

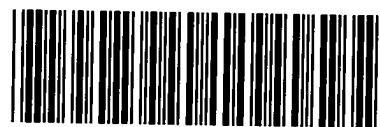
AFE Group Limited

Annual report and financial statements

for the year ended 31 August 2014

Registered number: 03872673

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Annual report and financial statements for the year ended 31 August 2014

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AFE Group Limited

Strategic report for the year ended 31 August 2014

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:-

Brand Name	Description	Web Site Addresses
Williams Refrigeration	Refrigeration Equipment	www.williams-refrigeration.com
Falcon Foodservice Equipment	Commercial cooking and catering equipment	www.falconfoodservice.com
Mono Equipment	Bakery Equipment	www.monoequip.com
Millers Vanguard	Maintenance and service of bakery and foodservice equipment	www.millersvanguard.co.uk
Serviceline	Maintenance and service of foodservice equipment	www.service-line.co.uk

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.

Research and development plays an important role in the development of the company. Product innovation is a key feature of our 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 increase our production capacity and efficiency, as well as developing new products that meet the changing culinary, operational and regulatory needs of our customers.

AFE Group Limited

Strategic report for the year ended 31 August 2014 (continued)

Business Review and Results

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

	2014	2013
	£'000	£'000
Turnover	118,882	110,241
Operating profit before goodwill amortisation	16,658	13,672
Operating profit	13,514	10,528
Profit on ordinary activities after tax	14,015	15,717
Total shareholders' funds	57,697	58,098

	Number	Number
Average number of employees	1,189	1,215

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

<ul style="list-style-type: none"> Revenue growth 	<p>To grow sales turnover of our primary equipment and service brands in both UK and international markets.</p> <p>Revenues have grown 7.8% in the year. (2013: 1.7%).</p>
<ul style="list-style-type: none"> Profitability 	<p>To improve the operating profit before goodwill 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 2014 is 14% (2013: 12%).</p>
<ul style="list-style-type: none"> Employees 	<p>To optimise the employee headcount and contribution from the company's operational gearing.</p> <p>The reduction in headcount arises from normal levels of retirement and the engagement of temporary direct labour.</p>
<ul style="list-style-type: none"> Total shareholder funds 	<p>To increase the balance sheet value of the shareholders interest in the company.</p> <p>Shareholder funds decreased in the year as a result of the changing levels of dividends received and paid.</p>

AFE Group Limited

Strategic report for the year ended 31 August 2014 (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">• Market conditions and competitor activity.<ul style="list-style-type: none">• The company generates its revenue from the sale of professional foodservice, catering and bakery equipment and associated service and maintenance income.• Over reliance on any individual customer or supplier<ul style="list-style-type: none">• The company profitability could be impacted if a single customer became business critical.• The failure of a major supplier to the business might also impact our ability to deliver products.	<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>

Strategic report for the year ended 31 August 2014 (continued)

<ul style="list-style-type: none"> • Financial risk management <ul style="list-style-type: none"> • 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. • <i>Foreign exchange risk</i> • The company is exposed to foreign exchange movements by virtue of holding foreign currency debtors and creditors. • <i>Price risk</i> • The company is exposed to commodity price risk as a result of its operations. • <i>Liquidity risk</i> • 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. • <i>Interest rate cash flow risk</i> • 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. 	<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 derivative financial instruments.</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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**Strategic report
for the year ended 31 August 2014 (continued)**

<ul style="list-style-type: none">• Health, Safety and Environmental <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. 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">• Product Stewardship <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>

Strategic report for the year ended 31 August 2014 (continued)

<ul style="list-style-type: none"> • Legal and Regulatory <p>The company operates in sectors which may be subject to changes in regulation. Such examples include Health & 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>Two important regulatory initiatives concerning commercial catering refrigeration are planned to come into force in the near future - Energy Related Products Directive, (formerly the Eco Design Directive) and the revised F Gas Regulations. 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>We enter dialogue with regulators regarding proposed changes to product regulation with a view to being compliant as well as seeking competitive advantage.</p>
<ul style="list-style-type: none"> • General Economic Conditions <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>
<ul style="list-style-type: none"> • People <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>

Strategic report for the year ended 31 August 2014 (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 the triennial actuarial valuation undertaken as at 29th March 2014 a new deficit recovery plan was 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.

