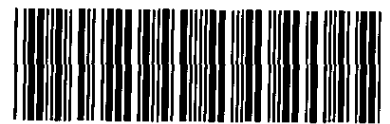


AFE Group Limited

Annual report and financial statements
for the year ended 31 August 2018

Registered number: 03872673

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AFE Group Limited

Annual report and financial statements for the year ended 31 August 2018

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AFE Group Limited

Strategic report for the year ended 31 August 2018 (continued)

Review of the business

Turnover for the financial year decreased by 1.9% to £121,224,000 (2017: £123,558,000). The decline in revenue is primarily attributed to reduced capital equipment spend seen from our UK supermarket client base. The mixed UK economic outlook is creating uncertainties in consumer confidence and spend, that give rise to increased challenges and a cautionary market outlook to elements of the UK casual dining market.

The eating out landscape is rapidly evolving with new demographic and consumer trends giving rise to increased crossover between market segments such as food to go and home delivery services. The emerging trends and innovation in dining experiences offer a continued opportunity for business development and growth prospects in the year ahead.

We predicted that 2018 would see cautionary and changeable market conditions that would impact on new business opportunities. The competitive headwinds and outcomes of currency led cost increases and inflationary employment costs have been absorbed within the business, hence impacting upon operating margins and profitability levels. Operating profit reported for 2018 is £12,422,000 (2017: £13,644,000).

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

We remain committed to strong working capital and operating cashflow controls. Net current assets increased to £68,479,000 (2017: £52,149,000).

Total shareholder funds increased to £77,219,000 (2017 : £64,125,000) 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 reduced dividends paid to shareholders.

The directors have resolved to create an Other Reserve Account on behalf of the shareholders from cumulative dividends generated from Hong Kong subsidiaries.

Key performance indicators

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

	2018	2017
	£'000	£'000
Turnover	121,224	123,558
Operating profit before goodwill amortisation	15,561	16,784
Operating profit	12,422	13,644
Profit after tax	13,132	16,711
Total shareholders' funds	77,219	64,125
	Number	Number
Average number of employees	1,233	1,260

AFE Group Limited

Strategic report for the year ended 31 August 2018

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.

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

With continued mixed market conditions our various initiatives to improve operational performance and enhance our competitiveness are progressing as planned. Research and development plays an important role in the development of the company. Product innovation is a key feature of our growth strategy. In a changing marketplace we are adapting our products and business model to be in a position to make the most of new opportunities.

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

AFE Group Limited

Strategic report for the year ended 31 August 2018 (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 1.9% in the year (2017: increased by 4.5%). The decline in revenue is primarily attributed to reduced capital equipment spend seen from our UK supermarket client base. The mixed UK economic outlook is creating uncertainties in consumer confidence and spend, that give rise to increased challenges, and a cautionary market outlook to elements of the UK casual dining market.</p> <p>The eating out landscape is rapidly evolving with new demographic and consumer trends giving rise to increased crossover between market segments such as food to go and home delivery services. The emerging trends and innovation in dining experiences offer a continued opportunity for business development and growth prospects in the year ahead.</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 FY2018 is 12.8% (2017: 13.6%) of turnover. The competitive market landscape has seen the impact of currency led material cost increases and inflationary employment costs absorbed within the business, hence impacting upon operating margins and profitability levels.</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 £64,125,000 to £77,219,000 from the combined effects of profit after taxation; and movement in the accumulated actuarial loss arising in the defined benefit pension scheme. No dividends were paid to shareholders during the year. (2017: £12,000,000).</p>

AFE Group Limited

Strategic report for the year ended 31 August 2018 (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 The company generates its revenue from the sale of professional foodservice, catering and bakery equipment and associated service and maintenance income.• Over reliance on any individual customer or supplier The company profitability could be impacted if a single customer became business critical. The failure of a major supplier to the business might also impact our ability to deliver products.	<p>The Directors monitor and review market conditions and competitor activity to position the company so as to provide competitive products and services to its customers.</p> <p>The company sells its products and services through a wide range of distribution channels and markets. The company has implemented policies that require appropriate credit checks on potential customers before sales are made.</p> <p>We monitor closely our supply chain and take steps to minimise the dependence on individual suppliers.</p>

AFE Group Limited

Strategic report for the year ended 31 August 2018 (continued)

<ul style="list-style-type: none">• Financial risk management <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>
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AFE Group Limited

Strategic report for the year ended 31 August 2018 (continued)

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

AFE Group Limited

Strategic report for the year ended 31 August 2018 (continued)

<ul style="list-style-type: none">• Brexit <p>AFE Group imports & exports goods across EU and employs EU Citizens in the UK. We also have business operations in the European Union. Brexit negotiations between UK and EU are still ongoing and no firm commitment has been given by either side as to what regulatory and customs arrangements will be in place after March 2019.</p> <p>It is still not clear what mitigation plans the UK, EU or individual member states will put in place should there be no agreement.</p> <p>There is still a great deal of uncertainty and 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 Businesses are preparing for the possibility of no agreement 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 is closely engaged with our industry trade association to fully understand and embrace any changes to regulations that affect our business and product certification. We have contributed to governmental consultations and regular meetings on potential regulation and standards changes and their likely impact on our business, and customers.</p> <p>The UK government has reached an agreement with the EU that will protect EU citizens rights in the UK after it leaves the EU. AFE Group 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 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 Brexit impacts with all key stakeholders and industry bodies.</p>
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AFE Group Limited

Strategic report for the year ended 31 August 2018 (continued)

<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.</p> <p>Revisions to the F Gas Regulations have also been announced and are due to come into effect in the coming years.</p> <p>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>The company engages in proactive dialogue with employees and other stakeholders, local government authorities and community groups.</p> <p>Business unit management keep employees regularly informed of developments both at business unit and company level as well as those within our parent company group. The company operates within a structured framework of policies to encourage best practice, good conduct and core principles.</p>

AFE Group Limited

Strategic report for the year ended 31 August 2018 (continued)

• Pension Scheme Funding

The company is the sponsor of a defined benefit pension scheme and can be called on to meet funding deficits. A formal actuarial valuation of the scheme is undertaken at least every three years, and any such valuation may reveal an increased deficit that may require the company to provide additional cash contributions or guarantees. Actuarial valuations are heavily driven by prevailing gilt yields which can be subject to market distortions or affected by government action. This can lead to wide fluctuations in the appraised liabilities which could, as a consequence, constrain the finances of the company.

Deficit recovery plans need to be agreed with the trustee of the scheme who has to take the views and powers of the Pensions Regulator into account.

The company works closely with the trustee of the pension scheme and has in place a long-term funding and investment strategy agreement to manage closely assets and liabilities in relation to each other.

The most recent triennial actuarial valuation was carried out as at 29 March 2017. At that date the scheme showed a deficit of £5.4 million 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. An updated actuarial valuation was carried out as at 29 March 2018. The scheme's financial position had improved and the shortfall was £4.7 million. The defined benefit scheme is closed to new entrants and pensionable salaries were frozen in 2009/10. The level of current pension provision in the company is kept under review.

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

The company also monitors market conditions and discusses with the trustee further steps to reduce the level of contingent dependency of the scheme on the company.

The company offers all employees access to a contributory defined contribution Group personal pensions scheme under the UK pension auto-enrolment requirements for workplace pensions.

AFE Group Limited

Strategic report for the year ended 31 August 2018 (continued)

Future Developments

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

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

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

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

The strategic report was approved by the board and authorised to be issued on 25 January 2019. It was signed on behalf of the board by:



T. S. Smith

Director

Date: 25 January 2019

AFE Group Limited

Directors' report for the year ended 31 August 2018

The Directors present their annual report and audited financial statements of the company for the year ended 31 August 2018.

Future developments

Details of future developments can be found in the Strategic Report on page 10.

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.

Dividends

It is not proposed to pay a final dividend (2017: Nil). Interim dividends of £Nil (2017: £12,000,000) have been paid.

AFE Group Limited

Directors' report for the year ended 31 August 2018 (continued)

Employees

The Directors recognise that our colleagues are key to the company's ongoing achievement and plan adequately for succession and development of new talent. To achieve our strategy we must continue to ensure employees have the relevant business and leadership compatibilities. The extensive knowledge and experience of the manufacturing and technical skills as well as those of our commercial and support staff colleagues is central to our product and service offering.

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

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

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.

The scheme's last Triennial valuation was prepared as at 29 March 2017. This actuarial valuation revealed a shortfall in assets when measured against the scheme's technical liabilities of £5.4m.

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 (2017: £3.6m).

An updated actuarial valuation was carried out as at 29 March 2018. The scheme's financial position had improved and the shortfall was £4.7m. This is due to a reduction in market implied inflation which leads to a lower value being applied in the scheme liabilities.

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

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

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

AFE Group Limited

Directors' report for the year ended 31 August 2018 (continued)

Corporate and Social Responsibility (CSR)

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

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

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

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

Political Contributions

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

Directors' qualifying third party Indemnity provisions

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

AFE Group Limited

Directors' report for the year ended 31 August 2018 (continued)

Directors' responsibilities statement

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

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

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

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

Disclosure of information to the auditor

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

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

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

AFE Group Limited

Directors' report for the year ended 31 August 2018 (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

V. Rallo (resigned 14 May 2018)

M. Anastasia (appointed 25 May 2018)

The directors' report was approved by the board and authorised to be issued on 25 January 2019. It was signed on behalf of the board by:



T.S. Smith
Director

Date: 25 January 2019

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 2018 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 20.

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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

A further description of our responsibilities for the audit for the financial statements is located on the 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 and the Directors' Report.

Matters on which we are required to report by exception

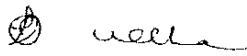
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.



Lee Welham FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cambridge, United Kingdom

25 January 2019

AFE Group Limited

Profit and loss account for the year ended 31 August 2018

	Note	2018 £'000	2017 £'000
Turnover	2	121,224	123,558
Net operating costs	3	(108,802)	(109,914)
Operating profit before goodwill amortisation		15,561	16,784
Goodwill amortisation	8	(3,139)	(3,140)
Operating profit	3	12,422	13,644
Dividends from group undertakings		3,744	6,652
(Loss) gain on disposal of fixed assets		(2)	25
Profit before interest and taxation		16,164	20,321
Net interest receivable	4	134	102
Other finance costs	5	(153)	(167)
Profit before taxation		16,145	20,256
Tax on profit	7	(3,013)	(3,545)
Profit for the financial year		13,132	16,711

The above results relate to continuing activities.

AFE Group Limited

Statement of comprehensive income for the year ended 31 August 2018

	2018	2017
	£'000	£'000
Profit for the financial year	13,132	16,711
Remeasurement of the net defined benefit liability (note 5)	(46)	1,118
Deferred tax relating to actuarial (loss)/gain and contributions on pension scheme (note 7)	8	(190)
Total comprehensive income for the year	13,094	17,639

AFE Group Limited

Balance sheet as at 31 August 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	8	3,925	7,064
Tangible assets	9	11,503	12,473
Investments	10	1,874	1,874
		17,302	21,411
Current assets			
Stocks	11	13,607	13,704
Debtors (including amounts due after more than one year of £3,773,000 (2017: £3,782,000))	12	77,456	63,216
Cash at bank and in hand		580	902
Total current assets		91,643	77,822
Creditors: amounts falling due within one year	13	(23,164)	(25,673)
Net current assets		68,479	52,149
Total assets less current liabilities		85,781	73,560
Creditors: amounts falling due after more than one year	14	(946)	(1,234)
Provisions for liabilities	15	(1,563)	(1,604)
Net assets excluding pension liability		83,272	70,722
Pension liability	5	(6,053)	(6,597)
Total net assets including pension liability		77,219	64,125
Capital and reserves			
Share capital	17	31,521	31,521
Capital contribution	17	20,000	20,000
Other reserve	17	15,047	-
Profit and loss account	17	10,651	12,604
Total shareholders' funds		77,219	64,125

The financial statements on pages 19 to 49 were approved and authorised to be issued on 25 January 2019
They were signed on its behalf by:


T.S. Smith
Director

Company Registered Number: 03872673

AFE Group Limited

Statement of changes in equity as at 31 August 2018

	Share Capital £'000	Capital Contribution £'000	Other Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
Balance as at 1 September 2017	31,521	20,000	-	12,604	64,125
Reallocation of reserves (note 17)	-	-	12,604	(12,604)	-
Profit for the financial year	-	-	2,443	10,689	13,132
Remeasurement of the net defined benefit liability (note 5)	-	-	-	(46)	(46)
Deferred tax relating to actuarial gain/loss and contributions on pension scheme	-	-	-	8	8
Total comprehensive income for the year	-	-	2,443	10,651	13,094
Balance as at 31 August 2018	31,521	20,000	15,047	10,651	77,219

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018

1 Accounting policies

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

General information and basis of preparation

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

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. Management have reviewed the financial forecasts including net sales expectations, 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 and believe it will continue as a going concern for the foreseeable future.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Ali 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*") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Ali 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.

Goodwill

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

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

Other intangibles

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

1 Accounting policies (continued)

Turnover

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

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

Research and development

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

Tangible assets

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

Freehold buildings over 33 years;

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

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

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

Stocks

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

Leases

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

1 Accounting policies (continued)

Foreign currencies

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

Basic Financial Instruments

Trade and other debtors

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

Trade and other creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Investments in subsidiaries and associates

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Other Financial Instruments

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Government grants

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

A grant has been offered by the Scottish Enterprise in the sum of £350,000 payable over 5 equal instalments for Falcon Foodservice Equipment. This grant is subject to meeting capital spend targets, safeguarding jobs and implementation costs in respect of new product introductions. During the year it was agreed the company had met the performance conditions to date and no further funding or obligations were required and grant closed. Grant income of £210,000 is included within Other Operating Income.

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 2018 (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 financial year end.

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

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

2 Turnover

Turnover by customer location:

	2018	2017
	£'000	£'000
Americas	2,091	2,090
Rest of world (excluding United Kingdom)	5,527	5,844
Total overseas	7,618	7,934
United Kingdom	113,606	115,624
Total turnover	121,224	123,558

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.

	2018	2017
	£'000	£'000
Sales of goods	86,312	89,761
Rendering of Services	34,912	33,797
Total turnover	121,224	123,558
Dividend Income	3,744	6,652
Interest Income	134	102
Other Operating Income	921	526
Total Income	126,023	130,838

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

3 Net operating costs and operating profit

Net operating costs comprise:

	2018	2017
	£'000	£'000
Impairment/(Reversal of impairment) of stock	248	(100)
Other operating income	(921)	(526)
Raw materials and consumables	41,552	42,922
Other external charges	3,457	3,490
Staff costs (note 5)	42,093	42,071
Depreciation of owned tangible assets (note 9)	1,494	1,422
Depreciation of leased tangible assets (note 9)	32	33
Amortisation of intangible assets (note 8)	3,139	3,140
Other operating charges	17,708	17,462
Total net operating costs	108,802	109,914

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

3 Net operating costs and operating profit (continued)

Operating profit is stated after the following charges:

	2018	2017
	£'000	£'000
Operating lease rentals:		
Land and buildings	758	743
Plant and machinery	70	64
Other	2,169	2,279
Audit services:		
Fees payable to the company's auditor for the audit of the company financial statements	85	80
Non-audit services:		
Taxation compliance services	16	13
Research and development costs	2,010	1,671
Foreign exchange losses	21	68

4 Interest receivable and similar income

	2018	2017
	£'000	£'000
Interest receivable on loans to other group undertakings	134	102
Total interest receivable and similar income	134	102

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

5 Employees - staff costs, pensions and employee numbers

a) Staff costs, including executive directors:

	2018	2017
	£'000	£'000
Wages and salaries	37,082	36,914
Social security costs	3,558	3,597
Other pension costs (see below)	1,453	1,560
Total staff costs	42,093	42,071

b) Pensions

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

The scheme's last Triennial valuation was prepared as at 29 March 2017 and revealed a shortfall in assets when measured against the scheme's technical liabilities of £5.4m.

