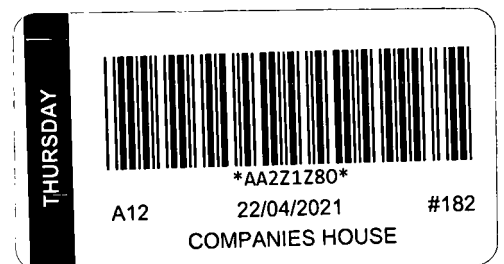


AFE Group Limited

Annual report and financial statements

for the year ended 31 August 2020

Registered number: 03872673



AFE Group Limited

Annual report and financial statements for the year ended 31 August 2020

| | Page |
|---------------------------------------------------------------------|------|
| Strategic report for the year ended 31 August 2020 | 1 |
| Directors' report for the year ended 31 August 2020 | 18 |
| Independent auditor's report to the members of AFE Group Limited | 24 |
| Profit and loss account for the year ended 31 August 2020 | 28 |
| Statement of comprehensive income for the year ended 31 August 2020 | 29 |
| Balance sheet as at 31 August 2020 | 30 |
| Statement of changes in equity for the year ended 31 August 2020 | 31 |
| Notes to the financial statements for the year ended 31 August 2020 | 32 |

AFE Group Limited

Strategic report for the year ended 31 August 2020

Principal Activities

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

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

| Brand Name | Description | Web Site Addresses |
|------------------------------|-------------------------------------------------------------|------------------------------------------------------------------------------------|
| Williams Refrigeration | Refrigeration equipment | 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.

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

Each business unit has its own financial and IT systems, internal controls and risks. We hold regular cross functional meetings involving all business units to review and set best practice performance, governance and compliance standards.

With the advent of the coronavirus pandemic we face unprecedented market conditions. We have deployed various cost control, cash flow and operational efficiency initiatives to support our future performance and competitiveness.

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

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

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

Stakeholder Views

A statement pursuant to Section 172 of the Companies Act 2006 is required content for the first time in this Annual Report. The primary duty of the directors under Section 172 is to act in the way they consider would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole and to do so having regard as appropriate to certain statutory factors and other relevant matters.

All Board decisions are made with the Company's long-term success in mind and, have regard to a broad range of matters including the voice of stakeholders. The Board of directors maintain a full understanding and appreciation of key stakeholders.

During the year, reflective of market uncertainties brought about by the global coronavirus pandemic, the Board implemented a new strategy through the execution of a plan which included extensive operational change and a significant restructuring programme at each of its business units. In considering the strategy proposals the Board had regard to the relevant statutory factors, capital allocation, and gave careful consideration of other options and relevant factors. The Board concluded that implementing the new strategy was most likely to promote the success of AFE Group Limited for the benefit of its stakeholders as a whole.

Set out below is specific commentary in relation to each of the Section 172 factors:

a) The likely consequences of any decision in the long-term

The Board applies an annual business planning period and outlines a three and five year strategy for each of its business divisions with a view to long-term success. Long-term considerations include assessing which products, market segments and geographic markets are the most attractive markets for AFE Group Limited to focus on and how to optimise the company performance. Our strategy drives our key product development and capital investment decisions, with each business unit being assessed on its own merits alongside synergy opportunities that may exist within the company. The Board also reviews whether any businesses ought to continue to be a focus for investment given longer-term strategic considerations.

b) The interests of the Company's employees

The Group depends on its employees for its ongoing success. Their extensive knowledge and experience of the manufacturing and technical skills as well as those of our commercial and support staff colleagues is central to the success of our product and service offering. The company invests considerable time and resources on employee engagement, training and development. We encourage employee involvement through ideas and incentive schemes, as well as health, safety and wellbeing forums. We provide periodic updates and communication with all employees on a variety of matters including company performance, financial, economic and regulatory issues. We regularly consult with employee representative groups on wider matters that may be of concern to them.

We operate in accordance with local laws and with due regard to human rights.

Investment decisions including rationalisation and relocation of activities are considered with due regard to the interests of employees. For example, the decision to invest in moving Serviceline to a new call centre facility offered various benefits including a more comfortable working environment for employees. We also expanded Millers Vanguard warehousing facilities to support expansion and enhance the health and safety of employees.

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

Stakeholder Views (continued)

Consultations with employees are conducted in relation to restructuring and headcount reductions which were undertaken as part of the company reorganisation project. The Board approves and tracks the progress of these programmes through regular business unit board meetings.

Health and safety of our employees is of paramount importance and receives appropriate Board and management attention and investments. Reflecting this importance each business unit has its own health and safety manager. The management group hold periodic meetings to measure and track our performance. Regular updates are provided to the Board.

Group pension scheme participants benefit from the Group's approach to pension provision and financial prudence in reducing the funding deficit in relation to defined benefit obligations.

c) The need to foster business relationships with suppliers, customers and others

Customer service and fulfilment are at the core of our strategy. Additional investment has been made for customers to find it easier to do business with through enhancing the way we provide product availability, delivery and after sales service. The Board monitors customer feedback and experiences, and continues to place increased emphasis on the customer as fundamental element of the company strategy.

We seek to build long term relationships with our customers, built upon research, and developing product and service solutions to meet bespoke requirement and improve specific operational needs.

Our businesses work closely with partners including suppliers, distributors and agents who are closely managed from a commercial and compliance perspective. We implement a number of corporate responsibility policies and procedures including regular on-site compliance reviews, which are designed to help instil the highest regulatory and ethical standards. Our Modern Slavery Act statement including detail about the steps we take to ensure that slavery and human trafficking do not take place within our supply chain or any part of our business is available at our web site. We also make publically available our supplier payment practices report and other policies under which we operate including our Anti-Bribery, Compliance and Whistleblowing policies.
<https://www.theafegroup.com/Policies.html>

Developing and sustaining good relationships with the many regulators who govern our businesses is central to the success of our business and maintaining our license to operate. We are committed to adherence to our legal and regulatory requirements.

d) The impact of operations on the community and the environment

Our business units contribute and support their local communities through employee training and development, community and charitable activity. The Board actively encourages community involvement and support of good causes. As an example Falcon recently donated cooking equipment to Empty Kitchens, a volunteer organisation in Edinburgh who turn surplus food into healthy meals for those who need them.

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

Stakeholder Views (continued)

The Board approves and monitors our Environmental and Energy policies that are set to help minimise our impact on the environment. By running our business more efficiently we enhance our competitiveness, save costs and reduce waste and scrap levels. Given the nature of our manufacturing processes and national service activities, our main focus is improving energy and road transport fuel efficiency. We have undertaken internal reviews of our energy consumption and have engaged independent energy consultants to carry out surveys of our principal sites. Detailed findings and recommendations were reviewed by each business unit. Recommendations will be evaluated on a site-by-site basis and progress will be regularly monitored with best practices being shared across the company. The Board regularly considers such initiatives and channelling investment to projects with due regard for the environment.

Across our Group a range of other initiatives are being implemented by our businesses to minimise their environmental impact. These initiatives include reducing the use of plastic, and wood, Greater use of IT to manage internal processes and limit paper consumption and purchasing consumable items that are manufactured using eco-friendly materials in support of our Zero to Landfill credentials. To underpin our environmental commitments, all our facilities are certified to ISO14001 the international standard for Environmental Management. Our service facilities are also certified to ISO50001 the international standard for Energy Management. The company is also compliant with ESOS2 audit and reporting requirements.

e) The desirability of maintaining a reputation for high standards of business conduct

The Board recognises the great importance attached to the Company's reputation by all key stakeholders and is careful to ensure its decisions reflect this so that we operate ethically at all times. The Board demands high standards of conduct from all business unit directors and company employees, and has issued a Code of Conduct that sets out the standards we expect all our colleagues to adhere to in being mindful of how and with whom business is conducted.

We encourage all employees to report any incident that is not in keeping with our values and behaviours and we operate a confidential whistleblowing line which allows anonymous reporting.

The board undertakes an annual review of all ethical, corporate and social responsibility policies and publishes these on our web site.

f) The need to act fairly between shareholders of the Company

The Board understands the importance of treating shareholders fairly. AFE Group Limited has only one shareholder, and provides regular financial and operational updates by way of the corporate group reporting requirements.

