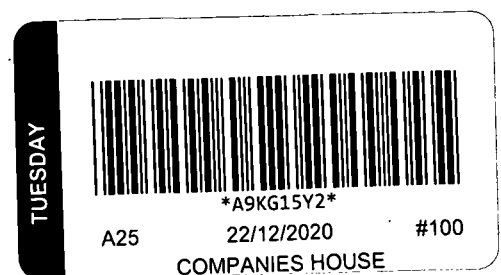


**J&E Hall Limited**

**Annual report and financial statements**

**For the year ended 31 March 2020**

Registration number: 03120673



**J&E Hall Limited**  
**For the year ended 31 March 2020**

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**J&E Hall Limited**  
**For the year ended 31 March 2020**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

A Bowden  
B Liow  
VP Chen  
A Proffitt  
I Creasey

**COMPANY SECRETARY**

I Creasey

**REGISTERED OFFICE**

Questor House  
191 Hawley Road  
Dartford  
Kent  
DA1 1PU

**BANKERS**

Barclays Bank plc  
71 Grey Street  
Newcastle upon Tyne  
NE1 4QL

**AUDITOR**

Deloitte LLP  
Statutory Auditor  
1 City Square,  
Leeds,  
United Kingdom  
LS1 2AL

# **J&E Hall Limited**

## **For the year ended 31 March 2020**

### **STRATEGIC REPORT**

The directors present their strategic report, annual report and the audited financial statements for the year ended 31 March 2020.

#### **BUSINESS REVIEW AND PRINCIPAL RISKS AND UNCERTAINTIES.**

##### **Performance Review**

The Directors are pleased to report a pre-tax profit of £35,000 (2019: £1,390,000 loss) and an operating profit of £608,000 (2019: £745,000 loss). The previous year's loss included a one-off charge of £1,424,000 for the Guaranteed Minimum Pension equalisation adjustment, necessitated by the Lloyds Banking Group Pensions Trustees Limited vs Lloyds Bank PLC (and others) court judgement on 26 October 2018.

Review of J & E Hall performance shows a good year beside COVID effects in Q4. Revenues increased to £45,402,000 (2019: £42,310,000) an increase of 7.3% and gross profit improved to £8,288,000 (2019: £7,675,000) an increase of 8.0%. Both revenues and gross profit were positively affected by the large backlog of orders for contracting coming into the financial year. Contracting bookings and sales were up 88% and 71% respectively over prior year resulting in a significant improvement in the gross margins. Project wins were mainly in Oil & Gas, industrial gases, pharmaceutical and food processing sectors, as well as increased enquiries for CO2 and heat pump projects.

The aftermarket service revenues showed a small decline after the 37% surge in revenues from the previous year. The service operations focused on efficiencies and increasing margins, improving on its budgeted profitability.

The Commercial products business achieved its sales target against a backdrop of market uncertainty caused by Brexit.

Order input saw strong growth resulting in a backlog of £22,426,000 (2019: £16,068,000) moving into the new financial year, an increase of 39% versus the corresponding position last year.

Debtor days Increased to 67 days (2019: 64 days). Working capital (net current assets excluding cash and overdraft) at the end of the year decreased to £9,240,000 (2019: £11,104,000) showing good improvement due to better cash control on large projects. As a proportion of annual sales, this equates to 20.4% (2019: 26.4%).

Overall net borrowing (cash, overdraft and loans) decreased by £1,878,000 due to a reduction in working capital.

The pension liability decreased by £1,764,000. The fair value of assets decreased by £962,000 and the value of the present value of the funded obligations decreased by £2,726,000 resulting in an improvement in the overall deficit.

The Company is in a net liabilities position of £15,631,000 which has reduced from £17,249,000 due to

- a gain on the remeasurement of the net defined pension liability of £1,510,000
- a profit before tax of £35,000
- a net tax credit of £73,000.

The analysis provided in the business review forms the key performance indicators that the Directors use to assess the business.

##### **Markets and Strategy**

J&E Hall, a pioneer of refrigeration, is a fully integrated refrigeration business supplying products, contracting (design, engineering, and installation) and aftermarket service. To deliver its products and services, J & E Hall has regional offices in the UK and at various international locations supported by distributors and representatives' as part of the Company's wider family. J & E Hall customer market segments are varied from Food Processing, Pharmaceutical, Marine, Oil & Gas to other industrial sectors.

The key to success for the Company's evolution is listening to its customers and aligning with global megatrends. Since the introduction of the F Gas regulations, J&E Hall has been in consultation with its customer base to update their installations with available greener alternatives and energy efficient solutions in products and contracting. This direction forms the basis for the research and development team to introduce products which improve customer processes, save energy costs and minimise environmental impact. The Kigali Agreement is a reaffirmation of a global initiative to mitigate climate change. As a result, this has fast tracked the development and acceptance of low GWP refrigerant based products in various market segments, ranging from commercial to industrial sectors.

J&E Hall already has existing natural refrigerant products available and are in the final stages of developing a range of low GWP products. A 5-year plan is in place to grow the products business further and launch a number of new products within the UK and internationally to meet our customer's requirements.

# **J&E Hall Limited**

## **For the year ended 31 March 2020**

### **STRATEGIC REPORT (continued)**

Higher bookings for international and regional contracting businesses provided a good head start to J&E Hall in FY20 (the year commencing 1 April 2020). Overall impact of COVID will be monitored on a month by month basis, as J&E Hall is not only a UK but also an international business and COVID impacts vary within different countries.

Though FY20 will be largely overshadowed by the COVID impact, J&E Hall's two focus areas are employee safety and customer service levels. Future prospects for the refrigeration sector remains strong for the following reasons (a) the UK and other developed countries are looking at energy efficient and environment conscious products to update their process from legacy equipment; (b) developing countries are investing heavily in their infrastructure with cold chain considered as a key pillar of investment to reduce food wastage and make the food supply chain more efficient. J&E Hall's international penetration gives an advantage to understand market challenges by various regions and are in strong position to deliver solutions to overcome these challenges.

