

AFE Group Limited

Annual report and financial statements  
for the year ended 31 August 2015

Registered number: 03872673

TUESDAY



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# **AFE Group Limited**

## **Annual report and financial statements for the year ended 31 August 2015**

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# AFE Group Limited

## Strategic report for the year ended 31 August 2015

### 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	<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.

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 2015 (continued)

### Business Review and Results

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

	2015	2014
	£'000	£'000
Turnover	119,109	118,882
Operating profit before goodwill amortisation	18,253	16,658
Operating profit	15,110	13,514
Profit on ordinary activities after tax	14,807	14,015
Total shareholders' funds	61,522	57,697

	Number	Number
Average number of employees	1,190	1,189

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

• 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 0.2% in the year. (2014: 7.8%).</p>
• Profitability	<p>To improve the operating profit before amortisation and return on sales to a 15% target, led by strategic product development and innovation to enhance added value returns, and through effective cost and efficiency improvements realised across the five business units.</p> <p>Operating profit before goodwill amortisation for FY 2015 is 15.3% (2014: 14%).</p>
• Employees	<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 engagement of temporary direct labour.</p>
• Total shareholder funds	<p>To increase the balance sheet value of the shareholders interest in the company.</p> <p>Shareholder funds increased in the year as a result of increased profit for the financial year together with the reduced levels of dividends received and paid and the actuarial gain arising on the defined benefits pension scheme.</p>

# AFE Group Limited

## Strategic report for the year ended 31 August 2015 (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 2015 (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>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 is closely focused on cash management.</p> <p>The company participates in the UK group cash pooling arrangement, which is controlled by its immediate parent company Ali UK Ltd, and utilises this to support its short and long term cash requirements.</p> <p>The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The Directors will revisit the appropriateness of this policy should the company's operations change in size or nature.</p>
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## AFE Group Limited

### Strategic report for the year ended 31 August 2015 (continued)

<ul style="list-style-type: none"><li>• <b>Health, Safety and Environmental</b></li></ul> <p>The Directors are committed to achieve the highest health, safety and environmental standards in seeking to protect our stakeholders and the community in which we operate.</p>	<p>Accreditation to ISO 9001:2008, ISO 14001:2004 and BS OHSAS 18001:2007 is held within the company, and ensures an internationally recognised framework is in place with clear policies, procedures and audits. Serviceline also achieved 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 2015 (continued)

<ul style="list-style-type: none"><li>• <b>Legal and Regulatory</b></li></ul> <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>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"><li>• <b>General Economic Conditions</b></li></ul> <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"><li>• <b>People</b></li></ul> <p>The company operates a number of business units which have developed and are managed on an autonomous basis. The competition for quality personnel remains high and a failure to attract and retain quality personnel may erode our competitive advantage.</p>	<p>The company engages in proactive dialogue with employees and other stakeholders local government authorities and community groups.</p> <p>Business unit management keep employees regularly informed of developments both at unit and company level as well as those within our parent company group. The company operates within a structured framework of policies to encourage best practice, good conduct and core principles.</p>



# AFE Group Limited

## Strategic report for the year ended 31 August 2015 (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 29<sup>th</sup> 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 under the the UK pension auto-enrolment requirements for workplace pensions

# **AFE Group Limited**

## **Strategic report for the year ended 31 August 2015 (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.

A handwritten signature in black ink, appearing to be 'T. S. Smith', with a long horizontal flourish extending to the right.

T. S. Smith

Director

14 December 2015

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2015**

The Directors present their report and audited financial statements of the company for the year ended 31<sup>st</sup> August 2015.

### **Trading Summary**

Turnover for the financial year increased by 0.2% to £119.109m (2014: £118.882m). All brands achieved acceptable turnover growth reflective of the overall market and economic conditions seen.

Export sales decreased by 5% to £9.002m.

We remain optimistic towards future Sales growth; however activity levels within the UK supermarket sector continue to be changeable in the year ahead as major clients continue the strategic reviews of their retail business models.

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 11.8% to £15.110m (2014: £13.514m).