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

Review of the business

Turnover for the financial year decreased by 17.9% to £98,643,000 (2019: £120,196,000).

Prior to the outbreak of the Coronavirus pandemic the continuing Brexit uncertainties seen since the start of the fiscal year had continued to limit some customer confidence and business investment.

The continuing course of the Coronavirus pandemic has brought about significant volatility within our market environment since March 2020 and materially impacted our turnover. Many of our customers have, and continue to suffer severe trading issues as a result of the emergency measures that particularly impact the foodservice, leisure and hospitality industries.

We are safely managing all our operations to maximize business continuity to support our customers.

We have been ascribed essential supplier status by our food retail and healthcare customers and are dedicating particular focus and preference to their requirements.

As a consequence of the unprecedented period of uncertainty and business disruption, we have seen significant changes in customer demand. We have realigned our operations to reflect the reduced activity levels that we anticipate will remain with us until we see a substantial reduction in infection rates, and vaccine programmes are extended to allow our customers to reopen their businesses.

Despite the impacts of the Coronavirus pandemic we remain focused on customer led new product developments and service solutions. New product launches include medical and pharmacy refrigeration products, and a range of new healthcare cooking, servery and meal delivery systems. We continue to develop IoT platforms to provide connectivity solutions for each of our bakery, cooking and refrigeration product groups, whilst our service operations have extended their capabilities for appliance refurbishment and remanufacture to support the greater customer interest in circular economy and sustainable business models.

At the same time we are continuing to invest in new production technology, innovation and digital marketing opportunities that put customer service and fulfilment at the centre of our product development and business improvement actions.

The operating profit reported for 2020 is £6,815,000 (2019: £12,569,000). Profit levels have fallen dramatically in the face of the continued trading disruption. We have taken mitigating actions in anticipation of the continued tougher trading conditions. This includes a recruitment freeze in all but exceptional circumstances, cost reduction initiatives, and reductions to capital expenditure unless vital for health and safety or continuity of operations. We are working closely with our employees, directors and divisional leadership team to deploy the government job protection scheme.

Improving operating profit performance remains central to our strategic initiatives and is led by a continued focus for lean and process improvement activities.

We remain committed to strong working capital and operating cash flow controls. AFE Group Limited has delivered a robust cash position for the financial year ended 31 August 2020. Net current assets increased to £75,898,000 (2019: £72,333,000).

Total shareholder funds increased to £82,664,000 (2019: £79,312,000) as a result of the combined effects of retained profit after taxation, the movement in the accumulated actuarial loss arising on the defined benefit pension scheme and the payment of a £6,000,000 interim dividend.

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

Key performance indicators

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

| | 2020 | 2019 |
|-----------------------------------------------|--------|---------|
| | £'000 | £'000 |
| Turnover | 98,643 | 120,196 |
| Operating profit before goodwill amortisation | 7,600 | 15,709 |
| Operating profit | 6,815 | 12,569 |
| Profit after tax | 9,746 | 13,508 |
| Total shareholders' funds | 82,664 | 79,312 |
| | Number | Number |
| Average number of employees | 1,149 | 1,214 |

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

Key performance indicators (continued)

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 decreased by 17.9% in the year (2019: decreased by 0.8%). The continuing course of the Coronavirus pandemic has brought about significant volatility within our market environment since March 2020, and materially impacted our turnover.</p> |
| <ul style="list-style-type: none">Profitability | <p>To improve the operating profit before goodwill 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 FY2020 is 7.7% (2019: 13.1%) of turnover. Profit levels have fallen dramatically in the face of the continued trading disruption brought about by the Coronavirus pandemic. We have taken mitigating actions in anticipation of the continued tougher trading conditions.</p> |
| <ul style="list-style-type: none">Employees | <p>To optimise the employee headcount and contribution from the company's operational gearing.</p> <p>Headcount levels have been reduced reflective of the business activity levels and a continued focus on improving operational efficiencies.</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 increased in the year from £79,312,000 to £82,664,000 from the combined effects of profit after taxation; and an adverse £502,000 movement in the accumulated actuarial loss arising in the defined benefit pension scheme. Interim dividends were paid to shareholders during the year in the sum of £6,000,000 (2019: £10,000,000).</p> |

AFE Group Limited

Strategic report for the year ended 31 August 2020 (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 <p>The company generates its revenue from the sale of professional foodservice, catering and bakery equipment and associated service and maintenance income.</p> | <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> |
| <ul style="list-style-type: none">Over reliance on any individual customer or supplier <p>The company profitability could be impacted if a single customer became business critical.</p> <p>The failure of a major supplier to the business might also impact our ability to deliver products.</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. We monitor closely our supply chain and take steps to minimise the dependence on individual suppliers.</p> <p>The business has regular planned shutdowns for maintenance. Equipment is regularly checked and inspected and maintained to a high standard to ensure safe and proper operation. Failures of business critical equipment are therefore rare.</p> |

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

| Risk | Mitigation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>• Financial risk management</p> <p>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.</p> <p><i>Foreign exchange risk</i></p> <p>The company is exposed to foreign exchange movements by virtue of holding foreign currency debtors and creditors.</p> <p><i>Price risk</i></p> <p>The company is exposed to commodity price risk as a result of its operations.</p> <p><i>Credit risk</i></p> <p>The company's principal financial assets are bank balances and cash, trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.</p> <p><i>Liquidity risk</i></p> <p>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.</p> <p><i>Interest rate cash flow risk</i></p> <p>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> | <p>The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.</p> <p>All material exposures are hedged using forward currency contracts as and when necessary to cover expected or planned future specific liabilities.</p> <p>Fluctuations are managed through fixed price contracts where appropriate. The company has excellent relations with its suppliers and we continue to work closely with them on a normal commercial basis.</p> <p>The company carries out credit rating checks on all customers to establish commercial terms.</p> <p>The company has no significant concentration of credit risk, with exposure spread over a large number of customers.</p> <p>Amounts owed by group companies include balance in respect of UK group cash pooling arrangements.</p> <p>The company is closely focused on cash management.</p> <p>The company participates in the UK group cash pooling arrangement, which is controlled by its immediate parent company Ali UK Limited, and utilises this to support its short and long term cash requirements.</p> <p>The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The Directors will revisit the appropriateness of this policy should the company's operations change in size or nature.</p> |

AFE Group Limited

Strategic report
for the year ended 31 August 2020 (continued)

| Risk | Mitigation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>• Health, Safety and Environmental</p> <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 9001:2015, ISO 14001:2015 ISO45001:2018 and ISO 50001:2011 is held within the company, and ensures an internationally recognised framework is in place with clear policies, procedures and audits. AFE Group Limited 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> |
| <p>• Climate Change</p> <p>The Directors recognise the need to operate the business with a responsible and sustainable approach to the plant.</p> <p>Increasingly customers are seeking products and services that help them minimise the climate change impacts on the environment and their business.</p> <p>Climate change also poses significant risk to our business from the impacts of extreme weather and natural hazards.</p> | <p>We carefully select all capital investments with a focus towards energy efficiency and sustainability improvements.</p> <p>We are focussed on Eco design product development and service solutions that support customers in enhancing product performance, and hygiene standards, as well as minimising energy consumption and operating costs.</p> <p>We have contingency plans in place at our manufacturing plants and service centres to mitigate the impact of our business being adversely affected by climate change events. We maintain comprehensive property damage and business interruption insurances and have stringent IT disaster recovery and backup procedures in our business.</p> |