### **Research and development**

The company continues to invest in the development of commercial and industrial products to keep pace with changing market demands. Industrial product development will open up new revenue streams for the company in the future. To support this project the company is looking to invest in creating in house testing facilities. The directors regard investment in this area as vital for success in the medium to long term future. (Note 5)

### **Section 172 Statement**

#### **Stakeholder Engagement**

The company has a diverse and global community of stakeholders which includes colleagues, customers, supply partners and our parent company. It continues to listen to these stakeholders and their insights, which in turn help shape its strategy and the decisions it takes. However, it is not practicable to please all stakeholders all of the time and a key part of the senior management team process is to balance the conflicting needs of the stakeholders, to ensure all are treated consistently and fairly. The company also receives regular updates throughout the year on engagement with its stakeholders, including feedback from employees and discussions with customers and suppliers. Building trusted partnerships with its suppliers is important in enabling it to provide the best products and services for its customers and provide a platform for suppliers to grow.

#### **People**

Last year saw a large investment in technical training which is planned to continue into 2021, alongside investment in behavioural skills training, especially for managers, all with the aim of empowering people to deliver for the customer. The company has identified the need to shift its culture, strengthening the focus on delivering through people as they are closest to the customers and recognising the part each employee plays in the success of the business.

As the company is a relatively small business of approximately 300 employees both the Managing Director and the Executive Team are quite visible and accessible to the employee and believe in being connected. Management maintains an "open door policy" to make it easy employees to contact them when needed.

Management believe that communication is key and annual "roadshow" is held where the Managing Director, Finance Director and Senior HR Manager visit each of the location to share news of the company's performance in the prior year and also the ongoing strategy and aims of the business for the future. There is also an open forum for employee questions and a monthly newsletter which conveys important company news and features, as well as giving updates and celebrating successes. Alongside these channels the line managers directly communicate important decisions and discuss their impact on people concerned and return feedback to the senior management team. Management believes it is important for the employees to have a voice and so each business unit has a structured approach to both sharing information and receiving feedback and ideas. There is a 'bright ideas scheme' which encourages suggestions and can may result in a financial reward being given for any that are implemented. This has yielded improvements to our social media presence and vehicle fleet in the past year. On the occasions where a change is needed which affects the employees, this is done sensitively, following employment law and balancing the individual needs of the employee.

The company believe its employees are its most valuable asset as they play a key role in delivering for customers. It aims to treat them fairly and consistently and to communicate with them regularly, to ensure they are engaged and understand the importance of role they play.

The company 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.

## **J&E Hall Limited**

### **For the year ended 31 March 2020**

#### **Suppliers**

As the company does not manufacture the majority of the products it sells, it is critical that it has strong relationships with suppliers and manufacturers worldwide who can achieve our high standards. Suppliers must demonstrate that they always operate to a recognised standard while complying with:

- The recognition of Human Rights
- Regulation relating to Health and safety
- The prohibition of modern slavery
- The promotion of sustainable consumption
- Regulation relating to Anti-bribery

The company engages with its suppliers through regular strategic meetings and conduct audits annually with core suppliers, monitoring performance of the above which are fundamental to a successful trading relationship between customer and supplier:

Supplier questionnaires provide a platform for all other suppliers as they enable the supplier to demonstrate adherence to the high standards expected by J&E Hall.

The impact of decisions on suppliers are discussed and evaluated by project managers, the purchasing team and the executive team in monthly management meetings. Communication and feedback from suppliers occurs place through the strategic meetings.

#### **Customers**

Serving its customers defines the company's purpose and contacts with customers are maintained by all levels of the organisation up to and including the Managing Director. Contacts are maintained with the customers' organisations at multiple levels to ensure their purpose and evolving needs are understood. Front-line service staff and project managers hold monthly meetings with sales staff, account managers and service unit managers to pool their knowledge and discuss all issues that impact the relationship and its future development. For many customers monthly meetings are held by salesman, project or service unit managers where Key Performance Indicators are evaluated and discussed and decisions or other developments effecting either party that may impact the other are communicated.

Customers' feedback, as well as the latest developments concerning customers, are communicated to the executive team at monthly management meeting to ensure that all decisions are taken with consideration to the view of customers and an understanding of the impact on them. This feedback has helped in understanding the importance that customers attach to energy efficiency and high environmental standards, ensuring that this becomes a key focus in future projects.

Regular surveys of customer opinions provide a further channel for customers to communicate their views to the company. The surveys are conducted by the Strategic Planning manager and allow the opinion of customers to be communicated directly to the executive team.

#### **Our Community**

J&E Hall has been part of the Dartford community for over two centuries and is deeply intertwined with the history of the town. In the past it was one of the biggest employers in the town and it still has much to contribute as a local employer supplier and customer.

Its apprenticeship training scheme is an important point of engagement with the community where dedicated support and opportunities are provided to young people to learn core engineering skills and develop an aptitude for problem solving. The scheme provides young people with an opportunity to learn key skills which are in demand and gives them a clear career path. It also helps to seed the industry with new young engineering talent to ensure its future prosperity.

J&E Hall is committed to promoting sustainability in its communities and contribute positively, both socially and economically. It strives to develop and supply sustainable, environmentally conscious products and services. It is committed to sourcing 100% of its electricity from renewable sources. The senior management team regularly review the renewable energy strategy, which is approved on an annual basis.

Employees are encouraged to participate in a number of charitable events and example being the annual Macmillan Coffee morning. This year employees participating in the event raised £220 for the cancer charity.