In 2014 the company became subject to the UK pension auto-enrolment requirements and a new workplace pension arrangement has been put in place for this purpose.

AFE Group Limited

Strategic report for the year ended 31 August 2014 (continued)

Future Developments

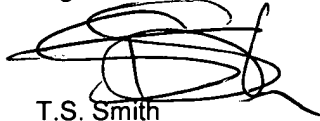
The Directors recognise the business issues brought about by a changing market place and are adapting our products and business model to be in a position to make the most of new opportunities.

Of principal focus to the foodservice equipment industry are the forthcoming 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

6 February 2015

AFE Group Limited

Directors' report for the year ended 31 August 2014

The Directors present their report and audited financial statements of the company for the year ended 31st August 2014.

Trading Summary

Turnover for the financial year increased by 7.8% to £118.882m (2013: £110.241m). All brands achieved turnover growth in a positive market landscape.

A significant contributor to UK revenue growth came from business secured under the Universal Infant School Meals programme. Export sales increased by 1% to £9.474m.

We are optimistic towards further UK and Export Sales growth; however activity levels within the UK supermarket sector may be changeable in the year ahead as major clients undergo strategic reviews of their retail business model.

We have focused on improvements to operational gearing and lean activities to underpin operating profit achievement. The combined revenue growth and cost improvement success saw operating profit for the year increased by 28.4% to £13.514m (2013: £10.528m).

We are also focused on strong working capital and operating cashflow controls. Net current assets increased to £36.507m (2013: £33.094m).

Total shareholder funds reduced to £57.697m (2013: £58.098m) as a result of changes in the stream of dividends paid and received within the Ali-Group S.p.A corporate structure, and recognition in the AFE Group Ltd balance sheet of the increased defined benefit pension scheme liability.

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 2014. 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 2014 (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 (2013: Nil). Interim dividends of £13,500,000 (2013: £8,200,000) 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 of 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 29th March 2008 so there are no active members of the scheme.

The scheme's last Triennial valuation was prepared as at 29th March 2014 and is pending agreement by the Pension Regulator.

This actuarial valuation revealed a shortfall in assets when measured against the scheme's technical liabilities of £3.6m (2013: £6.3m).

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 (2013: £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 28th February 2015, and then £468,000 per annum from 1st March 2015 to 31st October 2027.

AFE Group Limited

Directors' report for the year ended 31 August 2014 (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 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 2014 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 the directors have prepared the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 auditors are 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 auditors are aware of that information.

Auditor

KPMG LLP were appointed as auditors in the year. 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 2014 (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, appearing to be 'T.S. Smith', written over a horizontal line.

T.S. Smith
Director

6 February 2015

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 2014 set out on pages 16 to 44. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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.

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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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.

Charles le Strange Meakin

**Charles le Strange Meakin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

Botanic House,
100 Hills Road
Cambridge
CB2 1AR

Date: *6th February 2015*

AFE Group Limited

Profit and loss account for the year ended 31 August 2014

	Note	2014 £'000	2013 £'000
Turnover	2	118,882	110,241
Net operating costs	3	(105,368)	(99,713)
Operating profit before goodwill amortisation		16,658	13,672
Goodwill amortisation	8	(3,144)	(3,144)
Operating profit	3	13,514	10,528
Dividends from group undertakings		4,603	11,005
Provision against fixed asset investments	10	(242)	(2,343)
Profit on disposal of fixed assets		30	29
Profit on ordinary activities before interest and taxation		17,905	19,219
Net interest receivable	4	86	82
Other finance costs	5	(177)	(144)
Profit on ordinary activities before taxation		17,814	19,157
Tax on profit on ordinary activities	7	(3,799)	(3,440)
Profit for the financial year		14,015	15,717

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 total recognised gains and losses for the year ended 31 August 2014