We are also focused on strong working capital and operating cashflow controls. Net current assets increased to £43.961m (2014: £36.507m).

Total shareholder funds increased to £61.522m (2014: £57.697m) as a result of improved profit in the current year, together with changes in the stream of dividends paid and received within the Ali Group SpA corporate structure, and recognition in the AFE Group Ltd balance sheet of the actuarial growth on the defined benefit pension scheme.

### **Research and Development**

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

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

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

Research and development expenditure is expensed as incurred.

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

An independent review of the market value of the company's interest in land and buildings was undertaken in August 2015. 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 2015 (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 (2014: Nil). Interim dividends of £11,000,000 (2014: £13,500,000) have been paid.

### **Employees**

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

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

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

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

### **Pensions**

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

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

In association with preparing the last triennial valuation a guarantee has been provided by the immediate parent undertaking, Ali UK Ltd to the Trustees of the Scheme for an amount of £3.6m (2014: £3.6m).

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

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

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

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2015 (continued)**

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

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

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

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

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

### **Political Contributions**

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

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

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

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2015 (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**

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 2015 (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', with a long horizontal flourish extending to the right.

T.S. Smith  
Director

18 December 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 2015 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](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2015 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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



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

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



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

22<sup>nd</sup> December 2015

## AFE Group Limited

### Profit and loss account for the year ended 31 August 2015

	Note	2015 £'000	2014 £'000
<b>Turnover</b>	2	<b>119,109</b>	118,882
Net operating costs	3	<b>(103,999)</b>	(105,368)
<b>Operating profit before goodwill amortisation</b>		<b>18,253</b>	16,658
Goodwill amortisation	8	<b>(3,143)</b>	(3,144)
<b>Operating profit</b>	3	<b>15,110</b>	13,514
Dividends from group undertakings		<b>3,751</b>	4,603
Provision against fixed asset investments	10	-	(242)
(Loss)/Profit on disposal of fixed assets		<b>(3)</b>	30
<b>Profit on ordinary activities before interest and taxation</b>		<b>18,858</b>	17,905
Net interest receivable	4	<b>103</b>	86
Other finance costs	5	<b>(149)</b>	(177)
<b>Profit on ordinary activities before taxation</b>		<b>18,812</b>	17,814
Tax on profit on ordinary activities	7	<b>(4,005)</b>	(3,799)
<b>Profit for the financial year</b>		<b>14,807</b>	14,015

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 2015**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	<b>14,807</b>	14,015
Actuarial gain/(loss) on pension scheme (note 5)	<b>22</b>	(1,145)
Deferred tax relating to actuarial gain/loss on pension scheme	<b>(4)</b>	229
<b>Total recognised gains and losses in the year</b>	<b>14,825</b>	13,099

# AFE Group Limited

## Balance sheet as at 31 August 2015

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Intangible assets	8	13,344	16,487
Tangible assets	9	9,752	10,006
Investments	10	1,874	1,874
		<b>24,970</b>	<b>28,367</b>
<b>Current assets</b>			
Stocks	11	13,545	13,112
Debtors (including amounts due after more than one year of £5,014,000 (2014: £5,079,000))	12	51,142	46,307
Cash at bank and in hand		1,846	2,534
<b>Total current assets</b>		<b>66,533</b>	<b>61,953</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(22,572)</b>	<b>(25,446)</b>
<b>Net current assets</b>		<b>43,961</b>	<b>36,507</b>
<b>Total assets less current liabilities</b>		<b>68,931</b>	<b>64,874</b>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(1,364)</b>	<b>(1,264)</b>
<b>Provisions for liabilities</b>	15	<b>(1,995)</b>	<b>(1,619)</b>
Net assets excluding pension liability		<b>65,572</b>	61,991
Pension liability	5	<b>(4,050)</b>	(4,294)
<b>Total net assets including pension liability</b>		<b>61,522</b>	<b>57,697</b>
<b>Capital and reserves</b>			
Share capital	17	<b>31,521</b>	31,521
Capital contribution	18	<b>20,000</b>	20,000
Profit and loss account	18	<b>10,001</b>	6,176
<b>Total shareholders' funds</b>		<b>61,522</b>	<b>57,697</b>

