

**AFE Group Limited**

**Annual report and financial statements**

**for the year ended 31 August 2021**

Registered number: 03872673



# **AFE Group Limited**

## **Annual report and financial statements for the year ended 31 August 2021**

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# AFE Group Limited

## Strategic report for the year ended 31 August 2021

### Principal Activities

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

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

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

### Business Model

We have a long standing and highly regarded reputation and product portfolio in professional cooking, baking and refrigeration equipment ideally suited for both UK and international markets. We are also uniquely placed in the UK to offer nationwide support for all aspects for service, planned, preventative and reactive maintenance for the catering, retail and hospitality sectors.

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

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

The coronavirus pandemic and escalating global economic conditions continue to bring significant supply chain and market demand challenges. We have deployed various cost control, cash flow and operational efficiency initiatives to support our future performance and competitiveness.

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

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

# **AFE Group Limited**

## **Strategic report for the year ended 31 August 2021 (continued)**

### **Stakeholder Views**

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

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

The start of the year was characterised by continuing market uncertainties brought about by the global coronavirus pandemic. The latter trading periods saw the beginning of economic recovery from Coronavirus. The recovery has brought new challenges. Labour resource and supply chain pressures have been apparent across industry, and cost inflation has reached exceptional levels.

The Board remains confident in its strategy and ability to deliver sustainable, profitable growth. In considering the strategy proposals the Board had regard to the relevant statutory factors, capital allocation, and gave careful consideration of other options and relevant factors. The Board concluded that implementing the new strategy was most likely to promote the success of AFE Group Limited for the benefit of its stakeholders as a whole.

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

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

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

#### **b) The interests of the Company's employees**

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

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

Investment decisions including rationalisation and relocation of activities are considered with due regard to the interests of employees.

# **AFE Group Limited**

## **Strategic report for the year ended 31 August 2021 (continued)**

### **Stakeholder Views (continued)**

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

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

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

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

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

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

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

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

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

Our business units contribute and support their local communities through employee training and development, community and charitable activity. The Board actively encourages community involvement and support of good causes. As an example Williams recently donated refrigeration equipment to support the local RSPCA wildlife rescue centre. Millers Vanguard has donated and delivered essential aid for Ukraine refugees in Poland.

## **AFE Group Limited**

### **Strategic report for the year ended 31 August 2021 (continued)**

#### **Stakeholder Views (continued)**

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

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

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

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

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

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

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

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

# **AFE Group Limited**

## **Strategic report for the year ended 31 August 2021 (continued)**

### **Review of the business**

Turnover for the financial year increased by 1.8% to £100,465,000 (2020: £98,643,000).

Our business has demonstrated continuing resilience and commitment to customers during the course of the Coronavirus pandemic. Continuing Market uncertainties have continued to limit some customer confidence and business investment within the foodservice, leisure and hospitality sectors.

We continue to safely manage all our operations to maximize business continuity to support our customers and colleagues. Despite the continuing impacts of the Coronavirus pandemic we remain focused on both customer service and market led product developments. We continue with initiatives aimed at driving growth and innovation through closer customer engagement.

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

The operating profit reported for 2021 is £13,716,000 (2020: £6,815,000). Despite the challenges of the global pandemic profit levels have improved during the fiscal year led by the benefits from restructuring and cost reduction initiatives. We worked closely with our employees, directors and divisional leadership team to deploy the government job protection scheme, and thank all our colleagues for the considerable efforts in keeping factories running, undertaking customer service interventions or working tirelessly from home and offices to support our operations. Improving operating profit performance remains central to our strategic initiatives and is led by a continued focus for lean and process improvement activities.

AFE Group enjoys good cash flows and maintains a healthy balance sheet. Net current assets increased to £77,967,000 (2020: £75,898,000).

Total shareholder funds increased to £87,123,000 (2020: £82,664,000) as a result of the combined effects of retained profit after taxation, the movement in the accumulated actuarial loss arising on the defined benefit pension scheme and the payment of a £12,000,000 interim dividend.

### **Key performance indicators**

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	100,465	98,643
Operating profit before goodwill amortisation	13,716	7,600
Operating profit	13,716	6,815
Profit after tax	14,326	9,746
Total shareholders' funds	87,123	82,664
	<b>Number</b>	<b>Number</b>
Average number of employees	1,039	1,149

## AFE Group Limited

### Strategic report for the year ended 31 August 2021 (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"><li>• Revenue growth</li></ul>	<p>To grow sales turnover of our primary equipment and service brands in both UK and international markets.</p> <p>Revenues have increased by 1.8% in the year (2020: decreased by 17.9%). The continuing course of the Coronavirus pandemic has brought about significant volatility within our market environment since March 2020, and materially impacted our turnover.</p>
<ul style="list-style-type: none"><li>• Profitability</li></ul>	<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 FY2021 is 13.7% (2020: 7.7%) of turnover. Profit levels have improved during the fiscal year led by the benefits from restructuring and cost reduction initiatives.</p>
<ul style="list-style-type: none"><li>• Employees</li></ul>	<p>To optimise the employee headcount and contribution from the company's operational gearing.</p> <p>Headcount levels have been reduced reflective of the business activity levels and a continued focus on improving operational efficiencies.</p>
<ul style="list-style-type: none"><li>• Total shareholder funds</li></ul>	<p>To increase the balance sheet value of the shareholders' interest in the company.</p> <p>Shareholder funds increased in the year from £82,664,000 to £87,123,000 from the combined effects of profit after taxation; and a favourable £2,754,000 movement in the accumulated actuarial loss arising in the defined benefit pension scheme. Interim dividends were paid to shareholders during the year in the sum of £12,000,000 (2020: £6,000,000).</p>



## **AFE Group Limited**

### **Strategic report for the year ended 31 August 2021 (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:

<b>Risk</b>	<b>Mitigation</b>
<ul style="list-style-type: none"><li>• <b>Market conditions and competitor activity</b></li></ul> <p>The company generates its revenue from the sale of professional foodservice, catering and bakery equipment and associated service and maintenance income.</p>	<p>The Directors monitor and review market conditions and competitor activity to position the company so as to provide competitive products and services to its customers.</p>
<ul style="list-style-type: none"><li>• <b>Over reliance on any individual customer or supplier</b></li></ul> <p>The company profitability could be impacted if a single customer became business critical.</p> <p>The failure of a major supplier to the business might also impact our ability to deliver products.</p>	<p>The company sells its products and services through a wide range of distribution channels and markets. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. We monitor closely our supply chain and take steps to minimise the dependence on individual suppliers.</p>
<ul style="list-style-type: none"><li>• <b>The failure of equipment or damage to buildings may impact our ability to produce products.</b></li></ul>	<p>The business has regular planned shutdowns for maintenance. Equipment is regularly checked and inspected and maintained to a high standard to ensure safe and proper operation. Failures of business critical equipment are therefore rare.</p>