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

| Risk | Mitigation |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>• Facilities and IT and Cyber Attack Risk</p> <p>The company operates from a number of facilities. A disaster such as a fire or flood at any of the facilities could have a material impact of the company's performance.</p> <p>The company relies on IT systems for all its record maintenance and is dependent upon good IT servers and reliable data transmission and connections. A loss of servers, cyber or virus attack could interrupt the operations and result in a loss of data.</p> | <p>The company maintains insurance of its equipment and facilities and carries business interruption insurance to cover the loss of profits.</p> <p>The company has put in place a cyber security insurance policy. In addition the company operates ISO accredited quality management systems that include business continuity planning and recovery plans that reduce the risk that a disaster will occur.</p> <p>The company operates with each business unit maintaining its own IT systems that are largely independent of other operating sites. The company is vigilant to the risk of cyber-attack and takes steps to ensure systems remain secure and resilient, such that a cyber-attack or virus could be contained within one operation.</p> |
| <p>• Product Stewardship</p> <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 Directives and regulations; 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 2020 (continued)

| Risk | Mitigation |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>• Brexit</p> <p>AFE Group Limited imports and exports goods across EU and employs EU citizens in the UK. We also have business operations in the European Union.</p> <p>The United Kingdom and the European Union have agreed a Trade and Cooperation Agreement. It provides a stable basis for the future relationship, and contains new rules for matters such as trading together, working and travel. Some new checks will be introduced at borders, such as safety checks and customs declarations.</p> <p>There is still a great deal of uncertainty on implementing the agreement and phasing arrangements. Therefore our contingency plans are intended to allow for a degree of flexibility in the interim period.</p> <p>Currency volatility arising in the financial markets has an immediate impact on our cost base and trading results.</p> <p>There is a risk of reduction in supply of requisite skilled labour.</p> | <p>AFE Group Limited Businesses are prepared for the transition period and the resultant risks of border delays, customs processing and obligations to comply with any new regulations.</p> <p>We are working with our European and International suppliers in order to maintain continuity of production and supply through increased inventory and warehousing.</p> <p>AFE Group Limited is closely engaged with our industry trade association to fully understand and adopt regulations that affect our business and product certification.</p> <p>AFE Group Limited will support and assist EU citizen colleagues in applying to stay in the UK and also support UK national colleagues working in the EU to make sure they are correctly registered as resident in the respective EU member state and can continue to travel freely within the EU for business purposes.</p> <p>AFE Group Limited has a proven ability to generate cash including during uncertain economic periods. We have an appropriate level of debt and access to necessary credit lines in association with omnibus facilities provided via our parent company.</p> <p>We are maintaining an open dialogue regarding the Brexit trade and co-operation agreement impacts with all key stakeholders and industry bodies.</p> |

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

| Risk | Mitigation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>• Legal and Regulatory</p> <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>The Energy Related Products Directive, applies to professional refrigeration appliances. Additional refrigeration product categories will be subject to this regulation in the near future. Regulator consultations have recently been announced. Revisions to the F Gas Regulations have also been announced and are due to come into effect in the coming years.</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> |
| <p>• General Economic Conditions</p> <p>Changes in economic conditions and uncertainty require the company to be flexible in mitigating risks that may arise on sudden changes in market activity.</p> | <p>The Directors review and monitor trade, economic data and market trends in association with its financial forecasts and budget plans.</p> |
| <p>• People</p> <p>The company operates a number of business units which have developed and are managed on an autonomous basis. The competition for quality personnel remains high and a failure to attract and retain quality personnel may erode our competitive advantage.</p> <p>In the face of the Coronavirus our primary concern remains the health safety and wellbeing of our colleagues, customers and communities in which we operate.</p> | <p>The company engages in proactive dialogue with employees and other stakeholders, local government authorities and community groups.</p> <p>Our facilities have been assessed to manage the risk of coronavirus (COVID-19).</p> <p>Business unit management keep employees regularly informed of developments both at business unit and company level as well as those within our parent company group. The company operates within a structured framework of policies to encourage best practice, good conduct and core principles.</p> |

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

| Risk | Mitigation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>• Pension Scheme Funding</p> <p>The company is the sponsor of a defined benefit pension scheme and can be called on to meet funding deficits. A formal actuarial valuation of the scheme is undertaken at least every three years, and any such valuation may reveal an increased deficit that may require the company to provide additional cash contributions or guarantees. Actuarial valuations are heavily driven by prevailing gilt yields which can be subject to market distortions or affected by government action. This can lead to wide fluctuations in the appraised liabilities which could, as a consequence, constrain the finances of the company.</p> | <p>Deficit recovery plans need to be agreed with the trustee of the scheme who has to take the views and powers of the Pensions Regulator into account.</p> <p>The company works closely with the trustee of the pension scheme and has in place a long-term funding and investment strategy agreement to manage closely assets and liabilities in relation to each other.</p> <p>A triennial actuarial valuation as at 29 March 2020 has been prepared by the scheme actuaries and showed a funding deficit of £6.0M relative to its technical provisions. The reaction to coronavirus caused dramatic market volatility at the valuation date. The Scheme funding position was reviewed as at 31 October 2020. The deficit had reduced to £4.7M. The scheme's funding position has further improved with the deficit as at 31 December 2020 reported as £3.7M relative to its technical provisions.</p> <p>A new deficit recovery plan has been agreed with the scheme trustees and actuary with the aim for the shortfall to be paid off by 31 March 2027. Details of the funding plan are shown on page 20.</p> <p>The defined benefit scheme is closed to new entrants and pensionable salaries were frozen in 2009/10. The level of current pension provision in the company is kept under review.</p> <p>Cash flows within the defined benefit scheme are closely monitored to link the requirements to pay pensions with cash generated from the assets held.</p> <p>The company also monitors market conditions and discusses with the trustee further steps to reduce the level of contingent dependency of the scheme on the company.</p> <p>The company offers all employees access to a contributory defined contribution Group personal pensions scheme under the UK pension auto-enrolment requirements for workplace pensions.</p> |

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

Coronavirus Covid-19 Statement

Outlook

The outbreak and continued spread of the Coronavirus pandemic has brought about rapidly changing developments to our business. Our primary concern remains the health safety and wellbeing of our colleagues, customers and communities in which we operate.

Many of our customers are suffering severe trading issues as a result of the necessary social distancing and the continuing emergency measures that particularly impact the foodservice, leisure and hospitality industries.

Lockdown measures remain in operation and infection rates are now reducing. Vaccination programmes are now advancing such that a framework to lifting restrictions has been announced. The continuing course of the Coronavirus pandemic is likely to bring about continued volatility as our marketplace repositions itself, meaning its effects on AFE Group Limited's business performance cannot be foreseen with certainty at the moment.

Recent Trading

These market impacts have had a significant effect on our recent trading results. We are safely managing all our operations to maximize business continuity to support our customers. The global spread of Coronavirus has also brought about some supply chain disruption and delivery delays from some of our Asia and mainland Europe supply partners. These delays have been manageable within our wider inventory and production planning and have not adversely disrupted our operations. Operational disruption has been modest as a result of the care and diligence shown by our management team in the way they have responded to the global coronavirus pandemic.

Operational Developments

As a consequence of changing customer demand seen at the outset of the pandemic, In April 2020 we took the decision to temporarily suspend production activity in line with government and health authority directions, whilst our national service support operations were realigned to reflect current call activity levels.

All our businesses continued to support our customers through the lockdown period, and are now fully operational with appropriate manpower and staff resource to meet our customer fulfilment and after sales service needs. We have been ascribed essential supplier status by our food retail and healthcare customers and are dedicating particular focus and preference to their requirements.

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

Coronavirus Covid-19 Statement (continued)

Protecting Our Stakeholders

Our primary concern is always the health safety and wellbeing of our colleagues; those in our community in which we work; and our customers and supply partners.

All of our facilities have implemented additional cleaning, intensified hygiene and sanitation procedures, and extending the issue of appropriate PPE; whilst also adopting social distancing and work at home protocols as set out in government guidelines. All our facilities meet the government covid secure standards.

A crisis response team comprising our divisional leadership team and members of our parent company executive meets at least weekly to monitor the situation and co ordinate our response.

We are regularly communicating with all our employees to keep them informed of the evolving situation and offering health and wellbeing support in keeping themselves, their families and their colleagues safe and well.

Our leadership team is in close contact with key customers to provide our support and the continued benefit of our know-how and expertise.

Protecting Our Financial Position

We have entered this unprecedented period of uncertainty and business disruption brought about by the coronavirus pandemic with a strong financial position.

We are taking mitigating actions in anticipation of continued tougher trading conditions. This includes a recruitment freeze in all but exceptional circumstances, cost reduction initiatives, and reductions to capital expenditure unless vital for health and safety or continuity of operations.

