a debit to the profit and loss account of £234,000.

The UK Government announced in March 2013 that it intends to enact further reductions of the main rate of corporation tax, reducing it to 21% with effect from 1 April 2014 and then by a further 1% to 20% by 1 April 2015. As this legislation was not substantively enacted by 31 March 2013, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts. If the deferred tax assets and liabilities of the company were all to reverse after 1 April 2014, the effect of the changes from 23% to 20% would be to reduce the net deferred tax asset by £570,000. To the extent that the deferred tax asset reverses more quickly than this, the impact on the net deferred tax asset will be reduced.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 March 2013

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2013 £'000	31 December 2011 £'000
Bank overdraft (see note 18)	-	2,741
Trade creditors	2,137	2,329
Amounts owed to group undertakings	939	1,540
Other creditors	1,533	1,300
Accruals and deferred income	4,527	5,520
	<u>9,136</u>	<u>13,430</u>

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

	31 March 2013 £'000	31 December 2011 £'000
Amounts owed to group undertakings	<u>11,223</u>	<u>10,772</u>

Amounts owed to group undertakings represents an interest free loan of £2,000,000 (2011: 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 £723,000 at 4.25%.

15. CALLED UP SHARE CAPITAL

	31 March 2013 £'000	31 December 2011 £'000
Allotted, called up and fully paid		
8,000,100 ordinary shares of £1 each	<u>8,000</u>	<u>8,000</u>

16. RESERVES

	Profit and loss account £'000
At 1 January 2012	(21,742)
Profit for the period	221
Actuarial loss recognised in the pension scheme	(1,123)
Deferred tax arising on gains in the pension scheme	80
At 31 March 2013	<u>(22,564)</u>

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 March 2013

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	31 March 2013 £'000	31 December 2011 £'000
Profit for the financial period	221	309
Net reduction in respect of FRS 17	(1,043)	(3,738)
Net reduction to shareholders' deficit	(822)	(3,429)
Opening shareholders' deficit	(13,742)	(10,313)
Closing shareholders' deficit	(14,564)	(13,742)

18. CONTINGENT LIABILITIES

At 31 March 2013 bank bonds, indemnities and guarantees issued by Barclays Bank Plc on behalf of the company, amounting to £4,215,000 (2011 - £542,000), 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 on the land and buildings at Bassington Lane, Cramlington, England, belonging to AAF Ltd and 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 2013 amounted to £13,776,000 (2011 - £10,103,000).

19. COMMITMENTS

- (a) There were no capital commitments at the balance sheet date (2011 – none).
 (b) Annual commitments under non-cancellable operating leases are as follows:

	31 March 2013		31 December 2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	77	76	37	121
In the second to fifth years inclusive	461	1,697	190	313
Over five years	535	-	94	-
	<u>1,073</u>	<u>1,773</u>	<u>321</u>	<u>434</u>

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

20. PENSION SCHEME

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £253,960 (2011 - £177,000).

Contributions amounting to £Nil (2011 - £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 2013 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 2013	31 December 2011	31 December 2010	31 December 2009
Rate of increase in salaries	3.0%	3.0%	3.0%	3.0%
Rate of increase of pensions in payment and deferred pensions	3.3%	3.0%	3.5%	3.5%
Discount rate applied to scheme liabilities	4.3%	4.7%	5.4%	5.8%
Inflation assumption	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.

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

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 March 2013

20. PENSION SCHEME (continued)

The expected long term rate of return in the scheme at 31 March 2013 was 5.9% (2011: 6.0%).

Movement in deficit during the period were as follows:	31 March 2013 £'000	31 December 2011 £'000
Deficit in scheme at beginning of period	(13,916)	(18,117)
Current service cost	(1,322)	(953)
Contributions paid	1,850	9,915
Other finance costs	(47)	34
Actuarial loss	(1,123)	(4,795)
Deficit in the scheme at the end of period	<u>(14,558)</u>	<u>(13,916)</u>
Analysis of other pension costs charged in arriving at operating profit:		
Current service cost	<u>1,322</u>	<u>953</u>

	31 March 2013 £'000	31 December 2011 £'000
Analysis of amounts included in other finance cost		
Expected return on pension scheme assets	3,486	2,874
Interest on pension scheme liabilities	(3,533)	(2,840)
	<u>(47)</u>	<u>34</u>
Analysis of amount recognised in statement of total recognised gains and losses:		
Actual return less expected return on scheme assets	4,464	1,492
Experience gains and losses arising on scheme liabilities	(685)	-
Changes in assumptions underlying the present value of scheme liabilities	(4,902)	(6,287)
Actuarial gains recognised in statement of total recognised gains and losses	<u>(1,123)</u>	<u>(4,795)</u>

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 March 2013

21. PENSION SCHEME (continued)

Movements in Fair Value of Scheme Assets were as follows:-	31 March 2013 £'000	31 December 2011 £'000
At beginning of the period	46,918	35,322
Expected return on scheme assets	3,486	2,874
Contributions paid by employers	1,850	9,915
Contributions paid by members	5	155
Benefits paid	(3,439)	(2,840)
Actuarial gain	4,464	1,492
At end of the period	<u>53,284</u>	<u>46,918</u>

Movements in the present value of Scheme Liabilities were as follows:-	31 March 2013 £'000	31 December 2011 £'000
At beginning of the period	60,834	53,439
Current service cost	1,322	953
Interest cost	3,533	2,840
Contributions paid by members	5	155
Benefits paid	(3,439)	(2,840)
Actuarial loss – assumptions	5,587	6,287
At end of the period	<u>67,842</u>	<u>60,834</u>

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 £10,267,000 (2011: £9,144,000).

History of experience gains and losses	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:	1,492	2,466	2,887	(8,566)	(37)
Percentage of period end scheme assets	3.2%	7.0%	8.6%	29.3%	0.1%
Experience gains and losses on scheme liabilities	-	-	(80)	285	530
Percentage of period end present value of scheme liabilities	0%	0%	0.2%	0.9%	1.1%
Total amount recognised in statement of total recognised gains and losses:	(4,795)	545	(3,574)	(3,281)	1,823
Percentage of period end present value of scheme liabilities	7.9%	1.0%	6.7%	7.6%	3.9%

NOTES TO THE FINANCIAL STATEMENTS**Period ended 31 March 2013****21. 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 22.

22. 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	December	December	December
	2013	2013	2013	2011	2011	2011
	€'000	£'000	£'000	'000	£'000	£'000
Forward foreign exchange contracts						
Company buys, Bank sells – EUR	1,098	882	927	NIL	NIL	NIL

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.

23. 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 accounts 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.