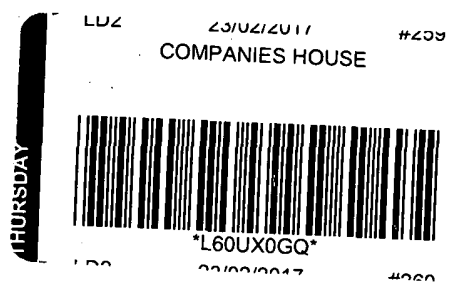


AFE Group Limited

Annual report and financial statements  
for the year ended 31 August 2016

Registered number: 03872673



# **AFE Group Limited**

## **Annual report and financial statements for the year ended 31 August 2016**

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# **AFE Group Limited**

## **Strategic report for the year ended 31 August 2016**

### **Principal Activities**

AFE Group Ltd is recognised as a leading UK business providing design, manufacture, installation and service of professional foodservice, catering and bakery equipment.

AFE Group Ltd trades in the UK under the business and brand names of:-

<b>Brand Name</b>	<b>Description</b>	<b>Web Site Addresses</b>
Williams Refrigeration	Refrigeration Equipment	<a href="http://www.williams-refrigeration.com">www.williams-refrigeration.com</a>
Falcon Foodservice Equipment	Commercial cooking and catering equipment	<a href="http://www.falconfoodservice.com">www.falconfoodservice.com</a>
Mono Equipment	Bakery Equipment	<a href="http://www.monoequip.com">www.monoequip.com</a>
Millers Vanguard	Maintenance and service of bakery and foodservice equipment	<a href="http://www.millersvanguard.co.uk">www.millersvanguard.co.uk</a>
Serviceline	Maintenance and service of foodservice equipment	<a href="http://www.service-line.co.uk">www.service-line.co.uk</a>

### **Business Model**

We have a highly regarded brand and product portfolio in professional cooking, baking and refrigeration equipment ideally suited for both UK and international markets. We are also uniquely placed in the UK to offer nationwide support for all aspects for service, planned, preventative and reactive maintenance for the catering, retail and hospitality sectors.

Each of the business units within AFE Group Ltd is resourced with its own autonomous management and leaderships team, who in turn operate under the corporate internal controls and risk management policies put in place by the company directors.

Despite some difficult market conditions our various initiatives to enhance the company's potential are progressing well.

Research and development plays an important role in the development of the company. Product innovation is a key feature of our growth strategy. In a changing marketplace we are adapting our products and business model to be in a position to make the most of new opportunities.

We have committed substantial resources and capital investment to seize market opportunities and improve our operational performance as well as enhancing our competitiveness. We continue to develop new products that meet the changing culinary, operational and regulatory needs of our customers. We have also invested heavily to modernise our IT infrastructure.

# AFE Group Limited

## Strategic report for the year ended 31 August 2016 (continued)

### Business Review and Results

The company's key performance indicators during the year were as follows:-

	2016	2015
	£'000	£'000
Turnover	118,271	119,109
Operating profit before goodwill amortisation	18,184	18,215
Operating profit	15,044	15,072
Profit on ordinary activities after tax	15,563	14,710
Total shareholders' funds	58,486	61,522

	Number	Number
Average number of employees	1,246	1,190

The key performance indicators are set to deliver the strategic objectives of our shareholders.

<ul style="list-style-type: none"> <li>Revenue growth</li> </ul>	<p>To grow sales turnover of our primary equipment and service brands in both UK and international markets.</p> <p>Revenues have declined 0.7 % in the year. (2015: 0.2%). The revenue decline principally arises as a result of reduced spend from retail clients in the reporting period</p>
<ul style="list-style-type: none"> <li>Profitability</li> </ul>	<p>To improve the operating profit before amortisation and return on sales to a 15% target, led by strategic product development and innovation to enhance added value returns, and through effective cost and efficiency improvements realised across the five business units.</p> <p>Operating profit before goodwill amortisation for FY 2016 is 15.4% (2015: 15.3%).</p>
<ul style="list-style-type: none"> <li>Employees</li> </ul>	<p>To optimise the employee headcount and contribution from the company's operational gearing.</p> <p>Headcount levels reflect normal activity with retirement and the necessary engagement of temporary and permanent employed direct labour to meet new contract obligations.</p>
<ul style="list-style-type: none"> <li>Total shareholder funds</li> </ul>	<p>To increase the balance sheet value of the shareholders interest in the company.</p> <p>Shareholder funds decreased in the year from the combined effects of increased Profit on ordinary activities after taxation and the diluting result of increased dividends paid together with the adverse impact of the actuarial loss arising on the defined benefits pension scheme.</p>

# **AFE Group Limited**

## **Strategic report for the year ended 31 August 2016 (continued)**

### **Principal Risks and Uncertainties**

The company has a robust system of risk management. Each business unit operates systems designed to identify, evaluate, investigate and manage risks faced by the company, including business and wider social, environmental and ethical issues.

The company operates with a number of internal controls and risk management policies including health and safety, environment, business continuity and employee conduct.

The Directors regularly review all principal risks including financial, operational, compliance and risk management systems.

As the company seeks to exploit new product and market opportunities the profile of the risks and uncertainties faced may change.

The Directors consider the following represent the principal risks and uncertainties:-

<b>Risk</b>	<b>Mitigation</b>
<ul style="list-style-type: none"><li>• <b>Market conditions and competitor activity.</b><ul style="list-style-type: none"><li>• The company generates its revenue from the sale of professional foodservice, catering and bakery equipment and associated service and maintenance income.</li></ul></li><li>• <b>Over reliance on any individual customer or supplier</b><ul style="list-style-type: none"><li>• The company profitability could be impacted if a single customer became business critical.</li></ul></li><li>• The failure of a major supplier to the business might also impact our ability to deliver products.</li></ul>	<p>The Directors monitor and review market conditions and competitor activity to position the company so as to provide competitive products and services to its customers.</p> <p>The company sells its products and services through a wide range of distribution channels and markets. The company has implemented policies that require appropriate credit checks on potential customers before sales are made.</p> <p>We monitor closely our supply chain and take steps to minimise the dependence on individual suppliers.</p>