# AFE Group Limited

## Strategic report for the year ended 31 August 2021 (continued)

Risk	Mitigation
<p>• <b>Financial risk management</b></p> <p>The company's operations expose it to a variety of financial risks that include foreign exchange risk, price risk, credit risk, liquidity risk and interest rate cash flow risk.</p> <p><b>Foreign exchange risk</b></p> <p>The company is exposed to foreign exchange movements by virtue of holding foreign currency debtors and creditors.</p> <p><b>Price risk</b></p> <p>The company is exposed to commodity price risk as a result of its operations.</p> <p><b>Credit risk</b></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><b>Liquidity risk</b></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><b>Interest rate cash flow risk</b></p> <p>The company has interest bearing assets and interest bearing liabilities, which attract interest at floating rates. Significant changes in these arrangements may impact future profitability and cash flow.</p>	<p>The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.</p> <p>All material exposures are hedged using forward currency contracts as and when necessary to cover expected or planned future specific liabilities.</p> <p>Fluctuations are managed through fixed price contracts where appropriate. The company has excellent relations with its suppliers and we continue to work closely with them on a normal commercial basis.</p> <p>The company carries out credit rating checks on all customers to establish commercial terms.</p> <p>The company has no significant concentration of credit risk, with exposure spread over a large number of customers.</p> <p>Amounts owed by group companies include balance in respect of UK group cash pooling arrangements.</p> <p>The company is closely focused on cash management.</p> <p>The company participates in the UK group cash pooling arrangement, which is controlled by its immediate parent company Ali UK Limited, and utilises this to support its short and long term cash requirements.</p> <p>The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The Directors will revisit the appropriateness of this policy should the company's operations change in size or nature.</p>

## AFE Group Limited

### Strategic report for the year ended 31 August 2021 (continued)

Risk	Mitigation
<p>• <b>Health, Safety and Environmental</b></p> <p>The Directors recognise the need to operate the business to the highest of health safety and environmental standards.</p> <p>• <b>Climate Change</b></p> <p>The Directors recognise the need to operate the business with a responsible and sustainable approach to the plant.</p> <p>Increasingly customers are seeking products and services that help them minimise the climate change impacts on the environment and their business.</p> <p>Climate change also poses significant risk to our business from the impacts of extreme weather and natural hazards.</p>	<p>Accreditation to ISO 9001:2015, ISO 14001:2015 ISO45001:2018 and ISO 50001:2011 is held within the company, and ensures an internationally recognised framework is in place with clear policies, procedures and audits. AFE Group Limited has registered its ESOS compliance with the Environment Agency.</p> <p>Additional accreditations are held specific to the trading operations of the company's business divisions. Product development, production processes and value engineering are targeted to take advantage of new and emerging technologies which also support environmental awareness and sustainability.</p> <p>We carefully select all capital investments with a focus towards energy efficiency and sustainability improvements.</p> <p>We are focussed on Eco design product development and service solutions that support customers in enhancing product performance, and hygiene standards, as well as minimising energy consumption and operating costs.</p> <p>We have contingency plans in place at our manufacturing plants and service centres to mitigate the impact of our business being adversely affected by climate change events. We maintain comprehensive property damage and business interruption insurances and have stringent IT disaster recovery and backup procedures in our business.</p>

## AFE Group Limited

### Strategic report for the year ended 31 August 2021 (continued)

Risk	Mitigation
<p>• <b>Facilities and IT and Cyber Attack Risk</b></p> <p>The company operates from a number of facilities. A disaster such as a fire or flood at any of the facilities could have a material impact of the company's performance.</p> <p>The company relies on IT systems for all its record maintenance and is dependent upon good IT servers and reliable data transmission and connections. A loss of servers, cyber or virus attack could interrupt the operations and result in a loss of data.</p>	<p>The company maintains insurance of its equipment and facilities and carries business interruption insurance to cover the loss of profits.</p> <p>The company has put in place a cyber security insurance policy. In addition the company operates ISO accredited quality management systems that include business continuity planning and recovery plans that reduce the risk that a disaster will occur.</p> <p>The company operates with each business unit maintaining its own IT systems that are largely independent of other operating sites. The company is vigilant to the risk of cyber-attack and takes steps to ensure systems remain secure and resilient, such that a cyber-attack or virus could be contained within one operation.</p>
<p>• <b>Product Stewardship</b></p> <p>The Directors recognise the value associated with the design, technology and know-how associated with its products and the need to monitor and embrace new technology in areas of energy efficiency, performance, hygiene and environmental impact.</p>	<p>The company works to ensure all products are compliant with current Directives and regulations; it also monitors and protects brands, trademarks and intellectual property where viewed as commercially sensitive.</p>

## AFE Group Limited

### Strategic report for the year ended 31 August 2021 (continued)

Risk	Mitigation
<ul style="list-style-type: none"><li>• <b>Brexit</b></li></ul> <p>AFE Group Limited imports and exports goods across EU and employs EU citizens in the UK. We also have business operations in the European Union.</p> <p>The United Kingdom and the European Union have agreed a Trade and Cooperation Agreement. It provides a stable basis for the future relationship, and contains new rules for matters such as trading together, working and travel.</p>	<p>AFE Group Limited Businesses are prepared for 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>We are maintaining an open dialogue regarding the new trade and co-operation agreements with all key stakeholders and industry bodies.</p>

## AFE Group Limited

### Strategic report for the year ended 31 August 2021 (continued)

Risk	Mitigation
<p>• <b>Legal and Regulatory</b></p> <p>The company operates in sectors which may be subject to changes in regulation. Such examples include Health &amp; Safety, environment regulation and taxation law.</p> <p>The Directors recognise the need to comply with all business laws and regulations so as not to have an adverse impact on cost, performance and reputation of the company.</p> <p>The company seeks to undertake its operations to effectively manage actual and potential environmental impact and to enhance the sustainability of the products it makes and sells.</p>	<p>The Energy Related Products Directive, applies to professional refrigeration appliances. Additional refrigeration product categories will be subject to this regulation in the near future. Regulator consultations have recently been announced. Revisions to the F Gas Regulations have also been announced and are due to come into effect in the coming years.</p> <p>The Directors are committed to the highest standards and conduct regular audits covering business processes and behaviour to ensure compliance with relevant laws and regulation.</p> <p>We enter dialogue with regulators regarding proposed changes to product regulation with a view to being compliant as well as seeking competitive advantage.</p>
<p>• <b>General Economic Conditions</b></p> <p>Changes in economic conditions and uncertainty require the company to be flexible in mitigating risks that may arise on sudden changes in market activity.</p>	<p>The Directors review and monitor trade, economic data and market trends in association with its financial forecasts and budget plans.</p>
<p>• <b>People</b></p> <p>The company operates a number of business units which have developed and are managed on an autonomous basis. The competition for quality personnel remains high and a failure to attract and retain quality personnel may erode our competitive advantage.</p> <p>In the face of the Coronavirus our primary concern remains the health safety and wellbeing of our colleagues, customers and communities in which we operate.</p>	<p>The company engages in proactive dialogue with employees and other stakeholders, local government authorities and community groups.</p> <p>Our facilities have been assessed to manage the risk of coronavirus (COVID-19).</p> <p>Business unit management keep employees regularly informed of developments both at business unit and company level as well as those within our parent company group. The company operates within a structured framework of policies to encourage best practice, good conduct and core principles.</p>

