

**AFE Group Limited**

**Annual report and financial statements  
for the year ended 31 August 2017**

**Registered number: 03872673**

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# **AFE Group Limited**

## **Annual report and financial statements for the year ended 31 August 2017**

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# AFE Group Limited

## Strategic report for the year ended 31 August 2017

### Principal Activities

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

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

Brand Name	Description	Web Site Addresses
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 Limited 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.

With continued mixed market conditions our various initiatives to improve operational performance and enhance our competitiveness are progressing as planned. 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 2017 (continued)

### Business Review and Results

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

	2017	2016
	£'000	£'000
Turnover	123,558	118,271
Operating profit before goodwill amortisation	16,784	18,184
Operating profit	13,644	15,044
Profit on ordinary activities after tax	16,711	15,563
Total shareholders' funds	64,125	58,486

	Number	Number
Average number of employees	1,260	1,246

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 increased by 4.5% in the year (2016: declined 0.7%). The principal revenue growth has arisen from our bakery division.</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 FY2017 is 13.6% (2016:15.4%) of turnover. Increased profit was generated from our bakery division reflective of the associated turnover growth. FY16 profit reflected the non-recurring insurance claim income of £2,579,000. During FY17, restructure and re-organisation costs have been incurred to reposition the Serviceline business division.</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 increased in the year from £58,486,000 to £64,125,000 from the combined effects of increased profit on ordinary activities after taxation; and a decrease in the accumulated actuarial loss arising in the defined benefit pension scheme. Dividends to shareholders reduced by £4m from prior year.</p>

# AFE Group Limited

## Strategic report for the year ended 31 August 2017 (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:-

Risk	Mitigation
<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><li>• The failure of a major supplier to the business might also impact our ability to deliver products.</li></ul></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 2017 (continued)

<ul style="list-style-type: none"> <li>• <b>Financial risk management</b> <ul style="list-style-type: none"> <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> <ul style="list-style-type: none"> <li>• The company is exposed to foreign exchange movements by virtue of holding foreign currency debtors and creditors.</li> </ul> </li> <li>• <i>Price risk</i> <ul style="list-style-type: none"> <li>• The company is exposed to commodity price risk as a result of its operations.</li> </ul> </li> <li>• <i>Credit risk</i> <ul style="list-style-type: none"> <li>• The company's principal financial assets are bank balances and cash, 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. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.</li> </ul> </li> <li>• <i>Liquidity risk</i> <ul style="list-style-type: none"> <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> </ul> </li> <li>• <i>Interest rate cash flow risk</i> <ul style="list-style-type: none"> <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> </li> </ul> </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 carries out credit rating checks on all customers to establish commercial terms.</p> <p>The company has no significant concentration of credit risk, with exposure spread over a large number of customers.</p> <p>Amounts owed by group companies include balance in respect of UK group cash pooling arrangements.</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 Limited, 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 2017 (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. A number of our business units 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 2017 (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 business 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 2017 (continued)

### • Pension Scheme Funding

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.

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.

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.

Following a review of the preliminary results of the actuarial valuation as at 29 March 2017, a new deficit recovery plan has been agreed. 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.

Cash flows within the defined benefit scheme are closely monitored to link the requirements to pay pensions with cash generated from the assets held.

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.

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

## **AFE Group Limited**

### **Strategic report for the year ended 31 August 2017 (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.



T. S. Smith

Director

26 February 2018.

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2017**

The Directors present their annual report and audited financial statements of the company for the year ended 31 August 2017.

### **Trading Summary**

Turnover for the financial year increased by 4.5% to £123,558,000 (2016: £118,271,000). Our bakery division achieved pleasing growth, with the remaining brands achieving acceptable turnover levels reflective of the overall market and economic conditions seen.

Export sales increased by 7.1% to £7,934,000 (2016: £7,407,000). Principal growth was achieved through our bakery division. Specification and export business development activity continues with favourable prospects seen for the year ahead.

2017 delivered a year of pleasing sales growth despite some caution and changeable market conditions. These market factors continue to impact new order opportunities as customers tighten their spending in the face of economic uncertainties. Despite head winds we remain optimistic for future sales growth and our focus remains resolutely on delivering new products and unparalleled support to our customers.