# AFE Group Limited

## Strategic report for the year ended 31 August 2016 (continued)

<ul style="list-style-type: none"> <li>• <b>Financial risk management</b></li> <li>• The company's operations expose it to a variety of financial risks that include foreign exchange risk, price risk, credit risk, liquidity risk and interest rate cash flow risk.</li> <li>• <i>Foreign exchange risk</i></li> <li>• The company is exposed to foreign exchange movements by virtue of holding foreign currency debtors and creditors.</li> <li>• <i>Price risk</i></li> <li>• The company is exposed to commodity price risk as a result of its operations.</li> <li>• <i>Liquidity risk</i></li> <li>• The company has adequate bank facilities in place to support its operations and the guarantees it has entered into in support of its ultimate parent company. A breach in the banking covenants could result in additional financial operating restrictions being placed on the company.</li> <li>• <i>Interest rate cash flow risk</i></li> <li>• The company has interest bearing assets and interest bearing liabilities, which attract interest at floating rates. Significant changes in these arrangements may impact future profitability and cash flow.</li> </ul>	<p>The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.</p> <p>All material exposures are hedged using forward currency contracts as and when necessary to cover expected or planned future specific liabilities.</p> <p>Fluctuations are managed through fixed price contracts where appropriate. The company has excellent relations with its suppliers and we continue to work closely with them on a normal commercial basis.</p> <p>The company is closely focused on cash management.</p> <p>The company participates in the UK group cash pooling arrangement, which is controlled by its immediate parent company Ali UK Ltd, and utilises this to support its short and long term cash requirements.</p> <p>The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The Directors will revisit the appropriateness of this policy should the company's operations change in size or nature.</p>
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## AFE Group Limited

### Strategic report for the year ended 31 August 2016 (continued)

<ul style="list-style-type: none"><li>• <b>Health, Safety and Environmental</b></li></ul> <p>The Directors are committed to achieve the highest health, safety and environmental standards in seeking to protect our stakeholders and the community in which we operate.</p>	<p>Accreditation to ISO 9001:2008, ISO 14001:2004 and BS OHSAS 18001:2007 is held within the company, and ensures an internationally recognised framework is in place with clear policies, procedures and audits. Serviceline and Falcon also hold ISO 50001 accreditation under the Energy Management Standard. AFE Group has registered its ESOS compliance with the Environment Agency.</p> <p>Additional accreditations are held specific to the trading operations of the company's business divisions. Product development, production processes and value engineering are targeted to take advantage of new and emerging technologies which also support environmental awareness and sustainability.</p>
<ul style="list-style-type: none"><li>• <b>Product Stewardship</b></li></ul> <p>The Directors recognise the value associated with the design, technology and know how associated with its products and the need to monitor and embrace new technology in areas of energy efficiency, performance, hygiene and environmental impact.</p>	<p>The company works to ensure all products are compliant with current regulation and Directives; it also monitors and protects brands, trademarks and intellectual property where viewed as commercially sensitive.</p>

# AFE Group Limited

## Strategic report for the year ended 31 August 2016 (continued)

<p>• <b>Legal and Regulatory</b></p> <p>The company operates in sectors which may be subject to changes in regulation. Such examples include Health &amp; Safety, environment regulation and taxation law.</p> <p>The Directors recognise the need to comply with all business laws and regulations so as not to have an adverse impact on cost, performance and reputation of the company.</p> <p>The company seeks to undertake its operations to effectively manage actual and potential environmental impact and to enhance the sustainability of the products it makes and sells.</p>	<p>The Energy Related Products Directive, (formerly the Eco Design Directive) came into effect on 1 July 2016. The regulation concerns professional refrigeration appliances. Additional refrigeration product categories will be subject to this regulation in the near future.</p> <p>Revisions to the F Gas Regulations have also been announced and are due to come into effect in the coming years.</p> <p>Regulations under the Energy Related Products Directive covering dishwashers, ovens, hobs and grills are also in progress.</p> <p>The Directors are committed to the highest standards and conduct regular audits covering business processes and behaviour to ensure compliance with relevant laws and regulation.</p> <p>The company has put in place due diligence processes; additional management training; supplier and contractor compliance checks to ensure a high level of understanding of, and compliance with the requirements of the Modern Slavery Act.</p> <p>We enter dialogue with regulators regarding proposed changes to product regulation with a view to being compliant as well as seeking competitive advantage.</p>
<p>• <b>General Economic Conditions</b></p> <p>Changes in economic conditions and uncertainty require the company to be flexible in mitigating risks that may arise on sudden changes in market activity.</p>	<p>The Directors review and monitor trade, economic data and market trends in association with its financial forecasts and budget plans.</p>
<p>• <b>People</b></p> <p>The company operates a number of business units which have developed and are managed on an autonomous basis. The competition for quality personnel remains high and a failure to attract and retain quality personnel may erode our competitive advantage.</p>	<p>The company engages in proactive dialogue with employees and other stakeholders local government authorities and community groups.</p> <p>Business unit management keep employees regularly informed of developments both at unit and company level as well as those within our parent company group. The company operates within a structured framework of policies to encourage best practice, good conduct and core principles.</p>

# AFE Group Limited

## Strategic report for the year ended 31 August 2016 (continued)

<ul style="list-style-type: none"><li>• <b>Pension Scheme Funding</b></li></ul> <p>The company is the sponsor of a defined benefit pension scheme and can be called on to meet funding deficits. A formal actuarial valuation of the scheme is undertaken at least every three years, and any such valuation may reveal an increased deficit that may require the company to provide additional cash contributions or guarantees. Actuarial valuations are heavily driven by prevailing gilt yields which can be subject to market distortions or affected by government action. This can lead to wide fluctuations in the appraised liabilities which could, as a consequence constrain the finances of the company.</p>	<p>Deficit recovery plans need to be agreed with the trustee of the scheme who has to take the views and powers of the Pensions Regulator into account.</p> <p>The company works closely with the trustee of the pension scheme and has in place a long-term funding and investment strategy agreement to manage closely assets and liabilities in relation to each other.</p> <p>Following the triennial actuarial valuation undertaken as at 29<sup>th</sup> March 2014 a new deficit recovery plan was agreed.</p> <p>The defined benefit scheme is closed to new entrants and pensionable salaries were frozen in 2009/10. The level of current pension provision in the company is kept under review.</p> <p>Cash flows within the defined benefit scheme are closely monitored to link the requirements to pay pensions with cash generated from the assets held.</p> <p>The company also monitors market conditions and discusses with the trustee further steps to reduce the level of contingent dependency of the scheme on the company.</p> <p>The company offers all employees access to a contributory defined contribution Group personal pensions scheme under the UK pension auto-enrolment requirements for workplace pensions</p>
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## **AFE Group Limited**

### **Strategic report for the year ended 31 August 2016 (continued)**

#### **Future Developments**

The Directors recognise the business issues brought about by a changing and challenging market place and are adapting our products and business model to be in a position to make the most of new opportunities.