## AFE Group Limited

### Strategic report for the year ended 31 August 2021 (continued)

Risk	Mitigation
<p>• <b>Pension Scheme Funding</b></p> <p>The company is the sponsor of a defined benefit pension scheme and can be called on to meet funding deficits. A formal actuarial valuation of the scheme is undertaken at least every three years, and any such valuation may reveal an increased deficit that may require the company to provide additional cash contributions or guarantees. Actuarial valuations are heavily driven by prevailing gilt yields which can be subject to market distortions or affected by government action. This can lead to wide fluctuations in the appraised liabilities which could, as a consequence, constrain the finances of the company.</p>	<p>Deficit recovery plans need to be agreed with the trustee of the scheme who has to take the views and powers of the Pensions Regulator into account.</p> <p>The company works closely with the trustee of the pension scheme and has in place a long-term funding and investment strategy agreement to manage closely assets and liabilities in relation to each other.</p> <p>A triennial actuarial valuation as at 29 March 2020 has been prepared by the scheme actuaries and showed a funding deficit of £6.0M relative to its technical provisions. The reaction to coronavirus caused dramatic market volatility at the valuation date. The Scheme funding position was reviewed as at 29 March 2021. The deficit was reported as £2.3M relative to its technical provisions.</p> <p>A deficit recovery plan has been agreed with the scheme trustees and actuary with the aim for the shortfall to be paid off by 31 March 2027. Details of the funding plan are shown on page 19.</p> <p>The defined benefit scheme is closed to new entrants and pensionable salaries were frozen in 2009/10. The level of current pension provision in the company is kept under review.</p> <p>Cash flows within the defined benefit scheme are closely monitored to link the requirements to pay pensions with cash generated from the assets held.</p> <p>The company also monitors market conditions and discusses with the trustee further steps to reduce the level of contingent dependency of the scheme on the company.</p> <p>The company offers all employees access to a contributory defined contribution Group personal pensions scheme under the UK pension auto-enrolment requirements for workplace pensions.</p>

# **AFE Group Limited**

## **Strategic report for the year ended 31 August 2021 (continued)**

### **Coronavirus Covid-19 Statement**

#### **Outlook**

We remain vigilant to the continued threat from a further outbreak of Coronavirus, and are maintaining our protective protocols across the business. Our primary concern remains the health safety and wellbeing of our colleagues, customers and communities in which we operate.

Any new restrictions imposed as a result of a further outbreak of Coronavirus are likely to bring about renewed volatility to our marketplace, meaning its effects on AFE Group Limited's business performance cannot be foreseen with certainty at the moment.

#### **Recent Trading**

The economic recovery from Coronavirus seen in recent months has brought new challenges. Supply chain pressures and labour resource constraints have been apparent across industry, and cost inflation has reached new peak levels led by the high costs for fuel, power and base materials. We are safely managing all our operations to maximize business continuity to support our customers. Operational disruption has been modest as a result of the care and diligence shown by our management team in the way they have responded to the global coronavirus pandemic.

#### **Operational Developments**

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



## **AFE Group Limited**

### **Strategic report for the year ended 31 August 2021 (continued)**

#### **Coronavirus Covid-19 Statement (continued)**

##### **Protecting Our Stakeholders**

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

We remain vigilant to the continued threat from a further outbreak of Coronavirus, and are maintaining our protective protocols across the business.

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

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

##### **Protecting Our Financial Position**

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

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

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

##### **Protecting Our Funding Position**

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

AFE Group Limited enjoys good cash flows and a healthy balance sheet position. The directors consider that the company has sufficient financial resources to permit the distributions of profit.

## **AFE Group Limited**

### **Strategic report for the year ended 31 August 2021 (continued)**

#### **Future Developments**

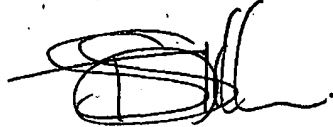
The Directors recognise the business issues brought about by a changing and challenging market place. We believe that the hospitality industry remains resilient and adaptable in responding to changes in consumer behaviour and dining habits that are brought about by COVID-19 and social distancing.

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

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

The strategic report was approved by the board and authorised to be issued on 28 April 2022.

It was signed on behalf of the board by:



T. S. Smith

Director

Date: 28 April 2022

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2021**

The Directors present their annual report and audited financial statements of the company for the year ended 31 August 2021.

### **Future developments**

Details of future developments can be found in the Strategic Report on page 16.

### **Engagement with suppliers, customers and others**

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

### **Coronavirus Covid-19**

Details of the company's risks and uncertainties regarding the impact of Coronavirus can be found in the Strategic Report on page 14.

### **Going Concern**

The directors have undertaken a strategic review of each business division and prepared a reforecast for the next 12 months from the date of approving the financial statements, using best judgements of the current economic situation and market projections for the foodservice, food retail leisure and hospitality sectors. The reforecast reflects future estimates for net sales expectations, reorganisation, cost control and ongoing lean initiatives.

The directors consider that the company's operating profit forecast, net asset levels and operating cash flow covering the next twelve months, from the date of signing the financial statements, are such that it will continue as a going concern for no less than 12 months from the approval of these financial statements. In addition, there is £63,445,193 within the AFE Group cash pooling scheme that is repayable upon demand should the need arise.

The immediate parent company, Ali UK Limited, and its parent company, Ali Group s.r.l, have confirmed through the issuance of letters of support to give continued financial support to the company whilst the company continues to be a member of the Ali Holding s.r.l Group.

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2021 (continued)**

### **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 2019, 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 (2020: £nil). Interim dividends of £12,000,000 (2020: £6,000,000) have been paid.

### **Employee Engagement**

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

To achieve our strategy we continue to ensure employees have the relevant business and leadership capabilities and plan adequately for succession and development of new talent. The Company provides periodic updates and communication with all employees on a variety of matters including company performance, financial, economic and regulatory issues. We regularly consult with employee representative groups on wider matters that may be of concern to them.

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

## **AFE Group Limited**

### **Directors' report for the year ended 31 August 2021 (continued)**

#### **Pensions**

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

A triennial actuarial valuation as at 29 March 2020 has been prepared by the scheme actuaries and showed a funding deficit of £6.0m relative to its technical provisions. The reaction to coronavirus caused dramatic market volatility at the valuation date. The Scheme funding position was reviewed as at 29 March 2021, the scheme's funding position has further improved with the deficit reported as £2.3m relative to its technical provisions.

A deficit recovery plan has been agreed with the scheme trustees and actuary with the aim for the shortfall to be paid off by 31 March 2027. Details of the funding plan are shown on page 19.

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

In association with preparing the last triennial valuation a guarantee has been provided by the immediate parent undertaking, Ali UK Limited to the Trustees of the Scheme for an amount of up to £6.1m (2020: £6.1m).

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

- Two additional single contribution payments of £500,000 to the scheme. These were paid on 13 March 2020 and 31 March 2021;
- Annual contributions of £600,000 from 31 March 2021 to 28 February 2027; and
- A further single contribution of £200,000 as at 28 February 2027.