The financial statements on pages 16 to 44 were approved by the Board of Directors on 18 December 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 2015

	2015	2014
	£'000	£'000
Profit for the financial year	14,807	14,015
Dividends Paid	(11,000)	(13,500)
Actuarial gain/(loss) on pension scheme (note 5)	22	(1,145)
Deferred tax relating to actuarial (gain)/loss on pension scheme	(4)	229
Net increase/(decrease) in total shareholders' funds	3,825	(401)
Opening total shareholders' funds	57,697	58,098
<b>Closing total shareholders' funds</b>	<b>61,522</b>	<b>57,697</b>

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2015**

### **1 Accounting policies**

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

#### **Basis of preparation**

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

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

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 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 of goods and services supplied to customers. Turnover is recognised when goods are delivered to the customer.

#### **Research and development**

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

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2015 (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 2015 (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 2015 (continued)

#### 2 Turnover

Turnover by customer location:

	2015	2014
	£'000	£'000
America	2,229	3,052
Rest of world (excluding United Kingdom)	6,773	6,422
Total overseas	9,002	9,474
United Kingdom	110,107	109,408
<b>Total turnover</b>	<b>119,109</b>	<b>118,882</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.

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2015 (continued)**

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

**Net operating costs comprise:**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Change in stocks of finished goods and work in progress	<b>(623)</b>	251
Other operating income	<b>(756)</b>	(709)
Raw materials and consumables	<b>41,729</b>	42,675
Other external charges	<b>2,866</b>	2,621
Staff costs (note 5)	<b>39,611</b>	39,036
Depreciation of owned tangible assets (note 9)	<b>1,120</b>	1,107
Depreciation of leased tangible assets (note 9)	<b>47</b>	86
Amortisation of intangible assets (note 8)	<b>3,143</b>	3,144
Other operating charges	<b>16,862</b>	17,157
<b>Total net operating costs</b>	<b>103,999</b>	105,368

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2015 (continued)**

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

Operating profit is stated after the following charges:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Operating lease rentals:		
Land and buildings	<b>656</b>	637
Plant and machinery	<b>106</b>	92
Other	<b>2,156</b>	2,234
Audit services:		
Fees payable to the company's auditor for the audit of the company financial statements	<b>72</b>	72
Non-audit services:		
Taxation compliance services	<b>19</b>	23
Other assurance services	-	-
Other non-audit services	-	3
Research and development costs	<b>1,675</b>	1,308
Foreign exchange (gains)/losses	<b>(27)</b>	(56)

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

### 4 Net interest receivable

#### a) Interest payable and similar charges

	2015	2014
	£'000	£'000
Other Interest payable	2	-
<b>Total interest payable and similar charges</b>	<b>2</b>	<b>-</b>

#### b) Interest receivable and similar income

Interest receivable on loans to other group undertakings	105	86
<b>Total interest receivable and similar income</b>	<b>105</b>	<b>86</b>
<b>Net interest receivable</b>	<b>103</b>	<b>86</b>

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

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

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

	2015	2014
	£'000	£'000
Wages and salaries	34,694	34,318
Social security costs	3,393	3,346
Other pension costs (see below)	1,524	1,372
<b>Total staff costs</b>	<b>39,611</b>	<b>39,036</b>

#### b) Pensions

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

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

This actuarial valuation revealed a shortfall in assets when measured against the scheme's technical liabilities of £3.6m (2014: £3.6m).

In association with preparing the last triennial valuation a guarantee has been provided by the immediate parent undertaking, Ali UK Ltd to the Trustees of the Scheme for an amount of £3.6m (2014: £3.6m).

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

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

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

Under FRS 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 2015 (continued)

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

#### b) Pensions (continued)

	2015	2014
	%	%
Inflation rate	3.20	3.10
Discount rate	3.90	4.00
Rate of pension increase in payment for pension earned to April 2005	3.10	3.00
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 15	Value at 31 August 15	Long Term rate of return expected at 31 August 14	Value at 31 August 14
		£'000		£'000
Equities	3.90%	4,152	7.1%	4,348
Bonds	3.90%	5,935	4.0%	5,173
Gilts	3.90%	3,757	2.9%	3,527
Property	3.90%	644	7.1%	641
Cash and other	3.90%	119	0.5%	682
Total Assets		14,607		14,371

The expected rates of return for 31 August 2015 are set equal to the discount rate (as per the forthcoming FRS 102 disclosure requirements).