An updated actuarial valuation was carried out as at 29 March 2018. The scheme's financial position had improved and the shortfall had reduced to £4.7m

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 (2017: £3.6m).

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

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

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

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

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

b) Pensions (continued)

	2018	2017
	%	%
Inflation rate	3.05	3.15
Discount rate	2.65	2.45
Rate of pension increase in payment for pension earned to April 2005*	2.10	3.00
Rate of pension increase in payment for pension earned post April 2005*	1.70	2.20

* 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 2018	Value at 31 August 2018	Long Term rate of return expected at 31 August 2017	Value at 31 August 2017
		£'000		£'000
Government bonds	2.65%	1,427	2.45%	4,484
Corporate Bonds	2.65%	4,678	2.45%	4,422
LDI	2.65%	3,215	2.45%	-
DGFs	2.65%	9,312	2.45%	9,482
Cash and other	2.65%	57	2.45%	57
Total Assets		18,689		18,445

The expected rates of return for 31 August 2018 are set equal to the discount rate (as per the FRS 102 disclosure requirements).

Following the High Court Judgement on 26 October 2018 in respect of the need to equalise guaranteed minimum pensions benefits, the company has commenced steps to review any potential impact the judgement will have on the Scheme.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

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

b) Pensions (continued)

The assets and liabilities of the scheme are as follows:

	2018	2017
	£'000	£'000
Fair value of plan assets	18,689	18,445
Defined benefit obligations	(24,742)	(25,042)
Deficit in scheme	(6,053)	(6,597)

	2018	2017
	£'000	£'000

Analysis of the amount charged to other finance costs:

Net interest on pension scheme deficit	153	167
	153	167

Analysis of the amount charged to net operating costs:

Administrative expenses	-	1
	-	1

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

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

b) Pensions (continued)

	2018	2017
	£'000	£'000
Total remeasurements in comprehensive income:		
Return on plan assets, excluding amounts included as interest	(365)	426
Change in assumptions underlying the present value of the scheme liabilities	(154)	689
Experience gain	473	3
Actuarial (loss)/gain	(46)	1,118
Reconciliation of present value of scheme obligations:		
1 September	(25,042)	(25,789)
Interest cost	(607)	(548)
Actuarial gain	319	692
Benefits paid	588	603
31 August	(24,742)	(25,042)

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

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

b) Pensions (continued)

	2018	2017
	£'000	£'000
Reconciliation of present value of scheme assets:		
1 September	18,445	17,760
Interest income	454	381
Administration expenses	-	(1)
Return on plan assets, excluding amounts included as interest	(365)	426
Benefits paid	(588)	(603)
Contributions paid by employer	743	482
31 August	18,689	18,445

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

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

b) Pensions (continued)

The demographic assumptions used include rates for monthly rates for mortality which, for example, generally lead to an average projected life expectancy of 22.1 years for male members currently aged 65 and of 23.3 years from age 65 for male members currently aged 50. The comparative projections at 31 August 2017 were 21.8 years and 22.6 years respectively.

Defined contribution scheme

Total contributions of £1,453,000 (2017: £1,560,000) 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:

	2018	2017
	Number	Number
Production	854	878
Selling and distribution	90	93
Administration	289	289
	1,233	1,260

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

6 Directors' emoluments

	2018	2017
	£'000	£'000
Directors' aggregate emoluments	395	396
Contribution to money purchase pension schemes	65	45
	460	441

The number of directors who were members of the company pension scheme was one (2017: one).

Highest paid director

	2018	2017
	£'000	£'000
Aggregate emoluments	395	396
Contribution to money purchase pension schemes	65	45
	460	441

No fees were paid for services of the other director.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

7 Tax on profit

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

	2018	2017
	£'000	£'000
Current tax on income for the year	2,998	3,268
Adjustment in respect of prior years	(3)	(32)
Current tax charge	2,995	3,236
Origination and reversal of timing differences	142	415
Adjustment in respect of prior years	(117)	27
Effect of tax rate change on opening balances	(15)	57
Deferred tax charge (see note 16)	10	499
Total tax charge	3,005	3,735

	2018			2017		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
	£'000	£'000	£'000	£'000	£'000	£'000
Recognised in profit and loss account	2,995	18	3,013	3,236	309	3,545
Recognised in other comprehensive income	-	(8)	(8)	-	190	190
Total tax charge	2,995	10	3,005	3,236	499	3,735

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

7 Tax on profit (continued)

The current tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK as explained below:

	2018	2017
	£'000	£'000
Profit before taxation	16,145	20,256
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.58%)	3,068	3,966
Effects of:		
Non deductible expenses including goodwill amortisation	811	829
Income not taxable for tax purposes	(731)	(1,302)
Amounts (charged)/credited directly to equity or otherwise transferred	(8)	190
Adjustments in respect of prior years	(120)	(5)
Adjustment for closing deferred tax to average rate	(15)	57
Total tax charge in the year	3,005	3,735

The reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% was substantively enacted on 6 September 2016. The current tax rate used in the year ended 31 August 2018 is therefore 19% and the rate used for the closing deferred tax balances is 17%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

8 Intangible assets

	Goodwill	Patents	Total
	£'000	£'000	£'000
Cost			
At 1 September 2017 and at 31 August 2018	136,619	20	136,639
Accumulated amortisation and impairment			
At 1 September 2017	129,555	20	129,575
Charge for the year	3,139	-	3,139
At 31 August 2018	132,694	20	132,714
Net book value			
At 31 August 2018	3,925	-	3,925
At 31 August 2017	7,064	-	7,064

The goodwill relates to the amount recognised on the acquisition of Falcon Catering Equipment Limited in 1999. Following the change in ownership on 18 December 2007, the directors reviewed the carrying value of goodwill by reference to the future net present values of the cash flows generated by this operating unit. A discounted cash flow forecast using a discount rate of 8% resulted in an impairment provision of £43,975,000 being charged to the profit and loss account during 31 December 2007. The remaining balance is amortised over the remaining useful life of 15 months from the balance sheet date. The useful life of the goodwill was 20 years based on the long term expectations from the acquisition.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

9 Tangible assets

	Land and buildings	Plant, machinery and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 September 2017	9,299	19,818	29,117
Additions	11	547	558
Fellow subsidiary additions	-	9	9
Disposals	-	(63)	(63)
At 31 August 2018	9,310	20,311	29,621
Accumulated depreciation			
At 1 September 2017	3,922	12,722	16,644
Charge for the year	248	1,278	1,526
Fellow subsidiary additions	-	9	9
Disposals	-	(61)	(61)
At 31 August 2018	4,170	13,948	18,118
Net book value			
At 31 August 2018	5,140	6,363	11,503
At 31 August 2017	5,377	7,096	12,473

The carrying value of land included within land and buildings above which is not subject to depreciation is £604,000 (2017: £604,000).

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

9 Tangible assets (continued)

	2018	2017
Analysis of net book value of land and buildings – freehold and long and short leasehold	£'000	£'000
Freehold	4,573	4,778
Leasehold – Long	567	599
	5,140	5,377

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

10 Investments

	£'000
Cost	
At 1 September 2017 and at 31 August 2018	21,399
Provision	
At 1 September 2017 and at 31 August 2018	19,525
Net book value	
At 31 August 2018	1,874
At 31 August 2017	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 2018.

- AFG Stirling Limited - property holding company (Scotland)

The Registered office address of the above entity is:

Wallaceview, Hillfoots Road, Stirling, FK9 5PY

- Falcon Catering Equipment Limited - Dormant
- Mono Equipment Limited - Dormant
- Millers Vanguard Limited - Dormant
- Serviceline Catering Equipment Engineers Limited - Dormant
- Williams Refrigeration Limited – Dormant

The Registered office address of the above 5 entities is:

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

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

- AFE Group China Limited – group services
- Williams Refrigeration (Hong Kong) Limited – design, manufacture and service support of professional refrigeration, catering and bakery equipment for the hospitality and foodservice industry

The Registered office address for both the above entities is:

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

Letters of support have been issued to AFG Stirling Ltd (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 accounts.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

11 Stocks

	2018	2017
	£'000	£'000
Raw materials and consumables	6,630	6,230
Work in progress	1,925	1,697
Finished goods and goods for resale	5,052	5,777
	13,607	13,704

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

12 Debtors

	2018	2017
	£'000	£'000
Trade debtors	24,399	24,840
Amounts owed by group companies	50,090	35,357
Other debtors	271	299
Deferred taxation (note 16)	1,081	1,121
Prepayments and accrued income	1,615	1,599
	77,456	63,216

Amounts owed by group companies include £3,725,000 (2017: £3,725,000) falling due after more than one year. Amounts owed by group companies are unsecured and, other than the amounts disclosed above, repayable on demand, with £3,725,000 bearing interest at a floating rate of 0.50% above LIBOR.

Prepayments and accrued income include £48,000 (2017: £57,000) falling due after more than one year.

Deferred taxation includes £1.029m (2017: £1.121m) relating to pension deficit.

Deferred taxation of £Nil (2017: £Nil) is recoverable in more than one year.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

13 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	10,927	13,220
Amounts owed to group companies	1,386	1,125
Corporation tax payable	1,400	1,687
Other taxation and social security	736	701
Other creditors	4,466	4,718
Accruals and deferred income	4,249	4,222
Creditors falling due within one year	23,164	25,673

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

14 Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Accruals and deferred income	946	1,234
Creditors falling due after more than one year	946	1,234

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

15 Provisions for liabilities

	Warranty	Deferred Taxation	Total
	£'000	£'000	£'000
At 1 September 2017	1,574	30	1,604
Charge/(credit) in year	93	(30)	63
Utilised	(104)	-	(104)
At 31 August 2018	1,563	-	1,563

Warranty

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

A deferred taxation liability of £30,000 existed at 31 August 2017 and adjustments made in respect of prior years have resulted in a deferred taxation asset at 31 August 2018 (see note 16).

16 Deferred taxation

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 17% (2017: 17%). The movement on the deferred tax account is shown below:

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

	2018	2017
	£'000	£'000
Deferred tax liability/(asset) at 1 September	30	(145)
Charge in year	35	148
Adjustment in respect of prior years	(117)	27
Deferred tax (asset)/liability at 31 August	(52)	30

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

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

16 Deferred taxation (continued)

Deferred tax asset relating to pension deficit

	2018	2017
	£'000	£'000
Deferred tax asset relating to pension deficit at 1 September	(1,121)	(1,445)
Deferred tax charged to the profit and loss account	100	134
Deferred tax (credited)/charged to the statement of other comprehensive income	(8)	190
Deferred tax asset relating to pension deficit at 31 August	(1,029)	(1,121)

	2018	2017
	£'000	£'000
Accelerated capital allowances	27	61
Other timing differences	(79)	(31)
(Asset)/Liability	(52)	30
Deferred tax relating to pension deficit	(1,029)	(1,121)
Total Deferred Tax Asset	(1,081)	(1,091)

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

17 Share capital and reserves

	2018	2017
	£'000	£'000
Ordinary shares of £1 each		
Allotted, issued, and fully paid – 31,520,910 (2017: 31,520,910) shares	31,521	31,521
Interim dividends of £Nil (2017: £12,000,000) 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.	15,047	-
Profit and loss reserve represents cumulative profits or losses, net of dividends and other adjustments.	10,651	12,604

Other Reserve has been created at the request of ultimate holding company Ali Holding s.r.l. This has 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.

AFE Group Limited

Notes to the financial statements for the year ended 31 August 2018 (continued)

18 Commitments

Capital commitments:

	2018	2017
	£'000	£'000
Contracted for but not provided for – tangible fixed assets	147	289

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

	Land & buildings	Other	Land & buildings	Other
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Within one year	457	1,258	463	1,242
Between one and five years	1,589	670	226	963
After five years	1,308	33	1,001	-
Total operating lease commitments	3,354	1,961	1,690	2,205

19 Related party transactions

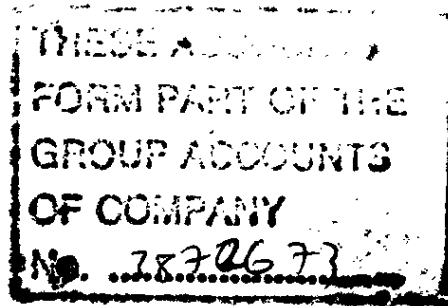
The company is a wholly owned subsidiary of Ali Holding s.r.l and it has taken advantage of the exemption permitted by FRS 102 section 33 Paragraph 1A not to disclose any transactions or balances with entities that are 100% owned by Ali Holding s.r.l.

20 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.

2018



Consolidated Financial Statements



COMPANIES HOUSE

Companies act section 400 exemption

This certified translation of the group accounts of Ali Holding S.r.l. for the year ended 31 August 2018 is filed in accordance with the companies act section 400 for the exemption claimed by the following company:

- **Company No 3872673 - AFE Group Limited**

Ali Holding S.r.l. - registered office in Milan, Via Camperio, 9
Fully paid-up Share Capital EUR 51,000,000
Milan Register of Companies, Tax Code and VAT no.00872030150

BOARD OF DIRECTORS

(ON THE DATE OF APPROVAL OF THE FINANCIAL STATEMENTS)

- Chairman	Luciano Berti
- Deputy Chairman and Managing Director	Filippo Berti
- Directors	Eugenio Briguglio
	Luigi Fiore Giovanni
	Inzaghi Oreste
	Severgnini

BOARD OF STATUTORY AUDITORS

- Chairman	Mario Magni
- Statutory Auditors	Fabio Facchini
	Paolo Lazzati
- Alternate Auditors	Gabriele Giacometti
	Giovanni Rizzi

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

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Report on Operations

to the financial statements of ALI Holding S.r.l. and of the ALI Group for the year ended 31 August 2018

Dear Shareholders,

The Consolidated Financial Statements of the ALI Group (hereinafter also referred to as the "Group") show revenues of € 2,187.5 million as at 31 August 2018 (hereinafter referred to as "2018") (2017: € 2,220.7 million), a net profit of € 202.3 million (2017: € 202.5 million) and a positive net financial position of € 163.0 million (2017: a negative € 49.0 million).

The financial statements of the Parent company ALI Holding S.r.l. (hereinafter also referred to as the "Parent Company"), which we submit for your approval, ended with revenues of € 188.2 million (2017: € 411.8 million), a net profit of € 41.5 million (2017: € 93.2 million) and a negative net financial position of € 12.0 million (2017: a negative € 235.4 million).

The year just ended was marked by a steady growth in the main markets, despite the fact that world trade was characterised by a general slowdown related to the protectionist measures taken by some countries, as well as by the worsening of financial tensions in emerging countries.

In the advanced countries, growth was driven by the United States thanks to the increase in domestic demand accompanied by an increase in employment. On the other hand, growth in the United Kingdom was also slowing down as a result of an uncertain policy framework related to "Brexit".

In the Eurozone, albeit economic activity continued to expand thanks to the increase in domestic demand, it showed signs of a slowdown due to the weakening of foreign demand.

The year just ended was also affected by a significant change in the exchange rates of the main currencies of the markets in which the Group operates. In particular, during the financial year, there was a weakening of the US dollar (the currency that expresses more than 38% of the Group's turnover) against the Euro.

In this context, the ALI Group further consolidated its leadership in its main markets of reference, achieving, on a like-for-like exchange rate basis, an improvement in commercial performance accompanied by an increase in profitability as well as a significant cash flow generation.

The following is an overview of the general performance of your Group as well as its balance sheet and income statement.