We are working closely with our employees, directors and divisional leadership team to deploy the government job protection scheme, and also mitigating personnel costs through management of annual leave and short time working arrangements, salary reductions and deferrals.

Protecting Our Funding Position

We remain confident in our funding position. There are sufficient funds within the AFE Group and Ali UK Limited Group cash pooling scheme that are repayable upon demand should the need arise. We are working with our customers to support payment arrangements and equally committed to agreeing timely payment obligations to our suppliers.

AFE Group Limited has delivered a robust cash position for the financial year ended 31 August 2020. Accordingly the directors have revisited their earlier decision to suspend dividends and concluded that sufficient financial resources are available to permit future distributions of profit. Dividends will be considered whilst also respecting guidance set out in government coronavirus job support scheme.

AFE Group Limited

Strategic report for the year ended 31 August 2020 (continued)

Future Developments

The Directors recognise the business issues brought about by a changing and challenging market place. We believe that the hospitality industry remains resilient and adaptable in responding to changes in consumer behaviour and dining habits that are brought about by COVID-19 and social distancing.

The company is adapting its business model and innovating new products in order to make the most of new opportunities that present themselves as the market responds to the vaccine programme and gradual easing of restrictions.

Improving the environmental performance of products remains a principal focus to the foodservice equipment industry. Ongoing regulatory changes arising from the Energy Related Products Directive will continue to shape product design. These set minimum energy performance standards for certain product groups. The company is closely involved with the UK industry trade body and industry consultation groups working in agreeing the regulatory framework and equipment standards.

The strategic report was approved by the board and authorised to be issued on **29 MARCH 2021**.

It was signed on behalf of the board by:



T. S. Smith

Director

Date: **29 MARCH 2021**

AFE Group Limited

Directors' report for the year ended 31 August 2020

The Directors present their annual report and audited financial statements of the company for the year ended 31 August 2020.

Future developments

Details of future developments can be found in the Strategic Report on page 17 and subsequent events in note 20.

Engagement with suppliers, customers and others

Details of fostering business relationships with suppliers, customers and others can be found in the Strategic Report on page 3.

Brexit

Details of the company's risks and uncertainties regarding the impact of Brexit can be found in the Strategic Report on page 12.

Coronavirus Covid-19

Details of the company's risks and uncertainties regarding the impact of Coronavirus can be found in the Strategic Report on page 15.

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

Further to independent review of the market value of the company's interest in land and buildings undertaken in August 2016, in the Directors' opinion there is no impairment based on the continued maintenance and upkeep of all company's properties.

Financial risk management objectives and policies

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

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

As a result, forward foreign currency exchange contracts are put in place when necessary. Further details of financial instruments can be found in the Strategic Report and form part of this report by cross-reference.

AFE Group Limited

Directors' report for the year ended 31 August 2020 (continued)

Dividends

It is not proposed to pay a final dividend (2019: £nil). Interim dividends of £6,000,000 (2019: £10,000,000) have been paid.

Employee Engagement

The Directors recognise that our colleagues are key to the company's ongoing success, and good engagement depends upon maintaining open and strong relationships. Their extensive knowledge and experience of the manufacturing and technical skills as well as those of our commercial and support staff colleagues is central to the success of our product and service offering.

To achieve our strategy we continue to ensure employees have the relevant business and leadership capabilities and plan adequately for succession and development of new talent.

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

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

Applications for employment by disabled persons are always fully considered. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate wellbeing support is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other colleagues.

Pensions

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

A triennial actuarial valuation as at 29 March 2020 has been prepared by the scheme actuaries and showed a funding deficit of £6.0M relative to its technical provisions. The reaction to coronavirus caused dramatic market volatility at the valuation date. The Scheme funding position was reviewed as at 31st October 2020. The deficit had reduced to £ 4.7M. The scheme's funding position has further improved with the deficit as at 31 December 2020 reported as £3.7M relative to its technical provisions.

A new deficit recovery plan has been agreed with the scheme trustees and actuary with the aim for the shortfall to be paid off by 31 March 2027. Details of the funding plan are shown on page 20.

The scheme investment strategy has been set to target higher returns with both increased diversification and better interest rate and inflation matching characteristics.

In association with preparing the last triennial valuation a guarantee has been provided by the immediate parent undertaking, Ali UK Limited to the Trustees of the Scheme for an amount of up to £6.1m (2019: £6.1m).

AFE Group Limited

Directors' report for the year ended 31 August 2020 (continued)

Pensions (continued)

The Company has entered into a funding plan agreed with the Trustees making contributions of:-

- The Company agreed with the Trustees to make an additional single contribution payment of £500,000 to the scheme. This was paid on 13 March 2020.
- A further single contribution of £500,000 will be paid by 31 March 2021.
- Annual contributions of £600,000 from 31 March 2021 to 28 February 2027.
- A further single contribution of £200,000 as at 28 February 2027.

Corporate and Social Responsibility (CSR)

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

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

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

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

Greenhouse Gas Emissions

AFE Group Limited has implemented the UK Government's guidance on measuring and reporting greenhouse gas emissions, in line with DEFRA Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019 published by Carbon Trust.

Only environmental impacts from greenhouse gases (GHG) are included in this report/section. Environmental impacts from waste, water, resource efficiency, ecosystem interaction and non GHG emission are considered separately and are outside the scope of this report. The report has been limited to Scope 1 and Scope 2 emissions with Scope 3 emissions for grey fleet travel as required by SECR reporting.

Total emissions for the year were 5,633 tonnes of carbon dioxide equivalents (tCO₂e) based on a verified usage of 23,990,201 kilo-Watt-hours (kWh) of energy. As this is the first year of reporting the baseline period data is the same as the reporting period data.

The organisation has undertaken 10 energy efficiency actions (EEA) in this reporting year.

AFE Group Limited

Directors' report for the year ended 31 August 2020 (continued)

Greenhouse Gas Emissions (continued)

Greenhouse gas (GHG) emissions

| | Emission Source | Units | Baseline 19/20 | Report Year 19/20 |
|------------------------------------------|--------------------|-------------------------------------|-------------------|----------------------|
| Scope 1 | Gaseous Fuel | Emissions (tCO ₂ e) | 966.6 | 966.6 |
| | Liquid Fuel | Emissions (tCO ₂ e) | 529.2 | 529.2 |
| | Passenger Vehicles | Emissions (tCO ₂ e) | 79.2 | 79.2 |
| | Delivery Vehicles | Emissions (tCO ₂ e) | 3,163.0 | 3,163.0 |
| | Sub Total | Emissions (tCO₂e) | 4,738.0 | 4,738.0 |
| Scope 2 | Grid Electricity | Emissions (tCO ₂ e) | 829.7 | 829.7 |
| | Sub total | Emissions (tCO₂e) | 829.7 | 829.7 |
| Scope 3 | Grey Fleet | Emissions (tCO ₂ e) | 65.6 | 65.6 |
| | Sub Total | Emissions (tCO₂e) | 65.6 | 65.6 |
| TOTAL EMISSIONS | | Emissions (tCO₂e) | 5,633.3 | 5,633.3 |
| Variance | | % | 0.0% | |
| Carbon Offsets & Green Tariffs Purchased | | Emissions (tCO ₂ e) | 0.0 | 0.0 |
| TOTAL EMISSIONS WITH OFFSETTING | | Emissions (tCO₂e) | 5,633.3 | 5,633.3 |
| Variance | | % | 0.0% | |

The Intensity Ratio based on floor area (tCO₂e/GIAm²) is 0.041.

Energy Saving Opportunity Scheme (ESOS)

The UK Government established ESOS to implement the EU Energy Efficiency Directive (2012/27/EU). ESOS is the mandatory energy assessment scheme for larger organisations in the UK meeting the qualification criteria. The Environment Agency (EA) is the UK scheme administrator. The AFE Group has completed all of the second round of EA audits. AFE Group Limited is required to carry out further ESOS assessments every 4 years. Reports by the appointed ESOS auditors incorporate recommendations identifying opportunities for cost saving energy measures.