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

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

#### b) Pensions (continued)

The assets and liabilities of the scheme are as follows:

	2015	2014
	£'000	£'000
Fair value of plan assets	14,607	14,371
Defined benefit obligations	(19,669)	(19,738)
<b>Deficit in scheme</b>	<b>(5,062)</b>	<b>(5,367)</b>
Deferred tax asset	1,012	1,073
<b>Net pension liability</b>	<b>(4,050)</b>	<b>(4,294)</b>
	2015	2014
	£'000	£'000
<b>Analysis of the amount charged to other finance cost:</b>		
Expected return on pension scheme assets	(630)	(662)
Interest on pension scheme liabilities	779	839
	149	177

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

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

#### b) Pensions (continued)

	2015	2014
	£'000	£'000
<b>Analysis of the amount recognised in statement of total recognised gains and losses:</b>		
Actual return less expected return on pension scheme assets	(273)	462
Experience gain/(loss) on liabilities	956	(6)
Changes in assumptions underlying the present value of the scheme liabilities	(661)	(1,601)
<b>Actuarial gain/(loss)</b>	<b>22</b>	<b>(1,145)</b>
<b>Reconciliation of present value of scheme obligations:</b>		
1 September	(19,738)	(17,671)
Interest cost	(779)	(839)
Actuarial gain/(loss)	295	(1,607)
Benefits paid	553	379
<b>31 August</b>	<b>(19,669)</b>	<b>(19,738)</b>



# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

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

#### b) Pensions (continued)

	2015	2014
	£'000	£'000
<b>Reconciliation of present value of scheme assets:</b>		
1 September	14,371	13,230
Expected return on scheme assets	630	662
Actual return less expected return on pension scheme assets	(273)	462
Benefits paid	(553)	(379)
Contributions paid by employer	432	396
<b>31 August</b>	<b>14,607</b>	<b>14,371</b>

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
<b>Amount for the current and previous four years</b>					
Scheme assets	14,607	14,371	13,230	12,876	11,393
Scheme liabilities	(19,669)	(19,738)	(17,671)	(16,386)	(14,322)
Deficit in scheme	(5,062)	(5,367)	(4,441)	(3,510)	(2,929)
Experience gain/(loss) on liabilities	956	(6)	(22)	139	-
Experience gain/(loss) on assets	(273)	462	(2)	951	(516)
<b>Statement of total recognised gain/(loss) for the year</b>	<b>22</b>	<b>(1,145)</b>	<b>(1,187)</b>	<b>(728)</b>	<b>969</b>

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £5,136,000.

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2015 (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 23.0 years from age 65 for male members currently aged 50. The comparative projections at 31 August 2014 were 22.1 years and 23.1 years respectively.

#### **Defined contribution scheme**

Total contributions of £1,524,000 (2014: £1,372,000) 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>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>
Production	<b>821</b>	813
Selling and distribution	<b>85</b>	89
Administration	<b>284</b>	287
	<b>1,190</b>	1,189

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2015 (continued)

#### 6 Directors' emoluments

	2015	2014
	£'000	£'000
Directors' aggregate emoluments	429	381
Contribution to money purchase pension schemes	64	56
	493	437

The number of directors who were members of the company pension scheme was one (2014: one).