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

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

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

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

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

## AFE Group Limited

### Directors' report for the year ended 31 August 2021 (continued)

#### Greenhouse Gas Emissions

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

Only environmental impacts from greenhouse gases (GHG) are included in this report. Environmental impacts from waste, water, resource efficiency, ecosystem interaction and none GHG emission are considered separately and are outside the scope of this report. The report has been limited to Scope 1 and Scope 2 emissions with Scope 3 emissions for grey fleet travel as required by SECR reporting.

Total emissions for the year were 4,102 tonnes (2020: 4,561 tonnes revised figure) of carbon dioxide equivalents (tCO<sub>2</sub>e), a decrease of 10.1%, based on a verified usage of 18,716,924 kilo-Watt-hours (kWh) (2020: 19,790,422 kilo-Watt-hours (kWh) revised figure) of energy, a decrease of 5.4%. The baseline period data is the 1 September 2019 to 31 August 2020.

The baseline period data has been updated with more accurate transport diesel values. This lowered the previously reported carbon dioxide equivalents (tCO<sub>2</sub>e) from 5,633 tonnes to 4,561 tonnes.

The organisation has undertaken 5 energy efficiency actions (EEA) in this reporting year.

Category	Title	Description
Training	Energy awareness and energy training	We have focused time and activity on increasing colleague awareness and training in energy efficiency management.
Training	Publication of our own AFE energy management handbook	Publication of our own AFE energy management handbook and bulletins to focus on eco driving and energy saving activities in and around the business.
Monitoring & Targeting	Building upon our existing sub metering initiatives	We have carried out analysis of key energy use areas of the business to include sub metering.
Monitoring & Targeting	Commenced an energy tracker project	We have, in association with our energy broker also commenced an energy tracker project to self-assess each business premises and identify both practical and investment areas for energy saving opportunities.
Other	Continuing to review options for hybrid and electric vehicles	We are continuing to review options for hybrid and electric vehicles for our fleet. Our fleet is predominantly a van estate. A review is underway regarding payload and daily mileage to assess the suitability of E vans alongside charging facilities, charging times and existing contractual response times that we must meet within our service level agreements.

## AFE Group Limited

### Directors' report for the year ended 31 August 2021 (continued)

#### Greenhouse Gas Emissions (continued)

#### Greenhouse gas (GHG) emissions

	Emission Source	Units	Baseline 19/20	Report Year 20/21
Scope 1	Gaseous Fuel	Emissions (tCO <sub>2</sub> e)	966.7	903.8
	Liquid Fuel	Emissions (tCO <sub>2</sub> e)	15.5	21.8
	Passenger Vehicles	Emissions (tCO <sub>2</sub> e)	79.2	97.6
	Delivery Vehicles	Emissions (tCO <sub>2</sub> e)	2604.8	2,397.6
	<b>Sub Total</b>	<b>Emissions (tCO<sub>2</sub>e)</b>	<b>3,666.2</b>	<b>3,420.8</b>
Scope 2	Grid Electricity	Emissions (tCO <sub>2</sub> e)	829.7	615.6
	<b>Sub total</b>	<b>Emissions (tCO<sub>2</sub>e)</b>	<b>829.7</b>	<b>615.6</b>
Scope 3	Grey Fleet	Emissions (tCO <sub>2</sub> e)	65.6	65.6
	<b>Sub Total</b>	<b>Emissions (tCO<sub>2</sub>e)</b>	<b>65.6</b>	<b>65.6</b>
<b>TOTAL EMISSIONS</b>		<b>Emissions (tCO<sub>2</sub>e)</b>	<b>4,561.5</b>	<b>4,102.0</b>
Variance		%	-10.1%	
Carbon Offsets & Green Tariffs Purchased		Emissions (tCO <sub>2</sub> e)	0.0	0.0
<b>TOTAL EMISSIONS WITH OFFSETTING</b>		<b>Emissions (tCO<sub>2</sub>e)</b>	<b>4,561.5</b>	<b>4,102.0</b>
Variance		%	-10.1%	

The Operation Consumption Intensity Ratio based on floor area (kWh/GIA<sub>m</sub><sup>2</sup>) is 139.1 (2020:150.5)

The Operation Emissions Intensity Ratio based on floor area (tCO<sub>2</sub>e/GIA<sub>m</sub><sup>2</sup>) is 0.027 (2020: 0.032 revised figure).

#### Energy Saving Opportunity Scheme (ESOS)

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

# **AFE Group Limited**

## **Directors' report for the year ended 31 August 2021 (continued)**

### **Political Contributions**

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

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

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

### **Directors' responsibilities statement**

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

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

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

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

### **Disclosure of Information to the auditor**

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

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

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



## **AFE Group Limited**

### **Directors' report for the year ended 31 August 2021 (continued)**

#### **Auditor**

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

#### **Directors**

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

T. S. Smith

M. Anastasia

The directors' report was approved by the board and authorised to be issued on **28 APRIL 2022**

It was signed on behalf of the board by:



T.S. Smith  
Director

Date: **28 APRIL 2022**

# **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 2021 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 21.

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

### **Basis for opinion**

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other Information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

### **Responsibilities of directors**

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

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

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

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

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

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

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included GDPR, Health and Safety and Employment Law.

We discussed among the audit engagement team including relevant internal specialists such as pensions regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- We presume a risk of material misstatement due to fraud relating to revenue. This has been pinpointed to the risk of inappropriate revenue recognition, due to cut-off, within the servicing divisions. We have performed focused substantive testing over the revenue recognised pre and post the year end date to confirm that it has been recognised in the correct period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

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

We have nothing to report in respect of these matters.

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

### **Use of our report**

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



Paul Cooper FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cambridge, United Kingdom

28 April 2022

## AFE Group Limited

### Profit and loss account for the year ended 31 August 2021

	Note	2021	2020
			Restated
		£'000	£'000
Turnover	2	100,465	98,643
Cost of sales		(66,468)	(70,179)
<b>Gross profit</b>		<b>33,997</b>	<b>28,464</b>
Distribution and administrative expenses		(22,834)	(26,144)
Other Operating income	2	2,553	4,495
<b>Operating profit</b>	3	<b>13,716</b>	<b>6,815</b>
Income from shares in subsidiary undertakings		3,303	4,377
<b>Profit before interest and taxation</b>		<b>17,019</b>	<b>11,192</b>
Net finance (costs)/income	4	(13)	70
<b>Profit before taxation</b>		<b>17,006</b>	<b>11,262</b>
Tax on profit	7	(2,680)	(1,516)
<b>Profit for the financial year</b>		<b>14,326</b>	<b>9,746</b>

The above results relate to continuing activities.

The comparative period has been restated, see note 1 for further details.