Political Contributions

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

Directors' qualifying third party indemnity provisions

The company and its subsidiaries 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 2020 (continued)

Directors' responsibilities statement

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

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

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

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

Disclosure of information to the auditor

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

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

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

AFE Group Limited

Directors' report for the year ended 31 August 2020 (continued)

Auditor

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

Directors

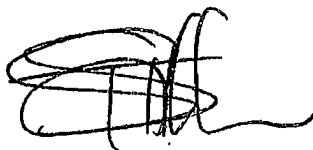
The directors of the company during the year under review and up to the date of signing the financial statements were:-

T. S. Smith

M. Anastasia

The directors' report was approved by the board and authorised to be issued on 29 MARCH 2021.

It was signed on behalf of the board by:



T. S. Smith

Director

Date: 29 MARCH 2021

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of AFE Group Limited (the 'company'):

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

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

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

Basis for opinion

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

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

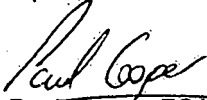
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

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

Use of our report

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



Paul Cooper FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cambridge, United Kingdom

29 March 2021

AFE Group Limited

Profit and loss account for the year ended 31 August 2020

| | Note | 2020 £'000 | 2019 £'000 |
|------------------------------------------|------|---------------|---------------|
| Turnover | 2 | 98,643 | 120,196 |
| Cost of sales | | (63,555) | (70,930) |
| Gross profit | | 35,088 | 49,266 |
| Distribution and administrative expenses | | (32,768) | (37,273) |
| Other Operating income | 2 | 4,495 | 576 |
| Operating profit | 3 | 6,815 | 12,569 |
| Income from shares in group undertakings | | 4,377 | 4,016 |
| Profit before interest and taxation | | 11,192 | 16,585 |
| Net finance costs | 4 | 70 | 115 |
| Profit before taxation | | 11,262 | 16,700 |
| Tax on profit | 7 | (1,516) | (3,192) |
| Profit for the financial year | | 9,746 | 13,508 |

The above results relate to continuing activities.

AFE Group Limited

Statement of comprehensive income for the year ended 31 August 2020


| | 2020 | 2019 |
|--------------------------------------------------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Profit for the financial year | 9,746 | 13,508 |
| Remeasurement of the net defined benefit liability (note 5) | (502) | (1,705) |
| Deferred tax relating to actuarial loss and contributions on pension scheme (note 7) | 108 | 290 |
| Total comprehensive income for the year | 9,352 | 12,093 |

AFE Group Limited

Balance sheet as at 31 August 2020

| | Note | 2020 £'000 | 2019 £'000 |
|----------------------------------------------------------------|------|-----------------|-----------------|
| Fixed assets | | | |
| Intangible assets | 8 | - | 785 |
| Tangible assets | 9 | 10,873 | 10,658 |
| Investments | 10 | 1,874 | 1,874 |
| | | 12,747 | 13,317 |
| Current assets | | | |
| Stocks | 11 | 12,198 | 15,076 |
| Debtors: amounts falling due within one year | 12 | 85,336 | 76,923 |
| Cash at bank and in hand | | 3,021 | 2,328 |
| Total current assets | | 100,555 | 94,327 |
| Creditors: amounts falling due within one year | 14 | (24,657) | (21,994) |
| Net current assets | | 75,898 | 72,333 |
| Debtors: amounts falling due after more than one year | 13 | 3,785 | 3,729 |
| Total assets less current liabilities | | 92,430 | 89,379 |
| Creditors: amounts falling due after more than one year | 15 | (1,016) | (862) |
| Provisions for liabilities | 16 | (1,545) | (1,536) |
| Net assets excluding pension liability | | 89,869 | 86,981 |
| Pension liability | 5 | (7,205) | (7,669) |
| Total net assets including pension liability | | 82,664 | 79,312 |
| Capital and reserves | | | |
| Share capital | 17 | 31,521 | 31,521 |
| Capital contribution | 17 | 20,000 | 20,000 |
| Other reserve | 17 | 22,376 | 17,999 |
| Profit and loss account | 17 | 8,767 | 9,792 |
| Total shareholders' funds | | 82,664 | 79,312 |

The financial statements on pages 28 to 61 were approved and authorised to be issued on 29 March 2021.
They were signed on its behalf by:


T.S. Smith
Director
Company Registered Number: 03872673

AFE Group Limited

Statement of changes in equity for the year ended 31 August 2020

| | Share Capital £'000 | Capital Contribution £'000 | Other Reserve £'000 | Profit and Loss Account £'000 | Total Equity £'000 |
|---------------------------------------------------------------------------------------|---------------------------|----------------------------------|---------------------------|----------------------------------------|--------------------------|
| Balance as at 1 September 2019 | 31,521 | 20,000 | 17,999 | 9,792 | 79,312 |
| Profit for the financial year | - | - | 4,377 | 5,369 | 9,746 |
| Remeasurement of the net defined benefit liability (note 5) | - | - | - | (502) | (502) |
| Deferred tax relating to actuarial loss and contributions on pension scheme (note 16) | - | - | - | 108 | 108 |
| Total comprehensive income for the year | - | - | 4,377 | 4,975 | 9,352 |
| Dividends paid (note 17) | - | - | - | (6,000) | (6,000) |
| Balance as at 31 August 2020 | 31,521 | 20,000 | 22,376 | 8,767 | 82,664 |

| | Share Capital £'000 | Capital Contribution £'000 | Other Reserve £'000 | Profit and Loss Account £'000 | Total Equity £'000 |
|-----------------------------------------------------------------------------|---------------------------|----------------------------------|---------------------------|----------------------------------------|--------------------------|
| Balance as at 1 September 2018 | 31,521 | 20,000 | 15,047 | 10,651 | 77,219 |
| Profit for the financial year | - | - | 2,952 | 10,556 | 13,508 |
| Remeasurement of the net defined benefit liability (note 5) | - | - | - | (1,705) | (1,705) |
| Deferred tax relating to actuarial loss and contributions on pension scheme | - | - | - | 290 | 290 |
| Total comprehensive income for the year | - | - | 2,952 | 9,141 | 12,093 |
| Dividends paid (note 17) | - | - | - | (10,000) | (10,000) |
| Balance as at 31 August 2019 | 31,521 | 20,000 | 17,999 | 9,792 | 79,312 |

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020

1 Accounting policies

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

General information and basis of preparation

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

The 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 Holding s.r.l (incorporated in Italy), which are publicly available. These financial statements present information about the company as an individual undertaking and not about its group.

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

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Ali Holding s.r.l, which may be obtained at Via Gobetti, 2a – Villa Fiorita, 20063 Cernusco sul Naviglio (Milano) Italy. Exemptions have been taken in these separate Company financial statements in relation to, financial instruments, presentation of a cash flow statement, presentation of a reconciliation of the number of shares outstanding at the beginning and at the end of the period, and remuneration of key management personnel.

Going Concern

Considerations arising from the uncertainties brought about by the Coronavirus pandemic

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, which take into account the uncertainty and business disruption brought about by the Coronavirus pandemic.

The directors have undertaken a strategic review of each business division and prepared a reforecast for the next 12 months using best judgements of the current economic situation and market projections for the foodservice, food retail leisure and hospitality sectors. In evaluating our future organisation structure we have included expectations of funding that is available under the government's coronavirus job protection scheme for business. The remodelling reflects future estimates for net sales expectations, reorganisation, cost control and ongoing lean initiatives.

The directors consider that the operating profit forecast, net asset levels and operating cash flow covering the next twelve months, from the date of signing the financial statements, for the company are such that it will continue as a going concern for no less than 12 months from the approval of these financial statements. In addition, there is £63,445,193 within the AFE Group cash pooling scheme that are repayable upon demand should the need arise, and the directors have considered its recoverability and the immediate parent company, Ali UK Limited, and its parent company, Ali Group s.r.l, has confirmed through the issuance of letters of support to give continued financial support to the company whilst the company continues to be a member of the Ali Holding s.r.l Group.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

1 Accounting policies (continued)

Goodwill

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

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

Patents

Patents are capitalised at historical cost and amortised over a period of five years, on a straight line basis.