	2018	2017
Net revenues	2,187,473	2,220,666
<i>change from previous year</i>	<i>-1.5%</i>	<i>3.2%</i>
EBITDA	428,700	436,488
<i>EBITDA as a % on revenues</i>	<i>19.6%</i>	<i>19.7%</i>
Goodwill amortisation	61,813	61,963
Depreciations of property, plant and equipment and amortisation of intangible fixed assets	55,340	56,052
EBIT	311,547	318,473
<i>EBIT as a % on revenues</i>	<i>14.2%</i>	<i>14.3%</i>
Finance (costs) or income	(2,869)	(13,444)
Profit (loss) before tax	308,678	305,029
<i>Result as a % on revenues</i>	<i>14.1%</i>	<i>13.7%</i>
Taxes	106,357	102,545
Net profit (loss)	202,321	202,484
<i>Result as a % on revenues</i>	<i>9.2%</i>	<i>9.1%</i>

The Group's turnover showed a slight decrease compared to the previous year, exclusively due to the translation exchange rate effect related to the still positive commercial performance of the US market.

EBITDA was € 428.7 million (€ 436.5 million in the previous year), corresponding to 19.6% of net revenues, in line with the 19.7% of the previous year.

At the end of the operational management, net finance costs improved due to the reduction in average debt for the period, actuarial gains recognised on certain defined-benefit plans in the United Kingdom and less unfavourable effects of exchange rate fluctuations.

Profit (loss) before taxes amounted to € 308.7 million (€ 305.0 million in the previous year) and represented 14.1% of revenues, up compared to 13.7% in 2017.

The Group's net profit amounted to € 202.3 million, corresponding to 9.2% of revenues, slightly up compared to the previous year.

As for the parent company ALI Holding S.r.l., turnover amounted to € 188.2 million (2017: € 411.8 million). EBITDA amounted to € 21.9 million (2017: € 70.2 million). Moreover, with regard to financial management, dividends received from subsidiaries contributed by € 27.6 million (2017: € 55.9 million).

The above results decreased compared to the previous financial year in that, as explained in more detail in the following paragraph "Significant operating events during the year", the full contribution of the industrial, commercial and financial activities of the Parent Company is limited to the first six months of the year.

Moving on to the examination of the equity structure of the Group, the reclassified consolidated balance sheet is shown below:

Assets	2018	2017
FIXED ASSETS	689,297	768,694
Intangible fixed assets	435,785	516,702
Property, plant and equipment	246,820	245,747
Long-term investments	6,692	6,245
CURRENT ASSETS (CA)	1,076,150	921,225
Inventory	322,628	304,539
Deferred liquidity	486,887	492,533
Immediate liquidity	266,635	124,153
INVESTED CAPITAL (IC)	1,765,447	1,689,919
Liabilities		
SHAREHOLDERS' EQUITY	1,108,616	1,003,220
Share capital	51,000	51,000
Reserves	1,057,616	952,220
CONSOLIDATED LIABILITIES	155,307	214,521
CURRENT LIABILITIES	501,524	472,178
FINANCIAL CAPITAL	1,765,447	1,689,919

Net Financial position

The Group's positive net financial position amounted to € 163.0 million, up € 212.0 million compared to the previous year (a negative € 49.0 million as at 31 August 2017), and mainly includes a short-term loan taken out in 2018, as well as end-of-year cash and cash equivalents.

As can be seen from the Group's statement of cash flows, the cash flow generated by operating activities amounted to € 275.8 million (€ 295.3 million in 2017). The liquidity absorbed by financing activities amounted to € 99.7 million (€ 191.7 million in 2017) whereas € 37.3 million was used in investing activities.

The net financial position of the Parent Company was a negative € 12.0 million (a negative € 235.4 million in 2017).

INVESTMENTS

During the financial year, the Group invested € 35.2 million (€ 29.2 million in 2017) mainly for the renewal of machinery and plant for the production of industrial and commercial equipment of companies operating in the US market.

During the financial year, the Parent Company invested € 4.7 million (€ 6.9 million in 2017).

RESEARCH AND DEVELOPMENT

During the financial year, the Group incurred costs of € 37.1 million for research and development activities. Personnel costs of € 25 million are included.

Research and development costs incurred by the Parent Company in 2018 amounted to € 5.0 million.

INTRA-GROUP ACTIVITIES AND TRANSACTIONS WITH RELATED PARTIES

Commercial and financial relations between all Group companies were carried out at market conditions and in compliance with the autonomy of the individual companies with responsibilities and powers agreed with the directors of each company in order to make the best use of Group synergies.

With reference to the information set forth in Article 2428 of the Italian Civil Code concerning the financial and economic relations between the parent company and other Group companies, reference should be made to Annexe 2 of the Parent Company's notes to the financial statements.

During the financial year, the Group had the following balance sheet and income statement transactions with related parties:

- donations of € 1,733 thousand to non-profit organisations;
- lease payments of € 77 thousand per building units for the use of guests.

SHARES AND TREASURY SHARES

The Parent Company and its subsidiaries do not hold any shares or treasury shares.

INFORMATION CONCERNING THE ENVIRONMENT AND THE PERSONNEL

Pursuant to the provisions of Article 2428, paragraph 2 of the Italian Civil Code, the companies of the Group carry on their business in full compliance with environmental provisions.

During the financial period, there was no damage to the environment for which the Company or its subsidiaries were subject to criminal and/or administrative proceedings.

With regard to relations with employees, it should be noted that in 2018 the Group employed an average of 9,708 people. The number of employees at the end of the year was 9,872, up compared to the previous year (9,534).

As at 31 August 2018, the Parent Company did not have any contractual relationships with employees (1,540 in 2017).

With reference to the composition of the workforce, reference should be made to the details in the notes to the consolidated and separate financial statements.

The company's decisions in this area were driven by attention to human resources, which have always been a strategic factor for the quality and excellence of the Group.

Workers in the industrial area are regularly informed about the dissemination of efficiency performance indicators and qualitative results, such as environmental impact and safety.

SIGNIFICANT OPERATING EVENTS DURING THE YEAR

During the financial year, the company ALI Group S.r.l. was established, to which the Parent Company conferred its industrial, commercial and financial activities effective as from 1 March 2018, as discussed in greater detail in the Notes to the Financial Statements of the Parent Company.

As a result of this extraordinary management operation, the revenue and cost elements relating to the business complex transferred contributed to the profit for the year of the Parent Company for the period from 1 September 2017 to 28 February 2018 only.

The above management operation had no impact on the Group's financial statements.

On 1 March 2018, the shareholders' meeting of the Parent Company approved the transformation and renaming of the company from ALI S.p.A. to ALI Holding S.r.l., limiting at the same time the company purpose to the direct and/or indirect management of equity investments.

BUSINESS OUTLOOK

The Group expects to continue to grow and strengthen its competitive position at international level, offering the widest possible range of products to its customers and further strengthening its position and visibility in the world of equipment for professional restaurants and hospitality.

RISK MANAGEMENT OBJECTIVES AND POLICIES

In compliance with the provisions of Article 2428 of the Italian Civil Code, as amended by Article 1 of the Italian Legislative Decree of 2 February 2007, the main risks and uncertainties to which the Group and the Parent Company are exposed are listed below.

Risks related to exchange rate fluctuations

The Group operates in the main international markets and is therefore exposed to exchange rate risks in relation to exposure arising from commercial transactions with third parties and commercial/financial transactions between Group companies mainly in US dollars, Australian dollars and pounds sterling.

The management of this risk is the same for the entire Group: the individual companies communicate their exposure to exchange rate risk and consequently the management of the Group directly - or by giving instructions to the subsidiaries - covers the risk.

The financial instruments used for this purpose are mainly forward sales and purchases in currency ("Forward Rate Agreements") as detailed in the notes to the separate and consolidated financial statements.

However, there is no certainty as to the conditions under which such transactions can be negotiated in the future.

Risks related to general economic conditions

The Company's operating results, financial position and cash flows are related to the various factors that have an impact on the global macroeconomic scenario.

In 2018, the financial markets were characterised by volatility, with repercussions for the economy as a whole.

However, the uncertainties characterising the general economic conditions found a natural balance in the geographical diversification as well as in the plurality of the business lines in which the companies of the Group operate.

If the situation of instability in the world scenario worsens, the Group's activities will be adversely affected.

Risks related to liquidity requirements

The Company expects to face up to the requirements related to financial debts falling due and to investments planned through available liquidity and the cash flows from operations. The Group also has adequate credit lines with leading international credit institutions.

The available liquidity is deposited on current accounts or reinvested in bank deposits on demand or in very short-term bank deposits, the main objective being the prompt liquidity of these investments.

Raw material risks

The main raw material used for the construction of the equipment is stainless steel. In the financial year just ended, the market price of steel increased significantly, especially for the category of austenitic steels; the price increase for ferritic steels, on the other hand, was more modest.

Despite the highly volatile market environment, the Group's economic performance was not adversely affected thanks to the fixed price orders taken in the first part of the year at minimum market values.

In order to mitigate the risk related to changes in raw material prices, the Group implements measures to coordinate the purchases made by its subsidiaries.

There are no significant problems in the supply of raw materials.

Credit risks

Group companies do not have significant concentrations of credit risk because they operate through different distribution channels; in order to deal with the risk that customers do not meet their debts on the agreed due dates, companies assess the reliability of their customers in advance.

Moreover, based on historical experience and knowledge of specific risk situations, they make annual provisions for doubtful debts.

At the time this report was prepared, there were no particular default situations of major customers of Group companies.

Risks related to interest rate fluctuations

The Group uses various forms of financing to cover its business requirements. Changes in interest rates can lead to increases or decreases in the cost of financing or in the remuneration of available liquidity.

Taking into account the historical trend of the cost of money, albeit favouring forms of funding remunerated on the basis of the trend in the reference rates ("variable rate") increased by the negotiated spreads, the Group constantly assesses the opportunity to face up to the risks relating to fluctuations in interest rates by using hedging instruments.

However, sudden fluctuations in interest rates could have a negative effect on the Group's operating results, financial position and cash flows.

Based on the current financial situation of the Group, it is reasonable to assume that this is a marginal risk.

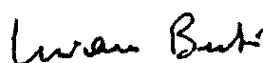
It should be noted that the consolidated financial statements and the separate financial statements of the Parent Company were audited by the independent auditors Deloitte & Touche S.p.A.

Milan, 9 November 2018

The Chairman
of the Board of Directors
(Luciano Berti)

I certify that this document is an accurate traslation into the English language of original consolidated financial statements prepared in Italian language.

Luciano Berti



Balance Sheet

ALI Group

Assets

(€/000)

2018

2017

A. Subscribed capital unpaid

-

-

B.I. Intangible fixed assets

1)	Start-up costs	85	202
2)	Development costs	131	75
3)	Industrial patents rights and intellectual property rights	19,463	23,384
4)	Concessions, licences, trademarks and similar rights	65,012	78,446
5)	Goodwill	343,316	405,129
6)	Work in progress and advances	544	1,012
7)	Other intangible fixed assets	7,234	8,454
		435,785	516,702

B.II. Property, plant and equipment

1)	Land and buildings	131,641	133,863
2)	Plant and machinery	75,873	73,745
3)	Fixtures and fittings, tools and equipment	11,254	11,217
4)	Other assets	19,458	19,183
5)	Work in progress and advances	8,594	7,739
		246,820	245,747

B.III. Long-term investments

1)	Equity investments		
	b) in associated companies	9	9
	d-bis) in other companies	573	628
		582	637
2)	Financial receivables		
	d-bis) from others	762	697
	of which due within 12 months	177	175
		762	697
3)	Other securities	230	268
		1,574	1,602

B. Fixed assets

684,179

764,051

(€/000)		2018	2017
C.I.	Inventories		
1)	Raw materials and consumables	156,063	146,151
2)	Work in progress and semi-finished goods	28,645	26,255
4)	Finished products and goods for resale	136,289	129,753
5)	Advances to suppliers	1,631	2,380
		322,628	304,539
C.II.	Receivables		
1)	Trade receivables	401,765	388,687
	<i>of which due beyond 12 months</i>	3,515	3,683
5-bis)	Tax receivables	19,951	11,562
	<i>of which due beyond 12 months</i>	328	37
5-ter)	Deferred tax assets	46,106	74,267
5-quarter)	From others	11,269	11,749
	<i>of which due beyond 12 months</i>	1,742	1,098
		479,091	486,265
C.III.	Financial assets		
5)	Derivative financial instruments (receivable)	1,529	1,021
		1,529	1,021
C.IV.	Cash and cash equivalents		
1)	Bank and postal deposits	266,458	123,716
2)	Cheques	2	230
3)	Cash on hand	175	207
		266,635	124,153
C. Current assets		1,069,883	915,978
D. Accrued income and prepaid expenses		11,384	9,890
Total Assets		1,765,446	1,689,919

Liabilities

(€/000)	2018	2017
A.I. <i>Share capital</i>	51,000	51,000
A.II. <i>Share premium reserve</i>	-	-
A.III. <i>Revaluation reserve</i>	-	-
A.IV. <i>Legal reserve</i>	10,200	10,200
A.V. <i>Statutory reserves</i>	-	-
A.VI. <i>Other reserves</i>		
- extraordinary reserve	384,337	390,208
- merger surplus	46,740	46,740
- accumulated undivided earnings	463,358	354,110
- translation reserve	(49,974)	(51,522)
A.VII. <i>Cash Flow hedge reserve</i>	634	-
A.IX. <i>Profit (loss) for the year</i>	202,321	202,484
A.X. <i>Negative reserve for treasury shares in portfolio</i>	-	-
Group Shareholders' Equity	1,108,616	1,003,220
<i>Minority interests in capital and reserves</i>	-	-
A. Shareholders' equity	1,108,616	1,003,220
1) Retirement obligation and other employee benefits	16,875	19,528
2) Taxes, incl. deferred taxes	35,275	54,520
3) Derivative financial instruments (payable)	827	373
4) Other provisions	37,473	40,480
B. Provision for risks and charges	90,450	114,901
C. Employee severance indemnity	13,934	15,430
4) Payables to banks	104,132	173,034
<i>of which due beyond 12 months</i>	-	137,000
5) Payables to other lenders	175	732
<i>of which due beyond 12 months</i>	58	487
6) Advances	10,318	14,406
7) Trade payables	235,758	227,231
8) Payables represented by bills of exchange	-	-
12) Tax payables	24,370	32,062
13) Payables to social security institutions	13,704	13,509
14) Other payables	141,453	74,379
D. Payables	529,910	535,353
E. Accrued liabilities and deferred income	22,536	21,016
Total liabilities	1,765,446	1,689,919

Income Statment

ALI Group

(€/000)

2018

2017

A. Value of production

1)	Revenue from sales and services	2,187,473	2,220,666
2)	Change in inventories of work in progress, semi-finished and finished products	12,557	1,981
3)	Change in work in progress contracts	-	79
4)	Own work capitalised	431	330
5)	Other revenues and income:		
	- grants	443	153
	- other revenues and income	10,749	9,714
		11,192	9,867

Total Value of production

2,211,653

2,232,923

B. Costs of Production

6)	For raw materials, consumables and merchandise	884,913	881,976
7)	For services	323,230	322,777
8)	For leases and rentals	34,811	35,251
9)	For personnel		
a)	Salaries and wages	422,079	430,330
b)	Social security costs	72,848	72,298
c)	Employee severance indemnity	5,413	5,847
d)	Other retirement benefits	964	2,389
e)	Other costs	10,247	9,659
		511,551	520,523
10)	Amortisation, depreciations and write-downs		
a)	Amortisation of intangible assets	85,076	84,755
b)	Depreciation of property, plant and equipment	32,002	33,185
c)	Other write-downs of fixed assets	75	75
d)	Write-down of receivables included in current assets and of cash and cash equivalents	2,638	2,925
		119,791	120,940
11)	Changes in inventories of raw materials, consumables and goods for resale	(7,802)	(9,023)
12)	Provisions for risks	429	2,105
13)	Other provisions	18,959	24,490
14)	Sundry operating expenses	14,224	15,411