	2014	2013
	£'000	£'000
Profit for the financial year	14,015	15,717
Actuarial loss on pension scheme (note 5)	(1,145)	(1,187)
Current tax relating to actuarial loss on pension scheme	-	61
Deferred tax relating to actuarial loss on pension scheme	229	186
Total recognised gains and losses in the year	13,099	14,777

AFE Group Limited

Balance sheet as at 31 August 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	8	16,487	19,631
Tangible assets	9	10,006	9,564
Investments	10	1,874	2,116
		28,367	31,311
Current assets			
Stocks	11	13,112	13,434
Debtors (including amounts due after more than one year of £5,079,000 (2013: £5,505,000))	12	46,307	37,659
Cash at bank and in hand		2,534	4,557
Total current assets		61,953	55,650
Creditors: amounts falling due within one year	13	(25,446)	(22,556)
Net current assets		36,507	33,094
Total assets less current liabilities		64,874	64,405
Creditors: amounts falling due after more than one year	14	(1,264)	(1,215)
Provisions for liabilities	15	(1,619)	(1,539)
Net assets excluding pension liability		61,991	61,651
Pension liability	5	(4,294)	(3,553)
Total net assets including pension liability		57,697	58,098
Capital and reserves			
Share capital	17	31,521	31,521
Capital contribution	18	20,000	20,000
Profit and loss account	18	6,176	6,577
Total shareholders' funds		57,697	58,098

The financial statements on pages 16 to 44 were approved by the Board of Directors on 6 February 2015 and were signed on its behalf by:


T.S. Smith
Director

Company Registered Number: 03872673

AFE Group Limited

Reconciliation of movements in total shareholders' funds as at 31 August 2014

	2014	2013
	£'000	£'000
Profit for the financial year	14,015	15,717
Dividends Paid	(13,500)	(8,200)
Actuarial loss on pension scheme (note 5)	(1,145)	(1,187)
Current tax relating to actuarial loss on pension scheme	-	61
Deferred tax relating to actuarial loss on pension scheme	229	186
Net (decrease)/increase in total shareholders' funds	(401)	6,577
Opening total shareholders' funds	58,098	51,521
Closing total shareholders' funds	57,697	58,098

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014

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 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.

The company's ultimate parent has included in its financial statements a consolidated group cash flow statement in compliance with Financial Reporting Standard ("FRS") 1 (revised 1996). The company has therefore taken advantage of the exemption under the standard not to produce a cash flow statement.

Goodwill

Goodwill, being the difference arising between the purchase consideration and the fair value of the assets acquired, has been capitalised in the financial statements as goodwill and then amortised on a straight line basis over the estimated useful life of 5 or 20 years from date of purchase.

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 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 2014 (continued)

1 Accounting policies (continued)

Investments

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

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 2014 (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 2014 (continued)

2 Turnover

Turnover by customer location:

	2014	2013
	£'000	£'000
America	3,052	2,612
Rest of world (excluding United Kingdom)	6,422	6,670
Total overseas	9,474	9,282
United Kingdom	109,408	100,959
Total turnover	118,882	110,241

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.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

3 Net operating costs and operating profit

Net operating costs comprise:

	2014	2013
	£'000	£'000
Change in stocks of finished goods and work in progress	251	787
Other operating income	(709)	(1,060)
Raw materials and consumables	42,675	39,834
Other external charges	2,621	2,507
Staff costs (note 5)	39,036	37,462
Depreciation of owned tangible assets (note 9)	1,107	1,158
Depreciation of leased tangible assets (note 9)	86	56
Amortisation of intangible assets (note 8)	3,144	3,144
Other operating charges	17,157	15,825
Total net operating costs	105,368	99,713

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

3 Net operating costs and operating profit (continued)

Operating profit is stated after the following charges:

	2014	2013
	£'000	£'000
Operating lease rentals:		
Land and buildings	637	659
Plant and machinery	92	22
Other	2,234	2,147
Audit services:		
Fees payable to the company's auditor for the audit of the company financial statements	72	72
Non-audit services:		
Taxation compliance services	23	27
Other assurance services	-	4
Other non-audit services	3	15
Research and development costs	1,308	1,200
Foreign exchange (gains)/losses	(56)	89