Of principal focus to the foodservice equipment industry are the regulatory changes arising from the Energy Related Products Directive. These set minimum energy performance standards for certain product groups.

The European Union is also committed to the control of fluorinated greenhouse gas (F Gas) emissions as part of the Kyoto Protocol. Such F Gases are used in professional refrigeration equipment. The main focus of the regulations is to minimise emissions and restrict use of F Gas substances such as hydrofluorinated carbons through containment, leak reduction, repair and recovery.

The company is closely involved in the standards setting and industry trade body consultation groups working with the EU commission in agreeing the regulatory framework and future implementation dates.

Signed on behalf of the board.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

T. S. Smith

Director

13 February 2017

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2016**

The Directors present their report and audited financial statements of the company for the year ended 31<sup>st</sup> August 2016.

### **Trading Summary**

Turnover for the financial year decreased by 0.7% to £118.271m (2015: £119.109m). All brands achieved acceptable turnover levels reflective of the overall market and economic conditions seen.

Export sales decreased by 17.7% to £7.407m. Prior year revenue levels reflected sizeable bakery equipment projects that did not reoccur in financial year 2016. Specification and export business development activity continues with favourable prospects seen for the year ahead.

We remain optimistic towards future Sales growth; however activity levels within a number of key market sectors is seen as changeable in the year ahead as major clients undertake strategic reviews of their business models particularly in light of the Brexit referendum and uncertainties that arise in the economic and currency markets. Our focus remains resolutely on delivering new products and unparalleled support to our customers

We continue to focus on improvements to operational efficiency and lean activities to underpin operating profit achievement. Despite challenging economic and market conditions the operating profit reported for the year is £15.044m (2015: £15.072m).

We are also committed to strong working capital and operating cashflow controls. Net current assets increased to £46.171m (2015: £44.973m).

Total shareholder funds decreased to £58.486m (2015: £61.522m) as a result of improved profit in the current year, but diluted by changes in the stream of dividends paid and received within the Ali Group SpA corporate structure, and recognition in the AFE Group Ltd balance sheet of the actuarial loss on the defined benefit pension scheme.

### **Research and Development**

Research and development plays an important role in the development of the company. Product innovation remains a key feature to our strategy.

Throughout the year the company continued its policy of investment in Research & Development by maximising the use of its internal resources and calling upon outsourced specialists such as design, development and test houses.

All manufacturing processes continue to enjoy appropriate levels of development and investment and the Board of Directors encourages and supports the introduction of appropriate new technology to increase company revenue and profitability.

Research and development expenditure is expensed as incurred.

### **Market Value of Interest in Land and Buildings**

An independent review of the market value of the company's interest in land and buildings was undertaken in August 2016. The report confirms the Directors opinion that there is no impairment based on up-to-date market value information.

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2016 (continued)**

### **Financial Instruments**

It is the company's objective to manage its financial risk to minimise the adverse fluctuations of the financial markets on the company's reported profitability and cash flow.

The company's main transaction exposures are in respect of foreign currency exchange rate movements on purchases of raw materials and other goods that are not denominated in sterling.

As a result, forward foreign currency exchange contracts are put in place when necessary.

### **Dividends**

It is not proposed to pay a final dividend (2015: Nil). Interim dividends of £16,000,000 (2015: £11,000,000) have been paid.

### **Employees**

The Directors recognise that our colleagues are key to the company's ongoing achievement and plan adequately for succession and development of new talent.

The extensive knowledge and experience of the manufacturing and technical skills as well as those commercial and support skills of our colleagues is central to our product and service offering.

The company is committed to providing equality of opportunity to all colleagues without discrimination and applies fair and equitable employment policies throughout the recruitment process and during employment.

The company encourages recruitment training, career development and promotion on the basis of aptitude and ability without regard to disability.

### **Pensions**

The Mono Equipment Ltd Defined Benefit and Life Assurance Scheme was closed to future entrants on 29<sup>th</sup> March 2008 so there are no active members of the scheme.

The scheme's last Triennial valuation was prepared as at 29<sup>th</sup> March 2014. This actuarial valuation revealed a shortfall in assets when measured against the scheme's technical liabilities of £ 3.6m.

In association with preparing the last triennial valuation a guarantee has been provided by the immediate parent undertaking, Ali UK Ltd to the Trustees of the Scheme for an amount of £ 3.6m (2015: £3.6m).

An investment strategy review was undertaken by the Trustees of the Scheme in August 2014. A revised investment strategy was agreed to target higher returns with both increased diversification and better interest rate and inflation matching characteristics.

The company has entered into a funding plan agreed with the Trustees making contributions of £396,000 per annum to 28<sup>th</sup> February 2015, and then £468,000 per annum from 1<sup>st</sup> March 2015 to 31<sup>st</sup> October 2027.

A financial update to the Actuarial report was prepared as at 29<sup>th</sup> March 2016. The updated calculations revealed a shortfall in assets of £5.6m (2015:£5.3m). The deterioration in the funding position was due to the effect of falling growth yields leading to an increase in the value placed on the scheme liabilities.

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2016 (continued)**

### **Corporate and Social Responsibility (CSR)**

The company is committed to the continuous improvement of its environmental, health and safety performance, and to enhancing the overall sustainability of its operations, products and services.

The Directors monitor CSR related performance through a series of Key Performance Indicators in order to leverage performance and best practice.

The company operates within a comprehensive set of policies and procedures to promote the highest standards of conduct, honesty and integrity expected. We also operate an ethical trading and responsible sourcing policy covering global sourcing principals and fair terms for Health & Safety, Equal Opportunities and Environmental practices.

Each of our operations and their employees are active in support of local community projects, charities and other good causes.