Total Costs of production

1,900,106

1,914,450

Difference between value and cost of production

311,547

318,473

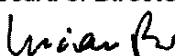
(€/000)	2018	2017
C. Finance income and costs		
15) Income from equity investments		
e) <i>other companies</i>	37	25
	37	25
16) Other finance income:		
d) <i>other than the above: to</i>		
<i>- other companies</i>	7,275	4,891
	7,275	4,891
17) Interests and other finance costs		
<i>- other companies</i>	8,443	15,716
	8,443	15,716
17bis) Foreign exchange gains/(losses)	(1,453)	(2,503)
Total (15 + 16 - 17 ± 17bis)	(2,584)	(13,303)

D. Impairment of financial assets and liabilities

18) Revaluations		
d) <i>of derivative financial instruments</i>	954	382
19) Write-downs		
a) <i>of equity investments</i>	38	23
b) <i>of long-term investments other than equity investments</i>	12	-
d) <i>of derivative financial instruments</i>	1,189	500
Total impairment (18 - 19)	(285)	(141)

Result before taxes (A-B±C±D)	308,678	305,029
20) Taxes		
- <i>Taxes for the period</i>	99,516	116,381
- <i>Deferred tax assets and liabilities</i>	6,841	(13,836)
	106,357	102,545
21) Consolidated profit/(loss) for the year	202,321	202,484
Profit/(loss) attributable to the Group	202,321	202,484
Profit/(loss) attributable to minority interests	-	-

**The Chairman
of the Board of Directors**


(Luciano Berti)

Statement of cash flow
ALI Group

2018 2017

A. Cash flow from operations

Profit (Loss) for the year	202,321	202,484
Income taxes	106,357	102,545
Interest expense (income)	1,168	10,825
Losses/(gains) on disposal of fixed assets net of disposal costs	(2,055)	328
Profit (loss) for the period before income taxes, interests and capital (gains)/losses from disposal of assets	307,791	316,182
Changes in Employee severance indemnity payables	(1,496)	(373)
Provisions for risks and charges	20,245	33,984
Depreciations and write-down of property, plant and equipment	32,077	33,260
Amortisation and write-down of intangible fixed assets	85,076	84,755
Cash flow before changes in net working capital	443,693	467,808
(Increase)/decrease in trade receivables	(13,078)	(7,588)
(Increase)/decrease in inventories	(18,089)	(3,614)
(Increase)/decrease in other assets	10,669	(5,145)
Increase/(decrease) in trade payables	4,439	2,749
Increase/(decrease) in other liabilities	(13,412)	(5,775)
Cash flow after changes in net working capital	414,222	448,435
Interest received (paid)	(1,168)	(10,825)
(Uses of provisions for risks and charges)	(44,517)	(40,496)
Taxes paid	(92,745)	(101,817)
Cash flow from operations (A)	275,792	295,297

B. Cash flows from investing activities

(Purchases)/sales of equity investments and other securities	93	(46)
Losses/(gains) on disposal of fixed assets net of disposal costs	2,055	(328)
(Purchases)/sales of assets	(37,309)	(28,832)
Cash flow from investing activities (B)	(35,161)	(29,206)

C. Cash flows from financing activities

Dividends paid	(30,163)	-
Fair value adjustment of derivative financial instruments	(11)	(1,900)
Increase/(decrease) in financial receivables	(65)	357
Increase (decrease) in short-term payables to banks	68,098	15,073
Increase (decrease) in medium to long-term payables	(137,557)	(205,245)
Cash flow from financing activities (C)	(99,698)	(191,715)

Increase/(decrease) in cash and cash equivalents (A + B + C) **140,933** **74,376**

Cash and cash equivalents as at 1 September	124,153	76,144
Effect of change in exchange rates	1,548	(26,367)
Cash and cash equivalents as at 31 August	266,635	124,153

Notes to the financial statements of ALI Group for the year ended 31 August 2018

CONTENTS AND FORM OF THE FINANCIAL STATEMENTS

In compliance with the provisions of Italian Legislative Decree 127 of 9 April 1991, as amended by Italian Legislative Decree 139 of 18 August 2015, the Parent Company prepared the consolidated financial statements of the ALI Group (hereinafter also referred to as the "Group"), for the period from 1 September 2017 to 31 August 2018.

The financial statements of the Group were prepared on a going concern basis, as there are no significant uncertainties in this regard.

The consolidated financial statements consist of the balance sheet, income statement, statement of cash flows - presented using the indirect method - and these notes to the financial statements and are accompanied by the directors' report on operations.

The notes to the financial statements contain the information required by Article 2427 of the Italian Civil Code, as well as the information deemed necessary for a true and fair view of the Group's financial position, the results of the operations and of the cash flows for the year.

The consolidated financial statements include the financial statements of ALI Holding S.r.l., the parent company, and of the companies directly or indirectly controlled by ALI Holding S.r.l., as indicated in Article 26 of Italian Legislative Decree 127/91.

In the consolidated financial statements, the items preceded by Arabic numerals with a value of zero were omitted and, for comparative purposes, the consolidated financial statements as at 31 August 2017 were presented, the balances of which have been revised, where necessary, to make them consistent with those of the closing financial statements.

As required by Article 2428 of the Italian Civil Code, the description of the Group's activities, the situation and performance of its operations and the outlook for its operations are described in the report on operations, to which reference should be made. With regard to transactions with related parties, reference should be made to the Parent Company's notes to the financial statements and report on operations.

All figures are expressed in thousands of Euros, unless expressly indicated otherwise.

CONSOLIDATION PRINCIPLES

The financial statements and reporting packages used for consolidation purposes are those as at 31 August 2018, prepared by the Boards of Directors of the companies included in the scope of consolidation. These financial statements were adjusted, where necessary, to bring them into line with the Group's accounting standards, as required by Italian Legislative Decree 127/91, supplemented by the accounting standards issued by the Italian Accounting Body (OIC, Organismo Italiano di Contabilità) and, finally, where missing and not in conflict with Italian accounting standards and regulations, by the International Accounting Standards (IAS/IFRS) issued by the IASB.

The financial statements of foreign companies were reclassified in order to make their presentation consistent with that prescribed for domestic companies.

The criteria used for consolidation are set out below.

EQUITY INVESTMENTS CONSOLIDATED ON A LINE-BY-LINE BASIS

In preparing these consolidated financial statements, all significant balances and transactions between Group companies were eliminated, as were credit and debit items and profits and capital gains originating from intra-group transactions, including those not yet realised and included in inventories, net of any tax effect. Dividends, coverage of losses and reversals of impairment losses of consolidated companies were also derecognised. The maximum limit for the increase in the value of assets following entries for the derecognition of intra-group losses consists of the recoverable amount depending on the type of asset to which they refer, in accordance with the provisions of the specific OIC principles.

The book value of equity investments in subsidiaries held directly or indirectly by the Parent Company and included in the scope of consolidation was derecognised against the related shareholders' equity for taking assets and liabilities of investee companies on a line-by-line basis.

The consolidation difference existing at the date of acquisition of the subsidiary - equal to the difference between the price paid and the corresponding portion of the shareholders' equity acquired - is allocated, where possible, to the assets and liabilities of the company included in the consolidation on the basis of their current value at the date of acquisition within the limits of the net realisable value or the amount recoverable through use and taking into account the related tax effects.

Any value that cannot be allocated according to the above procedure is treated as follows:

- if negative, it is recognised in a specific item of shareholders' equity called "Consolidation reserve", or, if it is due to forecasts of unfavourable economic results, in an item called "Consolidation provision for future risks and charges",
- if positive, it is recognised in an item of intangible fixed assets called "Goodwill", unless it is to be charged in full or in part to the income statement. It is allocated to the "Goodwill" item on condition that the requirements for recognition of goodwill set out in OIC 24 "Intangible fixed assets" are met. The residual of the cancellation difference that cannot be allocated to the assets and liabilities and goodwill of the subsidiary is recognised in profit or loss under item B-14 "Sundry operating expenses".

Goodwill recognised as an asset is amortised on the basis of the specific economic and technical reasons related to the characteristics of the business acquired.

The portion of goodwill not yet amortised is periodically reviewed, on the basis of expected income flows, in order to check that the residual net book value continues to be fully recoverable.

The first year of consolidation, consolidated costs and revenues are included in the consolidated income statement from the date of acquisition. The depreciation procedure of the assets starts from the date of acquisition and the related cost is recognised in the income statement on a pro-rata basis.

The financial statements of foreign companies outside the Eurozone were converted into euros as follows:

- income statement items are converted at average exchange rates for the year;
- balance sheet items are converted at year-end exchange rates with the exception of the result for the year which, coming from the income statement, is converted at the average exchange rates.

The difference between the profit (loss) for the year resulting from the conversion on the basis of average exchange rates and that resulting from the conversion on the basis of year-end exchange rates is recognised in the specific shareholders' equity account "Translation reserve". The same item also includes the effect on shareholders' equity of changes in exchange rates between the end of the previous year and the end of the current year.

The exchange rates applied in the conversion are shown in the following table and indicate the amount of Euro required to purchase each currency in its unit of account.

1 Euro =	Income statement			Balance Sheet		
	2018	2017	% chg.	2018	2017	% chg.
NOK = Norwegian Krone	9.5679	9.1754	4.3%	9.7148	9.2790	4.7%
SEK = Swedish Krona	10.0536	9.6292	4.4%	10.6205	9.4818	12.0%
AUD = Australian Dollar	1.5551	1.4487	7.3%	1.6129	1.5016	7.4%
CAD = Canadian Dollar	1.5222	1.4513	4.9%	1.5192	1.4970	1.5%
HKD = Hong Kong Dollar	9.3341	8.5505	9.2%	9.1453	9.2526	-1.2%
NZD = New Zealand Dollar	1.6932	1.5374	10.1%	1.7559	1.6571	6.0%
USD = U.S.A. Dollar	1.1920	1.0996	8.4%	1.1651	1.1825	-1.5%
HUF = Hungarian Florin	314.7282	308.6643	2.0%	326.2500	306.6300	6.4%
BRL = Brazilian Real	4.0927	3.5333	15.8%	4.8591	3.7410	29.9%
RUB = Russian Ruble	71.4592	66.0633	8.2%	79.0967	69.1235	14.4%
INR = Indian Rupee	78.6193	72.4568	8.5%	82.7245	75.5995	9.4%
GBP = British Pound	0.8850	0.8686	1.9%	0.8974	0.9197	-2.4%
JPY = Japanese Yen	131.5254	121.5096	8.2%	129.0500	130.8100	-1.3%
ZAR = South African Rand	15.4452	14.7881	4.4%	17.1728	15.4568	11.1%
CHF = Swiss Franc	1.1628	1.0868	7.0%	1.1281	1.1446	-1.4%
SGD = Singapore Dollar	1.5997	1.5335	4.3%	1.5965	1.6094	-0.8%
CNY = Chinese Yuan	7.7684	7.4965	3.6%	7.9664	7.8059	2.1%
AED = Dirham United Arab Emirates	4.3777	4.0365	8.5%	4.2788	4.3410	-1.4%
MXN = Mexican Peso	22.5510	19.6826	14.6%	22.3628	20.9424	6.8%

In the year ended 31 August 2018, the scope of consolidation includes the financial statements of the Parent Company and the following subsidiaries (indirect equity investments in italics):

Equity investments consolidated on a line-by-line basis

Share
Capital (000) %

Ali Group S.r.l. (Italia)	EUR	50,000	100
<i>Aladdin Temp Rite Inc. – Jordan Station (Canada)</i>	<i>CAD</i>	<i>775</i>	<i>100</i>
<i>Aladdin Temp Rite Inc. – Catano (Puerto Rico)</i>	<i>USD</i>	<i>1,100</i>	<i>100</i>
<i>ALI Comenda SA – Stains (France)</i>	<i>EUR</i>	<i>1,278</i>	<i>100</i>
<i>ALI Middle East & Africa FZ LLC (United Arab Emirates)</i>	<i>AED</i>	<i>1,495</i>	<i>100</i>
<i>ALI Group North America Corporation – Vernon Hills, IL (USA)</i>	<i>USD</i>	<i>540,954</i>	<i>100</i>
<i>- ACP of Delaware Inc. – Wilmington, DE (USA)</i>	<i>USD</i>	<i>49,250</i>	<i>100</i>
<i>- Aladdin Temp Rite LLC – Hendersonville, TN (USA)</i>	<i>USD</i>	<i>26,763</i>	<i>100</i>
<i>- Belshaw Bros., Inc – Wilmington, DE (USA)</i>	<i>USD</i>	<i>0</i>	<i>100</i>
<i>- Beverage Air Corporation – Winston Salem, NC (USA)</i>	<i>USD</i>	<i>56,318</i>	<i>100</i>
<i>- Chemical Methods Associates, LLC – Garden Grove, CA (USA)</i>	<i>USD</i>	<i>17,937</i>	<i>100</i>
<i>- Chemical Methods Leasco, Inc. – Garden Grove, CA (USA)</i>	<i>USD</i>	<i>1,316</i>	<i>100</i>
<i>- H.C. Duke & Son LLC. – East Moline, IL (USA)</i>	<i>USD</i>	<i>1,316</i>	<i>100</i>
<i>- Edlund Company, LLC – Burlington, VT (USA)</i>	<i>USD</i>	<i>14,914</i>	<i>100</i>
<i>- Scotsman Industries, Inc. - Vernon Hills, IL (USA)</i>	<i>USD</i>	<i>125,247</i>	<i>100</i>
<i>- Scotsman Group LLC - Vernon Hills, IL (USA)</i>	<i>USD</i>	<i>0</i>	<i>100</i>
<i>- Mile High Equipment LLC - Denver, CO (USA)</i>	<i>USD</i>	<i>13,672</i>	<i>100</i>
<i>- Scotsman Ice Systems Shanghai Co. Ltd - Shanghai (China)</i>	<i>CNY</i>	<i>17,883</i>	<i>100</i>
<i>- Scotsman Ice Systems Su Zhou Co. Ltd - So Zhou (China)</i>	<i>CNY</i>	<i>9,000</i>	<i>100</i>
<i>- Scotsman Group LLC S.C.S. - Luxembourg</i>	<i>USD</i>	<i>27,016</i>	<i>100</i>
<i>- Scotsman Ice S.r.l. - Pogliano Milanese, MI (Italy)</i>	<i>EUR</i>	<i>14,201</i>	<i>100</i>
<i>- Castel MAC S.p.A. - Castelfranco Veneto, TV (Italy)</i>	<i>EUR</i>	<i>4,316</i>	<i>100</i>
<i>- Scotsman Industries Pte Ltd - Singapore</i>	<i>SGD</i>	<i>350</i>	<i>100</i>
<i>- Scotsman España SLU - Madrid (Spain)</i>	<i>EUR</i>	<i>653</i>	<i>100</i>
<i>- Scotsman Ice Systems SA (Pty) Ltd - Boksburg (South Africa)</i>	<i>ZAR</i>	<i>0</i>	<i>100</i>
<i>- Moffat Group Pty Ltd – Mulgrave, Victoria (Australia)</i>	<i>AUD</i>	<i>12,809</i>	<i>100</i>
<i>- Blue Seal Ltd – Birmingham (United Kingdom)</i>	<i>GBP</i>	<i>100</i>	<i>100</i>
<i>- Moffat Ltd – Christchurch (New Zealand)</i>	<i>NZD</i>	<i>1,379</i>	<i>100</i>
<i>- Moffat Pty Ltd – Mulgrave, Victoria (Australia)</i>	<i>AUD</i>	<i>7,569</i>	<i>100</i>
<i>- Moyer Diebel Ltd – Jordan Station, Ontario (Canada)</i>	<i>CAN</i>	<i>406</i>	<i>100</i>
<i>- Washtech Australia Ltd – Brisbane, Queensland (Australia)</i>	<i>AUD</i>	<i>739</i>	<i>100</i>
<i>- Aladdin Temp Rite Ltd – Christchurch (New Zealand)</i>	<i>NZD</i>	<i>0</i>	<i>100</i>
<i>- Washtech Ltd – Avondale (Nuova Zealand)</i>	<i>NZD</i>	<i>600</i>	<i>100</i>
<i>- Metropolitan International, Inc. (USA)</i>	<i>USD</i>	<i>285,261</i>	<i>100</i>
<i>- InterMetro Industries Corporation (Delaware - USA)</i>	<i>USD</i>	<i>406,681</i>	<i>100</i>
<i>- Metropolitan Wire (Canada) Ltd (Canada)</i>	<i>CAN</i>	<i>0</i>	<i>100</i>
<i>- InterMetro Industries BV (The Netherlands)</i>	<i>EUR</i>	<i>0</i>	<i>100</i>
<i>- InterMetro de Acuna S. de R.L. de C.V. (Mexico)</i>	<i>MXN</i>	<i>250,385</i>	<i>100</i>
<i>- InterMetro de Mexico S. de R.L. de C.V. (Mexico)</i>	<i>MXN</i>	<i>46,961</i>	<i>100</i>
<i>- InterMetro Trading (Shanghai) Company Ltd. (China)</i>	<i>CNY</i>	<i>15,523</i>	<i>100</i>
<i>ALI Food Service Equipment Co. Ltd. – Shanghai (China)</i>	<i>CNY</i>	<i>10,058</i>	<i>100</i>
<i>ALI Sas – Bourges (France)</i>	<i>EUR</i>	<i>7,423</i>	<i>100</i>
<i>Burlodge Sas – Bourges (France)</i>	<i>EUR</i>	<i>37</i>	<i>100</i>
<i>Friginox Sas – Villevallier (France)</i>	<i>EUR</i>	<i>2,091</i>	<i>100</i>
<i>Metos Sas – Champs-sur-Mame (France)</i>	<i>EUR</i>	<i>37</i>	<i>100</i>
<i>Rosinox Promotion Sas – Bourges (France)</i>	<i>EUR</i>	<i>98</i>	<i>100</i>
<i>- Rosinox SaS – Bourges (France)</i>	<i>EUR</i>	<i>4,436</i>	<i>100</i>
<i>- Société Civile Rosinox Sas – Bourges (France)</i>	<i>EUR</i>	<i>1</i>	<i>100</i>

