AGA RANGEMASTER LIMITED

(FORMERLY AGA CONSUMER PRODUCTS LIMITED)

Directors' Report and Accounts

31 December 2010

Co No 3872754

REPORT OF THE DIRECTORS – COMPANY NO. 3872754

The directors present their report for the year ended 31 December 2010 together with the audited accounts of AGA Rangemaster Limited (formerly AGA Consumer Products Limited)

1. Principal activities

The principal activity of the company was the manufacture, retail, installation and maintenance of kitchen equipment, domestic heating appliances and products for the home (tiles, bathrooms etc)

On the 7 January 2010 the company changed its name from AGA Consumer Products Limited to AGA Rangemaster Limited

There is a branch of the company called AGA Rangemaster France in the European Union

2. Business review

The profit and loss account is set out on page 8 The level of business before goodwill amortisation and intra-group interest and the year end financial position was satisfactory

The company's key financial and other performance indicators during the year were as follows

	2010 £000	Restated 2009 £000
Turnover	176,849	165,739
Operating profit pre intangibles amortisation	10,300	6,068
Loss for the year	(2,756)	(14,696)
Cash at bank	13,942	7,735
Shareholders' funds / (deficit)	143,543	(90,649)
Average number of employees	1,786	1,829

Turnover increased by 7% during the year due to an improvement in the underlying trading performance, with operating profit pre intangibles amortisation increasing by 70% Product development programmes of recent years are now providing traction in existing and new markets We expect this to support the trend in range cookers to take share from equivalent built-in formats

The loss for the year after tax includes inter-group interest of £2,288,000 (2009 £10,776,000) Cash at bank was up 80% on 2009 reflecting tight cost control and cash flow management

The shareholders' deficit in 2009 turned into shareholders funds in the year as 236,948,405 ordinary shares of £1 were issued in exchange for a loan with AFG Holdings Limited, the company's immediate parent company

Dividends

The directors do not recommend payment of an ordinary dividend (2009 £nil) A preference dividend of £7,000 (2009 £7,000) has been appropriated

REPORT OF THE DIRECTORS (CONTINUED)

Future developments

The directors expect that an acceptable level of activity will be sustained for the foreseeable future The ultimate holding and controlling company has confirmed its intention to give continued financial support to the company whilst the company continues to be a member of the AGA Rangemaster Group

Financial risk management
In order to achieve our business objectives, the company must respond effectively to the associated risks The company has established risk management procedures, involving the identification and monitoring of operational, regulatory, financial and market driven factors, at various levels throughout the business The company takes a proactive approach to managing risks

In current economic conditions with major financial imbalances and large commercial organisations seeing unprecedented difficulties, the impact on the company can be sudden and material This makes awareness and flexibility key to mitigating risks in rapidly changing conditions and important in identifying relevant business opportunities

Economic and market conditions
The company derives most of its revenues from sales of consumer appliances and other household products Financial and operating performance depends on factors which affect the level of consumer and retail spending The economic environment, unemployment levels, interest rates, consumer debt levels, the availability of credit and many other factors including changes in consumer preferences and trends can influence consumer spending decisions

Competitive environment
The markets in which the company competes are fragmented and many of the company's competitors are larger with potentially more resources The company is subject to their competitive actions and, although the company believes that the performance and price characteristics of its products provide competitive solutions for its customers' needs, there can be no assurance that existing customers will continue to choose its products over products offered by competitors The company continues to monitor developments in the markets in which it operates, its key competitors and their strategies and it develops its strategy to mitigate these risks

Suppliers and supply chain management
The company is dependent on its supply base for raw materials, utilities and some components Volatility and changes in the pricing and availability of these could have a significant impact on the company's results In particular, the prices of steel and utilities have been extremely volatile in recent years However, there can be no assurance that the company will continue to secure supply of these commodities on the same pricing and other terms as currently supplied In the current market conditions this could be difficult The company continually reviews its supply chain and where possible has identified multiple sources of supply and/or contingency plans The procurement teams continue to monitor suppliers to ensure they have the ability to meet demand, they remain price competitive and provide assurance on the quality of goods being supplied

REPORT OF THE DIRECTORS (CONTINUED)