# **J&E Hall Limited**

## **For the year ended 31 March 2020**

### **Future Developments**

COVID-19 has made the business environment more challenging in some of the market segments within which the company operates but the overall impact on trading has been minimal. The main market segments have seen increased activity due to the additional demand created by changes in people's behaviour as they adapt to COVID-19. Although it is difficult to predict the future there are good reasons to believe that our core segments will be less susceptible to disruption to COVID-19 than the economy as a whole. During the country-wide first "lockdown" the cash position improved and cashflow issues are not expected in the future under any likely scenario.

On the 14 April 2020 a consultation process commenced with the active members of the defined benefit pension scheme on a proposal to close the scheme to future accrual. The consultation continued for three months to ensure time for all concerned to express their views. At the end of the consultation the decision was made to close the scheme to future accrual on the 31<sup>st</sup> July 2020.

### **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.

#### **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.

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.

After due consultation with the active members the decision has been taken to close the defined benefit scheme to future accrual of benefits.

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

*IP Creasey*  
Ian Creasey  
Director and Secretary  
21 December 2020  
Questor House  
191 Hawley Road  
Dartford  
Kent  
DA1 1PU

# **J&E Hall Limited**

## **For the year ended 31 March 2020**

### **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 2020.

The Profit after taxation for the year amounted to £395,000 (2019: loss £1,132,000).

There were no dividends paid during the year (2019: £nil) and the directors do not recommend the payment of a final dividend.

#### **PRINCIPAL ACTIVITY**

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

Financial risk management objectives and disclosures in relation to employee consultations, disabled employees and future developments are presented in the Strategic Report on pages 2 to 5 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.

All members of the AAF McQuay UK Ltd group, of which the company is one, continue to enjoy the support of the ultimate parent company, Daikin Industries Ltd which has confirmed that it will provide sufficient financial support, should it be required, to enable the Company to meet its liabilities as they fall due for a period of not less than 12 months from the date of the approval of the financial statements. The going concern of the company is therefore dependant on the going concern of the Group which has been assessed and has adequate resources to be able to provide this support.

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

#### **DIRECTORS AND THEIR INTERESTS**

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

A Bowden  
B Liow  
VP Chen  
A Proffitt  
I Creasey

#### **Director's Indemnities**

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



**J&E Hall Limited**  
**For the year ended 31 March 2020**

**DIRECTORS' REPORT (CONTINUED)**

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

This section covers the energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and information relating to energy efficiency actions.

**Current reporting year (April 2019 – March 2020)**

|  |           |                              |
|--|-----------|------------------------------|
| Total energy use covering electricity, gas and transport       | 4,644,152 | kWh                          |
| Total emissions generated through combustion of gas            | 114.99    | tCO <sub>2</sub> e           |
| Total emissions generated through combustion of other fuel     | 0.00      | tCO <sub>2</sub> e           |
| Total emissions generated through use of purchased electricity | 146.84    | tCO <sub>2</sub> e           |
| Total emissions generated through business travel              | 938.90    | tCO <sub>2</sub> e           |
| Total gross emissions  | 1,200.72  | tCO <sub>2</sub> e           |
| Intensity ratio (total gross emissions per Employee)           | 4.14      | tCO <sub>2</sub> e/ employee |

**Energy efficiency actions**

We are very aware of our responsibility to manage energy responsibly and will practise energy efficiency throughout our organisation, wherever it's cost effective. We recognise that climate change is one of the most serious environmental challenges currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions.

We have a global group policy committing to carbon neutrality by 2050 with a shorter term aim for a 5% carbon reduction over the next 5 years.

We have implemented the policies below for the purpose of increasing the businesses energy efficiency in the relevant financial year.

- Implemented and encouraged use of video conferencing capability. This saves travel costs incurred to attend a meeting as well as saving travel time to and from the meeting for some attendees.
- On-going program of upgrading to LED lighting

**The following energy efficiency measures are under consideration for implementation during 2020**

- Continue to upgrade lighting.
- Review and implement ESOS Phase 2 energy saving recommendations where appropriate.

**Methodology used in the calculation of disclosures**

ESOS methodology (as specified in Complying with the Energy Savings Opportunity Scheme version 6, published by the Environment Agency 28/10/2019) used in conjunction with Government GHG reporting conversion factors.

**CHARITABLE CONTRIBUTIONS**

Donations to UK charities amounted to £129 (2019: £1,669).

**J&E Hall Limited**  
**For the year ended 31 March 2020**

**DIRECTORS' REPORT (CONTINUED)**

**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:

*IP Creasey*

Ian Creasey  
Director and Secretary  
21 December 2020

Questor House  
191 Hawley Road  
Dartford  
Kent  
DA1 1PU

**J&E Hall Limited**  
**For the year ended 31 March 2020**

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland." Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of J&E Hall Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

## **Independent auditor's report to the members of J&E Hall Limited (continued)**

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

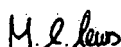
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Lewis ACA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Newcastle upon Tyne, United Kingdom  
21 December 2020

## J&E Hall Limited

### Profit and loss account

For the year ended 31 March 2020

|  | Note | 2020<br>£'000 | 2019<br>£'000  |
|--|------|---------------|----------------|
| Turnover   | 3    | 45,402        | 42,310         |
| Cost of sales  |      | (37,113)      | (34,635)       |
| <b>Gross profit</b>  |      | <b>8,289</b>  | <b>7,675</b>   |
| Distribution costs   |      | (3,287)       | (2,977)        |
| Administrative expenses excluding GMP equalisation   |      | (4,394)       | (4,019)        |
| <b>Operating profit (before GMP equalisation)</b>  |      | <b>608</b>    | <b>679</b>     |
| Impact of GMP equalisation   |      | -             | (1,424)        |
| <b>Operating profit/(loss) (after GMP equalisation)</b>  |      | <b>608</b>    | <b>(745)</b>   |
| Interest payable and similar charges   | 4    | (162)         | (173)          |
| Other finance charges  | 4    | (411)         | (472)          |
| <b>Profit/(loss) before taxation</b>   | 5    | <b>35</b>     | <b>(1,390)</b> |
| Tax on profit/(loss)   | 9    | 360           | 258            |
| <b>Profit/(loss) for the financial year attributable to the equity shareholders of the Company</b> |      | <b>395</b>    | <b>(1,132)</b> |