Improving operational performance is fundamental to our competitive advantage and strategic growth. We remain committed to a focus on continual improvement and lean activities to underpin our profit achievement.

Operating profit reported for the year is £13,644,000. The prior year operating profit of £15,044,000 included a non-recurring income of insurance claim of £2,579,000.

We are also committed to strong working capital and operating cashflow controls. Net current assets increased to £52,149,000 (2016: £46,171,000).

Total shareholder funds increased to £64,125,000 (2016 : £58,486,000) as a result of the combined effects of retained profit on ordinary activities after taxation; the decrease in the accumulated actuarial loss arising on the defined benefit pension scheme, and reduced dividends paid to shareholders.

### **Future developments**

Details of future developments can be found in the Strategic Report on page 8.

### **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.

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2017 (continued)**

### **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.

### **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.

Further details of financial instruments can be found in the Strategic Report and form part of this report by cross-reference.

### **Dividends**

It is not proposed to pay a final dividend (2016: Nil). Interim dividends of £12,000,000 (2016: £16,000,000) 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. To achieve our strategy we must continue to ensure employees have the relevant business and leadership compatibilities. The extensive knowledge and experience of the manufacturing and technical skills as well as those of our commercial and support staff colleagues is central to our product and service offering.

The Company provides periodic updates and communication with all employees on a variety of matters including company performance, financial, economic and regulatory issues. We regularly consult with employee representative groups on wider matters that may be of concern to them.

We encourage employee involvement through ideas and incentive schemes, as well as health, safety and wellbeing forums.

The Company also encourages recruitment, training, career development and promotion on the basis and ability with regard to disability.

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2017 (continued)**

### **Pensions**

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

The scheme's last Triennial valuation was prepared as at 29 March 2017. This preliminary actuarial valuation revealed a shortfall in assets when measured against the scheme's technical liabilities of £5.3m.

In association with preparing the last triennial valuation a guarantee has been provided by the immediate parent undertaking, Ali UK Limited to the Trustees of the Scheme for an amount of £3.6m (2016: £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:-

- A single contribution of £200,000 as at 31 December 2017
- Annual contributions of £600,000 from 1 January 2018 to 28 February 2027
- A single contribution of £200,000 as at 28 February 2027

### **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 2017 (continued)**

### **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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### **Disclosure of information to the auditor**

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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## **AFE Group Limited**

### **Directors' report for the year ended 31 August 2017 (continued)**

#### **Auditor**

Deloitte LLP were appointed as auditor during the year. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

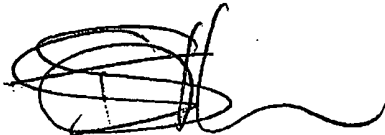
#### **Directors**

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

T. S. Smith

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

26 February 2018

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

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

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 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 of AFE Group Limited (the 'company') 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 21.

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 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.



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

## **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.

## **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.

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

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

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

### **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.

### **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.

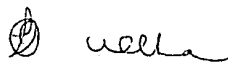
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

#### **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.



Lee Welham FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cambridge, United Kingdom

27 February 2018

# AFE Group Limited

## Profit and loss account for the year ended 31 August 2017

	Note	2017 £'000	2016 £'000
<b>Turnover</b>	2	<b>123,558</b>	118,271
Net operating costs	3	(109,914)	(103,227)
<b>Operating profit before goodwill amortisation</b>		<b>16,784</b>	18,184
Goodwill amortisation	8	(3,140)	(3,140)
<b>Operating profit</b>	3	<b>13,644</b>	15,044
Dividends from group undertakings		6,652	4,064
Gain/(loss) on disposal of fixed assets		25	(75)
<b>Profit on ordinary activities before interest and taxation</b>		<b>20,321</b>	19,033
Net interest receivable	4	102	116
Other finance costs	5	(167)	(189)
<b>Profit on ordinary activities before taxation</b>		<b>20,256</b>	18,960
Tax on profit on ordinary activities	7	(3,545)	(3,397)
<b>Profit for the financial year</b>		<b>16,711</b>	15,563

The above results relate to continuing activities.