- AFE Bakery Sas – Holtzheim (France)	EUR	23,500	100
Becker Bakovenbouw BV – Nedenveert (The Netherlands)	EUR	272	100
Becker BVBA – Wilrijk (Belgium)	EUR	1,219	100
Bongard GmbH – Kehl (Germany)	EUR	511	100
Bongard Iberia SA – Parets Del Valles (Spain)	EUR	720	100
Bongard Sas – Holtzheim (France)	EUR	10,000	100
- Esmach S.p.A. – Grisignano di Zocco, VI (Italy)	EUR	2,080	100
- Societé D'Equip De Boul. Patis. Sas – Portes Les Valence (France)	EUR	2,850	100
ALI UK Ltd – Chessington (United Kingdom)	GBP	61,900	100
- Burlodge Group Ltd – Chessington (United Kingdom)	GBP	5,525	100
- Burlodge S.r.l. – Seriate, BG (Italy)	EUR	100	100
- Burlodge Canada Ltd. – Brampton (Canada)	CAD	0.2	100
- Burlodge USA Inc. – Winston-Salem, NC (USA)	USD	50	100
- Burlodge Ltd – Chessington (United Kingdom)	GBP	28	100
AFE Group Ltd – King's Lynn (United Kingdom)	GBP	51,521	100
- AFE Group China Ltd – Hong Kong (China)	HKD	3,000	100
- AFG Stirling Ltd – King's Lynn (United Kingdom)	GBP	0.1	100
- Williams Refrigeration (Dongguan) Ltd – Dongguan City (China)	CNY	14,922	100
- Falcon Catering Equipment Ltd – King's Lynn (United Kingdom)	GBP	0.1	100
- Miller's Vanguard Ltd – King's Lynn (United Kingdom)	GBP	0.45	100
- Mono Equipment Ltd – King's Lynn (United Kingdom)	GBP	34	100
- Service Line Catering Equipment Engineers Ltd – King's Lynn (United Kingdom)	GBP	200	100
- Williams Refrigeration Ltd – King's Lynn (United Kingdom)	GBP	20	100
Williams Silver Frost Sarl – Lavaveix-les-Mines (France)	EUR	266	100
- Williams Refrigeration Hong Kong Ltd – Hong Kong	HKD	3,114	100
- Carpigiani Centro Suramenca do Brasil SA – (Brazil)	BRL	7,920	100
Carpigiani Deutschland GmbH – Stuttgart (Germany)	EUR	26	100
Carpigiani Francia SA – Vitry-Sur-Seine (France)	EUR	800 *	99.8
Carpigiani Hong Kong Ltd – Hong Kong	HKD	10	100
- Carpigiani Manufacturing Co. Ltd J7 – Zhongshang (China)	CNY	8,079	100
Carpigiani Horeca SL – Valencia (Spain)	EUR	328	100
Carpigiani India Private Limited - Mumbai (India)	INR	3,132	100
Carpigiani Japan Co. Ltd. – Tokyo (Japan)	YEN	50,000	100
Carpigiani Solution LLC – Mosca (Russia)	RUR	14,064	100
Carpigiani UK Ltd – Londra (United Kingdom)	GBP	15	100
Dawson M.M.P. Ltd. – Bamsley (United Kingdom)	GBP	3,628	100
EuroICE Nederland B.V. - Eindhoven (The Netherlands)	EUR	227	100
Krefft Grossküchentechnik GmbH – Rastatt (Germany)	EUR	6,111	100
Metos NV – Aalst (Belgium)	EUR	20,591	100
METOS Oy AB – Kerava (Finland)	EUR	1,000	100
- Metos AS - Oslo (Norway)	NOK	12,040	100
- Metos Eesti AS - Harjumaa (Estonia)	EUR	224	100
- Metos SIA – Riga (Latvia)	EUR	344	100
- Metos Störkök AB – Skärholmen (Sweden)	SEK	1,700	100
- Metos UAB - Vilnius (Lithuania)	EUR	29	100
- Wexiödisk AB - Växjö (Sweden)	SEK	10,000	100
Methold BV – Ruurlo (The Netherlands)	EUR	250	100
- Rendisk BV – Ruurlo (The Netherlands)	EUR	114	100
- Metos BV – Ruurlo (The Netherlands)	EUR	18	100
Rancilio Group S.p.A - Villastanza di Parabiago, MI (Italy)	EUR	1,208	100
- Rancilio Group North America Inc. - Woodridge, IL (USA)	USD	25	100
- Rancilio Group Portugal Lda - Lisbon (Portugal)	EUR	50	100
- Rancilio Espana SA - Barcelona (Spain)	EUR	60	100

- Egro Suisse AG - Dottikon (Switzerland)	CHF	1,000	100
- Rancilio Group Deutschland GmbH - Weikersheim (Germany)	EUR	90	100
Stieren GmbH – Rastatt (Germany)	EUR	256	100
Temp-Rite International GmbH – Bremen (Germany)	EUR	256	100
- Temp-Rite International Holding BV – Breda (The Netherlands)	EUR	18	100
- Temp-Rite International Kft – Budapest (Hungary)	HUF	3,000	100
- Eloma GmbH – Maisach (Germany)	EUR	2,000	100
Williams Refr. Pty Ltd. - Dandenong South, Victoria (Australia)	AUD	2,400	100
WGTV GmbH - Munich (Germany)	EUR	25	100

NON-CONSOLIDATED EQUITY INVESTMENTS

- MPBE SaS (a company 30% owned and included among the associated companies).

ACCOUNTING STANDARDS AND MEASUREMENT BASES

The following accounting standards were adjusted with the amendments, additions and innovations to the provisions of the Italian Civil Code by Italian Legislative Decree 139/2015, which implemented in Italy the Accounting Directive 34/2013/EU. In particular, the national accounting standards were reformulated by the DIC in the version issued on 22 December 2016.

The measurement bases were determined in accordance with the principle of prudence and on an accrual basis with a view to the Company as a going-concern and taking into account the substance of the transaction or contract considered on the basis of the provision of Article 2423-bis.

The application of the prudent approach led to the individual measurement of the elements making up the individual asset and liability items, in order to avoid off-setting between losses that must be recognised and income not to be recognised in that unrealised. In particular, profits were included only if realised by the end of the reporting period, while account was taken of the risks and the losses pertaining to the financial year even if they were known after the end of the reporting period.

No offsetting or exceptions were carried out in that they were not deemed as necessary with respect to the provisions of Articles 2423 et seq. of the Italian Civil Code. No monetary revaluations were carried out and no provisions or value adjustments were made solely for tax purposes.

The preparation of financial statements requires estimates to be made that affect the reported amounts of assets and liabilities. The final results may differ from these estimates. The estimates are periodically reviewed and the effects of changes in estimates, if not deriving from incorrect estimates, are recognised in the income statement for the financial year in which they are necessary and appropriate, if these changes only affect that financial year, and also in the subsequent years if the changes affect both the current year and subsequent years.

The most significant measurement bases adopted for the preparation of these financial statements as at 31 August 2018 in compliance with Article 2426 of the Italian Civil Code and the aforementioned accounting standards are as follows:

INTANGIBLE FIXED ASSETS

They are reported at purchase cost, net of amortisation. These Intangible Fixed Assets are amortised starting from the year in which the assets are available and ready for use by applying the following rates:

Class	amort. %
Start-up costs	20%
Development costs	20%
Industrial patents rights and intellectual property rights	10-20%
Concessions, licences, trademarks and similar rights	10-20%
Goodwill	Useful life
Others	20%

Other intangible assets mainly include the costs incurred for leasehold improvements that cannot be separated from the assets themselves, amortised over the shorter period between the useful life of the leasehold improvement and the duration of the lease agreement.

Advertising and research costs are entirely expensed in the period in which they are incurred.

Start-up and expansion costs, as well as development costs, are recognised in Intangible fixed assets in that they benefit future accounting periods and, with regard to Italian companies, with the consent of the Board of Statutory Auditors.

With regard to the criteria for recognising goodwill and its amortisation procedure, reference should be made to the considerations made in the previous paragraph "Consolidation principles".

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at purchase or production cost, including direct allocation accessory charges.

These values are depreciated on a straight-line basis at rates representative of their residual useful life:

Class	depr. %
Lands	---
Buildings	3%
Plant and machinery	10%
Fixtures and fittings, tools and equipment	25%
Other assets	12-25%

Assets acquired during the year are depreciated on the basis of the above rates reduced by 50% assuming that purchases are evenly distributed over the financial year. The depreciation calculated in this way does not significantly differ from the charge calculated on a pro-rata basis.

Maintenance and repair expenses that do not increase the useful life of the assets are charged directly to the income statement in the year in which they are incurred.

The costs incurred in expanding, modernising or improving the structural elements of a property, plant and equipment are capitalised if they produce a significant and measurable increase in its production capacity, safety or useful life. If these costs do not produce such effects, they are treated as ordinary maintenance and charged to the income statement.

Land and works of art whose usefulness is not limited are excluded from depreciation.

IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE FIXED ASSETS

In the presence of indicators of impairment losses on Intangible fixed assets and Property, plant and equipment at the end of the reporting period, steps are taken to estimate their recoverable amount.

If their recoverable amount, defined as the value in use or the fair value, whichever is the higher, net of selling costs, is lower than the corresponding net book value, the fixed assets are written down.

When it is not possible to estimate the recoverable amount of an individual fixed asset, this analysis is carried out with reference to the "cash-flow generating unit", i.e. the smallest identifiable group of assets that includes the fixed asset being measured and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The value in use is determined based on the present value of future cash flows that are expected to be generated by using the fixed asset, resulting from the most recent business plans available.

Any accumulated impairment loss is reversed should the reasons for the impairment no longer exist. The reversal of impairment losses is carried out within the limits of the value that the asset would have had if the impairment loss had never occurred. Pursuant to the provisions of Article 2426 of the Italian Civil Code, there is no reversal of impairment loss recognised on goodwill and on multi-year charges.

LONG-TERM INVESTMENTS

Equity investments in non-consolidated subsidiaries are measured at cost, as are Equity investments in other companies.

INVENTORIES

Inventories are measured at the purchase or production cost and the corresponding market value or estimated realisable value, whichever is the lower. The cost configuration adopted is as follows:

1. Raw materials and consumables: according to the weighted average cost method.
2. Work in progress: according to the manufacturing cost method for the year taking into account the stage of completion achieved. The manufacturing cost includes materials, labour and direct and indirect production costs.
3. Finished products and goods for resale: according to the manufacturing cost, which includes materials (in turn measured at the Weighted Average Cost), labour and direct and indirect production costs.

For the purposes of measurement of inventories, the realisable value inferable from market performance is represented by the replacement cost for raw materials and consumables that take part in the manufacturing of finished products, and by the net realisable value for goods, finished products, semi-finished products and work in progress.

The presence of obsolete, slow-moving and/or surplus materials compared to normal requirements gives rise to a write-down depending on their expected use or realisation. The write-down is carried out by means of depreciation provisions that are deducted from the assets. If the reasons for the write-down no longer apply, the original value will only be fully or partially restored if it is certain that the value will be recovered through the sale.

RECEIVABLES AND PAYABLES

Receivables and payables are recognised in the financial statements according to the amortised cost method taking into account the time factor and the estimated realisable value. The amortised cost criterion is not applied when the effects are insignificant, i.e. when the transaction costs, the

commissions paid between the parties and any other difference between the initial value and the value at maturity are negligible or if the receivables are short-term (i.e. they have a maturity of less than 12 months).

The value of receivables and payables, as determined above, is adjusted, where necessary, by a specific bad debt provision, shown in direct decrease of the value of such receivables and payables, in order to adjust them to their estimated realisable value.

The amount of the impairment loss is recognised in the income statement.

Payables are recognised according to the amortised cost method taking into account the time factor. The amortised cost criterion is not applied to payables when its effects are insignificant. The effects are considered irrelevant for short-term payables (i.e. they have a maturity of less than 12 months).

Receivables and Payables originally in foreign currency are adjusted to year-end exchange rates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents and short-term payables to banks are shown at nominal value by recognising accrued interests.

Bank and postal deposits and cheques are measured at their estimated realisable value, cash and stamps on hand at nominal value while liquidity in foreign currency is measured at the exchange rate in force at the end of the reporting period.

ACCRUALS AND DEFERRALS

Accruals and deferrals include portions of costs and revenues pertaining to the financial year but collectable in subsequent financial years and portions of costs and revenues incurred by the end of the reporting period but pertaining to subsequent financial years on an accrual basis.

PROVISION FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover specific losses or payables that are certain or likely to arise but of uncertain timing or amount at the end of the reporting period. The provisions reflect the best possible estimate based on the information available. The risks for which the occurrence of a liability is only possible are reported in the notes to the funds, without setting aside a provision for risks and charges. The allocations to provisions for risks and charges are recognised in the income statement under the items of the operating activities to which the transaction refers, while the classification by nature of the costs prevails. Whenever this correlation between the nature of the provision and one of the items in the above classes is not feasible, provisions for risks and charges are recorded in items B12 and B13 of the Income Statement.

Provisions for charges are not discounted.