Turnover

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

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

Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 2020 (continued)

1 Accounting policies (continued)

Tangible assets

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

Freehold buildings over 33 years;

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

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

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

Stocks

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

Leases

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

Foreign currencies

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

1 Accounting policies (continued)

Basic Financial Instruments

Trade and other debtors

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

Trade and other creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Investments in subsidiaries and associates

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Other Financial Instruments

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

1 Accounting policies (continued)

Impairment of assets

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

Non-financial assets

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

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

Financial assets

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

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

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

1 Accounting policies (continued)

Current taxation

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

Deferred taxation

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

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

Government grants

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

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.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

1. Accounting policies (continued)

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.

Critical accounting judgements and key sources of estimation uncertainty

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

Significant accounting estimates and assumptions

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

Significant assumptions are made in calculating the defined benefit scheme assets and liabilities as at the financial year end. Further details of assumptions made are shown in Note 5 to the financial statements.

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

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

2 Turnover

Turnover by customer location:

| | 2020 | 2019 |
|------------------------------------------|---------------|----------------|
| | £'000 | £'000 |
| Americas | 1,570 | 2,202 |
| Rest of world (excluding United Kingdom) | 4,166 | 6,464 |
| Total overseas | 5,736 | 8,666 |
| United Kingdom | 92,907 | 111,530 |
| Total turnover | 98,643 | 120,196 |

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.

| | 2020 | 2019 |
|------------------------|----------------|----------------|
| | £'000 | £'000 |
| Sales of goods | 63,761 | 85,275 |
| Rendering of Services | 34,882 | 34,921 |
| Total turnover | 98,643 | 120,196 |
| Dividend Income | 4,377 | 4,016 |
| Interest Income | 204 | 267 |
| Other Operating Income | 4,495 | 576 |
| Total Income | 107,719 | 125,055 |

Other Operating Income includes Grant income. Grants represent amounts received in respect of Coronavirus Job Retention Scheme £3,810,127 (2019: £Nil) and Research & Development Projects £86,572 (2019: £Nil). The company also benefited from government assistance through the VAT payment deferral arrangements.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

3 Operating profit

Operating profit is stated after charging/(crediting):

| | 2020 | 2019 |
|-----------------------------------------------------------------------------------------|--------------|----------------|
| | £'000 | £'000 |
| Impairment/(Reversal of impairment) of stock | 791 | (19) |
| Changes in Inventories debited/(credited) to Cost of Sales | 2,294 | (1,450) |
| Depreciation of owned tangible assets (note 9) | 1,526 | 1,505 |
| Depreciation of leased tangible assets (note 9) | 31 | 32 |
| Amortisation of intangible assets (note 8) | 785 | 3,140 |
| (Profit)/Loss on disposal of fixed assets | (8) | 4 |
| Guaranteed minimum pension equalisation charge | - | 359 |
| Operating lease rentals: | | |
| Land and buildings | 740 | 719 |
| Plant and machinery | 214 | 97 |
| Other (Commercial Vehicles, Cars, Forklifts) | 2,067 | 2,014 |
| Audit services: | | |
| Fees payable to the company's auditor for the audit of the company financial statements | 134 | 123 |
| Non-audit services: | | |
| Taxation compliance services | 14 | 14 |
| Research and development costs | 2,912 | 1,902 |
| Foreign exchange gains | (76) | (145) |

Impairment of stock is included in Cost of Sales within the Profit and Loss account.

Amortisation of intangible assets is included in Distribution and Administrative Expenses within the Profit and Loss account.

The fees payable to the company's auditor for the audit of the company financial statements include £69,000 (2019: £47,000) borne by the ultimate holding company.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

4 Net finance costs

| | 2020 | 2019 |
|----------------------------------------------------------|-----------|------------|
| | £'000 | £'000 |
| Interest receivable on loans to other group undertakings | 204 | 267 |
| Net interest on pension scheme deficit | (134) | (152) |
| Total net finance costs | 70 | 115 |

5 Employees - staff costs, pensions and employee numbers

a) Staff costs, including executive directors:

| | 2020 | 2019 |
|--------------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 37,302 | 37,153 |
| Social security costs | 3,395 | 3,550 |
| Other pension costs (see below): | | |
| Defined contribution | 1,609 | 1,478 |
| Defined benefit scheme – past service cost | - | 359 |
| Total staff costs | 42,306 | 42,540 |

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

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

b) Pensions

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

A triennial actuarial valuation as at 29 March 2020 has been prepared by the scheme actuaries and showed a funding deficit of £6.0M relative to its technical provisions. The reaction to coronavirus caused dramatic market volatility at the valuation date. The Scheme funding position was reviewed as at 31st October 2020. The deficit had reduced to £ 4.7M. The scheme's funding position has further improved with the deficit as at 31 December 2020 reported as £3.7M relative to its technical provisions.

A new deficit recovery plan has been agreed with the scheme trustees and actuary with the aim for the shortfall to be paid off by 31 March 2027.

The Company has entered into a funding plan agreed with the Trustees making contributions of:

- On 13 March 2020 The Company agreed with the Trustees to make an additional single contribution payment of £500,000 to the scheme.
- On 29 January 2021 The Company agreed with the Trustees to make a further single contribution of £500,000 which will be paid by 31 March 2021.
- Annual contributions of £600,000 from 31 March 2021 to 28 February 2027.
- A single contribution of £200,000 as at 28 February 2027.

The scheme investment strategy has been set to target higher returns with both increased diversification and better interest rate and inflation matching characteristics.

In association with preparing the last triennial valuation a guarantee has been provided by the immediate parent undertaking, Ali UK Limited to the Trustees of the Scheme for an amount of up to £6.1m (2019: £6.1m).

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

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

b) Pensions (continued)

| | 2020 | 2019 |
|-------------------------------------------------------------------------|------|------|
| | % | % |
| Inflation rate | 2.95 | 3.05 |
| Discount rate | 1.60 | 1.80 |
| Rate of pension increase in payment for pension earned to April 2005* | 2.10 | 2.10 |
| Rate of pension increase in payment for pension earned post April 2005* | 1.70 | 1.70 |

* Rate of pension increase was rebased on CPI for 2018 having previously used RPI.

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

| | Long Term rate of return expected at 31 August 2020 | Value at 31 August 2020 | Allocation of Total Assets | Long Term rate of return expected at 31 August 2019 | Value at 31 August 2019 | Allocation of Total Assets |
|------------------|-----------------------------------------------------------------------|-------------------------------|----------------------------------|-----------------------------------------------------------------------|-------------------------------|----------------------------------|
| | | £'000 | | | £'000 | |
| Government bonds | 1.60% | - | -% | 1.80% | 1,484 | 7.30% |
| Corporate Bonds | 1.60% | 4,469 | 21.32% | 1.80% | 4,664 | 22.94% |
| LDI | 1.60% | 4,435 | 21.15% | 1.80% | 3,880 | 19.08% |
| DGFs | 1.60% | 10,618 | 50.65% | 1.80% | 10,124 | 49.79% |
| Cash and other | 1.60% | 1,443 | 6.88% | 1.80% | 180 | 0.89% |
| Total Assets | | 20,965 | | | 20,332 | |

The expected rates of return for 31 August 2020 are set equal to the discount rate (as per the FRS 102 disclosure requirements).