## **AFE Group Limited**

### **Statement of comprehensive income for the year ended 31 August 2017**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	<b>16,711</b>	15,563
Remeasurement of the net defined benefit liability (note 5)	<b>1,118</b>	(3,226)
Deferred tax relating to actuarial gain/(loss) and contributions on pension scheme (note 7)	<b>(190)</b>	627
<b>Total comprehensive income for the year</b>	<b>17,639</b>	12,964

# AFE Group Limited

## Balance sheet as at 31 August 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	8	7,064	10,204
Tangible assets	9	12,473	11,124
Investments	10	1,874	1,874
		<b>21,411</b>	<b>23,202</b>
<b>Current assets</b>			
Stocks	11	13,704	13,061
Debtors (including amounts due after more than one year of £3,782,000 (2016: £3,788,000))	12	63,216	56,613
Cash at bank and in hand		902	1,249
<b>Total current assets</b>		<b>77,822</b>	<b>70,923</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(25,673)</b>	<b>(24,752)</b>
<b>Net current assets</b>		<b>52,149</b>	<b>46,171</b>
<b>Total assets less current liabilities</b>		<b>73,560</b>	<b>69,373</b>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(1,234)</b>	<b>(1,188)</b>
<b>Provisions for liabilities</b>	15	<b>(1,604)</b>	<b>(1,670)</b>
Net assets excluding pension liability		70,722	66,515
Pension liability	5	(6,597)	(8,029)
<b>Total net assets including pension liability</b>		<b>64,125</b>	<b>58,486</b>
<b>Capital and reserves</b>			
Share capital	17	31,521	31,521
Capital contribution	17	20,000	20,000
Profit and loss account	17	12,604	6,965
<b>Total shareholders' funds</b>		<b>64,125</b>	<b>58,486</b>

The financial statements on pages 17 to 48 were approved by the Board of Directors on 26 February 2018 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 2017

	Share Capital £'000	Capital Contribution £'000	Profit and Loss Account £'000	Total Equity £'000
Balance as at 1 September 2016	31,521	20,000	6,965	58,486
Profit for the financial year	-	-	16,711	16,711
Remeasurement of the net defined benefit liability (note 5)	-	-	1,118	1,118
Deferred tax relating to actuarial gain/loss and contributions on pension scheme	-	-	(190)	(190)
<b>Total comprehensive income for the year</b>	-	-	17,639	17,639
Dividends paid (note 17)	-	-	(12,000)	(12,000)
<b>Balance as at 31 August 2017</b>	<b>31,521</b>	<b>20,000</b>	<b>12,604</b>	<b>64,125</b>

	Share Capital £'000	Capital Contribution £'000	Profit and Loss Account £'000	Total Equity £'000
Balance as at 1 September 2015	31,521	20,000	10,001	61,522
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>Total comprehensive income for the year</b>	-	-	12,964	12,964
Dividends paid (note 17)	-	-	(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>

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2017**

### **1 Accounting policies**

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

#### **General information and basis of preparation**

AFE Group Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the company's registered office is 9 Bryggen Road, North Lynn Industrial Estate, King's Lynn, Norfolk, PE30 2HZ.

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 financial statements, 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.

The Company 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. The Company is consolidated in the financial statements of its parent, Ali S.p.A, which may be obtained at Via Gobetti, 2a – Villa Fiorita, 20063 Cernusco sul Naviglio (Milano) Italy. Exemptions have been taken in these separate Company financial statements in relation to, financial instruments, presentation of a cash flow statement, presentation of a reconciliation of the number of shares outstanding at the beginning and at the end of the period, and remuneration of key management personnel.

#### **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, on a straight line basis.

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2017 (continued)**

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

#### **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.

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

#### **Research and development**

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

#### **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 stated 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. Cost is determined on a first in first out basis. 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.



# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2017 (continued)**

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

#### **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 or loss on ordinary activities when they result from trading.

#### **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 and associates*

Investments in subsidiaries and associates 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.