## J&E Hall Limited

### Statement of comprehensive income For the year ended 31 March 2020

|  | Note | 2020<br>£'000       | 2019<br>£'000     |
|--|------|---------------------|-------------------|
| <b>Profit/ (loss) for the financial year</b>   |      | <u>395</u>          | <u>(1,132)</u>    |
| Re-measurement of net defined benefit liability                                      | 20   | 1,510               | 2,293             |
| Tax credit relating to components of other comprehensive income.                     |      | <u>(287)</u>        | <u>(390)</u>      |
| <b>Other comprehensive income</b>  |      | <u>1,223</u>        | <u>1,903</u>      |
| <b>Total comprehensive income attributable to equity shareholders of the Company</b> |      | <u><u>1,618</u></u> | <u><u>771</u></u> |

## J&E Hall Limited

### Balance sheet At 31 March 2020

|   |    | 2020<br>£'000   | 2019<br>£'000   |
|---|----|-----------------|-----------------|
| <b>Fixed assets</b>                                   |    |                 |                 |
| Tangible assets                                       | 11 | 1,075           | 1,136           |
| Investments   | 12 | 1,815           | 1,815           |
|   |    | <u>2,890</u>    | <u>2,951</u>    |
| <b>Current assets</b>                                 |    |                 |                 |
| Stocks  | 13 | 5,828           | 5,636           |
| Debtors   |    |                 |                 |
| - due within one year                                 | 14 | 15,447          | 15,765          |
| - due after one year                                  | 14 | 3,021           | 3,003           |
| Cash at bank and in hand                              |    | 28              | 403             |
|   |    | <u>24,324</u>   | <u>24,807</u>   |
| <b>Creditors: amounts falling due within one year</b> | 15 | (17,339)        | (16,835)        |
| <b>Net current assets</b>                             |    | <u>6,985</u>    | <u>7,972</u>    |
| <b>Total assets less current liabilities</b>          |    | 9,875           | 10,923          |
| <b>Creditors: amounts falling due after one year</b>  | 16 | (9,000)         | (10,000)        |
| <b>Provisions for liabilities</b>                     | 17 | (606)           | (509)           |
| <b>Pension liability</b>                              | 20 | (15,900)        | (17,663)        |
| <b>Net liabilities</b>                                |    | <u>(15,631)</u> | <u>(17,249)</u> |
| <b>Capital and reserves</b>                           |    |                 |                 |
| Called-up share capital                               | 18 | 8,000           | 8,000           |
| Profit and loss account                               |    | (23,631)        | (25,249)        |
| <b>Shareholders' deficit</b>                          |    | <u>(15,631)</u> | <u>(17,249)</u> |

The financial statements of J&E Hall Limited (registered number 03120673) were approved by the board of directors and authorised for issue on 21 December 2020. They were signed on its behalf by:

*I P Creasey*

Ian Creasey  
Director



## J&E Hall Limited

### Statement of changes in equity For the year ended 31 March 2020

|   | Called-up<br>share<br>capital<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>£'000 |
|---|--|--|----------------|
| <b>At 1 April 2018</b>                              | 8,000                                  | (26,020)                               | (18,020)       |
| Loss for the financial year                         | -                                      | (1,132)                                | (1,132)        |
| Re-measurement of net defined benefit liability     | -                                      | 2,293                                  | 2,293          |
| Tax relating to items of other comprehensive income | -                                      | (390)                                  | (390)          |
| <b>Total comprehensive income</b>                   | -                                      | 771                                    | 771            |
| <b>At 31 March 2019</b>                             | 8,000                                  | (25,249)                               | (17,249)       |
| Profit for the financial year                       | -                                      | 395                                    | 395            |
| Re-measurement of net defined benefit liability     | -                                      | 1,510                                  | 1,510          |
| Tax relating to items of other comprehensive income | -                                      | (287)                                  | (287)          |
| <b>Total comprehensive income</b>                   | -                                      | 1,618                                  | 1,618          |
| <b>At 31 March 2020</b>                             | 8,000                                  | (23,631)                               | (15,631)       |

# **J&E Hall Limited**

## **Notes to the financial statements** **For the year ended 31 March 2020**

### **1. ACCOUNTING POLICIES**

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

#### **General information and basis of accounting**

J&E Hall Limited is a private limited company, limited by shares, incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

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

J&E Hall Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. J&E Hall Limited is consolidated in the financial statements of its ultimate parent, Daikin Industries Ltd, which may be obtained at the address given in note 23. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

#### **Going Concern**

The company's business activities, together with the factors likely to affect its future development, performance and position, risks and uncertainties are set out in the Strategic Report on page 2-3.

As highlighted in notes 15, 16 and 21 to the financial statements, the company meets its day to day working capital requirements through an overdraft facility which is shared with the rest of the UK resident members of the group of companies headed by AAF McQuay UK Limited ("the UK group") and through inter-company loans from AAF McQuay UK Ltd. The UK group's borrowing facility provided by Daikin Europe NV was renewed on 31 March 2019. The loans from Daikin Europe NV were repaid on the 14th June 2019 with funds loaned by Daikin Industries Limited. The UK group's borrowing facility provided by Daikin Industries Limited was renewed on 30 June 2020. The UK group overdraft and guarantee facility with Barclays Bank plc was renewed on 30 June 2020 and continues until renewed or cancelled. While the current economic conditions create uncertainty over the level of demand for the company's products and uncertainty over future exchange rates creates some uncertainty in some manufacturing cost, the company finds that bank finance is more available through being a subsidiary of Daikin Industries Ltd than it would be for an independent company of its size.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance of both itself and the other members of the UK group, show that the company and group should be able to operate within the level of its current facilities. The UK group continues to hold discussions with its bankers about its future borrowing needs and no matters have been brought to its attention to suggest that future renewal may not be forthcoming on acceptable terms.