## AFE Group Limited

### Statement of comprehensive income for the year ended 31 August 2021

	2021	2020
	£'000	£'000
Profit for the financial year	14,326	9,746
Remeasurement of the net defined benefit liability (note 5)	2,754	(502)
Deferred tax relating to actuarial loss and contributions on pension scheme (note 7)	(621)	108
Total comprehensive income for the year	16,459	9,352

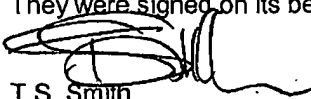


# AFE Group Limited

## Balance sheet as at 31 August 2021

	Note	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Intangible assets	8	225	-
Tangible assets	9	9,486	10,873
Debtors: amounts falling due after more than one year	13	3,772	3,785
Investments	10	1,874	1,874
		<b>15,357</b>	<b>16,532</b>
<b>Current assets</b>			
Stocks	11	11,727	12,198
Debtors: amounts falling due within one year	12	89,521	85,336
Cash at bank and in hand		1,655	3,021
		<b>102,903</b>	<b>100,555</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(24,936)</b>	<b>(24,657)</b>
<b>Net current assets</b>		<b>77,967</b>	<b>75,898</b>
<b>Total assets less current liabilities</b>		<b>93,324</b>	<b>92,430</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(1,042)</b>	<b>(1,016)</b>
<b>Provisions for liabilities</b>	16	<b>(1,679)</b>	<b>(1,545)</b>
<b>Net assets excluding pension liability</b>		<b>90,603</b>	<b>89,869</b>
<b>Pension liability</b>	5	<b>(3,480)</b>	<b>(7,205)</b>
<b>Total net assets including pension liability</b>		<b>87,123</b>	<b>82,664</b>
<b>Capital and reserves</b>			
Called-up share capital	17	31,521	31,521
Capital contribution	17	20,000	20,000
Other reserve	17	13,679	22,376
Profit and loss account	17	21,923	8,767
<b>Total shareholders' funds</b>		<b>87,123</b>	<b>82,664</b>

The financial statements on pages 29 to 62 were approved and authorised to be issued on 28 April 2022.  
They were signed on its behalf by:

  
T.S. Smith

Director

Company Registered Number: 03872673

## AFE Group Limited

### Statement of changes in equity for the year ended 31 August 2021

	Share Capital £'000	Capital Contribution £'000	Other Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
Balance as at 1 September 2020	31,521	20,000	22,376	8,767	82,664
Profit for the financial year	-	-	3,303	11,023	14,326
Remeasurement of the net defined benefit liability (note 5)	-	-	-	2,754	2,754
Deferred tax relating to actuarial loss and contributions on pension scheme (note 16)	-	-	-	(621)	(621)
<b>Total comprehensive income for the year</b>	-	-	3,303	13,156	16,459
Dividends paid (note 17)	-	-	(12,000)	-	(12,000)
<b>Balance as at 31 August 2021</b>	<b>31,521</b>	<b>20,000</b>	<b>13,679</b>	<b>21,923</b>	<b>87,123</b>

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

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2021**

### **1 Accounting policies**

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

#### **General Information and basis of preparation**

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

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

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

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

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.

#### **Going Concern**

The directors have undertaken a strategic review of each business division and prepared a reforecast for the next 12 months from the date of approving the financial statements, using best judgements of the current economic situation and market projections for the foodservice, food retail leisure and hospitality sectors. The reforecast reflects future estimates for net sales expectations, reorganisation, cost control and ongoing lean initiatives.

The directors consider that the company's operating profit forecast, net asset levels and operating cash flow covering the next twelve months, from the date of signing the financial statements, are such that it will continue as a going concern for no less than 12 months from the approval of these financial statements. In addition, there is £63,445,193 within the AFE Group cash pooling scheme that is repayable upon demand should the need arise.

The immediate parent company, Ali UK Limited, and its parent company, Ali Group s.r.l, have confirmed through the issuance of letters of support to give continued financial support to the company whilst the company continues to be a member of the Ali Holding s.r.l Group.

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2021 (continued)**

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

#### **Goodwill**

Goodwill, being the difference arising between the purchase consideration and the fair value of the assets acquired, is stated at cost less any accumulated amortisation and accumulated impairment losses. The carrying value of goodwill is reviewed annually for impairment and when events or changes in circumstances indicate the carrying value may not be recoverable.

#### **Patents**

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

#### **Software**

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

#### **Turnover**

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

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

#### **Dividend and interest revenue**

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

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

#### **Research and development**

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

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2021 (continued)**

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

#### **Tangible assets**

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

- Freehold buildings over 33 years;
- Long and short leasehold land and buildings over 33 years or the period of the lease whichever is less; and
- Plant, machinery and equipment over a period of 3 to 10 years.

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

#### **Leases**

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

#### **Foreign currencies**

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

#### **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.

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2021 (continued)**

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

#### **Basic Financial Instruments (continued)**

##### *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.

#### **Impairment of assets**

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

##### *Non-financial assets*

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

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

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2021 (continued)**

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

#### **Impairment of assets (continued)**

##### *Financial assets*

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

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

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

#### **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.

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

# **AFE Group Limited**

## **Notes to the financial statements for the year ended 31 August 2021 (continued)**

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

#### **Provisions**

Provision is made for the estimated liability on all products still under warranty. Where appropriate, product warranties of between 1 and 5 years are given. Other provisions relate to minor legal and other claims and other costs from third parties and are provided for when a legal or constructive obligation arises, as a result of a past event.

#### **Pension costs**

As the defined benefit scheme is closed to future accrual there is no current service cost. The net of the interest cost and the expected return on assets are shown as other finance costs. Actuarial gains and losses are charged directly to reserves. Defined benefit schemes are funded with the assets of the scheme held separately from those of the company. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond. The actuarial valuations are obtained at least triennially, and updated by a qualified actuary for the purposes of reporting within annual financial statements. The resulting benefit asset or liability, net of related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes, the amount charged to the profit and loss account is the contributions payable in the year.

#### **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*

In the application of the Company's accounting policies, which are described in Note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant assumptions are made in calculating the defined benefit scheme assets and liabilities as at the financial year end. Further details of assumptions made are shown in Note 5 to the financial statements. The assumptions include discount rates, Retail Price Index rate, Consumer Price Index rate and demographic assumptions.

The Directors have concluded that, due to the nature of business, there are no other critical accounting judgements or key sources of estimation uncertainty that are required to be disclosed here.



# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2021 (continued)

### 1 Accounting policies (continued)

#### Prior year restatement

During the year, an exercise was carried out to review the nature of expenses incurred and how these were classified in the financial statements. As part of this review, it was identified that certain expenses included within Distribution and administrative expenses in the prior year were in the nature of cost of sales. As such, these have now been reclassified and the comparative period restated. This has not impacted operating profit. The full impact of restating the comparatives has been disclosed below:

	As previously stated	Restatement	As restated
	£'000	£'000	£'000
<b>Profit and loss account</b>			
Cost of sales	(63,555)	(6,624)	(70,179)
Gross profit	35,088	(6,624)	28,464
Distribution and administrative expense	(32,768)	6,624	(26,144)

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2021 (continued)

#### 2 Turnover

Turnover by customer location:

	2021	2020
	£'000	£'000
Americas	1,910	1,570
Rest of world (excluding United Kingdom)	5,113	4,166
Total overseas	7,023	5,736
United Kingdom	93,442	92,907
<b>Total turnover</b>	<b>100,465</b>	<b>98,643</b>

	2021	2020
	£'000	£'000
Sales of goods	66,942	63,761
Rendering of Services	33,523	34,882
<b>Total turnover</b>	<b>100,465</b>	<b>98,643</b>
Dividend Income	3,303	4,377
Interest Income	90	204
Other Operating Income	2,553	4,495
<b>Total Income</b>	<b>106,411</b>	<b>107,719</b>

Other Operating Income includes Grant income. Grants represent amounts received in respect of Coronavirus Job Retention Scheme £1,886,000 (2020: £3,810,000); Coronavirus Additional Restrictions Grant £38,000 (2020: £Nil); Apprentice Support £10,000 (2020: £Nil) and Research & Development Projects £35,000 (2020: £87,000). The company also benefited from government assistance through the VAT payment deferral arrangements.