#### **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 2017 (continued)**

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

#### **Current taxation**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

#### **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 substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### **Government grants**

Government grants are recognized based on the performance model and are measured at the fair value of the asset received or receivable. Grants are recognised in income at the date when performance conditions are met. Where there are no performance conditions, or conditions have already been fulfilled, the grant is recognised in income when the grant is receivable. Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

A grant has been offered by the Scottish Enterprise in the sum of £350,000 payable over 5 equal instalments for Falcon Foodservice Equipment. This grant is subject to meeting capital spend targets, safeguarding jobs and implementation costs in respect of new product introductions.

#### **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 2017 (continued)**

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

#### **Significant accounting estimates and assumptions and areas of judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Significant accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Significant assumptions are made in calculating the defined benefit scheme assets and liabilities as at financial year end.

The assumptions include discount rates, Retail Price Index rate, Consumer Price Index rate and demographic assumptions.

The directors do not consider that there are any areas of significant judgement that require further disclosure.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2017 (continued)

### 2 Turnover

Turnover by customer location:

	2017	2016
	£'000	£'000
Americas	2,090	1,912
Rest of world (excluding United Kingdom)	5,844	5,495
Total overseas	7,934	7,407
United Kingdom	115,624	110,864
<b>Total turnover</b>	<b>123,558</b>	<b>118,271</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.

	2017	2016
	£'000	£'000
Sales of goods	89,761	85,904
Rendering of Services	33,797	32,367
<b>Total turnover</b>	<b>123,558</b>	<b>118,271</b>

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2017 (continued)**

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

**Net operating costs comprise:**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Impairment/(Reversal of impairment) of stock	<b>(100)</b>	(37)
Other operating income	<b>(526)</b>	(492)
Insurance income	-	(2,579)
Raw materials and consumables	<b>42,922</b>	41,222
Other external charges	<b>3,490</b>	3,440
Staff costs (note 5)	<b>42,071</b>	40,488
Depreciation of owned tangible assets (note 9)	<b>1,422</b>	1,165
Depreciation of leased tangible assets (note 9)	<b>33</b>	38
Amortisation of intangible assets (note 8)	<b>3,140</b>	3,140
Other operating charges	<b>17,462</b>	16,842
<b>Total net operating costs</b>	<b>109,914</b>	103,227

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2017 (continued)**

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

Operating profit is stated after the following charges:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Operating lease rentals:		
Land and buildings	<b>743</b>	779
Plant and machinery	<b>64</b>	74
Other	<b>2,279</b>	2,156
Audit services:		
Fees payable to the company's auditor for the audit of the company financial statements	<b>80</b>	72
Non-audit services:		
Taxation compliance services	<b>13</b>	18
Research and development costs	<b>1,671</b>	1,608
Foreign exchange losses	<b>68</b>	51

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2017 (continued)

### 4 Net interest receivable

#### a) Interest payable and similar charges

	2017	2016
	£'000	£'000
Other interest payable	-	1
<b>Total interest payable and similar charges</b>	<b>-</b>	<b>1</b>

#### b) Interest receivable and similar income

Interest receivable on loans to other group undertakings	102	114
Other interest receivable	-	3
<b>Total interest receivable and similar income</b>	<b>102</b>	<b>117</b>
<b>Net interest receivable</b>	<b>102</b>	<b>116</b>

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2017 (continued)**

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

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

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>36,914</b>	35,443
Social security costs	<b>3,597</b>	3,463
Other pension costs (see below)	<b>1,560</b>	1,582
<b>Total staff costs</b>	<b>42,071</b>	40,488

#### **b) Pensions**

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

The scheme's last Triennial valuation was prepared as at 29 March 2017.

This preliminary actuarial valuation revealed a shortfall in assets when measured against the scheme's technical liabilities of £5.3m.