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

4 Net interest receivable

a) Interest payable and similar charges

	2014	2013
	£'000	£'000
Interest payable on loan from immediate parent company and other group undertakings	-	(11)
Total interest payable and similar charges	-	(11)

b) Interest receivable and similar income

Bank interest	-	1
Interest receivable on loans to other group undertakings	86	92
Total interest receivable and similar income	86	93
Net interest receivable	86	82

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

5 Employees - staff costs, pensions and employee numbers

a) Staff costs, including executive directors:

	2014	2013
	£'000	£'000
Wages and salaries	34,318	33,040
Social security costs	3,346	3,143
Other pension costs (see below)	1,372	1,279
Total staff costs	39,036	37,462

b) Pensions

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

The scheme's last Triennial valuation was prepared as at 29th March 2014 and is pending agreement by the Pension Regulator.

This actuarial valuation revealed a shortfall in assets when measured against the scheme's technical liabilities of £3.6m (2013: £6.3m).

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 (2013: £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 28th February 2015, and then £468,000 per annum from 1st March 2015 to 31st October 2027.

Under FRS 17 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 2014 (continued)

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

b) Pensions (continued)

	2014	2013
	%	%
Inflation rate	3.10	3.30
Discount rate	4.00	4.80
Rate of pension increase in payment for pension earned to April 2005	3.00	3.30
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 14	Value at 31 August 14	Long Term rate of return expected at 31 August 13	Value at 31 August 13
		£'000		£'000
Equities	7.1%	4,348	7.6%	2,850
Bonds	4.0%	5,173	4.8%	9,098
Gilts	2.9%	3,527	3.5%	430
Property	7.1%	641	-	-
Cash and other	0.5%	682	0.5%	852
Total Assets		14,371		13,230

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

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

b) Pensions (continued)

The assets and liabilities of the scheme are as follows:

	2014	2013
	£'000	£'000
Fair value of plan assets	14,371	13,230
Defined benefit obligations	(19,738)	(17,671)
Deficit in scheme	(5,367)	(4,441)
Deferred tax asset	1,073	888
Net pension liability	(4,294)	(3,553)
	2014	2013
	£'000	£'000
Analysis of the amount charged to other finance cost:		
Expected return on pension scheme assets	(662)	(611)
Interest on pension scheme liabilities	839	755
	177	144

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

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

b) Pensions (continued)

	2014	2013
	£'000	£'000
Analysis of the amount recognised in statement of total recognised gains and losses:		
Actual return less expected return on pension scheme assets	462	(2)
Experience gain/(loss) on liabilities	(6)	(22)
Changes in assumptions underlying the present value of the scheme liabilities	(1,601)	(1,163)
Actuarial loss	(1,145)	(1,187)
Reconciliation of present value of scheme obligations:		
1 September	(17,671)	(16,386)
Interest cost	(839)	(755)
Actuarial loss	(1,607)	(1,185)
Benefits paid	379	655
31 August	(19,738)	(17,671)

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

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

b) Pensions (continued)

	2014	2013
	£'000	£'000
Reconciliation of present value of scheme assets:		
1 September	13,230	12,876
Expected return on scheme assets	662	611
Actual return less expected return on pension scheme assets	462	(2)
Benefits paid	(379)	(655)
Contributions paid by employer	396	400
31 August	14,371	13,230

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Amount for the current and previous four years					
Scheme assets	14,371	13,230	12,876	11,393	10,858
Scheme liabilities	(19,738)	(17,671)	(16,386)	(14,322)	(15,301)
Deficit in scheme	(5,367)	(4,441)	(3,510)	(2,929)	(4,443)
Experience gain/(loss) on liabilities	(6)	(22)	139	-	1
Experience gain/(loss) on assets	462	(2)	951	(516)	509
Statement of total recognised gain/(loss) for the year	(1,145)	(1,187)	(728)	969	(1,913)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £5,158,000.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (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 22.1 years for male members currently aged 65 and of 23.1 years from age 65 for male members currently aged 50. The comparative projections at 31 August 2012 were 22.3 years and 23.2 years respectively.