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2021 (continued)

#### 3 Operating profit

Operating profit is stated after charging/(crediting):

	2021	2020
	£'000	£'000
(Reversal of impairment)/Impairment of stock	(79)	791
Changes in Stocks debited to Cost of Sales	553	2,294
Depreciation of owned tangible assets (note 9)	1,382	1,526
Depreciation of leased tangible assets (note 9)	30	31
Amortisation of intangible assets (note 8)	101	785
Loss/(Profit) on disposal of fixed assets	2	(8)
Guaranteed minimum pension equalisation charge	21	-
Operating lease rentals:		
Land and buildings	909	740
Plant and machinery	83	214
Other (Commercial Vehicles, Cars, Forklifts)	2,025	2,067
Audit services:		
Fees payable to the company's auditor for the audit of the company financial statements	143	134
Non-audit services:		
Taxation compliance services	18	14
Research and development costs	2,112	2,912
Foreign exchange gains/(losses)	47	(76)

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

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

The fees payable to the company's auditor for the audit of the company financial statements include £83,000 (2020: £69,000) borne by the ultimate holding company.

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2021 (continued)

#### 4 Net finance costs

	2021	2020
	£'000	£'000
Interest receivable on loans to other group undertakings	90	204
Other interest receivable	5	-
Net interest on pension scheme deficit	(108)	(134)
<b>Total net finance costs</b>	<b>(13)</b>	<b>70</b>

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

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

	2021	2020
	£'000	£'000
Wages and salaries	32,590	37,302
Social security costs	3,109	3,395
Other pension costs (see below):		
Defined contribution	1,433	1,609
Defined benefit scheme – past service cost	21	-
<b>Total staff costs</b>	<b>37,153</b>	<b>42,306</b>

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2021 (continued)**

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

##### **b) Pensions**

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

A triennial actuarial valuation as at 29 March 2020 has been prepared by the scheme actuaries and showed a funding deficit of £6.0m relative to its technical provisions. The reaction to coronavirus caused dramatic market volatility at the valuation date. The Scheme funding position was reviewed as at 29 March 2021. The scheme's funding position has further improved with the deficit reported as £2.3m relative to its technical provisions.

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

- The Company has entered into a funding plan agreed with the Trustees making two single contributions of £ 500,000 paid on 13 March 2020 and 31 March 2021.
- Annual contributions of £600,000 from 31 March 2021 to 28 February 2027.
- A single contribution of £200,000 as at 28 February 2027.

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

In association with preparing the last triennial valuation a guarantee has been provided by the immediate parent undertaking, Ali UK Limited to the Trustees of the Scheme for an amount of up to £6.1m (2020: £6.1m).

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

	2021	2020
	%	%
Inflation rate	3.30	2.95
Discount rate	1.65	1.60
Rate of pension increase in payment for pension earned to April 2005*	2.80	2.10
Rate of pension increase in payment for pension earned post April 2005*	2.05	1.70

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

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2021 (continued)

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

##### b) Pensions (continued)

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

	Long Term rate of return expected at 31 August 2021	Value at 31 August 2021	Allocation of Total Assets	Long Term rate of return expected at 31 August 2020	Value at 31 August 2020	Allocation of Total Assets
		£'000			£'000	
Government bonds	1.65%	1,267	5.33%	1.60%	-	-%
Corporate Bonds	1.65%	6,875	28.91%	1.60%	4,469	21.32%
LDI	1.65%	6,365	26.77%	1.60%	4,435	21.15%
Equity	1.65%	4,046	17.02%	-	-	-%
DGFs	1.65%	-	-%	1.60%	10,618	50.65%
Absolute Return	1.65%	1,371	5.76%	-	-	-
Alternatives	1.65%	3,575	15.03%	-	-	-
Cash and other	1.65%	280	1.18%	1.60%	1,443	6.88%
Total Assets		23,779			20,965	

The expected rates of return for 31 August 2021 are set equal to the discount rate (as per the FRS 102 disclosure requirements).

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2021 (continued)**

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

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

The company and trustees are currently undertaking a joint review of the Mono Equipment Limited Defined Benefit and Life Assurance scheme trust deed and rules to ensure the effective powers of the historic deeds of amendments and resolutions.

The assets and liabilities of the scheme are as follows:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	<b>23,779</b>	20,965
Defined benefit obligations	<b>(27,259)</b>	(28,170)
<b>Deficit in scheme</b>	<b>(3,480)</b>	(7,205)

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Net interest on pension scheme deficit	<b>108</b>	134

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Past Service Costs	<b>21</b>	-

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2021 (continued)

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

#### b) Pensions (continued)

Total remeasurements in comprehensive income:

	2021	2020
	£'000	£'000
Return on plan assets, excluding amounts included as interest	2,143	334
Change in assumptions underlying the present value of the scheme liabilities	(2,212)	(907)
Experience gain	2,823	71
<b>Actuarial gain/(loss)</b>	<b>2,754</b>	<b>(502)</b>

Reconciliation of present value of scheme obligations:

<b>1 September</b>	<b>(28,170)</b>	<b>(28,001)</b>
Interest cost	(446)	(495)
Past Service cost	(21)	-
Actuarial gain/(loss)	611	(836)
Benefits paid	767	1,162
<b>31 August</b>	<b>(27,259)</b>	<b>(28,170)</b>

Reconciliation of present value of scheme assets:

	2021	2020
	£'000	£'000
<b>1 September</b>	<b>20,965</b>	<b>20,332</b>
Interest income	338	361
Return on plan assets, excluding amounts included as interest	2,143	334
Benefits paid	(767)	(1,162)
Contributions paid by employer	1,100	1,100
<b>31 August</b>	<b>23,779</b>	<b>20,965</b>



## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2021 (continued)**

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

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

The demographic assumptions used include rates for monthly rates for mortality which, for example, generally lead to an average projected life expectancy of 21.7 years for male members currently aged 65 and of 22.4 years from age 65 for male members currently aged 50. The comparative projections at 31 August 2020 were 21.9 years and 23.1 years respectively.

##### **Defined contribution scheme**

Total contributions of £1,432,659 (2020: £1,608,727) 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:

	2021	2020
	Number	Number
Production	743	806
Selling and distribution	78	85
Administration	218	258
	1,039	1,149

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2021 (continued)**

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Directors' aggregate emoluments	<b>361</b>	<b>366</b>
Contribution to money purchase pension schemes	<b>50</b>	<b>53</b>
	<b>411</b>	<b>419</b>

The number of directors who were members of the company pension scheme was one (2020: one).