In association with preparing the last triennial valuation a guarantee has been provided by the immediate parent undertaking, Ali UK Limited to the Trustees of the Scheme for an amount of £3.6m (2016: £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:-

- A single contribution of £200,000 as at 31 December 2017
- Annual contributions of £600,000 from 1 January 2018 to 28 February 2027
- A single contribution of £200,000 as at 28 February 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 2017 (continued)

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

#### b) Pensions (continued)

	2017	2016
	%	%
Inflation rate	3.15	2.85
Discount rate	2.45	2.15
Rate of pension increase in payment for pension earned to April 2005	3.00	2.75
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 2017	Value at 31 August 2017	Long Term rate of return expected at 31 August 2016	Value at 31 August 2016
		£'000		£'000
Equities	2.45%	4,864	2.15%	6,037
Bonds	2.45%	7,883	2.15%	5,907
Gilts	2.45%	4,484	2.15%	4,646
Property	2.45%	948	2.15%	901
Cash and other	2.45%	266	2.15%	269
Total Assets		18,445		17,760

The expected rates of return for 31 August 2017 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 2017 (continued)

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

#### b) Pensions (continued)

The assets and liabilities of the scheme are as follows:

	2017	2016
	£'000	£'000
Fair value of plan assets	18,445	17,760
Defined benefit obligations	(25,042)	(25,789)
<b>Deficit in scheme</b>	<b>(6,597)</b>	<b>(8,029)</b>

	2017	2016
	£'000	£'000

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

Net interest on pension scheme deficit	167	189
	167	189

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

Administrative expenses	1	20
	1	20

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2017 (continued)

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

#### b) Pensions (continued)

	2017	2016
	£'000	£'000
<b>Total remeasurements in comprehensive income:</b>		
Return on plan assets, excluding amounts included as interest	426	2,711
Change in assumptions underlying the present value of the scheme liabilities	689	(5,974)
Experience gain	3	37
<b>Actuarial gain/(loss)</b>	<b>1,118</b>	<b>(3,226)</b>
<b>Reconciliation of present value of scheme obligations:</b>		
1 September	(25,789)	(19,669)
Interest cost	(548)	(756)
Actuarial gain/(loss)	692	(5,937)
Benefits paid	603	573
<b>31 August</b>	<b>(25,042)</b>	<b>(25,789)</b>

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2017 (continued)**

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

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

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of present value of scheme assets:</b>		
1 September	17,760	14,607
Interest income	381	567
Administration expenses	(1)	(20)
Return on plan assets, excluding amounts included as interest	426	2,711
Benefits paid	(603)	(573)
Contributions paid by employer	482	468
<b>31 August</b>	<b>18,445</b>	<b>17,760</b>

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2017 (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 21.8 years for male members currently aged 65 and of 22.6 years from age 65 for male members currently aged 50. The comparative projections at 31 August 2016 were 21.9 years and 22.9 years respectively.

#### **Defined contribution scheme**

Total contributions of £1,560,000 (2016: £1,582,000) 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:

	<b>2017</b>	<b>2016</b>
	<b>Number</b>	<b>Number</b>
Production	<b>878</b>	871
Selling and distribution	<b>93</b>	89
Administration	<b>289</b>	286
	<b>1,260</b>	1,246

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2017 (continued)**

#### **6 Directors' emoluments**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Directors' aggregate emoluments	<b>396</b>	338
Contribution to money purchase pension schemes	<b>45</b>	50
	<b>441</b>	388

The number of directors who were members of the company pension scheme was one (2016: one).

#### **Highest paid director**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<b>396</b>	338
Contribution to money purchase pension schemes	<b>45</b>	50
	<b>441</b>	388

No fees were paid for services of the other director.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2017 (continued)

### 7 Tax on profit on ordinary activities

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

	2017	2016
	£'000	£'000
Current tax on income for the year	3,268	3,516
Adjustment in respect of prior years	(32)	-
Current tax charge	3,236	3,516
Origination and reversal of timing differences	415	(830)
Adjustment in respect of prior years	27	-
Effect of tax rate change on opening balances	57	84
Deferred tax charge/(credit) (see note 16)	499	(746)
<b>Total tax charge</b>	<b>3,735</b>	<b>2,770</b>

	2017			2016		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
	£'000	£'000	£'000	£'000	£'000	£'000
Recognised in profit and loss account	3,236	309	3,545	3,516	(119)	3,397
Recognised in other comprehensive income	-	190	190	-	(627)	(627)
<b>Total tax charge</b>	<b>3,236</b>	<b>499</b>	<b>3,735</b>	<b>3,516</b>	<b>(746)</b>	<b>2,770</b>

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2017 (continued)

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

The current tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the UK as explained below:

	2017	2016
	£'000	£'000
Profit on ordinary activities before taxation	20,256	18,960
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.58% (2016: 20%)	3,966	3,792
Effects of:		
Non deductible expenses including goodwill amortisation	829	267
Income not taxable for tax purposes	(1,302)	(838)
Amounts credited/(charged) directly to equity or otherwise transferred	190	(627)
Adjustments in respect of prior years	(5)	-
Adjustment for closing deferred tax to average rate	57	176
Total tax charge in the year	3,735	2,770

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 17% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 17%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.



## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2017 (continued)

#### 8 Intangible assets

	Goodwill	Patents	Total
	£'000	£'000	£'000
<b>Cost</b>			
<b>At 1 September 2016 and at 31 August 2017</b>	<b>136,619</b>	<b>20</b>	<b>136,639</b>
<b>Accumulated amortisation and impairment</b>			
At 1 September 2016	126,415	20	126,435
Charge for the year	3,140	-	3,140
<b>At 31 August 2017</b>	<b>129,555</b>	<b>20</b>	<b>129,575</b>
<b>Net book value</b>			
<b>At 31 August 2017</b>	<b>7,064</b>	<b>-</b>	<b>7,064</b>
At 31 August 2016	10,204	-	10,204

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 of 27 months from the balance sheet date. The useful life of the goodwill was 20 years based on the long term expectations from the acquisition.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2017 (continued)

### 9 Tangible assets

	Land and buildings	Plant, machinery and equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 September 2016	9,206	17,693	26,899
Additions	93	2,720	2,813
Disposals	-	(595)	(595)
<b>At 31 August 2017</b>	<b>9,299</b>	<b>19,818</b>	<b>29,117</b>
<b>Accumulated depreciation</b>			
At 1 September 2016	3,675	12,100	15,775
Charge for the year	247	1,208	1,455
Disposals	-	(586)	(586)
<b>At 31 August 2017</b>	<b>3,922</b>	<b>12,722</b>	<b>16,644</b>
<b>Net book value</b>			
<b>At 31 August 2017</b>	<b>5,377</b>	<b>7,096</b>	<b>12,473</b>
At 31 August 2016	5,531	5,593	11,124

The carrying value of land included within land and buildings above which is not subject to depreciation is £604,000 (2016: £604,000).

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2017 (continued)**

#### **9 Tangible assets (continued)**

	<b>2017</b>	<b>2016</b>
<b>Analysis of net book value of land and buildings – freehold and long and short leasehold</b>	<b>£'000</b>	<b>£'000</b>
Freehold	<b>4,778</b>	4,899
Leasehold - Long	<b>599</b>	632
	<b>5,377</b>	5,531

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2017 (continued)**

### **10 Investments**

	<b>£'000</b>
<b>Cost</b>	
<b>At 1 September 2016 and at 31 August 2017</b>	<b>21,399</b>
<b>Provision</b>	
<b>At 1 September 2016 and at 31 August 2017</b>	<b>19,525</b>
<b>Net book value</b>	
<b>At 31 August 2017</b>	<b>1,874</b>
<b>At 31 August 2016</b>	<b>1,874</b>

### **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 2017.

AFG Stirling Limited - property holding company (Scotland)

The Registered office address of the above entity is:

Wallaceview, Hillfoots Road, Stirling, FK9 5PY

Falcon Catering Equipment Limited - Dormant

Mono Equipment Limited - Dormant

Millers Vanguard Limited - Dormant

Serviceline Catering Equipment Engineers Limited - Dormant

Williams Refrigeration Limited – Dormant

The Registered office address of the above 5 entities is:

9 Bryggen Road, North Lynn Industrial Estate, King's Lynn, Norfolk PE30 2HZ

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

The Registered office address for both the above entities is:

Roxy Industrial Centre, 12<sup>th</sup> Floor, Unit C, 58-66 Tai Lin Pai Road, Kwai Hing, New Territories

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2017 (continued)

### 11 Stocks

	2017	2016
	£'000	£'000
Raw materials and consumables	6,230	5,927
Work in progress	1,697	1,982
Finished goods and goods for resale	5,777	5,152
	<b>13,704</b>	<b>13,061</b>

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

### 12 Debtors

	2017	2016
	£'000	£'000
Trade debtors	24,840	23,565
Amounts owed by group companies	35,357	28,934
Other debtors	299	420
Deferred taxation (note 16)	1,121	1,590
Prepayments and accrued income	1,599	2,104
	<b>63,216</b>	<b>56,613</b>

Amounts owed by group companies include £3,725,000 (2016: £3,725,000) 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 £3,725,000 bearing interest at a floating rate of 0.50% above LIBOR.