### **Political Contributions**

The company made no political donations or incurred any political expenditure during the year.

### **Directors' qualifying third party indemnity provisions**

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and remains in force as at the date of approving the directors' report.

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2016 (continued)**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the strategic report, the directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### **Disclosure of information to the auditors**

In the case of each director in office at the date the directors' report is approved, the following applies:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2016 (continued)**

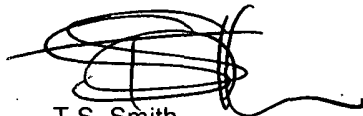
### **Directors**

The directors of the company during the year under review and up to the date of signing the financial statements were:-

Mr T. S. Smith

Mr V. Rallo

On behalf of the Board

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

T.S. Smith  
Director

13 February 2017

## **Independent auditor's report to the members of AFE Group Limited**

We have audited the financial statements of AFE Group Limited for the year ended 31 August 2016 set out on pages 16 to 48. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 12 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 August 2016 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

## **Independent auditor's report to the members of AFE Group Limited (continued)**

### **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.

*CH leStrange Meakin*

Charles le Strange Meakin (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
Cambridge

14<sup>th</sup> February 2017

## AFE Group Limited

### Profit and loss account for the year ended 31 August 2016

	Note	2016 £'000	2015 £'000
<b>Turnover</b>	2	<b>118,271</b>	119,109
Net operating costs	3	<b>(103,227)</b>	(104,037)
<b>Operating profit before goodwill amortisation</b>		<b>18,184</b>	18,215
Goodwill amortisation	8	<b>(3,140)</b>	(3,143)
<b>Operating profit</b>	3	<b>15,044</b>	15,072
Dividends from group undertakings		<b>4,064</b>	3,751
Loss on disposal of fixed assets		<b>(75)</b>	(3)
<b>Profit on ordinary activities before interest and taxation</b>		<b>19,033</b>	18,820
Net interest receivable	4	<b>116</b>	103
Other finance costs	5	<b>(189)</b>	(208)
<b>Profit on ordinary activities before taxation</b>		<b>18,960</b>	18,715
Tax on profit on ordinary activities	7	<b>(3,397)</b>	(4,005)
<b>Profit for the financial year</b>		<b>15,563</b>	14,710

The above results relate to continuing activities.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.

## **AFE Group Limited**

### **Statement of other comprehensive income for the year ended 31 August 2016**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	<b>15,563</b>	14,710
Remeasurement of the net defined benefit liability (note 5)	<b>(3,226)</b>	119
Deferred tax relating to actuarial gain/(loss) and contributions on pension scheme	<b>627</b>	(4)
<b>Total comprehensive income for the year</b>	<b>12,964</b>	14,825

# AFE Group Limited

## Balance sheet as at 31 August 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Intangible assets	8	10,204	13,344
Tangible assets	9	11,124	9,752
Investments	10	1,874	1,874
		<b>23,202</b>	<b>24,970</b>
<b>Current assets</b>			
Stocks	11	13,061	13,545
Debtors (including amounts due after more than one year of £3,788,000 (2015: £5,014,000))	12	56,613	52,154
Cash at bank and in hand		1,249	1,846
<b>Total current assets</b>		<b>70,923</b>	<b>67,545</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(24,752)</b>	<b>(22,572)</b>
<b>Net current assets</b>		<b>46,171</b>	<b>44,973</b>
<b>Total assets less current liabilities</b>		<b>69,373</b>	<b>69,943</b>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(1,188)</b>	<b>(1,364)</b>
<b>Provisions for liabilities</b>	15	<b>(1,670)</b>	<b>(1,995)</b>
Net assets excluding pension liability		66,515	66,584
Pension liability	5	(8,029)	(5,062)
<b>Total net assets including pension liability</b>		<b>58,486</b>	<b>61,522</b>
<b>Capital and reserves</b>			
Share capital	17	31,521	31,521
Capital contribution		20,000	20,000
Profit and loss account		6,965	10,001
<b>Total shareholders' funds</b>		<b>58,486</b>	<b>61,522</b>

The financial statements on pages 16 to 48 were approved by the Board of Directors on 13 February 2017 and were signed on its behalf by:

  
T.S. Smith  
Director

Company Registered Number: 03872673

## AFE Group Limited

### Statement of changes in equity as at 31 August 2016

	Share Capital	Capital Contribution	Profit and Loss Account	Total Equity
Balance as at 1 September 2015	31,521	20,000	10,001	61,522
<b>Total comprehensive income for the year</b>				
Profit for the financial year			15,563	15,563
Remeasurement of the net defined benefit liability (note 5)			(3,226)	(3,226)
Deferred tax relating to actuarial gain/loss and contributions on pension scheme			627	627
<b>Distribution to owners</b>				
Dividends paid			(16,000)	(16,000)
<b>Balance as at 31 August 2016</b>	<b>31,521</b>	<b>20,000</b>	<b>6,965</b>	<b>58,486</b>

	Share Capital	Capital Contribution	Profit and Loss Account	Total Equity
Balance as at 1 September 2014	31,521	20,000	6,176	57,697
<b>Total comprehensive income for the year</b>				
Profit for the financial year			14,710	14,710
Remeasurement of the net defined benefit liability (note 5)			119	119
Deferred tax relating to actuarial gain/loss and contributions on pension scheme			(4)	(4)
<b>Distribution to owners</b>				
Dividends paid			(11,000)	(11,000)
<b>Balance as at 31 August 2015</b>	<b>31,521</b>	<b>20,000</b>	<b>10,001</b>	<b>61,522</b>

# AFE Group Limited

## Cash flow statement for the year ended 31 August 2016

	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>		
Profit for the year	15,563	14,710
Adjustments for:		
Depreciation, amortisation and impairment	4,343	4,310
Dividends received	(4,064)	(3,751)
Loss on disposal of fixed assets	75	3
Net Interest receivable	(116)	(103)
Other finance costs	189	208
Net pension contributions paid	(448)	(394)
Tax	3,397	4,005
	18,939	18,988
(Increase) in trade and other debtors	(3,881)	(4,888)
Decrease/(Increase) in stock	484	(433)
Increase/(Decrease) in trade and other creditors	2,244	(2,826)
(Decrease)/increase in provisions and employee benefits	(157)	208
	17,629	11,049
Tax Paid	(3,826)	(3,745)
<b>Net cash from operating activities</b>	<b>13,803</b>	<b>7,304</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of tangible fixed assets	31	4
Interest received	117	105
Dividends received	4,064	3,751
Acquisition of tangible fixed assets	(2,681)	(920)
Proceeds from the receipt of government grants	70	70
<b>Net cash from investing activities</b>	<b>1,601</b>	<b>3,010</b>