Defined contribution scheme

Total contributions of £1,372,000 (2013: £1,279,000) 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:

	2014	2013
	Number	Number
Production	813	833
Selling and distribution	89	87
Administration	287	295
	1,189	1,215

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

6 Directors' emoluments

	2014	2013
	£'000	£'000
Directors' aggregate emoluments	381	416
Contribution to money purchase pension schemes	56	60
	437	476

The number of directors who were members of the company pension scheme was one (2013: one).

Highest paid director

	2014	2013
	£'000	£'000
Aggregate emoluments	381	416
Contribution to money purchase pension schemes	56	60
	437	476

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

7 Tax on profit on ordinary activities

	2014	2013
	£'000	£'000
United Kingdom corporation tax on the profit for the year at 22.16% (2013: 23.58%)	3,763	3,330
Adjustment in respect of prior years	(69)	(11)
Current tax charge	3,694	3,319
Current year deferred tax charge/(credit)	77	(12)
Adjustment in respect of prior years	28	11
Change in rate of tax from 23% to 20%	-	122
Deferred tax charge (see note 16)	105	121
Total tax charge	3,799	3,440

The current tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK as explained below:

	2014	2013
	£'000	£'000
Profit on ordinary activities before taxation	17,814	19,157
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22.16% (2013: 23.58%)	3,948	4,517
Effects of:		
Non deductible expenses including goodwill amortisation	909	1,399
Income not taxable for tax purposes	(1,009)	(2,595)
Pension cost charge timing differences	(48)	-
Depreciation in excess of accelerated capital allowances	(66)	21
Other timing differences	29	(12)
Adjustments in respect of prior years	(69)	(11)
Current tax charge for the year	3,694	3,319

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

7 Tax on profit on ordinary activities (continued)

A reduction in the UK Corporation Tax rate from 23% to 21% (effective from 1 April 2014) was substantively enacted on 2 July 2013. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 22.16% (2013: 23.58%).

On the same date a further reduction to 20% (effective from 1 April 2015) was substantively enacted. This will reduce the Company's future tax charge, and the deferred tax balances have been amended to reflect this rate.

8 Intangible assets

	Goodwill	Patents	Total
	£'000	£'000	£'000
Cost			
At 1 September 2013 and at 31 August 2014	136,619	20	136,639
Accumulated amortisation			
At 1 September 2013	116,988	20	117,008
Charge for the year	3,144	-	3,144
At 31 August 2014	120,132	20	120,152
Net book value			
At 31 August 2014	16,487	-	16,487
At 31 August 2013	19,631	-	19,631

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

9 Tangible assets

	Land and buildings	Plant, machinery and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 September 2013	9,193	16,398	25,591
Additions	22	1,633	1,655
Disposals	-	(2,682)	(2,682)
At 31 August 2014	9,215	15,349	24,564
Accumulated depreciation			
At 1 September 2013	2,903	13,124	16,027
Charge for the year	299	894	1,193
Disposals	-	(2,662)	(2,662)
At 31 August 2014	3,202	11,356	14,558
Net book value			
At 31 August 2014	6,013	3,993	10,006
At 31 August 2013	6,290	3,274	9,564

The carrying value of land included within land and buildings above which is not subject to depreciation is £604,000 (2013: £597,000).

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

9 Tangible assets (continued)

	2014	2013
	£'000	£'000
Analysis of net book value of land and buildings – freehold and long and short leasehold		
Freehold	5,295	5,486
Leasehold	718	804
	6,013	6,290

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

10 Investments

	£'000
Cost	
At 1 September 2013 and 31 August 2014	21,399
Provision	
At 1 September 2013	19,283
Provided for in year	242
At 31 August 2014	19,525
Net book value	
At 31 August 2014	1,874
At 31 August 2013	2,116

Subsidiaries

The following is a list of the company's principal UK subsidiaries, of which the company owns 100% of the share capital, at 31 August 2014.