Prepayments and accrued income include £57,000 (2016: £63,000) falling due after more than one year.

Deferred taxation includes £1.121m (2016: £1.445m) relating to pension deficit.

Deferred taxation of £Nil (2016: £Nil) is recoverable in more than one year.

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2017 (continued)

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

	2017	2016
	£'000	£'000
Trade creditors	13,220	10,964
Amounts owed to group companies	1,125	2,564
Corporation tax payable	1,687	1,808
Other taxation and social security	701	575
Other creditors	4,718	4,717
Accruals and deferred income	4,222	4,124
<b>Creditors falling due within one year</b>	<b>25,673</b>	<b>24,752</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

	2017	2016
	£'000	£'000
Accruals and deferred income	1,234	1,188
<b>Creditors falling due after more than one year</b>	<b>1,234</b>	<b>1,188</b>

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2017 (continued)

### 15 Provisions for liabilities

	Warranty	Deferred Taxation	Total
	£'000	£'000	£'000
At 1 September 2016	1,670	-	1,670
Charge/(credit) in year	(12)	30	18
Utilised	(84)	-	(84)
<b>At 31 August 2017</b>	<b>1,574</b>	<b>30</b>	<b>1,604</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 asset of £145,000 existed at 31 August 2016 and charges in the year resulting in deferred taxation liability at 31 August 2017 (see note 16).

### 16 Deferred taxation

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 17% (2016: 18%). The movement on the deferred tax account is shown below:

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

	2017	2016
	£'000	£'000
Deferred tax (asset)/liability at 1 September	(145)	168
Charge/(credit) in year	148	(313)
Adjustment in respect of prior years	27	-
<b>Deferred tax liability/(asset) at 31 August</b>	<b>30</b>	<b>(145)</b>

Deferred tax assets have been recognised 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 2017 (continued)

### 16 Deferred taxation (continued)

#### Deferred tax asset relating to pension deficit

	2017	2016
	£'000	£'000
1 September	(1,445)	(1,012)
Deferred tax charged to the profit and loss account	134	194
Deferred tax charged/(credited) to the statement of other comprehensive income	190	(627)
<b>31 August</b>	<b>(1,121)</b>	<b>(1,445)</b>

	2017	2016
	£'000	£'000
Accelerated capital allowances	61	(52)
Other timing differences	(31)	(93)
<b>Liability/(Asset)</b>	<b>30</b>	<b>(145)</b>
Deferred tax relating to pension deficit	(1,121)	(1,445)
	(1,091)	(1,590)



# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2017 (continued)**

### **17 Share capital and reserves**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Ordinary shares of £1 each</b>		
Allotted, issued, and fully paid – 31,520,910 (2016: 31,520,910) shares	<b>31,521</b>	31,521
Interim dividends of £12,000,000 (2016: £16,000,000) have been appropriated.		
The company's other reserves are as follows:		
Capital Contribution reserve made by parent company representing an increase in equity arising from foregoing its right to repayment of an existing intercompany liability on 10 June 2011.	<b>20,000</b>	20,000
Profit and loss reserve represents cumulative profits or losses, net of dividends and other adjustments.	<b>12,604</b>	6,965

### **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.

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2017 (continued)

#### 19 Commitments

Capital commitments:

	2017	2016
	£'000	£'000
Contracted for but not provided for – tangible fixed assets	289	318

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land & buildings	Other	Land & buildings	Other
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Within one year	463	1,242	128	1,258
Between one and five years	226	963	976	1,257
After five years	1,001	-	1,013	-
<b>Total operating lease commitments</b>	<b>1,690</b>	<b>2,205</b>	<b>2,117</b>	<b>2,515</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.

#### 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 the registered office address, 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.