#### Highest paid director

	2015	2014
	£'000	£'000
Aggregate emoluments	429	381
Contribution to money purchase pension schemes	64	56
	493	437

#### 7 Tax on profit on ordinary activities

	2015	2014
	£'000	£'000
Current tax on income for the year	3,692	3,763
Adjustment in respect of prior years	35	(69)
Current tax charge	3,727	3,694
Current year deferred tax charge	145	77
Adjustment in respect of prior years	133	28
Deferred tax charge (see note 16)	278	105
<b>Total tax charge</b>	<b>4,005</b>	<b>3,799</b>

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

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

The current tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK as explained below:

	2015	2014
	£'000	£'000
Profit on ordinary activities before taxation	18,812	17,814
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.58% (2014: 22.16%)	3,872	3,948
Effects of:		
Non deductible expenses including goodwill amortisation	738	909
Income not taxable for tax purposes	(772)	(1,009)
Pension cost charge timing differences	(58)	(48)
Depreciation in excess of accelerated capital allowances	(69)	(66)
Other timing differences	(22)	29
R & D expenditure credits	3	-
Adjustments in respect of prior years	35	(69)
Current tax charge for the year	3,727	3,694

A reduction in the UK Corporation Tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 20.58% (2014: 22.16 %).

In the budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future tax charge accordingly.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

### 8 Intangible assets

	Goodwill	Patents	Total
	£'000	£'000	£'000
<b>Cost</b>			
<b>At 1 September 2014 and at 31 August 2015</b>	<b>136,619</b>	<b>20</b>	<b>136,639</b>
<b>Accumulated amortisation</b>			
At 1 September 2014	120,132	20	120,152
Charge for the year	3,143	-	3,143
<b>At 31 August 2015</b>	<b>123,275</b>	<b>20</b>	<b>123,295</b>
<b>Net book value</b>			
<b>At 31 August 2015</b>	<b>13,344</b>	<b>-</b>	<b>13,344</b>
At 31 August 2014	16,487	-	16,487

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

### 9 Tangible assets

	Land and buildings	Plant, machinery and equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 September 2014	9,215	15,349	24,564
Additions	35	885	920
Disposals	-	(312)	(312)
<b>At 31 August 2015</b>	<b>9,250</b>	<b>15,922</b>	<b>25,172</b>
<b>Accumulated depreciation</b>			
At 1 September 2014	3,202	11,356	14,558
Charge for the year	265	902	1,167
Disposals	-	(305)	(305)
<b>At 31 August 2015</b>	<b>3,467</b>	<b>11,953</b>	<b>15,420</b>
<b>Net book value</b>			
<b>At 31 August 2015</b>	<b>5,783</b>	<b>3,969</b>	<b>9,752</b>
At 31 August 2014	6,013	3,993	10,006

The carrying value of land included within land and buildings above which is not subject to depreciation is £604,000 (2014: £604,000).

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2015 (continued)**

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

	<b>2015</b>	<b>2014</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>5,112</b>	5,295
Leasehold	<b>671</b>	718
	<b>5,783</b>	6,013

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

### 10 Investments

	£'000
<b>Cost</b>	
<b>At 1 September 2014 and 31 August 2015</b>	<b>21,399</b>
<b>Provision</b>	
At 1 September 2015	19,525
Provided for in year	-
<b>At 31 August 2015</b>	<b>19,525</b>
<b>Net book value</b>	
<b>At 31 August 2015</b>	<b>1,874</b>
At 31 August 2014	1,874

### 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 2015.

- AFG Stirling Ltd - property holding company (Scotland)
- Falcon Catering Equipment Ltd - Dormant
- Mono Equipment Ltd - Dormant
- Millers Vanguard Ltd - Dormant
- Serviceline Catering Equipment Engineers Ltd - Dormant
- Williams Refrigeration Ltd - Dormant

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

- AFE Group China Limited
- Williams Refrigeration (Hong Kong) Limited



# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

### 11 Stocks

	2015	2014
	£'000	£'000
Raw materials and consumables	5,488	5,678
Work in progress	2,581	2,623
Finished goods and goods for resale	5,476	4,811
	13,545	13,112

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

### 12 Debtors

	2015	2014
	£'000	£'000
Trade debtors	20,980	20,966
Amounts owed by group companies	28,168	24,246
Other debtors	585	299
Deferred taxation (note 16)	-	53
Prepayments and accrued income	1,409	743
	51,142	46,307

Amounts owed by group companies include £4,975,000 (2014: £4,975,000) falling due after more than one year. Amounts owed by group companies are unsecured and, other than the amounts disclosed above, repayable on demand, with £4,975,000 bearing interest at a floating rate of 0.50% above LIBOR.