## AFE Group Limited

### Cash flow statement for the year ended 31 August 2016 (continued)

	2016 £'000	2015 £'000
<b>Cash flows from financing activities</b>		
Interest paid	(1)	(2)
Dividend paid	(16,000)	(11,000)
<b>Net cash from financing activities</b>	<b>(16,001)</b>	<b>(11,002)</b>
Net (decrease) in cash and cash equivalents	(597)	(688)
Cash and cash equivalents at 1 September 2015	1,846	2,534
<b>Cash and cash equivalents at 31 August 2016</b>	<b>1,249</b>	<b>1,846</b>

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2016**

### **1 Accounting policies**

The following statements outline the principal accounting policies of the company, which have been applied consistently.

#### **Basis of preparation**

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. Management have reviewed the financial forecasts covering the next twelve months, from the date of signing the accounts, for the company and believe it will continue as a going concern for the foreseeable future.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Ali S.p.A (incorporated in Italy), which are publicly available. These financial statements present information about the company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 22.

#### **Goodwill**

Goodwill, being the difference arising between the purchase consideration and the fair value of the assets acquired, is stated at costs less any accumulated amortisation and accumulated impairment losses.

The carrying value of goodwill is reviewed annually for impairment and when events or changes in circumstances indicate the carrying value may not be recoverable.

#### **Other intangibles**

Other intangibles relate to patents that are capitalised at historical cost and amortised over a period of five years.

#### **Turnover**

Turnover which excludes value added tax and intra-group sales represents the invoiced value of goods and services supplied to customers. Turnover is recognised when goods are delivered to the customer.

#### **Research and development**

All research and development expenditure is written off in the year it is incurred.

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2016 (continued)**

### **1 Accounting policies (continued)**

#### **Tangible assets**

Tangible assets are stated at historic purchase cost less accumulated depreciation. Depreciation is provided on tangible assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows:

Freehold buildings over 33 years;

Long and short leasehold land and buildings over 33 years or the period of the lease whichever is less; and

Plant, machinery and equipment over a period of 3 to 10 years.

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value, based on estimated selling price less any further costs expected to be incurred to completion and disposal. Cost includes a proportion of production overheads based on normal levels of activity. Provision is made for obsolete and slow moving items.

#### **Leases**

Assets held under finance leases are included in tangible fixed assets and the obligations relating thereto, excluding finance charges, are included in borrowings. Finance costs are charged to the profit and loss account over the contract term to give a constant rate of interest on the outstanding balance. Costs in respect of operating leases are charged in arriving at the operating profit. Lease incentives received under the terms of the operating lease are recognised on a systematic basis over the period to the first rent review at which rent reverts to market value.

#### **Foreign currencies**

Transactions expressed in foreign currencies have been translated into sterling at the exchange rate ruling on the date the transaction occurred. Monetary assets and liabilities expressed in foreign currencies at the year end have been re-translated at the rate ruling at the year end or at a contract rate where forward foreign currency contracts are in place. Exchange gains and losses on foreign currency transactions are reported as part of the profit and loss on ordinary activities when they result from trading.

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2016 (continued)**

### **1 Accounting policies (continued)**

#### **Basic Financial Instruments**

##### *Trade and other debtors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Investments in subsidiaries*

Investments in subsidiaries are held at cost less any provision for impairment in carrying value.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### **Other Financial Instruments**

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except for investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment.

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2016 (continued)**

### **1 Accounting policies (continued)**

#### **Deferred taxation**

Deferred tax is provided on all temporary differences, using the liability method. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### **Government grants**

Grants relating to fixed assets are treated as deferred income and are transferred to revenue in equal amounts over the life of the assets.

#### **Provisions**

Provision is made for the estimated liability on all products still under warranty. Where appropriate, product warranties of between 1 and 5 years are given. Other provisions relate to minor legal and other claims and other costs from third parties and are provided for when a legal or constructive obligation arises, as a result of a past event.

#### **Pension costs**

As the defined benefit scheme is closed to future accrual there is no current service cost. The net of the interest cost and the expected return on assets are shown as other finance costs. Actuarial gains and losses are charged directly to reserves. Defined benefit schemes are funded with the assets of the scheme held separately from those of the company. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond. The actuarial valuations are obtained at least triennially, and updated by a qualified actuary for the purposes of reporting within annual financial statements. The resulting benefit asset or liability, net of related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes, the amount charged to the profit and loss account is the contributions payable in the year.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 2 Turnover

Turnover by customer location:

	2016	2015
	£'000	£'000
America	1,912	2,229
Rest of world (excluding United Kingdom)	5,495	6,773
Total overseas	7,407	9,002
United Kingdom	110,864	110,107
<b>Total turnover</b>	<b>118,271</b>	<b>119,109</b>

Turnover originates in the United Kingdom. In the opinion of the directors secondary segmental analysis is not required as there is no substantial difference between the class of business and the activities carried out by each of the trading units of the company, with the one class of business being the manufacture, distribution and related servicing of foodservice equipment.