The High Court Judgement made on 26 October 2018 set a need to equalise guaranteed minimum pensions benefits. The company had calculated the impact and recognised in the prior year an increase to pension liabilities of £359,000 as past service cost in the Income Statement.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

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

b) Pensions (continued)

The assets and liabilities of the scheme are as follows:

| | 2020 | 2019 |
|-----------------------------|----------------|----------------|
| | £'000 | £'000 |
| Fair value of plan assets | 20,965 | 20,332 |
| Defined benefit obligations | (28,170) | (28,001) |
| Deficit in scheme | (7,205) | (7,669) |

| | 2020 | 2019 |
|--|-------|-------|
| | £'000 | £'000 |

Analysis of the amount charged to other finance costs:

| | | |
|----------------------------------------|-----|-----|
| Net interest on pension scheme deficit | 134 | 152 |
| | 134 | 152 |

Analysis of the amount charged to net operating costs:

| | | |
|--------------------|---|-----|
| Past Service Costs | - | 359 |
| | - | 359 |

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

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

b) Pensions (continued)

| | 2020 | 2019 |
|------------------------------------------------------------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Total remeasurements in comprehensive income: | | |
| Return on plan assets, excluding amounts included as interest | 334 | 1,818 |
| Change in assumptions underlying the present value of the scheme liabilities | (907) | (3,499) |
| Experience gain/(loss) | 71 | (24) |
| Actuarial loss | (502) | (1,705) |
| Reconciliation of present value of scheme obligations: | | |
| 1 September | (28,001) | (24,742) |
| Interest cost | (495) | (639) |
| Past Service cost | - | (359) |
| Actuarial loss | (836) | (3,523) |
| Benefits paid | 1,162 | 1,262 |
| 31 August | (28,170) | (28,001) |

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

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

b) Pensions (continued)

| | 2020 | 2019 |
|---------------------------------------------------------------|----------------|--------------|
| | £'000 | £'000 |
| Reconciliation of present value of scheme assets: | | |
| 1 September | 20,332 | 18,689 |
| Interest income | 361 | 487 |
| Return on plan assets, excluding amounts included as interest | 334 | 1,818 |
| Benefits paid | (1,162) | (1,262) |
| Contributions paid by employer | 1,100 | 600 |
| 31 August | 20,965 | 20,332 |

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

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

b) Pensions (continued)

The demographic assumptions used include rates for monthly rates for mortality which, for example, generally lead to an average projected life expectancy of 21.9 years for male members currently aged 65 and of 23.1 years from age 65 for male members currently aged 50. The comparative projections at 31 August 2019 were 21.9 years and 23.1 years respectively.

Defined contribution scheme

Total contributions of £1,608,727 (2019: £1,478,000) 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:

| | 2020 | 2019 |
|--------------------------|--------|--------|
| | Number | Number |
| Production | 806 | 843 |
| Selling and distribution | 85 | 86 |
| Administration | 258 | 285 |
| | 1,149 | 1,214 |

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

6 Directors' emoluments

| | 2020 | 2019 |
|------------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Directors' aggregate emoluments | 366 | 296 |
| Contribution to money purchase pension schemes | 53 | 53 |
| | 419 | 349 |

The number of directors who were members of the company pension scheme was one (2019: one).

Highest paid director

| | 2020 | 2019 |
|------------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Aggregate emoluments | 366 | 296 |
| Contribution to money purchase pension schemes | 53 | 53 |
| | 419 | 349 |

No fees were paid for services of the other director.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

7 Tax on profit

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

| | 2020 | 2019 |
|------------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Current tax on income for the year | 1,288 | 2,982 |
| Adjustment in respect of prior years | 40 | 58 |
| Current tax charge | 1,328 | 3,040 |
| Origination and reversal of timing differences | 244 | (51) |
| Adjustment in respect of prior years | (30) | (62) |
| Effect of tax rate change on opening balances | (134) | (25) |
| Deferred tax charge/(credit) (see note 16) | 80 | (138) |
| Total tax charge | 1,408 | 2,902 |

| | 2020 | | | 2019 | | |
|------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Current tax | Deferred tax | Total tax | Current tax | Deferred tax | Total tax |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Recognised in profit and loss account | 1,328 | 188 | 1,516 | 3,040 | 152 | 3,192 |
| Recognised in other comprehensive income | - | (108) | (108) | - | (290) | (290) |
| Total tax charge/(credit) | 1,328 | 80 | 1,408 | 3,040 | (138) | 2,902 |

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

7 Tax on profit (continued)

The current tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK as explained below:

| | 2020 | 2019 |
|----------------------------------------------------------------------------------------|--------|--------|
| | £'000 | £'000 |
| Profit before taxation | 11,262 | 16,700 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%) | 2,140 | 3,173 |
| Effects of: | | |
| Non deductible expenses including goodwill amortisation | 334 | 811 |
| Income not taxable for tax purposes | (834) | (763) |
| Amounts charged directly to equity or otherwise transferred | (108) | (290) |
| Adjustments in respect of prior years | 10 | (4) |
| Adjustment for closing deferred tax to average rate | (134) | (25) |
| Total tax charge in the year | 1,408 | 2,902 |

Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 August 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as result deferred tax balances as at 31 August 2020 continues to be measured at 19%.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

8 Intangible assets

| | Goodwill | Patents | Total |
|------------------------------------------------|----------|---------|---------|
| | £'000 | £'000 | £'000 |
| Cost | | | |
| At 1 September 2019 and at 31 August 2020 | 136,619 | 20 | 136,639 |
| Accumulated amortisation and impairment | | | |
| At 1 September 2019 | 135,834 | 20 | 135,854 |
| Charge for the year | 785 | - | 785 |
| At 31 August 2020 | 136,619 | 20 | 136,639 |
| Net book value | | | |
| At 31 August 2020 | - | - | - |
| At 31 August 2019 | 785 | - | 785 |

The goodwill relates to the amount recognised on the acquisition of Falcon Catering Equipment Limited in 1999. Following the change in ownership on 18 December 2007, the directors reviewed the carrying value of goodwill by reference to the future net present values of the cash flows generated by this operating unit. A discounted cash flow forecast using a discount rate of 8% resulted in an impairment provision of £43,975,000 being charged to the profit and loss account during 31 December 2007. The remaining balance was amortised over the remaining useful life of 3 months from the 1 September 2019. The useful life of the goodwill was 20 years based on the long term expectations from the acquisition.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

9 Tangible assets

| | Land and buildings | Plant, machinery and equipment | Total |
|---------------------------------|-----------------------|-----------------------------------------|---------------|
| | £'000 | £'000 | £'000 |
| Cost | | | |
| At 1 September 2019 | 9,296 | 20,872 | 30,168 |
| Additions | 215 | 1,561 | 1,776 |
| Disposals | - | (535) | (535) |
| At 31 August 2020 | 9,511 | 21,898 | 31,409 |
| Accumulated depreciation | | | |
| At 1 September 2019 | 4,401 | 15,109 | 19,510 |
| Charge for the year | 250 | 1,307 | 1,557 |
| Disposals | - | (531) | (531) |
| At 31 August 2020 | 4,651 | 15,885 | 20,536 |
| Net book value | | | |
| At 31 August 2020 | 4,860 | 6,013 | 10,873 |
| At 31 August 2019 | 4,895 | 5,763 | 10,658 |

The carrying value of land included within land and buildings above which is not subject to depreciation is £604,000 (2019: £604,000).

| | 2020 | 2019 |
|---------------------------------------------------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Analysis of net book value of land and buildings – freehold and long leasehold | | |
| Freehold | 4,357 | 4,360 |
| Leasehold – Long | 503 | 535 |
| | 4,860 | 4,895 |

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

10 Investments

£'000

Cost

At 1 September 2019 and at 31 August 2020 21,399

Provision

At 1 September 2019 and at 31 August 2020 19,525

Net book value

At 31 August 2020 1,874

At 31 August 2019 1,874

Subsidiaries

The following is a list of the all the company's UK subsidiaries, of which the company owns 100% of the ordinary share capital, at 31 August 2020.

| Company Name | Status | Registered Address | Investment Value as at 31 August 2020 |
|--------------------------------------------------|--------------------------|-----------------------------------------------------------------------------|---------------------------------------|
| AFG Stirling Limited | Property holding company | Wallace View, Hillfoots Road, Stirling, FK9 5PY | |
| Falcon Catering Equipment Limited | Dormant | 9 Bryggen Road, North Lynn Industrial Estate, Kings Lynn, Norfolk, PE30 2HZ | £40 (2019 : £40) |
| Mono Equipment Limited | Dormant | 9 Bryggen Road, North Lynn Industrial Estate, Kings Lynn, Norfolk, PE30 2HZ | |
| Millers Vanguard Limited | Dormant | 9 Bryggen Road, North Lynn Industrial Estate, Kings Lynn, Norfolk, PE30 2HZ | |
| Serviceline Catering Equipment Engineers Limited | Dormant | 9 Bryggen Road, North Lynn Industrial Estate, Kings Lynn, Norfolk, PE30 2HZ | |
| Williams Refrigeration Limited | Dormant | 9 Bryggen Road, North Lynn Industrial Estate, Kings Lynn, Norfolk, PE30 2HZ | £1,423,622 (2019: £1,423,622) |

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

10 Investments (continued)

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

| Company Name | Status | Registered Address | Investment Value as at 31 August 2020 |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|---------------------------------------|
| AFE Group China Limited | Group Services | Roxy Industrial Centre, 12 th Floor, Unit C, 58-66 Tai Lin Pai Road, Kwai Hing, New Territories | |
| Williams Refrigeration (Hong Kong) Limited | Design, manufacture and service support of professional refrigeration, catering and bakery equipment for the hospitality and foodservice industry | Roxy Industrial Centre, 12 th Floor, Unit C, 58-66 Tai Lin Pai Road, Kwai Hing, New Territories | £450,000 (2019: £450,000) |

Letters of support have been issued to AFG Stirling Limited (incorporated in Scotland) and Williams Silverfrost sarl (incorporated in France), a subsidiary of Williams Refrigeration Limited, setting out an undertaking to provide the necessary financial assistance so as to adopt a going concern basis in each company preparing its respective financial statements.