#### **Highest paid director**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<b>361</b>	<b>366</b>
Contribution to money purchase pension schemes	<b>50</b>	<b>53</b>
	<b>411</b>	<b>419</b>

No fees were paid for services of the other director.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2021 (continued)

### 7 Tax on profit

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

	2021	2020
	£'000	£'000
Current tax on income for the year	2,631	1,288
Adjustment in respect of prior years	11	40
<b>Current tax charge</b>	<b>2,642</b>	<b>1,328</b>
Origination and reversal of timing differences	881	244
Adjustment in respect of prior years	(10)	(30)
Effect of tax rate change on opening balances	(212)	(134)
<b>Deferred tax charge (see note 16)</b>	<b>659</b>	<b>80</b>
<b>Total tax charge</b>	<b>3,301</b>	<b>1,408</b>

	2021			2020		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
	£'000	£'000	£'000	£'000	£'000	£'000
Recognised in profit and loss account	2,642	38	2,680	1,328	188	1,516
Recognised in other comprehensive income	-	621	621	-	(108)	(108)
<b>Total tax charge</b>	<b>2,642</b>	<b>659</b>	<b>3,301</b>	<b>1,328</b>	<b>80</b>	<b>1,408</b>

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2021 (continued)

#### 7 Tax on profit (continued)

The current tax assessed for the year is higher (2020: lower) than the standard rate of corporation tax in the UK as explained below:

	2021	2020
	£'000	£'000
<b>Profit before taxation</b>	<b>17,006</b>	<b>11,262</b>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	3,231	2,140
Effects of:		
Non deductible expenses including goodwill amortisation	289	334
Income not taxable for tax purposes	(629)	(834)
Amounts charged directly to equity or otherwise transferred	621	(108)
Adjustments in respect of prior years	1	10
Adjustment for closing deferred tax to average rate	(212)	(134)
<b>Total tax charge in the year</b>	<b>3,301</b>	<b>1,408</b>

The Finance Act 2020, substantively enacted in March 2020, provided for the main rate of corporation tax to remain at 19%. Accordingly deferred tax for the year ended 31 August 2020 was calculated using a tax rate of 19%. The Finance Act 2021, substantively enacted in May 2021, provided for the main rate of corporation tax rate will increase from 19% to 25% from April 2023. For profits up to £50,000, the corporation tax rate will remain at 19%. It will then be tapered up to 25% for profits up to £250,000. For profits in excess of £250,000, the 25% rate will apply. Accordingly, deferred tax for the year ended 31 August 2021 has been calculated using a tax rate of 25%.

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2021 (continued)

### 8 Intangible assets

	Software	Goodwill	Patents	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 September 2020	-	136,619	20	136,639
Transfer of assets from Tangible assets	1,693	-	-	1,693
Additions	49	-	-	49
Disposals	(96)	-	-	(96)
<b>At 31 August 2021</b>	<b>1,646</b>	<b>136,619</b>	<b>20</b>	<b>138,285</b>
<b>Accumulated amortisation and impairment</b>				
At 1 September 2020	-	136,619	20	136,639
Transfer of assets from Tangible assets	1,416	-	-	1,416
Charge for the year	101	-	-	101
Disposals	(96)	-	-	(96)
<b>At 31 August 2021</b>	<b>1,421</b>	<b>136,619</b>	<b>20</b>	<b>138,060</b>
<b>Net book value</b>				
<b>At 31 August 2021</b>	<b>225</b>	<b>-</b>	<b>-</b>	<b>225</b>
At 31 August 2020	-	-	-	-

The goodwill relates to the amount recognised on the acquisition of Falcon Catering Equipment Limited in 1999. 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 2021 (continued)

### 9 Tangible assets

	Land and buildings	Plant, machinery and equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 September 2020	9,511	21,898	31,409
Transfer to Intangible assets	-	(1,693)	(1,693)
Additions	144	160	304
Disposals	(138)	(1,362)	(1,500)
<b>At 31 August 2021</b>	<b>9,517</b>	<b>19,003</b>	<b>28,520</b>
<b>Accumulated depreciation</b>			
At 1 September 2020	4,651	15,885	20,536
Transfer to Intangible assets	-	(1,416)	(1,416)
Charge for the year	254	1,158	1,412
Disposals	(138)	(1,360)	(1,498)
<b>At 31 August 2021</b>	<b>4,767</b>	<b>14,267</b>	<b>19,034</b>
<b>Net book value</b>			
<b>At 31 August 2021</b>	<b>4,750</b>	<b>4,736</b>	<b>9,486</b>
At 31 August 2020	4,860	6,013	10,873

The carrying value of land included within land and buildings above which is not subject to depreciation is £604,000 (2020: £604,000).

The transfer to Intangible assets is in respect of Software acquisitions to better reflect the nature of the asset.

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2021 (continued)**

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<hr/>		
Analysis of net book value of land and buildings – freehold and long leasehold		
Freehold	<b>4,271</b>	<b>4,357</b>
Leasehold – Long	<b>479</b>	<b>503</b>
	<hr/>	<hr/>
	<b>4,750</b>	<b>4,860</b>
	<hr/>	<hr/>

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2021 (continued)

#### 10 Investments

	£'000
<b>Cost</b>	
At 1 September 2020 and at 31 August 2021	21,399
<b>Provision</b>	
At 1 September 2020 and at 31 August 2021	19,525
<b>Net book value</b>	
At 31 August 2021	1,874
At 31 August 2020	1,874

The following is a list of all the company's UK subsidiaries, of which the company owns 100% of the ordinary share capital, at 31 August 2021.

Company Name	Status	Registered Address	Investment Value as at 31 August 2021
AFG Stirling Limited	Property holding company	Wallace View, Hillfoots Road, Stirling, FK9 5PY	
Falcon Catering Equipment Limited	Dormant	9 Bryggen Road, North Lynn Industrial Estate, Kings Lynn, Norfolk, PE30 2HZ	£40 (2020 : £40)
Mono Equipment Limited	Dormant	9 Bryggen Road, North Lynn Industrial Estate, Kings Lynn, Norfolk, PE30 2HZ	
Millers Vanguard Limited	Dormant	9 Bryggen Road, North Lynn Industrial Estate, Kings Lynn, Norfolk, PE30 2HZ	
Serviceline Catering Equipment Engineers Limited	Dormant	9 Bryggen Road, North Lynn Industrial Estate, Kings Lynn, Norfolk, PE30 2HZ	
Williams Refrigeration Limited	Dormant	9 Bryggen Road, North Lynn Industrial Estate, Kings Lynn, Norfolk, PE30 2HZ	£1,423,622 (2020: £1,423,622)



## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2021 (continued)

#### 10 Investments (continued)

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

Company Name	Status	Registered Address	Investment Value as at 31 August 2021
AFE Group China Limited	Group Services	Roxy Industrial Centre, 12 <sup>th</sup> Floor, Unit C, 58-66 Tai Lin Pai Road, Kwai Hing, New Territories	
Williams Refrigeration (Hong Kong) Limited	Design, manufacture and service support of professional refrigeration, catering and bakery equipment for the hospitality and foodservice industry	Roxy Industrial Centre, 12 <sup>th</sup> Floor, Unit C, 58-66 Tai Lin Pai Road, Kwai Hing, New Territories	£450,000 (2020: £450,000)