	2016	2015
	£'000	£'000
Sales of goods	84,206	88,161
Rendering of Services	34,065	30,948
<b>Total turnover</b>	<b>118,271</b>	<b>119,109</b>

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2016 (continued)**

### **3 Net operating costs and operating profit**

**Net operating costs comprise:**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Change in stocks of finished goods and work in progress	<b>923</b>	(623)
Other operating income	<b>(492)</b>	(755)
Insurance income	<b>(2,579)</b>	(1)
Raw materials and consumables	<b>40,262</b>	41,729
Other external charges	<b>3,440</b>	2,866
Staff costs (note 5)	<b>40,488</b>	39,611
Depreciation of owned tangible assets (note 9)	<b>1,165</b>	1,120
Depreciation of leased tangible assets (note 9)	<b>38</b>	47
Amortisation of intangible assets (note 8)	<b>3,140</b>	3,143
Other operating charges	<b>16,842</b>	16,900
<b>Total net operating costs</b>	<b>103,227</b>	104,037

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2016 (continued)**

#### **3 Net operating costs and operating profit (continued)**

Operating profit is stated after the following charges:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Operating lease rentals:		
Land and buildings	<b>779</b>	656
Plant and machinery	<b>74</b>	106
Other	<b>2,156</b>	2,156
Audit services:		
Fees payable to the company's auditor for the audit of the company financial statements	<b>72</b>	72
Non-audit services:		
Taxation compliance services	<b>18</b>	19
Research and development costs	<b>1,608</b>	1,675
Foreign exchange losses/(gains)	<b>51</b>	(27)

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 4 Net interest receivable

#### a) Interest payable and similar charges

	2016	2015
	£'000	£'000
Other Interest payable	1	2
<b>Total interest payable and similar charges</b>	<b>1</b>	<b>2</b>

#### b) Interest receivable and similar income

Interest receivable on loans to other group undertakings	114	105
Other Interest receivable	3	-
<b>Total interest receivable and similar income</b>	<b>117</b>	<b>105</b>
<b>Net interest receivable</b>	<b>116</b>	<b>103</b>

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2016 (continued)

#### 5 Employees - staff costs, pensions and employee numbers

##### a) Staff costs, including executive directors:

	2016	2015
	£'000	£'000
Wages and salaries	35,443	34,694
Social security costs	3,463	3,393
Other pension costs (see below)	1,582	1,524
<b>Total staff costs</b>	<b>40,488</b>	<b>39,611</b>

##### b) Pensions

The Mono Equipment Ltd Defined Benefit and Life Assurance Scheme was closed to future entrants on 29<sup>th</sup> March 2008 so there are no active members of the scheme.

The scheme's last Triennial valuation was prepared as at 29<sup>th</sup> March 2014.

This actuarial valuation revealed a shortfall in assets when measured against the scheme's technical liabilities of £3.6m.

In association with preparing the last triennial valuation a guarantee has been provided by the immediate parent undertaking, Ali UK Ltd to the Trustees of the Scheme for an amount of £3.6m (2015: £3.6m).

An investment strategy review was undertaken by the Trustees of the Scheme in August 2014. A revised investment strategy was agreed to target higher returns with both increased diversification and better interest rate and inflation matching characteristics.

A financial update to the Actuarial report was prepared as at 29<sup>th</sup> March 2016. The updated calculations revealed a shortfall in assets of £5.6m (2015:£5.3m.) The deterioration in the funding position was due to the effect of falling growth yields leading to an increase in the value placed on the scheme liabilities.

The company has entered into a funding plan agreed with the Trustees making contributions of £396,000 per annum to 28<sup>th</sup> February 2015, and then £468,000 per annum from 1<sup>st</sup> March 2015 to 31<sup>st</sup> October 2027.

Under FRS 102 the net pension liability of the 'Mono Equipment Limited Pension and Life Assurance Scheme' is included in the company's balance sheet. The financial assumptions adopted are as follows:

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 5 Employees - staff costs, pensions and employee numbers (continued)

#### b) Pensions (continued)

	2016	2015
	%	%
Inflation rate	2.85	3.20
Discount rate	2.15	3.90
Rate of pension increase in payment for pension earned to April 2005	2.75	3.10
Rate of pension increase in payment for pension earned post April 2005	2.20	2.20

The assets of the Scheme and expected return on assets were:

	Long Term rate of return expected at 31 August 16	Value at 31 August 16	Long Term rate of return expected at 31 August 15	Value at 31 August 15
		£'000		£'000
Equities	2.15%	6,037	3.90%	4,152
Bonds	2.15%	5,907	3.90%	5,935
Gilts	2.15%	4,646	3.90%	3,757
Property	2.15%	901	3.90%	644
Cash and other	2.15%	269	3.90%	119
Total Assets		17,760		14,607

The expected rates of return for 31 August 2016 are set equal to the discount rate (as per the FRS 102 disclosure requirements).

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 5 Employees - staff costs, pensions and employee numbers (continued)

#### b) Pensions (continued)

The assets and liabilities of the scheme are as follows:

	2016	2015
	£'000	£'000
Fair value of plan assets	17,760	14,607
Defined benefit obligations	(25,789)	(19,669)
<b>Deficit in scheme</b>	<b>(8,029)</b>	<b>(5,062)</b>

	2016	2015
	£'000	£'000

#### Analysis of the amount charged to other finance cost:

Net interest on pension scheme deficit	189	208
	<b>189</b>	<b>208</b>

#### Analysis of the amount charged to net operating costs:

Administrative expenses	20	38
	<b>20</b>	<b>38</b>

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 5 Employees - staff costs, pensions and employee numbers (continued)

#### b) Pensions (continued)

	2016	2015
	£'000	£'000
<b>Total remeasurements in other comprehensive income:</b>		
Return on plan assets, excluding amounts included as interest	2,711	(176)
Change in assumptions underlying the present value of the scheme liabilities	(5,974)	(661)
Experience gain/(loss)	37	956
<b>Actuarial gain/(loss)</b>	<b>(3,226)</b>	<b>119</b>
<b>Reconciliation of present value of scheme obligations:</b>		
1 September	(19,669)	(19,738)
Interest cost	(756)	(779)
Actuarial (loss)/gain	(5,937)	295
Benefits paid	573	553
<b>31 August</b>	<b>(25,789)</b>	<b>(19,669)</b>

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2016 (continued)**

### **5 Employees - staff costs, pensions and employee numbers (continued)**

#### **b) Pensions (continued)**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of present value of scheme assets:</b>		
1 September	<b>14,607</b>	14,371
Interest income	<b>567</b>	571
Administration expenses	<b>(20)</b>	(38)
Return on plan assets, excluding amounts included as interest	<b>2,711</b>	(176)
Benefits paid	<b>(573)</b>	(553)
Contributions paid by employer	<b>468</b>	432
<b>31 August</b>	<b>17,760</b>	14,607

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 5 Employees - staff costs, pensions and employee numbers (continued)

#### b) Pensions (continued)

The demographic assumptions used include rates for monthly rates for mortality which, for example, generally lead to an average projected life expectancy of 21.9 years for male members currently aged 65 and of 22.9 years from age 65 for male members currently aged 50. The comparative projections at 31 August 2015 were 22.1 years and 23.0 years respectively.