EMPLOYEE SEVERANCE INDEMNITY

The employee severance indemnity includes the amount that employees of Italian companies would be entitled to receive in the event of termination of employment at the end of the reporting period. The long-service allowance making up this item, i.e. the provision for the year and the annual revaluation of the pre-existing fund, are determined in accordance with the regulations in force. The employee severance indemnity is recognised in item C of the liabilities and the related provision under item B9 of the income statement.

The amendments made to the employee severance indemnity regulations by Italian Law no. 296 of 27 December 2006 ("2007 Finance Act") and subsequent implementing Decrees and Regulations amended the accounting standards applied to the employee severance indemnity accrued as at 31 December 2006

and those accruing as from 1 January 2007, in that with the establishment of the "Provision for the payment of severance indemnities to employees in the private sector pursuant to Article 2120 of the Italian Civil Code" (Treasury Fund managed by INPS on behalf of the State), employers who have at least 50 employees are obliged to pay to this Treasury Fund the severance indemnities accrued in relation to those employees who have not chosen to contribute their portion of indemnity leaving fund to a supplementary pension fund. Therefore, the amount of the Employee Severance Indemnity shown in the financial statements is indicated net of the amounts paid to the aforementioned INPS Treasury Fund.

PENSION FUNDS AND SIMILAR OBLIGATIONS

These are provisions for pensions, retirement benefit plans and social security for employees not regulated by law but relating to local employment contracts and plans in place at certain Group companies.

The principle applied is to distribute the entire charge throughout the working life of the entitled persons according to the amounts accrued as determined by the application of actuarial procedures.

Specifically, in accordance with the provisions of IAS 19 revised, actuarial gains and losses for the year are recognised in "Other finance income" and "Interests and other finance costs" in the income statement, respectively.

REVENUES AND COSTS

Revenues from the sale of goods are recognised when the ownership has been substantially and not formally transferred, taking the transfer of risks and benefits as a benchmark for the substantial transfer.

Revenues from the sale of products and goods or the provision of services related to ordinary operations are recognised net of returns, discounts, allowances and bonuses, as well as taxes directly related to the sale of products and the provision of services.

Revenues from the provision of services are recognised on completion and/or maturity.

Costs are recognised on an accrual basis and even if they are known after the end of the reporting period but before the preparation of the financial statements, provided that they are certain or likely to be incurred.

Revenues and income, costs and expense relating to foreign currency transactions are determined using the spot exchange rate at the date the related transaction is carried out.

Transactions with related parties took place under normal market conditions.

RESEARCH EXPENSES

Expenses for research into new products are fully recognised in the income statement for the year in which they are incurred, as permitted by the regulations in force.

INCOME TAXES FOR THE YEAR

Current income taxes are allocated by each consolidated company on the basis of a realistic estimate of the tax charges to be paid in application of the tax regulations in force in the respective Countries.

The related tax payable is recognised in the balance sheet at nominal value, net of the advances paid, of withholding taxes and tax credits that can be offset and not requested as a refund; if the advances paid, withholding taxes and tax credits exceed the taxes due, the relevant tax receivable is recognised.

Deferred tax assets and liabilities resulting from temporary differences between the values recognised in the financial statements of the individual consolidated companies and the corresponding tax values

are recorded in accordance with the provisions of the regulations in force and are offset only if there is a legal right to offset balances and the companies intend to settle tax payables and receivables on a net basis by means of a single payment.

They are measured taking into account the estimated tax rate that the Company is expected to incur in the year in which the temporary differences contribute to the formation of the tax result, considering the rates in force or already issued at the end of the reporting period.

These are recognised in the balance sheet and income statement taking into account that:

- a) deferred tax assets were recognised in the balance sheet only if there is reasonable certainty of their recovery and of the existence, in future years in which deductible differences will be reversed, of taxable income not less than the amount of the differences that will be cancelled;
- b) deferred tax liabilities were recognised because there are taxable temporary differences that will give rise to taxable amounts in future years.

EXPOSURE METHODS FOR VALUES STATED IN FOREIGN CURRENCY

Transactions in foreign currencies are recognised at the exchange rate on the date of their transaction.

Assets and liabilities in foreign currency, with the exception of fixed assets, are translated at the spot exchange rate at the end of the reporting period and any related exchange rate gains and losses are recognised in profit or loss.

HEDGING INSTRUMENTS

Derivative financial instruments are financial assets and liabilities recognised at fair value.

Derivatives are classified as hedging instruments only when, at the beginning of the hedging, there is a close and documented relationship between the characteristics of the hedged element and those of the hedging instrument

When hedging derivatives hedge the risk of changes in the fair value of the instruments being hedged (fair value hedge), they are recorded at fair value with the effects recognised in the income statement; the hedged items are consistently adjusted to reflect changes in fair value associated with the hedged risk.

When the derivatives hedge the risk of change in future cash flow hedges, the effective portion of gains or losses of the derivative financial instrument is suspended in shareholders' equity. Gains and losses related to the hedging of the ineffective portion are recognised in the income statement. The gains or losses accrued up to that time in equity are reclassified to the income statement as soon as the transaction occurs (to adjust or supplement the income statement items affected by the hedged cash flows).

Therefore, changes in the fair value of hedging financial derivatives are recognised:

- in the income statement, in the case of hedging the fair value of an asset or liability entered in the financial statements as well as changes in fair value of the hedged items;
- in a specific equity reserve in the case of cash flow hedge in such a way as to counterbalance the effects of the hedged flows (the ineffective component is classified in the income statement).

The derivative financial instruments used by the Group have characteristics similar to those of the hedged item and the financial instruments are concluded at market conditions. Consequently, based on the provisions of the reference accounting standards, the hedge is considered effective simply by verifying that the supporting elements such as the nominal amount, the settlement date of the cash

flows, the expiry and the underlying variable of the hedging instrument and the hedged item match or are closely aligned and the counterparty's credit risk is not such as to have a significant impact on the fair value of both the hedging instrument and the hedged instrument.

The positive or negative fair value of derivative financial instruments is also included in the Group's net financial position.

FINANCE LEASES

Finance leases are recorded in the financial statements according to the financial method prescribed by the international accounting standard IAS 17 - i.e. assuming that the transaction is the purchase of a fixed asset on credit.

The lessee acquires the economic benefits arising from the use of the leased asset for most of its useful life in exchange for a commitment to pay a consideration that approximates the fair value of the asset and the related finance costs.

USE OF ESTIMATES

It should be noted that the preparation of the Consolidated financial statements requires Directors to make estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and the information regarding potential assets and liabilities at the end of the reporting period.

The estimates and assumptions used are based on experience and other factors considered relevant. Despite the on-going process of analysis of the estimates increases their reliability, the results that will be finalised could therefore differ from these estimates and, in this case, the effects of each change will be reflected in profit or loss in the period in which the estimates are revised if the revision will affect only that period, or also in subsequent periods if the revision will affect both the current financial year and future years.

The assumptions used by management in applying the accounting standards regarding the future and which may have significant effects on the amounts recognised in the financial statements or for which there is a risk that significant adjustments to the book value of assets and liabilities may emerge in the financial year following that in which the financial statements are prepared are mainly related to the following items:

Bad debt provision

Bad debt provision reflects the estimated losses related to the receivables portfolio of Group companies. Provisions are made for expected losses on receivables, estimated on the basis of past experience with reference to receivables with similar credit risk, as well as the careful monitoring of the quality of the receivables portfolio.

Although the provision set aside is considered adequate, the use of different assumptions or the change in economic conditions could be reflected in changes in bad debt provision and therefore have an impact on the Group's results. Estimates and assumptions are periodically revised and the effects of each change are reflected in the income statement in the year to which they refer.

Inventories and provision for write-downs

The measurement of inventories and of the related provision for write-downs reflects the best estimate of the normal production capacity of Group companies, the selling prices of products and forecasts of their realisation over time on the basis of sales plans or historical experience. Group companies believe that the estimates made and the input data taken into consideration allow for the correct recognition of inventories and a reasonable estimate of the provision for inventory obsolescence; however, given the

complex nature of the estimates of the factors mentioned above and the related underlying areas of uncertainty, it is not possible to rule out the possibility that the revision of estimates in future years may give rise to further requirements for provisions or write-downs.

Recoverability of deferred tax assets

The consolidated financial statements show deferred tax assets that are connected with the recognition of temporary differences between amounts recognised and those reported for tax purposes that can be used in future years within the limits of the ability of the Ali Group companies to generate taxable profits.

The measurement of the aforesaid recoverability takes into account the estimate of future taxable income and is based on the long-term plans of the companies of the Group, which are the result of assumptions; however, if the companies of the group are not able to recover all or part of the aforementioned deferred tax assets recognised in future years, the resulting adjustment will be charged to the Income Statement for the year in which this circumstance occurs.

Recoverability of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are impaired when events or changed circumstances indicate that the amount recognised in the financial statements is not recoverable. The events that can lead to an impairment of assets are: changes in industrial plans, changes in market prices that can lead to lower operating performance, reduced plant utilisation. The decision whether or not to recognise an impairment loss and to quantify it depends on the Directors' assessments of complex and highly uncertain factors, including future price trend, the impact of inflation and technological improvements on production factors, production profiles and global, national and regional supply and demand conditions.

The impairment is calculated by comparing the carrying value with the related recoverable amount, represented by the fair value net of disposal costs and the value in use calculated by discounting the expected cash flows deriving from the use of the asset, net of disposal costs, whichever is the higher. Expected cash flows are determined in the light of information available when the estimate is made on the basis of subjective opinions on the trend of future variables such as prices, costs, growth rates in demand, production profiles, and discounted using a rate net of taxes that takes into account the risk inherent in the asset in question.

The loss in value of an asset is reinstated when there is an indication that it has been reduced or no longer exists or when there has been a change in the measurements used to determine its recoverable amount, with the exception of goodwill and multi-year charges for which, as explained above, Article 2426 of the Italian Civil Code does not allow reinstatement.

Legal and tax disputes

Group companies make provisions mainly in connection with current legal and tax disputes, as well as returns to customers. Given their nature, it is not objectively possible to predict the final outcome of these lawsuits, some of which may end with an unfavourable ruling. Estimates for these accruals are the result of a complex process involving the subjective opinions of Company management of each Group company.

Product guarantee fund

As is customary in the sector in which Group companies operate, many of the products sold are covered by a guarantee that covers a pre-established period of time. The guarantee fund recognised in the financial statements is estimated on the basis of historical data relating to service charges, the cost of repairs, etc. Although the changes to these assumptions lead to different measurements, it is unlikely for these changes to have a material impact on the Group's results or financial position.

Other financial statement items

In addition to the items indicated above, the use of estimates concerned:

- the measurement of any accumulated impairment losses of long-term investments.
- the calculation of the useful life of tangible and intangible assets for the purposes of calculating the related amortisation and depreciations.
- fair value gains/losses on derivative financial instruments.

Notes on Assets

1. Intangible fixed assets (B.I)

The item shows a balance of € 435,785 thousand (€ 516,702 thousand as at 31 August 2017).

Changes during the year are as follows:

	Start-up costs	Development costs	Industrial patent rights and intellectual property rights	Licences and Trademarks
Historical cost	2,071	1,689	61,102	140,276
Revaluations	-	-	-	-
(Write-downs)	-	-	-	-
Accum. depreciation	(1,869)	(1,614)	(37,718)	(61,830)
Amounts at the beginning of the FY	202	75	23,384	78,446
Increases for the year	1	74	1,819	263
Net decreases for the year	-	-	(4)	(1)
Depreciations	(118)	(108)	(5,703)	(13,655)
Revaluations/(Write-downs)	-	-	-	-
Reclassifications	-	90	(1)	-
Other changes	-	-	-	-
Exchange differences	-	-	(32)	(41)
Amounts at the end of the FY	85	131	19,463	65,012

	Work in progress and advances	Other intangible fixed assets	Goodwill	TOTAL
Historical cost	1,012	43,881	1,004,246	1,254,277
Revaluations	-	-	-	-
(Write-downs)	-	(6,121)	(60,447)	(66,568)
Accum. depreciation	-	(29,306)	(538,670)	(671,007)
Amounts at the beginning of the FY	1,012	8,454	405,129	516,702
Increases for the year	199	2,355	-	4,711
Net decreases for the year	(538)	(151)	-	(694)
Depreciations	-	(3,679)	(61,813)	(85,076)
Revaluations/(Write-downs)	-	-	-	-
Reclassifications	(141)	238	-	186
Other changes	-	-	-	-
Exchange differences	12	17	-	(44)
Amounts at the end of the FY	544	7,234	343,316	435,785

The main amortisation (under the items "Licences and Trademarks", "Industrial patent rights and intellectual property rights and software" and "Goodwill") for the period refers to the allocation of the excess costs incurred for the acquisitions of the Scotsman Group, the Rancilio Group and the InterMetro Group, which took place in previous years.

The price surplus was attributed, based on specific expert reports prepared by independent external experts, to the higher current value compared to the book value of property, plant, and equipment and intangible fixed assets and, for the remaining part, to Goodwill.

In accordance with the provisions of Article 2426 of the Italian Civil Code and taking into account the most recent guidelines of the Italian Accounting Body (OIC, Organismo Italiano di Contabilità), the

amortisation period for goodwill was defined as ten years, also taking into account the useful life estimated in the relevant expert reports.

The net value of Goodwill as at 31 August 2018 was due to the acquisition of the InterMetro Group (€ 190,312 thousand), the acquisition of the Scotsman Group (€ 122,915 thousand) and the acquisition of the Rancilio Group (€ 30,089 thousand).

The value allocated to Trademarks is amortised over ten years as well, both in the light of the residual useful life assigned in the appraisal to these intangible assets, and taking into account the above factors relating to goodwill.

If the next analyses on the recoverability of the book values show a reduction in the period of future usefulness due to currently unforeseeable circumstances, the amount still to be amortised will be allocated over the shortest period of useful life.

The increases in the item "Industrial patent rights and intellectual property rights and software" mainly refer to the purchase and development of software programmes for the carrying-on of the Group's activities, as well as to costs for the registration, extension and regulation of patents in various Countries.

The increases in other intangible fixed assets mainly include leasehold improvements.

There were no other significant changes in the items.

Recoverability of intangible fixed assets and goodwill

At the end of the year, the Directors assessed whether there were any internal or external indicators that could have led to a potential impairment of intangible fixed assets and goodwill. Based on the assumptions made, following the checks carried out, the recoverable amount of the intangible fixed assets considered as at 31 August 2018 was higher than their book value. However, note that as the main estimates and assumptions made in the preparation of the plan and therefore the impairment test change, the value in use and the result that will actually be achieved regarding the realisable value of the recognised assets could change. Therefore, the Group cannot guarantee that there will be no impairment of assets recognised in the financial statements as at 31 August 2018 in future periods.

2. Property, Plant and Equipment (B.II)

The item shows a balance of € 246,820 thousand (€ 245,747 thousand as at 31 August 2017).

Changes during the year are as follows:

	Land and Buildings	Plant and Equipment	Fixtures and fittings, tools and equipment
Historical cost	214,019	247,709	93,160
Revaluations	1,687	1,800	-
(Write-downs)	(3,602)	(4,552)	-
Accum. depreciation	(78,241)	(171,212)	(81,943)
Amounts at the beginning of the FY	133,863	73,745	11,217
Increases for the year	4,133	11,631	4,706
Net decreases for the year	(1,443)	(615)	(169)
Depreciations	(6,384)	(15,046)	(4,602)
Revaluations/(Write-downs)	(42)	(4)	-
Reclassifications	1,154	5,787	204
Other changes	-	-	-
Exchange differences	360	375	(102)
Amounts at the end of the FY	131,641	75,873	11,254

	Other assets	Work in progress and advances	TOTAL
Historical cost	81,543	8,391	644,822
Revaluations	88	-	3,575
(Write-downs)	-	(652)	(8,806)
Accum. depreciation	(62,448)	-	(393,844)
Amount at the beginning of the FY	19,183	7,739	245,747
Increases for the year	5,532	16,770	42,772
Net decreases for the year	(288)	(7,584)	(10,099)
Depreciations	(5,971)	-	(32,002)
Revaluations/(Write-downs)	(29)	-	(75)
Reclassifications	1,056	(8,387)	(186)
Other changes	-	-	-
Exchange differences	(25)	56	664
Amounts at the end of the FY	19,458	8,594	246,820

The changes in the items Plant and machinery and Fixtures and fittings, tools and equipment refer to the replacement of existing assets due to technological deterioration/renewal. Other assets include furniture, office equipment, office machinery and computers, cars and other assets not classifiable elsewhere and of small value.