The directors have received an assurance from AAF McQuay UK Ltd, the immediate holding company, that the repayment of the loans totalling £9,000,000 will not be demanded in the 12 months following the signing of the financial statements.

Given the long term nature of the pension liability and the intercompany loans due after more than one year, 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 in addition to receiving letter of support from its ultimate parent company. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

# J&E Hall Limited

## Notes to the financial statements For the year ended 31 March 2020

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Intangible fixed assets and amortisation

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years. The carrying values of intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment is charged to the profit and loss account.

#### Investments

Fixed asset investments are shown at cost less provision for impairment.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

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

#### Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

#### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### *Financial assets*

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

# **J&E Hall Limited**

## **Notes to the financial statements** **For the year ended 31 March 2020**

### **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.

# **J&E Hall Limited**

## **Notes to the financial statements** **For the year ended 31 March 2020**

### **1. ACCOUNTING POLICIES (CONTINUED)**

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax balance are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

#### **Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# J&E Hall Limited

## Notes to the financial statements For the year ended 31 March 2020

### 1. ACCOUNTING POLICIES (CONTINUED)

#### (i) *Derivative financial instruments*

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### (ii) *Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

### Turnover

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services. Sales are presented, net of value-added tax. The company recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when risks and rewards have been transferred under the contractual agreement.

For long term contracts, see above.

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgements in applying the Company's accounting policies**

In the directors' opinion there are no critical judgements. Sources of estimation that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are dealt with below.

#### **Revenue Recognition on Long-term Contracting**

Recognition of revenue and profit is based on judgements made in respect of the ultimate profitability of a contract. Such judgements are arrived at through the use of estimates in relation to the costs and value of work performed to date and to be performed in bringing contracts to completion. These estimates are made by reference to recovery of pre-contract costs, surveys of progress against timetable, changes in work scope, the contractual terms under which the work is being performed, including the recoverability of any un-agreed income from variations and the likely outcome of discussions on claims and costs incurred. Revenue is recognised using the cost to cost methodology to determine the percentage completion on Long term contracts.

# J&E Hall Limited

## Notes to the financial statements For the year ended 31 March 2020

### 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### Post-Employment Benefits

For the defined benefit scheme, pension valuations have been performed using specialist advice obtained from independent qualified actuaries. In performing these valuations, significant actuarial assumptions and judgments have been made to determine the defined benefit obligation, in particular with regard to discount rate, inflation and mortality. Details of assumptions used are set out in Note 20.

### 3. Turnover

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

|                                      | 2020<br>£'000 | 2019<br>£'000 |
|--------------------------------------|---------------|---------------|
| <b>Turnover by geographic market</b> |               |               |
| UK                                   | 36,865        | 34,743        |
| Europe                               | 4,148         | 4,469         |
| Asia                                 | 2,800         | 2,158         |
| America                              | 1,106         | 671           |
| Rest of the World                    | 483           | 269           |
|                                      | <u>45,402</u> | <u>42,310</u> |

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

### 4. Finance costs (net)

|                                      | 2020<br>£'000 | 2019<br>£'000 |
|--------------------------------------|---------------|---------------|
| Interest payable and similar charges | 162           | 173           |
| Other finance costs                  | 411           | 472           |
|                                      | <u>573</u>    | <u>645</u>    |

#### *Interest payable and similar charges*

|                  | 2020<br>£'000 | 2019<br>£'000 |
|------------------|---------------|---------------|
| Payable to Group | <u>162</u>    | <u>173</u>    |

#### *Other finance costs*

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Net interest on defined benefit liability (see note 20) | <u>411</u>    | <u>472</u>    |

# J&E Hall Limited

## Notes to the financial statements For the year ended 31 March 2020

### 5. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging/(crediting):

|   | 2020<br>£'000     | 2019<br>£'000     |
|---|-------------------|-------------------|
| Depreciation of tangible fixed assets (note 11)                       | 344               | 342               |
| Research and development  | 1,567             | 1,356             |
| Impairment of stock/(reversal of impairment) recognised as an expense | 59                | (322)             |
| Operating lease rentals   | 1,042             | 1,513             |
| Foreign exchange loss   | 43                | 146               |
|   | <u>          </u> | <u>          </u> |

Impairments and reversal of impairments of stocks are included in cost of sales.

### 6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's financial statements were £47,000 (2019: £46,000).

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 monthly persons employed by the company (including directors) during the year, analysed by category, was as follows:

|                               | 2020<br>Number    | 2019<br>Number    |
|-------------------------------|-------------------|-------------------|
| Manufacturing and Engineering | 166               | 167               |
| Administration                | 89                | 89                |
|                               | <u>          </u> | <u>          </u> |
|                               | 255               | 256               |
|                               | <u>          </u> | <u>          </u> |

Their aggregate remuneration comprised:

|  | 2020<br>£'000     | 2019<br>£'000     |
|--|-------------------|-------------------|
| Wages and salaries   | 12,384            | 11,990            |
| Social security costs  | 1,378             | 1,401             |
| Other pension costs – Defined benefit Including GMP equalisation (note 20) | 439               | 1,896             |
| Other pension costs – Defined Contribution (note 20)                       | 769               | 596               |
|  | <u>          </u> | <u>          </u> |
|  | 14,970            | 15,883            |
|  | <u>          </u> | <u>          </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 For the year ended 31 March 2020

#### 8. Directors' remuneration

|                       | 2020<br>£'000 | 2019<br>£'000 |
|-----------------------|---------------|---------------|
| Directors' emoluments | <u>138</u>    | <u>143</u>    |

The aggregate of the emoluments of the highest paid director was £138,210 (2019: £143,497).