11 Stocks

| | 2020 | 2019 |
|-------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Raw materials and consumables | 5,646 | 6,419 |
| Work in progress | 1,426 | 1,815 |
| Finished goods and goods for resale | 5,126 | 6,842 |
| | 12,198 | 15,076 |

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

12 Debtors: amounts falling due within one year

| | 2020 | 2019 |
|---------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade debtors | 18,240 | 24,470 |
| Amounts owed by group companies | 64,019 | 49,297 |
| Corporation Tax Receivable | 465 | - |
| Other debtors | 193 | 317 |
| Deferred taxation (note 16) | 1,369 | 1,303 |
| Prepayments and accrued income | 1,050 | 1,536 |
| | 85,336 | 76,923 |

Amounts owed by group companies include £63,445,193 (2019:£48,476,682) from immediate parent company in respect of Group Cash Pooling scheme, which attracts interest at the Lloyds Bank base rate less 0.25% to a minimum of 0.1%, amounts are repayable on demand and unsecured. Also £336,795 (2019:£622,065) from fellow subsidiaries and £236,888 (2019:£198,327) from subsidiaries, all related to trading balances, which do not attract interest, unsecured and are repayable under normal trading terms.

Deferred taxation includes £1.369m (2019: £1.303m) relating to pension deficit.

13 Debtors: amounts falling due after more than one year

| | 2020 | 2019 |
|-----------------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Amounts owed by group companies | 3,725 | 3,725 |
| Prepayments and accrued income | 60 | 4 |
| Debtors falling due after more than one year | 3,785 | 3,729 |

Amounts owed by group companies include £3,725,000 (2019: £3,725,000) falling due after more than one year from a subsidiary in respect of financing the purchase of Investment Property. Amounts owed by group companies are unsecured and, other than the amounts disclosed above, repayable on demand, with £3,725,000 bearing interest at 0.5% above LIBOR.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

14 Creditors: amounts falling due within one year

| | 2020 | 2019 |
|----------------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade creditors | 10,984 | 11,071 |
| Amounts owed to group companies | 1,127 | 1,523 |
| Corporation tax payable | - | 1,338 |
| Other taxation and social security | 720 | 727 |
| Other creditors | 7,902 | 4,142 |
| Accruals and deferred income | 3,924 | 3,193 |
| Creditors falling due within one year | 24,657 | 21,994 |

Amounts owed to group companies include £21,218 due to subsidiaries and £1,106,000 due to fellow subsidiaries. Amounts are non-interest bearing, unsecured and repayable on demand.

15 Creditors: amounts falling due after more than one year

| | 2020 | 2019 |
|-------------------------------------------------------|--------------|------------|
| | £'000 | £'000 |
| Accruals and deferred income | 1,016 | 862 |
| Creditors falling due after more than one year | 1,016 | 862 |

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

16 Provisions for liabilities

| | Warranty | Deferred Taxation | Total |
|--------------------------|--------------|----------------------|--------------|
| | £'000 | £'000 | £'000 |
| At 1 September 2019 | 1,452 | 84 | 1,536 |
| (Credit)/charge in year | (69) | 146 | 77 |
| Utilised | (68) | - | (68) |
| At 31 August 2020 | 1,315 | 230 | 1,545 |

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.

Deferred taxation

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 19% (2019: 17%). The movement on the deferred tax account is shown below:

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

| | 2020 | 2019 |
|-----------------------------------------------|------------|-----------|
| | £'000 | £'000 |
| Deferred tax liability/(asset) at 1 September | 84 | (52) |
| Charge in year | 176 | 198 |
| Adjustment in respect of prior years | (30) | (62) |
| Deferred tax liability at 31 August | 230 | 84 |

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

Deferred tax assets of £1,478,444 have been disclosed as recoverable within 12 months and deferred tax liabilities of £339,870 have been disclosed as payable within 12 months.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

16 Provision for liabilities (continued)

Deferred tax asset relating to pension deficit

| | 2020 | 2019 |
|----------------------------------------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Deferred tax asset relating to pension deficit at 1 September | (1,303) | (1,029) |
| Deferred tax charged to the profit and loss account | 42 | 16 |
| Deferred tax credited to the statement of other comprehensive income | (108) | (290) |
| Deferred tax asset relating to pension deficit at 31 August | (1,369) | (1,303) |

| | 2020 | 2019 |
|------------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Accelerated capital allowances | 340 | 155 |
| Other timing differences | (110) | (71) |
| Liability | 230 | 84 |
| Deferred tax relating to pension deficit | (1,369) | (1,303) |
| Total Deferred Tax Asset | (1,139) | (1,219) |

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

17 Share capital and reserves

| | 2020 | 2019 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|
| | £'000 | £'000 |
| Ordinary shares of £1 each | | |
| Allotted, issued, and fully paid – 31,520,910 (2019: 31,520,910) shares | 31,521 | 31,521 |
| Interim dividends of £6,000,000 (2019: £10,000,000) have been appropriated. | | |
| The company's other reserves are as follows: | | |
| Capital Contribution reserve made by parent company representing an increase in equity arising from foregoing its right to repayment of an existing intercompany liability on 10 June 2011. | 20,000 | 20,000 |
| Other Reserve comprises of cumulative dividends from subsidiaries incorporated in Hong Kong from 1 September 2013. | 22,376 | 17,999 |
| Profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments. | 8,767 | 9,792 |

In 2018 an Other Reserve was created at the request of ultimate holding company Ali Holding s.r.l. This resulted in a reallocation of £12,604,000 from Profit and loss reserve to Other Reserve for cumulative dividends from subsidiaries incorporated in Hong Kong.

The directors have resolved that the Other Reserve account is not presently considered as distributable reserves

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

18 Commitments

Capital commitments:

| | 2020 | 2019 |
|-------------------------------------------------------------|-------|-------|
| | £'000 | £'000 |
| Contracted for but not provided for – tangible fixed assets | 70 | 382 |

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

| | Land & buildings | Other | Land & buildings | Other |
|------------------------------------------|------------------|--------------|------------------|--------------|
| | 2020 | 2020 | 2019 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Within one year | 738 | 1,140 | 741 | 1,282 |
| Between one and five years | 1,724 | 543 | 1,958 | 367 |
| After five years | 1,459 | 13 | 1,259 | 15 |
| Total operating lease commitments | 3,921 | 1,696 | 3,958 | 1,664 |

19 Related party transactions

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

20 Subsequent Events

On 29 January 2021 the Company agreed with the trustees of Mono Equipment Limited Defined Benefit and Life Assurance Scheme to make an additional single contribution payment by 31 March 2021 in the sum of £500,000.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2020 (continued)

21 Ultimate holding company

The immediate parent undertaking is Ali UK Limited.

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

22 Contingent Liabilities

The company has an historic Health & Safety case dating to December 2017 for which it is taking ongoing legal and professional advice in then lodging appropriate representations to support its safe working procedures. No provision has been made in the financial statements in respect of the case, as the outcome of ongoing investigations and any potential liability remains uncertain.