The increases in the item Land and Buildings mainly refer to investments made to modernise the offices and logistics area of some production plants in Italy and the United States.

The changes in Work in progress and advances refer mainly to the costs incurred for the purchase of new industrial equipment and machinery in some of the Group's US companies.

3. Equity Investments in other companies (B.III.1.d-bis)

The item shows a balance of € 573 thousand (€ 628 thousand as at 31 August 2017).

They include equity investments in Bodies, Consortia and in companies for which there are no consolidation requirements.

The main investments are as follows:

	2018	2017
Helsinki Halli	219	219
Other equity investments in Finland	109	143
"Vacation Houses" in Sweden	86	96
Bodies and Consortia	138	149
Other minor bodies	21	21
Amounts at the end of the FY	573	628

4. Financial Receivables (B.III.2.d-bis)

The item shows a balance of € 762 thousand (€ 697 thousand as at 31 August 2017).

This item mainly includes guarantee deposits.

The portion due within the financial year amounted to € 177 thousand. There were no portions due beyond 5 years.

5. Inventories (C.I)

The item shows a balance of € 322,628 thousand (€ 304,539 thousand as at 31 August 2017).

The changes in the individual classes of stocks are broken down as follows:

	Raw materials and consumables	Work in progress	Finished products and goods for resale	Advances to suppliers	TOTAL
Net opening values	146,151	26,255	129,753	2,380	304,539
Change in stock	10,126	2,531	8,306	(696)	20,267
Change in provision for write-downs	(50)	(168)	(213)	-	(431)
Other changes	-	-	-	-	-
Exchange differences	(184)	27	(1,557)	(53)	(1,747)
Net closing values	156,063	28,645	136,289	1,631	322,628

The total inventory write-down provision increased from € 45,279 thousand at the end of the previous year to € 45,616 thousand as at 31 August 2018.

6. Trade receivables (C.II.1)

The item shows a balance of € 401,765 thousand (€ 388,687 thousand as at 31 August 2017).

The changes in the year were as follows:

	Third-party customers (nominal value)	Provision for write-downs	TOTAL
Amounts at the beginning of the FY	411,587	(22,900)	388,687
Increases	12,888	(2,638)	10,250
Decreases	-	3,867	3,867
Exchange differences	(1,043)	4	(1,039)
Amounts at the end of the FY	423,432	(21,667)	401,765

The balance of receivables, shown net of the related bad debt provision, represents the value of sales to third-party customers.

This balance is shown at the realisable value obtained by adjusting the value of those doubtful receivables: the balancing entry is shown in the item Amortisation and impairment in the income statement. The "Bad debt provision" is considered adequate in relation to the related risks and specifically also covers the risk of non-collection of documents issued as a chargeback of default interest.

If the final non-recoverability situation occurred during the financial year as a result of bankruptcy, unavailability of the debtor or other causes of insolvency, the value of the receivable was adjusted by recording a loss, if no specific provision had been made for impairment, classified under other Sundry operating expenses of the income statement.

There were no significant concentrations of receivables.

There were no receivables due beyond 5 years. There were no items with maturities exceeding normal market conditions.

Receivables due beyond one year amounted to € 3,515 thousand. Based on the measurement criteria indicated above, this value is deemed to approximate the amortised cost.

The breakdown of receivables by geographical area is as follows:

	2018	2017
Italy	91,430	96,643
Rest of Europe	188,504	175,015
The Americas	87,816	87,930
Asia and Pacific	48,335	45,410
Africa	7,347	6,589
Amounts at the end of the FY	423,432	411,587

7. Tax Receivables and Other Receivables (C.II.5-bis and C.II.5-C.II.5-quater)

The item shows a balance of € 31,220 thousand (€ 23,311 thousand as at 31 August 2017).

The breakdown of Tax receivables is the following:

	2018	2017
VAT Receivables	6,169	5,828
Other taxes	1,122	1,120
Income taxes	12,660	4,614
Amounts at the end of the FY	19,951	11,562

Receivables for income taxes mainly refer to higher IRES and IRAP advances paid by the Parent Company during the year. The item also includes the receivable relating to a request for reimbursement formulated pursuant to Article 2, paragraph 1-quarter of Italian Law Decree 201/2011 and submitted on 12 March 2013 (€ 3,664 thousand).

As already pointed out in the notes to the financial statements of last year, the date of collection of these receivables is uncertain and it is assumed that they will not be fully collected in the course of the next financial year.

Receivables from others are broken down as follows:

	2018	2017
Agents and Commission agents	353	379
Social-security institutions	1,332	1,336
Insurance companies	3,279	2,746
Advances to suppliers	1,551	3,187
Advances to employees	500	885
Public Bodies	165	255
Sundry	4,089	2,951
Amounts at the end of the FY	11,269	11,749

The item Advances to suppliers in 2017 mainly included the advances paid for HOST Milano, the main trade fair in the sector in which the Group operates, held every two years in October 2017.

€ 1,742 thousand were due beyond the financial year but in any case within five years.

8. Deferred tax assets and liabilities (C.II.5-ter - B.2)

The item shows a net credit balance of € 10,831 thousand (€ 19,747 thousand as at 31 August 2017).

This value consists of Deferred tax assets of € 46,707 thousand (€ 74,267 thousand as at 31 August 2017), deferred tax liabilities of € 34,298 thousand (€ 53,545 thousand as at 31 August 2017) and provisions for taxes of € 975 thousand (€ 975 thousand as at 31 August 2017).

The temporary differences that generated deferred tax assets and liabilities refer in particular to the following cases:

	2018		2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Allocations to provisions	12,755	-	17,916	-
Amortisation	1,956	(31,865)	1,959	(51,517)
Netting of I/Co profits in the warehouse	5,454	-	5,199	-
Taxed reserves	-	(260)	-	(204)
Other timing differences	25,941	(2,176)	49,193	(1,824)
Amounts at the end of the FY	46,106	(34,301)	74,267	(53,545)

Deferred tax liabilities on amortisation were mainly attributable to the allocation of excess costs on Fixed Assets that arose during the first consolidation of the InterMetro Group (€ 6,842 thousand), the Scotsman Group (€ 14,119 thousand) and the Rancilio Group (€ 2,293 thousand).

The changes compared to the previous year were mainly due to the reduction in the tax rate in the United States as a result of the recent local tax reform. As a result of this reform, the deferred tax assets and liabilities attributable to the Group's US companies were adjusted to the new rate in force in the year in which the temporary differences will reverse. The adjustments resulting from this rate adjustment were charged to the income statement.

Deferred tax assets on prior losses were not recognised.

9. Cash and cash equivalents (C.IV)

The item shows a balance of € 266,635 thousand (€ 124,153 thousand as at 31 August 2017).

Cash and cash equivalents include bank and postal deposits, cash on hand.

Cash and cash equivalents were mainly used in the short-term deposits market with major banking counterparties at interest rates in line with prevailing market conditions.

For a better understanding of this item, reference is made to the cash flow statement.

10. Accrued income and prepaid expenses (D)

The item shows a balance of € 11,384 thousand (€ 9,890 thousand as at 31 August 2017).

The balance of accrued income and prepaid expenses at the end of the reporting period is made up as follows:

	2018	2017
Rental income	20	16
Interest on securities	1	7
Other accrued income	832	809
Insurance premiums	550	427
Leasing charges and user licences	207	186
Rental expense	655	756
Maintenance fees	1,076	1,139
Prepaid expenses	3,439	3,086
Other prepaid expenses	4,604	3,464
Amounts at the end of the FY	11,384	9,890

There were no items referring to a period that exceeds 5 financial years.

Notes on Liabilities

11. Shareholders' Equity (A)

The item shows a balance of € 1,108,616 thousand (€ 1,003,220 thousand as at 31 August 2017).

The fully paid-up share capital amounted to € 51,000,000.

Changes in Group Shareholders' equity in the last two financial years were as follows:

	Share capital	Legal reserve	Other reserves	Undivided profits	Profit (loss) for the year	Total
At the beginning of the financial year	51,000	10,200	324,079	274,625	167,199	827,103
Allocation of the result for the year						
- other allocations			87,714	79,485	(167,199)	-
Other changes						-
- cancellation of treasury shares						-
- merger surplus						-
- purchase of treasury shares						-
- dividends						-
- Change in foreign currency translation reserve			(26,367)			(26,367)
Result for the current year					202,484	202,484
At the end of the previous financial year	51,000	10,200	385,426	354,110	202,484	1,003,220
Allocation of the result for the year						-
- other allocations			93,236	109,248	(202,484)	-
Other changes						-
- dividends			(99,107)			(99,107)
- change in foreign currency translation reserve			1,548			1,548
- change in cash-flow hedge reserve			634			634
Result for the current year					202,321	202,321
At the end of the current financial year	51,000	10,200	381,737	463,358	202,321	1,108,616

The changes that took place during the financial year were the following (€/000):

2017 consolidated profit carried forward	202,484
Change in foreign currency translation reserve	1,548
Dividends approved	(99,107)
Change in cash-flow hedge reserves	634
2018 consolidated profit	202,321

The Shareholders' Meeting held on 11 December 2017 resolved to allocate the Parent Company's profit for 2017 of € 93,236 thousand to the extraordinary reserve. Subsequently, by resolution of the Shareholders' Meeting of 17 January 2018, the distribution of a dividend equal to € 99,107 thousand was approved.

There were no minority interests.

For the reconciliation of Group shareholders' equity and operating result and Parent Company shareholders' equity and operating result, reference should be made to the reconciliation statement at the end of the notes to the financial statements.

12. Provisions for risks and charges (B)

The item shows a balance of € 90,450 thousand (€ 114,901 thousand as at 31 August 2017).

Changes during the year were as follows:

	Initial values	Increase	Other changes	Exchange differences	Final values
Retirement obligation and other employee benefits	19,528	(250)	-	277	16,875
Taxes, incl. deferred taxes	54,520	1,107	109	49	35,275
Derivative financial instruments (payable)	373	491	-	(20)	827
Other provisions	40,480	20,724	48	176	37,473
Total	114,901	22,072	157	482	90,450

The Provisions for risks and charges represent certain or probable liabilities, with uncertain timing and or amount.

The item Retirement obligation and other employee benefits includes, in particular, the fair value of defined-benefit plans measured in accordance with the actuarial method envisaged by IAS 19 revised, as better described in the section Accounting standards and measurement criteria that introduces these notes to the financial statements.

The item Other provisions includes provisions for liabilities whose existence is only probable, such as the Product guarantee fund (€ 33.4 million), the provision for corporate restructuring (€ 1.3 million) and for legal disputes (€ 1.3 million). The balancing entry, depending on the nature of the costs and in accordance with OIC 12, is included in the items Costs for services, Other provisions and Provisions for risks.

For information on derivative financial instruments, reference should be made to the relevant paragraph.

13. Employee severance indemnity (C)

The item shows a balance of € 13,934 thousand (€ 15,430 thousand as at 31 August 2017).

The Employee severance indemnity accrued as at 31 August 2018 represents, for Italian companies only, the actual debt accrued as at that date, based on the regulations in force, net of advances paid and payments to supplementary pension funds (PREVINDAI, COMETA, PREVIRAS, etc.) and to the INPS Treasury Fund.

Opening balance	15,430
(Use for leavers, advances and supp. benefit)	(6,909)
Annual provision	5,413
Closing balance	13,934

14. Payables (D)

The item shows a balance of € 529,910 thousand (€ 535,353 thousand as at 31 August 2017).

PAYABLES TO BANKS

This item is broken down as follows:

	2018	2017
Current account overdraft	4,132	36,034
Short-term loans	100,000	-
Medium-term loans	-	137,000
Total	104,132	173,034

Short-term loans refer entirely to the residual debt of a bank loan disbursed on 30 July 2018. This loan is due annually, provides for the possibility of early repayment and is not subject to financial covenants.

The item medium-term loans referred entirely to the Term Facilities Agreement entered into with Unicredit Bank AG, Milan branch for a total original amount of € 601.1 million and disbursed on 28 September 2015 as part of the transaction for the acquisition of the InterMetro Group.

During the financial year, voluntary prepayments totalling € 137 million were made to repay the loan.

PAYABLES TO OTHER LENDERS

This item includes the following loans granted by parties other than banks:

	2018	2017
Deposits and loans Fund for Italian Law 46/82	-	440
Mediocredito Italiano for Sabatini Law	175	292
Amounts at the end of the FY	175	732

The item "Deposits and loans Fund for Italian Law 46/82" included the residual value of two subsidised loans obtained through Centrobanca (now UBI Banca) in relation to the call for "Priority technologies", as part of the benefits of the "Revolving Fund for Technological Innovation" granted by the Ministry of Industry.

During the financial year, voluntary prepayments totalling € 440 thousand were made to repay the loans.

The item Mediocredito Italiano for Sabatini Law refers to a transaction involving the sale of equipment to a customer who used the loan recognised by the Sabatini Law (Law 1329/65).

ADVANCES

These refer to advances from customers for supplies of goods to be made by Group companies and at the end of the financial year amounted to a total of € 10,318 thousand.

TRADE PAYABLES

The breakdown of trade payables (including advances) by geographical area is as follows:

	2018	2017
Italy	105,250	96,317
Rest of Europe	57,333	60,650
The Americas	62,719	61,323
Asia and Pacific	19,090	21,155
Africa	1,684	2,192
Amounts at the end of the FY	246,076	241,637

There were no positions with maturities of more than 5 years or with maturities that can be considered anomalous compared to normal market conditions.

TAX PAYABLES

This item includes payables for income taxes and withholdings made in the capacity of withholding agent (in the Countries where this institution is present), as well as indirect tax payables.

	2018	2017
Income taxes	6,612	12,178
VAT payables	13,107	13,879
Other taxes	2,150	3,685
Withholding agents	2,501	2,320
Amounts at the end of the FY	24,370	32,062

The decrease in payables for income taxes mainly refers to the higher IRES and IRAP advances paid by the Parent Company during the year (credit balance at the end of the year).

PAYABLES TO SOCIAL SECURITY INSTITUTIONS

The item shows a balance of € 13,704 thousand (€ 13,509 thousand as at 31 August 2017)

It represents payables to welfare and social security institutions in various Countries on the basis of local regulations, including, where applicable, the portion payable by Group companies and that payable by recipients.

OTHER PAYABLES

The item includes:

	2018	2017
Payables to shareholders for dividends	68,944	-
Agents for commissions	4,700	6,570
Directors for fees	1,008	894
Statutory Auditors and other collaborators for fees	439	432
Personnel for salaries not withdrawn, extra month's pays and accrued holidays	61,740	61,613
Other payables	4,622	4,870
Amounts at the end of the FY	141,453	74,379

The item "Other payables" includes the portion of the dividend approved by the Shareholders' Meeting of 17 January 2018 that was not regulated financially at the reference date of this document.

Note that € 4,318 thousand of the total of the item was due beyond 12 months.