The highest paid director is a member of the company's defined contribution scheme.

Directors not paid by J&E Hall Limited are remunerated by other group companies and it not possible to allocate these emoluments across the various entities.

#### 9. Tax on profit/(loss)

The tax charge comprises:

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| <b>Current tax on profit/(loss)</b>   |               |               |
| UK corporation tax charge   | -             | -             |
| Group relief payable  | (27)          | (8)           |
| Adjustments in respect of prior years   | (5)           | (17)          |
| <b>Total current tax</b>  | <u>(32)</u>   | <u>(25)</u>   |
| <b>Deferred tax</b>   |               |               |
| Origination and reversal of timing differences                                      | (10)          | (14)          |
| Adjust opening Deferred tax to 19%  | (365)         | -             |
| Adjustments in respect of prior periods   | (1)           | -             |
| Movement in respect of defined benefit scheme                                       | 48            | (219)         |
| <b>Total deferred tax (see note 14)</b>   | <u>(328)</u>  | <u>(233)</u>  |
| <b>Total tax on profit/(loss)</b>   | <u>(360)</u>  | <u>(258)</u>  |
| <b>Total deferred tax relating to items of other comprehensive income/(expense)</b> | <u>287</u>    | <u>390</u>    |
|   | <u>(73)</u>   | <u>132</u>    |

The standard rate of tax applied to reported profit on is 19% (2019: 19%).

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

## J&E Hall Limited

### Notes to the financial statements For the year ended 31 March 2020

#### 9. Tax on profit/(loss) (continued)

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

|   | 2020<br>£'000 | 2019<br>£'000  |
|---|---------------|----------------|
| <b>Profit/(loss) before tax</b>   | <u>35</u>     | <u>(1,390)</u> |
| Tax on (loss)/profit at standard UK corporation tax rate of 19 %<br>(2019: 19%) | 7             | (264)          |
| Effects of:   |               |                |
| - Expenses not deductible for tax purposes                                      | 2             | -              |
| - Fixed asset differences   | 2             | 2              |
| - RDEC adjustment for prior period  | -             | (7)            |
| - Adjust opening deferred tax to average rate of 19%                            | (365)         |                |
| - Effect of difference between corporate and deferred tax rates                 | -             | 28             |
| - Adjustments to tax charge in respect of previous years                        | (6)           | (17)           |
| <b>Total tax credit for period</b>  | <u>(360)</u>  | <u>(258)</u>   |

The Deferred Tax brought forward which was calculated at 17% has been revalued at 19% following the enactment of Finance Act 2020 which removed the provision for the future reduction in corporation tax. During the year beginning 1 April 2020, 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

|                                  | 2020<br>£'000 | 2019<br>£'000 |
|----------------------------------|---------------|---------------|
| <b>Cost</b>                      |               |               |
| At beginning and end of year     | <u>7,228</u>  | <u>7,228</u>  |
| <b>Amortisation</b>              |               |               |
| At beginning and end of the year | <u>7,228</u>  | <u>7,228</u>  |
| <b>Net book value</b>            |               |               |
| At the beginning and end of year | <u>-</u>      | <u>-</u>      |

## J&E Hall Limited

### Notes to the financial statements For the year ended 31 March 2020

#### 11. Tangible fixed assets

|                       | Short<br>Leasehold<br>£'000 | Fixtures,<br>fittings,<br>Plant, tools<br>& Vehicles<br>£'000 | Total<br>£'000 |
|-----------------------|-----------------------------|---|----------------|
| <b>Cost</b>           |                             |   |                |
| At 1 April 2019       | 528                         | 5,489   | 6,017          |
| Additions             | -                           | 283   | 283            |
| Disposals             | (23)                        | (2,086)   | (2,109)        |
| At 31 March 2020      | <u>505</u>                  | <u>3,686</u>  | <u>4,191</u>   |
| <b>Depreciation</b>   |                             |   |                |
| At 1 April 2019       | 507                         | 4,374   | 4,881          |
| Charge for the year   | 20                          | 324   | 344            |
| Disposals             | (23)                        | (2,086)   | (2,109)        |
| At 31 March 2020      | <u>504</u>                  | <u>2,612</u>  | <u>3,116</u>   |
| <b>Net book value</b> |                             |   |                |
| At 31 March 2020      | <u>1</u>                    | <u>1,074</u>  | <u>1,075</u>   |
| At 31 March 2019      | <u>21</u>                   | <u>1,115</u>  | <u>1,136</u>   |

#### 12. Fixed asset investments

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

|                                | 2020<br>£'000 | 2019<br>£'000 |
|--------------------------------|---------------|---------------|
| <b>Cost and Net Book value</b> |               |               |
| At 31 March 2020               | <u>1,815</u>  | <u>1,815</u>  |

| Subsidiary undertakings                            | Country of<br>incorporation | Principal activity                       | Holding  | %    |
|--|-----------------------------|--|----------|------|
| Coulstock and Place engineering<br>Company Limited | England                     | Electrical motor rewinding,<br>component | Ordinary | 100% |
| Balmsound limited                                  | England                     | Dormant                                  | Ordinary | 100% |

The registered offices of the subsidiaries are as follows:

Coulstock and Place Engineering Co. Limited: Questor House, 191 Hawley Road, Dartford, Kent.  
Balmsound Limited: c/o AAF Ltd, Bassington Lane, Cramlington, Northumberland

In the year ended 31 March 2020 Coulstock and Place Engineering Company Limited reported a loss after tax of £41,000 and its aggregate capital and reserves stood at £1,763,000.