#### Defined contribution scheme

Total contributions of £1,582,000 (2015: £1,524,000) were payable in the year to the defined contribution pension scheme.

#### c) Numbers employed

The monthly average number of persons employed by the company including executive directors during the year is analysed below:

	2016	2015
	Number	Number
Production	871	821
Selling and distribution	89	85
Administration	286	284
	1,246	1,190

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2016 (continued)**

### **6 Directors' emoluments**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Directors' aggregate emoluments	<b>338</b>	<b>429</b>
Contribution to money purchase pension schemes	<b>50</b>	<b>64</b>
	<b>388</b>	<b>493</b>

The number of directors who were members of the company pension scheme was one (2015: one).

#### **Highest paid director**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<b>338</b>	<b>429</b>
Contribution to money purchase pension schemes	<b>50</b>	<b>64</b>
	<b>388</b>	<b>493</b>

No fees were paid for services of the other director.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 7 Tax on profit on ordinary activities

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016	2015
	£'000	£'000
Current tax on income for the year	3,516	3,692
Adjustment in respect of prior years	-	35
Current tax charge	3,516	3,727
Origination and reversal of timing differences	(830)	149
Adjustment in respect of prior years	-	133
Effect of tax rate change on opening balances	84	-
Deferred tax charge (see note 16)	(746)	282
<b>Total tax charge</b>	<b>2,770</b>	<b>4,009</b>

	2016			2015		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
	£'000	£'000	£'000	£'000	£'000	£'000
Recognised in profit and loss account	3,516	(119)	3,397	3,727	278	4,005
Recognised in other comprehensive income	-	(627)	(627)	-	4	4
<b>Total tax charge</b>	<b>3,516</b>	<b>(746)</b>	<b>2,770</b>	<b>3,727</b>	<b>282</b>	<b>4,009</b>

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 7 Tax on profit on ordinary activities (continued)

The current tax assessed for the year is lower (2015: higher) than the standard rate of corporation tax in the UK as explained below:

	2016	2015
	£'000	£'000
Profit on ordinary activities before taxation	18,960	18,812
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.58 %)	3,792	3,872
Effects of:		
Non deductible expenses including goodwill amortisation	267	764
Income not taxable for tax purposes	(838)	(795)
Amounts (charged)/credited directly to equity or otherwise transferred	(627)	4
Adjustments in respect of prior years	-	168
Adjustment for closing deferred tax to average rate	176	(4)
Total tax charge in the year	2,770	4,009

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 August 2016 has been calculated based on these rates.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset by £88,000.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 8 Intangible assets

	Goodwill	Patents	Total
	£'000	£'000	£'000
<b>Cost</b>			
<b>At 1 September 2015 and at 31 August 2016</b>	<b>136,619</b>	<b>20</b>	<b>136,639</b>
<b>Accumulated amortisation</b>			
At 1 September 2015	123,275	20	123,295
Charge for the year	3,140	-	3,140
<b>At 31 August 2016</b>	<b>126,415</b>	<b>20</b>	<b>126,435</b>
<b>Net book value</b>			
<b>At 31 August 2016</b>	<b>10,204</b>	<b>-</b>	<b>10,204</b>
At 31 August 2015	13,344	-	13,344

The goodwill relates to the amount recognised on the acquisition of Falcon Catering Equipment Limited in 1999. Following the change in ownership on 18 December 2007, the directors reviewed the carrying value of goodwill by reference to the future net present values of the cash flows generated by this operating unit. A discounted cash flow forecast using a discount rate of 8% resulted in an impairment provision of £43,975,000 being charged to the profit and loss account during 31 December 2007. The remaining balance is amortised over the remaining useful life.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 9 Tangible assets

	Land and buildings	Plant, machinery and equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 September 2015	9,250	15,922	25,172
Additions	-	2,681	2,681
Disposals	(44)	(910)	(954)
<b>At 31 August 2016</b>	<b>9,206</b>	<b>17,693</b>	<b>26,899</b>
<b>Accumulated depreciation</b>			
At 1 September 2015	3,467	11,953	15,420
Charge for the year	251	952	1,203
Disposals	(43)	(805)	(848)
<b>At 31 August 2016</b>	<b>3,675</b>	<b>12,100</b>	<b>15,775</b>
<b>Net book value</b>			
<b>At 31 August 2016</b>	<b>5,531</b>	<b>5,593</b>	<b>11,124</b>
At 31 August 2015	5,783	3,969	9,752

The carrying value of land included within land and buildings above which is not subject to depreciation is £604,000 (2015: £604,000).

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2016 (continued)

#### 9 Tangible assets (continued)

	2016	2015
<b>Analysis of net book value of land and buildings – freehold and long and short leasehold</b>	<b>£'000</b>	<b>£'000</b>
Freehold	4,899	5,112
Leasehold	632	671
	<b>5,531</b>	<b>5,783</b>

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 10 Investments

	£'000
<b>Cost</b>	
<b>At 1 September 2015 and 31 August 2016</b>	<b>21,399</b>
<b>Provision</b>	
At 1 September 2015	19,525
Provided for in year	-
<b>At 31 August 2016</b>	<b>19,525</b>
<b>Net book value</b>	
<b>At 31 August 2016</b>	<b>1,874</b>
At 31 August 2015	1,874

#### Subsidiaries

The following is a list of the all the company's UK subsidiaries, of which the company owns 100% of the ordinary share capital, at 31 August 2016.

AFG Stirling Ltd - property holding company (Scotland)

Falcon Catering Equipment Ltd - Dormant

Mono Equipment Ltd - Dormant

Millers Vanguard Ltd - Dormant

Serviceline Catering Equipment Engineers Ltd - Dormant

Williams Refrigeration Ltd - Dormant

The company holds 43.24% of the ordinary share capital of the following entities that are incorporated in Hong Kong:

AFE Group China Limited

Williams Refrigeration (Hong Kong) Limited

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 11 Stocks

	2016	2015
	£'000	£'000
Raw materials and consumables	5,927	5,488
Work in progress	1,982	2,581
Finished goods and goods for resale	5,152	5,476
	13,061	13,545

The directors consider that the replacement cost of stocks is not materially different to the values stated above.