- 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
- Williams Refrigeration Central Ltd - Dissolved 23 September 2014

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 2014 (continued)

11 Stocks

	2014	2013
	£'000	£'000
Raw materials and consumables	5,678	5,749
Work in progress	2,623	2,652
Finished goods and goods for resale	4,811	5,033
	13,112	13,434

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

12 Debtors

	2014	2013
	£'000	£'000
Trade debtors	20,966	19,714
Amounts owed by group companies	24,246	16,872
Other debtors	299	124
Deferred taxation (note 16)	53	115
Prepayments and accrued income	743	834
	46,307	37,659

Amounts owed by group companies include £4,975,000 (2013: £5,323,000) 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 £51,000 (2013: £67,000) falling due after more than one year.

Deferred taxation is recoverable in more than one year.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

13 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	10,160	10,510
Amounts owed to group companies	2,523	1,425
Corporation tax payable	2,136	1,791
Other taxation and social security	586	578
Other creditors	5,783	4,828
Accruals and deferred income	4,258	3,424
Creditors falling due within one year	25,446	22,556

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

14 Creditors: amounts falling due after more than one year

	2014	2013
	£'000	£'000
Accruals and deferred income	1,264	1,215
Creditors falling due after more than one year	1,264	1,215

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

15 Provisions for liabilities

	Warranty
	£'000
At 1 September 2013	1,539
Charge in year	138
Utilised	(58)
At 31 August 2014	1,619

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.

16 Deferred taxation

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 20% (2013: 20%). The movement on the deferred tax account is shown below:

Deferred tax asset excluding that relating to pension deficit

	2014	2013
	£'000	£'000
Deferred tax asset at 1 September	(115)	(130)
Charge/(Credit) in year	34	(12)
Adjustment in respect of prior years	28	11
Change in rate of tax from 23% to 20% charge to profit and loss account	-	16
Deferred tax asset at 31 August	(53)	(115)

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 2014 (continued)

16 Deferred taxation (continued)

Deferred tax asset relating to pension deficit

	2014	2013
	£'000	£'000
1 September	(888)	(807)
Deferred tax charged to the profit and loss account	44	-
Change in rate of tax from 23% to 20% charged to profit and loss account	-	105
Deferred tax credited to the statement of total recognised gains and losses	(229)	(186)
31 August	(1,073)	(888)

	2014	2013
	£'000	£'000
Accelerated capital allowances	45	(43)
Other timing differences	(98)	(72)
Asset recognised in debtors	(53)	(115)
Deferred tax relating to pension deficit (see note 5)	(1,073)	(888)
	(1,126)	(1,003)

17 Share capital

	2014	2013
	£	£
Ordinary shares of £1 each		
Allotted, issued, and fully paid – 31,520,910 (2013: 31,520,910) shares	31,520,910	31,520,910

Interim dividends of £13,500,000 (2013: £8,200,000) have been appropriated.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2014 (continued)

18 Reserves

	Capital contribution £'000	Profit and loss account £'000
At 1 September 2013	20,000	6,577
Profit for the year	-	14,015
Dividends Paid		(13,500)
Actuarial loss on pension scheme (note 5)	-	(1,145)
Current tax arising on pension deficit	-	-
Deferred tax arising on pension deficit	-	229
At 31 August 2014	20,000	6,176

19 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.

As at March 27, 2013, the company, along with a number of other companies in the Ali Group, provided a debenture containing, inter alia, a fixed charge on its assets to support a credit facility for the acquisition of Scotsman Industries by the company's parent, Ali S.p.A. The credit agreement is made among Ali S.p.A as parent, Ali Group North America Corporation and certain subsidiaries as borrowers, Bank of America N.A. as administrative agent and BNP Paribas SA as syndication agent.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2013 (continued)

20 Commitments

Capital commitments:

	2014	2013
	£'000	£'000
Contracted for but not provided in the financial statements	107	451

Operating lease commitments:

	Land & buildings	Other	Land & buildings	Other
	2014	2014	2013	2013
	£'000	£'000	£'000	£'000
Leases expiring:				
Within one year	13	766	-	663
Between one and two years	44	258	80	294
Between two and five years	370	261	79	324
Over five years	11	11	346	-
Total operating lease commitments	438	1,296	505	1,281

21 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 8 not to disclose any transactions or balances with entities that are 100% owned by Ali S.p.A.

22 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.