## J&E Hall Limited

### Notes to the financial statements For the year ended 31 March 2020

#### 13. Stocks

|                                     | 2020<br>£'000 | 2019<br>£'000 |
|-------------------------------------|---------------|---------------|
| Work in progress                    | 2,087         | 2,285         |
| Finished goods and goods for resale | 3,741         | 3,351         |
|                                     | <u>5,828</u>  | <u>5,636</u>  |

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

#### 14. Debtors

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Amounts falling due within one year:              |               |               |
| Trade debtors                                     | 9,407         | 10,391        |
| Gross amount due from customers for contract work | 2,367         | 1,914         |
| Amounts owed by group undertakings                | 1,794         | 1,484         |
| Other debtors                                     | 44            | -             |
| VAT   | 725           | 653           |
| Derivative  | -             | 20            |
| R&D tax credit receivable                         | 144           | 127           |
| Deferred tax assets                               | 133           | 96            |
| Corporation Tax/Group relief receivable           | 109           | 42            |
| Prepayments and accrued income                    | 724           | 1,038         |
|   | <u>15,447</u> | <u>15,765</u> |

The amounts related to group undertakings are trading balances and are subject to agreed payment terms and are not subject to interest and are not secured.

#### Amounts falling due after more than one year:

|                                   |              |              |
|-----------------------------------|--------------|--------------|
| Deferred tax on pension liability | <u>3,021</u> | <u>3,003</u> |
|-----------------------------------|--------------|--------------|

## J&E Hall Limited

### Notes to the financial statements For the year ended 31 March 2020

#### 14. Debtors (continued)

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

|   | Difference between<br>accumulated<br>depreciation and<br>capital allowances<br>£'000 | Other timing<br>differences, losses<br>and other<br>deductions<br>£'000 | Deferred R&D<br>tax credit<br>£'000 | Total deferred<br>tax asset (as<br>above)<br>£'000 | Deferred tax<br>asset on<br>pension deficit<br>(see note 20)<br>£'000 | Total<br>£'000 |
|---|--|---|-------------------------------------|--|---|----------------|
| At 1 April 2019                                       | 6  | 9   | 81                                  | 96   | 3,003   | 3,099          |
| Charge to the profit and loss<br>account for the year | 13   | -   | -                                   | 13   | -   | 13             |
| Charge Related to Final salary<br>Scheme              | -  | -   | -                                   | -  | (48)  | (48)           |
| Adjust Opening deferred tax<br>to average rate of 19% | -  | 1   | 10                                  | 11   | 353   | 364            |
| Tax Transfer  | -  | -   | 13                                  | 13   | -   | 13             |
| Amounts included in OCI                               | -  | -   | -                                   | -  | (287)   | (287)          |
| At 31 March 2020                                      | 19   | 10  | 104                                 | 133  | 3,021   | 3,154          |

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

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Bank overdraft (see note 21)             | 2,282         | 3,536         |
| Payments received on long term contracts | 1,943         | 2,903         |
| Trade creditors                          | 3,210         | 1,465         |
| Amounts owed to group undertakings       | 2,287         | 2,327         |
| Other taxation and social security       | 451           | 441           |
| VAT                                      | 405           | 673           |
| Other creditors                          | -             | 53            |
| Accruals and deferred income             | 6,761         | 5,437         |
|  | 17,339        | 16,835        |

The amounts related to group undertakings are trading balances and are subject to agreed payment terms and are not subject to interest and are not secured.

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

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Amounts owed to group undertakings – variable interest rate loans | 9,000         | 10,000        |

Amounts owed to group undertakings comprise two variable interest rate loans of £7,000,000 (2019: £8,000,000) and £2,000,000 (2019: £2,000,000) from AAF McQuay UK Limited. At the 31 March 2020, the interest rates applicable were 1.3073% per annum and 0.64% per annum respectively. The loans have no fixed repayment date. The directors of AAF McQuay UK Ltd have confirmed that the repayment of loans from AAF McQuay UK Limited totalling £9,000,000 will not be demanded in the 12 months following the signing of the financial statements.

## J&E Hall Limited

### Notes to the financial statements For the year ended 31 March 2020

#### 17. Provisions for liabilities

|                                    | Product warranties<br>£'000 |
|------------------------------------|-----------------------------|
| At 1 April 2019                    | 509                         |
| Charged to profit and loss account | 157                         |
| Released unused                    | (13)                        |
| Utilisation of provision           | (47)                        |
|                                    | <hr/>                       |
| At 31 March 2020                   | 606                         |
|                                    | <hr/> <hr/>                 |

#### *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.

#### 18. Called-up share capital and reserves

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Allotted, called-up and fully-paid<br>8,000,100 ordinary shares of £1 each | 8,000         | 8,000         |
|  | <hr/>         | <hr/>         |

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.

#### 19. Financial commitments

There were no capital commitments at the balance sheet date (2019: none).

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

|                              | 31 March 2020                  |                | 31 March 2019                  |                |
|------------------------------|--------------------------------|----------------|--------------------------------|----------------|
|                              | Land and<br>buildings<br>£'000 | Other<br>£'000 | Land and<br>buildings<br>£'000 | Other<br>£'000 |
| - within one year            | 404                            | 780            | 198                            | 673            |
| - between one and five years | 767                            | 930            | 247                            | 1,035          |
|                              | <hr/>                          | <hr/>          | <hr/>                          | <hr/>          |
|                              | 1,171                          | 1,710          | 445                            | 1,708          |
|                              | <hr/> <hr/>                    | <hr/> <hr/>    | <hr/> <hr/>                    | <hr/> <hr/>    |

# J&E Hall Limited

## Notes to the financial statements For the year ended 31 March 2020

### 20. 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 £769,000 (2019: £596,000). Contributions amounting to £18,490 (2019: nil) are payable under the scheme and are included in creditors.