Prepayments and accrued income include £39,000 (2014: £51,000) falling due after more than one year.

Deferred taxation of £Nil (2014: £53,000) is recoverable in more than one year.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

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

	2015	2014
	£'000	£'000
Trade creditors	9,737	10,160
Amounts owed to group companies	1,709	2,523
Corporation tax payable	2,118	2,136
Other taxation and social security	588	586
Other creditors	4,947	5,783
Accruals and deferred income	3,473	4,258
<b>Creditors falling due within one year</b>	<b>22,572</b>	<b>25,446</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

	2015	2014
	£'000	£'000
Accruals and deferred income	1,364	1,264
<b>Creditors falling due after more than one year</b>	<b>1,364</b>	<b>1,264</b>

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

### 15 Provisions for liabilities

	Warranty	Deferred Taxation	Total
	£'000	£'000	£'000
At 1 September 2014	1,619	(53)	1,566
Charge in year	285	88	373
Utilised	(77)	-	(77)
Adjustment in respect of prior years	-	133	133
<b>At 31 August 2015</b>	<b>1,827</b>	<b>168</b>	<b>1,995</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.

### 16 Deferred taxation

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 20% (2014: 20%). The movement on the deferred tax account is shown below:

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

	2015	2014
	£'000	£'000
Deferred tax asset at 1 September	(53)	(115)
Charge in year	88	34
Adjustment in respect of prior years	133	28
<b>Deferred tax liability/(asset) at 31 August</b>	<b>168</b>	<b>(53)</b>

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

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2015 (continued)

### 16 Deferred taxation (continued)

#### Deferred tax asset relating to pension deficit

	2015	2014
	£'000	£'000
1 September	(1,073)	(888)
Deferred tax charged to the profit and loss account	57	44
Deferred tax charged/(credited) to the statement of total recognised gains and losses	4	(229)
<b>31 August</b>	<b>(1,012)</b>	<b>(1,073)</b>

	2015	2014
	£'000	£'000
Accelerated capital allowances	245	45
Other timing differences	(77)	(98)
<b>Liability/(Asset)</b>	<b>168</b>	<b>(53)</b>
Deferred tax relating to pension deficit (see note 5)	(1,012)	(1,073)
	(844)	(1,126)

### 17 Share capital

	2015	2014
	£'000	£'000
<b>Ordinary shares of £1 each</b>		
Allotted, issued, and fully paid – 31,520,910 (2014: 31,520,910) shares	31,521	31,521

Interim dividends of £11,000,000 (2014: £13,500,000) have been appropriated.

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2015 (continued)**

#### **18 Reserves**

	<b>Capital contribution</b>	<b>Profit and loss account</b>
	<b>£'000</b>	<b>£'000</b>
At 1 September 2014	20,000	6,176
Profit for the year	-	14,807
Dividends Paid		(11,000)
Actuarial gain on pension scheme (note 5)	-	22
Current tax arising on pension deficit	-	-
Deferred tax arising on pension deficit	-	(4)
<b>At 31 August 2015</b>	<b>20,000</b>	<b>10,001</b>

#### **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.

On September 28, 2015, the fixed charge raised on March 27, 2013 on the company's assets, along with a number of other companies in the Ali Group, to support a credit facility for the acquisition of Scotsman Industries by the company's parent, Ali S.p.A. was satisfied. The credit agreement 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 was terminated.

# AFE Group Limited

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

### 20 Commitments

Capital commitments:

	2015	2014
	£'000	£'000
Contracted for but not provided in the financial statements	1,964	107

Operating lease commitments:

	Land & buildings	Other	Land & buildings	Other
	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
Leases expiring:				
Within one year	55	772	13	766
Between one and two years	35	145	44	258
Between two and five years	417	310	370	261
Over five years	11	-	11	11
<b>Total operating lease commitments</b>	<b>518</b>	<b>1,227</b>	<b>438</b>	<b>1,296</b>

### 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.