15. Accrued Expenses and Deferred Income (E)

The item shows a balance of € 22,536 thousand (€ 21,015 thousand as at 31 August 2017).

The balance of accrued expenses and deferred income at the end of the reporting period was made up as follows:

	2018	2017
Multi-year service contracts with customers	6,168	6,301
Other deferred income	747	741
Bank charges and Interest expense	606	489
Insurance premiums	138	138
Maintenance	107	84
Rental income	24	27
Other accrued expenses	14,746	13,235
Amounts at the end of the FY	22,536	21,015

The item Multi-year service contracts with customers mainly refers to revenues, pertaining to future years, relating to multi-year customer service programmes. In particular, note that € 2,010 thousand were attributable to more than twelve months.

There are no items referring to a period that exceeds five years.

Notes on the income statement

Value of production

The item shows a balance of € 2,211,653 thousand (€ 2,232,923 thousand as at 31 August 2017).

With reference to the composition and allocation of the items:

The breakdown of **"Revenues from sales and services to third parties"** (item A1) by market is as follows:

	2018	2017
Italy	160,125	157,703
Rest of Europe	824,718	797,740
The Americas	858,007	904,437
Asia and Pacific	311,108	320,154
Africa	33,515	40,632
Total for the period	2,187,473	2,220,666

The breakdown of **"Other revenues"** (item A5), as non-financial positive income components incidental to the main business, is as follows:

	2018	2017
Income from additional operations (rentals, royalties, commissions, etc.)	1,520	1,944
Capital gains from disposal of assets due to normal deterioration	331	383
Gains on disposal of non-recurring disposal of fixed assets	1,839	-
Recharging transport costs to customers	4,520	5,157
Other revenues	2,539	2,230
Operating grants	443	153
Total for the period	11,192	9,867

Note that the item "Gains on disposal of non-recurring disposal of fixed assets" includes the gains realised on the disposal of industrial buildings in Italy and the United Kingdom.

For further details, reference is made to the Report on operations.

Costs of Production

The item shows a balance of € 1,900,106 thousand (€ 1,914,450 thousand as at 31 August 2017).

"Costs for raw materials, consumables and goods for resale" (item B6) are broken down as follows:

	2018	2017
Inventories	855,460	852,803
Consumables and other production materials	13,399	13,561
Other purchases:		
- stationery	2,646	3,335
- advertising material	2,633	2,682
- fuels	4,151	3,962
- other purchases	6,624	5,633
Total for the period	884,913	881,976

"Costs for services" (item B7) are broken down as follows:

	2018	2017
Directors	4,915	4,704
Insurance companies	4,945	5,280
Consulting and other collaborations	28,905	29,547
Gas, water, electricity, heating	14,126	13,807
Installations and technical support	26,848	24,642
Outsourced processing	39,476	40,334
Maintenance and repairs	19,194	18,488
Postage, fax and telephones / data	6,066	6,436
Referral fees and premiums	37,565	39,655
Fairs, advertising and image	23,443	22,938
Travel expenses	24,152	24,758
Transport	76,575	74,948
Other costs	17,020	17,240
Total for the period	323,230	322,777

"Costs for leases and rentals" (item B8) are broken down as follows:

	2018	2017
Property rent payment	18,786	18,741
Lease payments and hiring	14,844	14,719
User licences	197	774
Royalties	795	870
Other costs	189	147
Total for the period	34,811	35,251

"Personnel Costs" (item B9) totalled € 520,523 thousand (€ 515,324 thousand in 2016).

	Initial number	Final number	chg.	Annual average
Blue collars	5,736	5,977	241	5,878
White Collars	3,411	3,521	110	3,463
Executives	387	374	(13)	368
Total	9,534	9,872	338	9,708

"Amortisation" (item B10) of Intangible Fixed Assets mainly include the amortisation charges of goodwill.

"Provisions for Risks" (item B12) and **"Other provisions"** (item B13) are mainly due to provisions for product guarantees, legal cases against Group companies and other risks for other contingent liabilities.

The breakdown is shown here below:

	2018	2017
Ongoing disputes	125	493
Other risks	304	1,612
Total provision for risk for the period	429	2,105
Product guarantees	18,959	24,490
Total other provisions for the period	18,959	24,490

For further details, reference should be made to the comment in these notes to the Financial Statements on the item **"Provisions for risks and charges"**.

"Sundry operating expenses" (item B14) are broken down as follows:

	2018	2017
Taxes other than income taxes	5,240	5,477
Membership fees	1,139	1,717
Expenses related to the business purpose	2,086	2,198
Losses from disposal of assets due to normal deterioration	115	688
Losses on loans	266	955
Other expenses and losses	5,378	4,376
Total for the period	14,224	15,411

Finance Income and costs

The item shows a balance of € -2,584 thousand (€ -13,303 thousand as at 31 August 2017).

The item is broken down as follows:

	2018	2017
Income from equity investments in other companies	37	25
Income from long-term loans	-	-
Other income (see next detail)	7,275	4,891
Other costs (see next detail)	(8,443)	(15,716)
Realised foreign exchange gains/(losses) on collection/payment of	(1,694)	(1,001)
Foreign exchange gains/(losses) deriving from assessment of receivables/payables	241	(1,502)
Total for the period	(2,584)	(13,303)

The subitems **"Other costs"** (C16) and **"Other income"** (C17) to third parties are broken down as follows:

	Income		(Costs)	
	2018	2017	2018	2017
Financial institutions	1,822	271	(124)	(202)
Mortgage and loans	-	-	(347)	(2,503)
Deferral of loan to customers	241	281	-	-
Default interest collected	-	86	-	-
Financial discounts	1,671	1,257	(7,826)	(8,327)
Financial banking expenses	-	-	(38)	(45)
Defined contribution plans (IAS 19 revised)	3,530	2,902	(2)	(4,474)
Other	11	94	(106)	(165)
Total for the period	7,275	4,891	(8,443)	(15,716)

The decrease in the item Mortgage and loans is closely related to the decrease in average indebtedness for the period due to the repayment of the Term Facilities Agreement described above.

The item "Defined contribution plans" includes actuarial gains and losses pertaining to the financial year of defined benefit pension plans, in accordance with the rules set out in IAS 19 revised, as explained in greater detail in the introductory section Accounting standards and measurement criteria. In particular, the lower charges for the period mainly relate to the actuarial profits of certain subsidiaries based in the United Kingdom.

The impact of exchange rate fluctuations, mainly concentrated in some American, Australian and Scandinavian companies, adversely affected financial management, albeit improving compared to the previous financial year.

Taxes

The item shows a balance of € 106,357 thousand (€ 102,545 thousand as at 31 August 2017)

Taxes were calculated on the basis of current tax regulations and represent the amount of taxes pertaining to the year to which the financial statements refer.

In addition to the tax burden for the year, this item also includes the net balance between deferred tax assets and liabilities, calculated in accordance with the criteria set out in the first part of the notes to the financial statements. As already mentioned, following the reduction in the tax burden in the United States due to the local tax reform that took place during the year, deferred tax assets and liabilities were adjusted to the new rate in force in the year in which the temporary differences will be reversed.

Other information

OFF-STATEMENT OF FINANCIAL POSITION COMMITMENTS, GUARANTEES GIVEN AND CONTINGENT LIABILITIES

Pursuant to and for the purposes of Article 2427, paragraph 9 of the Italian Civil Code, the following commitments, guarantees and contingent liabilities not resulting from the balance sheet are shown:

	2018	2017
Guarantees given		
a) Sureties		
- other companies	7,985	7,051
	7,985	7,051
Other commitments		
a) Commitments	8,544	9,668
	8,544	9,668
Total commitments and guarantees given	16,529	16,719

Guarantees given include guarantees in favour of third parties.

Other commitments include the allocation of other risks assumed by the Group, commitments undertaken and not resulting from liabilities on the balance sheet, as well as the value of third-party assets deposited with Group companies.

OFF-STATEMENT OF FINANCIAL POSITION AGREEMENTS

Pursuant to Article 2427, paragraph 22-ter, of the Italian Civil Code, it should be noted that there are no off-statement of financial position agreements that involve significant risks or benefits and that are decisive for the purposes of assessing the Group's financial position, results of operations and cash flows.

ITEMS OF COST OR REVENUE EXCEPTIONAL IN SIZE OR IMPACT

As already noted in the commentary on the item "Other revenues", during the financial year the Group realised non-recurring capital relating to the sale of industrial buildings of € 1,839 thousand.

DERIVATIVE FINANCIAL INSTRUMENTS

As explained in the Report on Operations, the Group operates in the main international markets and is therefore exposed to exchange rate risks arising from commercial and financing transactions.

The Group uses derivative financial instruments taken out at market conditions and with characteristics similar to those of the hedged item to manage the transactional foreign exchange risk that arises from fluctuations in exchange rates between the time when the commercial and/or financial relationship originates and the time of the related collection/payment.

The following table shows the information required by Article 2427-bis of the Italian Civil Code.

	31 August 2018			31 August 2017		
<i>Fair Value hedge</i>	Notional value	Positive Fair Value	Negative Fair value	Notional value	Positive Fair Value	Negative Fair value
Forward contract (GBP purchases)	51,236	484	(0.2)	30,012	314	(0.3)
Forward contract (GBP sales)	1,187	13	(0.2)	958	40	(0.1)
Forward contract (JPY purchases)	-	-	-	24,170	-	(10)
Forward contract (JPY sales)	728,117	10	(48)	348,103	153	(0.0)
Forward contract (RUB sales)	60,420	30	(1)	31,832	5	(6)
Forward contract (USD purchases)	222	1	-	601	-	(48)
Forward contract (USD sales)	9,417	2	(240)	8,839	320	(2)
Forward contract (EUR sales)	159	12	-	-	-	-
Forward contract (AUD purchases)	15,000	-	(139)	-	-	-
Forward contract (AUD vs NZD purchases)	200	0.5	-	11,560	-	(208)
Forward contract (NZD vs Euro purchases)	16	-	(0.2)	3,805	87	-
Forward contract (NZD vs USD purchases)	8,412	-	(237)	-	-	-
Forward contract (AUD vs Euro purchases)	-	-	-	3,315	30	(2)
Forward contract (AUD vs USD purchases)	-	-	-	1,540	1	(24)
Forward contract (USD vs NZD purchases)	5,566	224	-	-	-	-
Forward contract (NZD vs AUD purchases)	8,000	26	(20)	213	4	-
Forward contract (GBP vs NZD purchases)	-	-	-	1,784	7	(26)
Forward contract (Euro vs NZD purchases)	1,632	34	-	450	-	(16)
Forward contract (JPY vs NZD purchases)	32,120	9	-	67,288	25	-
Forward contract (JPY vs CNY purchases)	-	-	-	17	0	-
Forward contract (JPY vs GBP purchases)	-	-	-	374	2	(5)
Forward contract (NZD vs GBP purchases)	3,470	-	(37)	891	-	(25)
Forward contract (AUD vs GBP purchases)	-	-	-	530	-	(0)
Forward contract (Euro vs AUD purchases)	2,755	54	-	30	-	(0.5)
Forward contract (USD vs AUD purchases)	874	16	-	30	-	1
Forward contract (CNY vs NZD purchases)	110	0	(0.1)	-	-	-
Total Fair Value hedge		895	(722)		969	(373)
<i>Derivatives held for trading</i>						
Forward with time option (USD vs EUR sales)	1,800	-	(105)	1,200	32	-
Forward with time option (Euro vs USD sales)	-	-	-	-	-	-
Total Derivatives held for trading			(105)		32	
<i>Cash Flow Hedge</i>						
Forward contract (MEX vs USD purchase)	282,000	634	-	-	-	-
Total Cash Flow Hedge	282,000	634				
Total financial instruments and derivatives - Assets (liabilities)		1,529	(827)		1,021	(373)

As at 31 August 2018, derivatives with a positive fair value of € 1,529 thousand are recognised in the financial statements under item "CIII 5) Derivative financial instruments receivable", while derivatives with a negative fair value of € - 827 thousand are recognised in the financial statements under item "B 3) Derivative financial instruments payable".

The fair value of the derivatives was derived from the information provided by the financial institutions with which the derivatives at issue were signed and is based on observations that can be observed directly or indirectly on the market.

The change in the fair value of derivative financial instruments was charged in full to the income statement in accordance with the accounting standards in the case of fair value hedges.

Finally, note that during the year fair value changes of € 634 thousand were booked to the specific reserve for hedging transactions of expected financial flows.

LONG-TERM INVESTMENTS BOOKED AT A VALUE HIGHER THAN THEIR FAIR VALUE

With reference to the information on this point, note that there are no long-term investments that fall into this situation.

RELATIONS WITH DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

Pursuant to the law, total fees payable to the Directors and to the Statutory Auditors of the Parent Company and to the independent auditors are indicated below:

	2018	2017
Board of Directors	3,182	3,176
Board of Statutory Auditors	70	70
External auditor	1,383	1,309

The fees of the Independent Auditors are related to the auditing of the separate and consolidated financial statements of ALI Holding S.r.l. as well as the auditing of the separate financial statements of the subsidiary ALI Group S.r.l., which also includes fees relating to the assessment of the recoverability of the book value of equity investments.

SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIOD

No significant events occurred after the end of the reporting period.

PROPOSAL FOR ALLOCATION OF THE NET PROFIT OR TO COVER LOSSES

With reference to the information required by Article 2427, point 22-septies of the Italian Civil Code, regarding the allocation of the Parent Company's profit for the year, reference should be made to the notes to the financial statements of Ali Holding S.r.l.

The Chairman
of the Board of Directors
(Luciano Berti)

Annex no. 1 to the Notes to the Financial Statements

Reconciliation between shareholders' equity and the result of the Parent Company and consolidated shareholders' equity and result

	Result			Shareholders' equity		
	Group	Third parties	Third parties	Group	Third parties	Third parties
SHAREHOLDERS' EQUITY AND RESULT FOR THE YEAR AS STATED IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY						
	41,473	-	-	534,569	-	-
Elimination of book value of consolidated equity investments and related impairment	3,355	-	-	(3,005,645)	-	-
Profit (loss) for the year and shareholders' equity of consolidated companies	291,999	-	-	3,161,473	-	-
Consolidation differences	(61,813)	-	-	343,314	-	-
Allocation of excess cost related to property, plant and equipment and intangible fixed assets deriving from acquisitions	(18,687)	-	-	102,187	-	-
CONSOLIDATION ADJUSTMENTS						
Elimination of intra-group dividends	(68,674)	-	-	-	-	-
Elimination of provision to cover losses of subsidiaries	(1,124)	-	-	4,409	-	-
Elimination of intra-group profits included in the value of inventories	(861)	-	-	(18,274)	-	-
Effects of accounting for finance leases	(102)	-	-	1,924	-	-
Effects of realignment to group principles	(4)	-	-	235	-	-
Other consolidation adjustments	(623)	-	-	2,033	-	-
Effects from consolidation entries	15,363	-	-	(17,609)	-	-
GROUP SHAREHOLDERS' EQUITY AND PROFIT(LOSS) FOR THE YEAR	202,321	-	-	1,108,616	-	-

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Quotaholders of
Ali Holding S.r.l.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Ali Holding S.r.l. and its subsidiaries (the "Group" or "Ali Holding Group"), which comprise the consolidated balance sheet as at August 31, 2018, the consolidated statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at August 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Italian law governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Ali Holding S.r.l. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance the Italian law governing financial statements and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 International Standards on Auditing (ISA Italia) 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 consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of Ali Holding S.r.l. are responsible for the preparation of the report on operations of Ali Holding Group as at August 31, 2018, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of Ali Holding Group as at August 31, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of Ali Holding S.r.l. as at August 31, 2018 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Dell'Orto
Partner

Milan, Italy
November 24, 2018

This report has been translated into the English language solely for the convenience of international readers.