#### *Defined benefit schemes*

The company also operates a pension scheme providing benefits based on final pensionable pay for qualifying employees. Under the schemes, the employees are entitled to retirement benefits of 1/80<sup>th</sup> 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 2020 by an independent actuary, who is a Fellow of the Institute and Faculty of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The defined benefit scheme was closed to new members on 13 August 2004 and replaced with a defined contribution scheme on this date. The assets and liabilities of the scheme are held separately from those of the company, in an independently administered fund.

After the end of the year following consultation with active members the decision was been made to end future accrual to the defined benefit scheme from the 1<sup>st</sup> August 2020. Active members of the defined benefit scheme were given the option of joining the defined contribution scheme as 'preferred deferred' member.

Contributions amounting to £53,313 (2019: £59,945) are payable to the scheme and are included in creditors. An employer contribution rate of 15% of pensionable pay applied until 31 July 2020.

In addition to the above contribution rates the company is paying £806,541 (2019: £784,332) per annum as fixed contributions. The total contributions to the scheme by the company during the year were £1,104,000 (2019: £1,079,000). The total contributions for the year ended 31 March 2021 are forecast to be £1,500,000.

|                               | Valuation at            |                         |
|-------------------------------|-------------------------|-------------------------|
|                               | 2020                    | 2019                    |
| Key assumptions used:         |                         |                         |
| Discount rate                 | 2.35%                   | 2.40%                   |
| Future pension increases      | 3.55%                   | 3.55%                   |
| LPI5% (RPI)                   | 2.60%                   | 3.20%                   |
| LPI3% (CPI)                   | 1.80%                   | 2.20%                   |
| Inflation                     | 2.60%                   | 3.20%                   |
| Salary increases              | 2.30%                   | 2.70%                   |
| <i>Mortality assumptions:</i> |                         |                         |
| 120% of S2PXA tables          | CMI 2019<br>projections | CMI 2018<br>projections |

with a long-term rate of improvement of 1% per annum

## J&E Hall Limited

### Notes to the financial statements For the year ended 31 March 2020

#### 20. Employee benefits (continued)

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

|   | 2020<br>£'000  | 2019<br>£'000  |
|---|----------------|----------------|
| Current service cost                                  | 439            | 472            |
| Past service Cost                                     | -              | 1,424          |
| Net interest cost (note 4)                            | 411            | 472            |
|   | <u>850</u>     | <u>2,368</u>   |
| Loss/(gain) on scheme assets in excess of interest    | 385            | (1,838)        |
| Experience losses on liabilities                      | -              | (713)          |
| (Gains)/loss from changes to assumptions              | (1,895)        | 258            |
|   | <u>(1,510)</u> | <u>(2,293)</u> |
| Recognised in other comprehensive income              | (1,510)        | (2,293)        |
| Total (gains)/cost relating to defined benefit scheme | <u>(660)</u>   | <u>75</u>      |

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

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Present value of defined benefit obligations  | 83,755        | 86,481        |
| Fair value of scheme assets                   | (67,855)      | (68,817)      |
|   | <u>15,900</u> | <u>17,664</u> |
| Net liability recognised in the balance sheet | <u>15,900</u> | <u>17,664</u> |

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

|                            | 2020<br>£'000 | 2019<br>£'000 |
|----------------------------|---------------|---------------|
| At 1 April                 | 86,481        | 86,506        |
| Service cost               | 439           | 1,896         |
| Interest cost              | 2,036         | 2,202         |
| Actuarial gains and losses | (1,895)       | (455)         |
| Benefits paid              | (3,306)       | (3,669)       |
| Contributions by members   | -             | 1             |
|                            | <u>83,755</u> | <u>86,481</u> |
| At 31 March 2020           | <u>83,755</u> | <u>86,481</u> |



## J&E Hall Limited

### Notes to the financial statements For the year ended 31 March 2020

#### 20. Employee benefits (continued)

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

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| At 1 April  | 68,817        | 67,838        |
| Interest income   | 1,625         | 1,730         |
| Return on plan assets (excluding amounts included in net interest cost) | (385)         | 1,838         |
| Contributions from the employer   | 1,104         | 1,079         |
| Contributions from scheme participants                                  | -             | 1             |
| Benefits paid   | (3,306)       | (3,669)       |
| At 31 March 2020  | <u>67,855</u> | <u>68,817</u> |

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

|                             | 2020<br>£'000 | 2019<br>£'000 |
|-----------------------------|---------------|---------------|
| Equity                      | 24,428        | 26,839        |
| Bonds                       | 27,142        | 28,215        |
| Liability driven investment | 11,535        | 8,946         |
| Property                    | 4,071         | 4,129         |
| Cash                        | 679           | 688           |
|                             | <u>67,855</u> | <u>68,817</u> |

The actual return on the Scheme's assets over the year was £1,240,000. The assets do not include any investment in shares of the Company.

#### 21. Contingent liabilities

At 31 March 2020 bank bonds, indemnities and guarantees issued by Barclays Bank Plc on behalf of the company, amounting to £6,700,705 (2019: £3,948,538), 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 2020, comprising contingent liabilities plus total overdrawn balances less positive account balances amounted to £19,801,000 (2019: £11,331,000).

#### 22. 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 23.

## **J&E Hall Limited**

### **Notes to the financial statements** **For the year ended 31 March 2020**

#### **23. Parent companies and ultimate controlling party**

The company's immediate parent undertaking is AAF McQuay UK Limited, incorporated in England, registered address c/o AAF Ltd, Bassington Lane, Cramlington, Northumberland. The ultimate parent undertaking and controlling party is Daikin Industries Limited, incorporated in Japan.

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