### 12 Debtors

	2016	2015
	£'000	£'000
Trade debtors	23,565	20,980
Amounts owed by group companies	28,934	28,168
Other debtors	420	585
Deferred taxation (note 16)	1,590	1,012
Prepayments and accrued income	2,104	1,409
	56,613	52,154

Amounts owed by group companies include £3,725,000 (2015: £4,975,000) falling due after more than one year. Amounts owed by group companies are unsecured and, other than the amounts disclosed above, repayable on demand, with £4,975,000 bearing interest at a floating rate of 0.50% above LIBOR.

Prepayments and accrued income include £63,000 (2015: £39,000) falling due after more than one year.

Deferred taxation includes £1.445m (2015:£1.012m) relating to pension deficit.

Deferred taxation of £Nil (2015: £ Nil) is recoverable in more than one year.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 13 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	10,964	9,737
Amounts owed to group companies	2,564	1,709
Corporation tax payable	1,808	2,118
Other taxation and social security	575	588
Other creditors	4,717	4,947
Accruals and deferred income	4,124	3,473
<b>Creditors falling due within one year</b>	<b>24,752</b>	<b>22,572</b>

Amounts owed to group companies are non-interest bearing, unsecured and repayable on demand.

### 14 Creditors: amounts falling due after more than one year

	2016	2015
	£'000	£'000
Accruals and deferred income	1,188	1,364
<b>Creditors falling due after more than one year</b>	<b>1,188</b>	<b>1,364</b>

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 15 Provisions for liabilities

	Warranty	Deferred Taxation	Total
	£'000	£'000	£'000
At 1 September 2015	1,827	168	1,995
Charge in year	(76)	-	(76)
Utilised	(81)	(168)	(249)
<b>At 31 August 2016</b>	<b>1,670</b>	<b>-</b>	<b>1,670</b>

#### Warranty

Provision is made for the estimated liability on all products still under warranty. Product warranties of between 1 and 5 years are given, where applicable.

A deferred taxation liability of £168,000 existed at 31 August 2015 and was utilised in the year resulting in deferred taxation asset at 31 August 2016 (see note 12).

### 16 Deferred taxation

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 18% (2015: 20%). The movement on the deferred tax account is shown below:

#### Deferred tax (asset)/liability excluding that relating to pension deficit

	2016	2015
	£'000	£'000
Deferred tax asset at 1 September	168	(53)
Charge in year	(313)	88
Adjustment in respect of prior years	-	133
<b>Deferred tax (asset)/liability at 31 August</b>	<b>(145)</b>	<b>168</b>

Deferred tax assets have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is considered probable that these assets will be recovered.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 16 Deferred taxation (continued)

#### Deferred tax asset relating to pension deficit

	2016	2015
	£'000	£'000
1 September	(1,012)	(1,073)
Deferred tax charged to the profit and loss account	194	57
Deferred tax (credited)/charged to the statement of other comprehensive income	(627)	4
<b>31 August</b>	<b>(1,445)</b>	<b>(1,012)</b>

	2016	2015
	£'000	£'000
Accelerated capital allowances	(52)	245
Other timing differences	(93)	(77)
<b>(Asset)/Liability</b>	<b>(145)</b>	<b>168</b>
Deferred tax relating to pension deficit	(1,445)	(1,012)
	<b>(1,590)</b>	<b>(844)</b>

### 17 Share capital

	2016	2015
	£'000	£'000
<b>Ordinary shares of £1 each</b>		
Allotted, issued, and fully paid – 31,520,910 (2015: 31,520,910) shares	<b>31,521</b>	<b>31,521</b>

Interim dividends of £16,000,000 (2015: £11,000,000) have been appropriated.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 18 Contingent Liabilities

The company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the company has issued an unlimited guarantee to the bank to support these group facilities. The exposure to the company under this guarantee at the year-end was £nil.

### 19 Commitments

Capital commitments:

	2016	2015
	£'000	£'000
Contracted for but not provided in the financial statements	318	1,964

Operating lease commitments:

	Land & buildings	Other	Land & buildings	Other
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Leases expiring:				
Within one year	128	1,258	128	1,156
Between one and two years	847	529	183	348
Between two and five years	129	728	1,231	541
Over five years	1,013	-	1,035	1
<b>Total operating lease commitments</b>	<b>2,117</b>	<b>2,515</b>	<b>2,577</b>	<b>2,046</b>

### 20 Related party transactions

The company is a wholly owned subsidiary of Ali S.p.A and it has taken advantage of the exemption permitted by FRS 102 section 33 Paragraph 1A not to disclose any transactions or balances with entities that are 100% owned by Ali S.p.A.

*Transactions with key management personnel*

Total compensation of key management personnel (including the directors) in the year amounted to £3,398,500 (2015: £3,461,611).

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2016 (continued)**

#### **21 Ultimate holding company**

The immediate parent undertaking is Ali UK Limited.

The company's ultimate holding and controlling company is Ali S.p.A, a company registered in Italy. Copies of the ultimate holding company's financial statements may be requested from Via Gobetti, 2a – Villa Fiorita, 20063 Cernusco sul Naviglio (Milano) Italy. This entity is consolidated in the group financial statements of Ali S.p.A, the smallest and largest group in which this entity is consolidated.

#### **22 Explanation of transition to FRS 102 from old UK GAAP**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 August 2016 and the comparative information presented in these financial statements for the year ended 31 August 2015.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following table and the notes that accompany the table.

#### **Explanation of transition to FRS 102 from old UK GAAP (continued)**

##### **Reconciliation of profit and equity from old UK GAAP to FRS 102**

		Profit for the year ended	Equity as at	Equity as at
		31 August 2015	31 August 2015	1 September 2014
	Note	£'000	£'000	£'000
<b>Amount under old UK GAAP</b>		14,807	61,522	57,697
Defined Benefit pension scheme charge	a)	(97)	-	-
<b>Amount under FRS 102</b>		<b>14,710</b>	<b>61,522</b>	<b>57,697</b>

*Notes to the reconciliation of profit/loss*

- a) Changes to the pension valuation methods under FRS 102 compared to FRS 17.