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

#### 11 Stocks

	2021	2020
	£'000	£'000
Raw materials and consumables	5,748	5,646
Work in progress	1,739	1,426
Finished goods and goods for resale	4,240	5,126
	<b>11,727</b>	<b>12,198</b>

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

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2021 (continued)

#### 12 Debtors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade debtors	20,986	18,240
Amounts owed by group companies	66,192	64,019
Corporation Tax Receivable	36	465
Other debtors	253	193
Deferred taxation (note 16)	870	1,369
Prepayments and accrued income	1,184	1,050
	<b>89,521</b>	<b>85,336</b>

Amounts owed by group companies include £65,533,115 (2020: £63,445,193) from immediate parent company in respect of Group Cash Pooling scheme, which attracts interest at the Lloyds Bank base rate less 0.25% to a minimum of 0.1%, amounts are repayable on demand and unsecured. Also £458,426 (2020: £336,795) from fellow subsidiaries and £199,959 (2020: £236,888) from subsidiaries, all related to trading balances, which do not attract interest, unsecured and are repayable under normal trading terms.

Deferred taxation includes £869,999 (2020: £1,369,000) relating to pension deficit.

#### 13 Debtors: amounts falling due after more than one year

	2021	2020
	£'000	£'000
Amounts owed by group companies	3,725	3,725
Prepayments and accrued income	47	60
<b>Debtors falling due after more than one year</b>	<b>3,772</b>	<b>3,785</b>

Amounts owed by group companies include £3,725,000 (2020: £3,725,000) falling due after more than one year from a subsidiary in respect of financing the purchase of Investment Property. Amounts owed by group companies are unsecured and, other than the amounts disclosed above, repayable on demand, with £3,725,000 bearing interest at 0.5% above LIBOR.

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2021 (continued)

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

	2021	2020
		Restated
	£'000	£'000
Trade creditors	13,486	10,984
Amounts owed to group companies	1,652	1,127
Corporation tax payable	-	-
Other taxation and social security	4,199	6,044
Other creditors	1,614	2,253
Accruals and deferred income	3,985	4,249
<b>Creditors falling due within one year</b>	<b>24,936</b>	<b>24,657</b>

Amounts owed to group companies include £73,000 (2020: £21,000) due to subsidiaries and £1,580,000 (2020: £1,106,000) due to fellow subsidiaries. Amounts are non-interest bearing, unsecured and repayable on demand.

VAT liabilities of £5,325,000 have been reclassified from Other creditors to Other taxation and social security, and £325,000 from Other creditors to Accruals and deferred income, to better reflect the nature of the creditor amount, leading to a restatement. This has not impacted the total Creditors falling due within one year.

#### 15 Creditors: amounts falling due after more than one year

	2021	2020
	£'000	£'000
Accruals and deferred income	1,042	1,016
<b>Creditors falling due after more than one year</b>	<b>1,042</b>	<b>1,016</b>

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2021 (continued)

### 16 Provisions for liabilities

	Warranty	Deferred Taxation	Total
	£'000	£'000	£'000
At 1 September 2020	1,315	230	1,545
Charge in year	60	160	220
Utilised	(86)	-	(86)
<b>At 31 August 2021</b>	<b>1,289</b>	<b>390</b>	<b>1,679</b>

#### Warranty

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

#### Deferred taxation

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 25% (2020: 19%). The movement on the deferred tax account is shown below:

Deferred tax liability excluding that relating to pension deficit:

	2021	2020
	£'000	£'000
Deferred tax liability at 1 September	230	84
Charge in year	170	176
Adjustment in respect of prior years	(10)	(30)
<b>Deferred tax liability at 31 August</b>	<b>390</b>	<b>230</b>

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

# AFE Group Limited

## Notes to the financial statements for the year ended 31 August 2021 (continued)

### 16 Provision for liabilities (continued)

Deferred tax asset relating to pension deficit:

	2021	2020
	£'000	£'000
Deferred tax asset relating to pension deficit at 1 September	(1,369)	(1,303)
Deferred tax (credited)/charged to the profit and loss account	(122)	42
Deferred tax charged/(credited) to the statement of other comprehensive income	621	(108)
<b>Deferred tax asset relating to pension deficit at 31 August</b>	<b>(870)</b>	<b>(1,369)</b>

	2021	2020
	£'000	£'000
Accelerated capital allowances	458	340
Other timing differences	(68)	(110)
Liability	390	230
Deferred tax relating to pension deficit	(870)	(1,369)
<b>Total Deferred Tax Asset</b>	<b>(480)</b>	<b>(1,139)</b>

Deferred tax assets of £938,000 (2020: £1,479,000) have been disclosed as recoverable within 12 months and deferred tax liabilities of £458,000 (2020: £340,000) have been disclosed as payable within 12 months.

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2021 (continued)

#### 17 Share capital and reserves

	2021	2020
	£'000	£'000
<hr/>		
Ordinary shares of £1 each		
Allotted, issued, and fully paid – 31,520,910 (2020: 31,520,910) shares	31,521	31,521
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Interim dividends of £12,000,000 (2020: £6,000,000) have been appropriated.		
The company's other reserves are as follows:		
<hr/>		
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.	13,679	22,376
Profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.	21,923	8,767
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In 2018 an Other Reserve was created at the request of ultimate holding company Ali Holding s.r.l. This resulted in a reallocation of £12,604,000 from Profit and loss reserve to Other Reserve for cumulative dividends from subsidiaries incorporated in Hong Kong.

## AFE Group Limited

### Notes to the financial statements for the year ended 31 August 2021 (continued)

#### 18 Commitments

Capital commitments:

	2021	2020
	£'000	£'000
<b>Contracted for but not provided for – tangible fixed assets</b>	<b>178</b>	<b>70</b>

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

	Land & buildings	Other	Land & buildings	Other
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Within one year	828	1,572	738	1,140
Between one and five years	2,083	664	1,724	543
After five years	1,308	4	1,459	13
<b>Total operating lease commitments</b>	<b>4,219</b>	<b>2,240</b>	<b>3,921</b>	<b>1,696</b>

#### 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.

## **AFE Group Limited**

### **Notes to the financial statements for the year ended 31 August 2021 (continued)**

#### **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.

#### **21 Contingent Liabilities**

The company has an historical Health & Safety case dating to December 2017 for which it is taking ongoing legal and professional advice in then lodging appropriate representations to support its safe working procedures. On 27 July 2021 The Health and Safety Executive issued a summons to AFE Group Ltd alleging a breach of section 2(1) and 3(1) of the Health and safety at Work Act 1974. At a hearing held on 4 April 2022 the company has pleaded not guilty to the charges and awaits details of the next court hearing. A provision has been made in the financial statements to cover costs for ongoing investigations. Any potential liability that may arise from the forthcoming court hearing remains uncertain.