Effect of legislation or other regulatory action
The company is subject to various laws and regulations around the world and operates in sectors which may be affected by changes in the regulatory environment Failure to comply with laws and regulations, including health and safety and environmental regulations, taxation, operational and competition matters could impose additional costs on, or have an adverse impact on the performance of or damage the reputation of the businesses carried on by the company

Currency
The company's main transaction exposures are in respect of products manufactured in one currency region and sold in another currency and exposure through the movement in exchange rates on purchases of raw materials and other goods that are not denominated in sterling These are mainly imports from Asia and the US which are denominated in US Dollars and imports from Europe which are denominated in Euros These currency outflows are offset by inflows of US Dollars relating to UK exports to US markets and inflows of Euros in respect of UK exports to the eurozone respectively

Liquidity and funding risk
The company's funding objective is to have sufficient long-term committed facilities, in addition to uncommitted facilities and finance lease agreements, to meet its funding needs The group in which the company operates maintains relationships with several large financial institutions The group's committed loan facilities have two principal financial covenants, interest cover and net debt to EBITDA The group complied with them at the end of the year
The group has sound and long established arrangements in place with its relationship banks who offer committed and uncommitted facilities, which together with cash surpluses, provide adequate funding for the company's operations In the ordinary course, no committed facilities are due for renewal until 2012 New facilities, if required, are expected to be available from existing lenders although this cannot be assured in light of the current market conditions

Trade credit
Trade credit is less readily available following the deterioration in the financial sector The company monitors closely the availability of trade finance to its customers and suppliers – given the constraint on the business this can cause The ability for the company to maintain trade credit insurance on our customers is a significant issue for the company Where insurers inform us it is their intention to withdraw or reduce trade credit insurance cover on our customers we undertake detailed analysis on commercial and financial information available to us to establish whether we are able to continue to trade In addition, the ability of our suppliers to maintain credit insurance for the company is an important issue We have excellent relationships with our suppliers and we continue to work closely with them on a normal commercial basis A reduction in the level of cover available to suppliers may impact on our trading relationship with them and may have a significant effect on cash flows

REPORT OF THE DIRECTORS (continued)

3. Research and development

Throughout the year the company has continued its policy of investment in research and development by maximising the use of its internal resources All manufacturing processes continue to enjoy appropriate levels of development and the board encourages and supports the introduction of appropriate new technology Development expenditure is capitalised when a clear, commercially viable future for that development is confirmed

4. Directors

The directors of the company during the year were -

WB McGrath
SM Smith

5. Disabled persons

All applications for employment from disabled persons are given proper consideration and those recruited receive training, career development and promotion as their case warrants Special attention is given to the particular needs of individuals who become disabled whilst employed by the company, including redeployment to other work if that is necessary and practicable

6. Employee participation

The company is composed of a number of trading units which have developed individual, mainly informal, methods of communication In each of these units, as appropriate, employees are provided with information relevant to the negotiations of terms and conditions, rationalisation and development of manufacturing facilities and products These communications are supplemented by the internal employees' newspaper which gives all employees a detailed explanation of the annual results of the ultimate parent company, AGA Rangemaster Group plc, and the highlights of events during the year

7. Creditor payment policy

Individual operating units within the company are responsible for establishing appropriate policies with regard to the payment of their suppliers The units agree terms and conditions under which business transactions with suppliers are conducted It is company policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with agreed terms It is company policy to ensure that suppliers know the terms on which payment will take place when business is agreed

The company's trade creditors as at 31 December 2010 equated to 76 days (2009 83 days) of related purchases

8. Directors' qualifying third party indemnity provisions

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

REPORT OF THE DIRECTORS (continued)

9. Going concern

The company is dependent upon continuing financial assistance being made available from its ultimate parent company, AGA Rangemaster Group plc, to enable it to continue operating and meeting its liabilities as they fall due The finance and support is expected to be available from the foreseeable future and the directors believe that it is therefore appropriate to prepare the accounts on a going concern basis

10. Post balance sheet event

With effect from 31 March 2011 the trade and assets of the trading unit known as Fired Earth were transferred into Fired Earth Limited at a value equal to the net asset value of £2,602,117

11. Auditors

Statement of disclosure to the auditors

The directors who are a member of the board at the time of approving the directors' report are listed above The directors confirm that

- To the best of the directors' knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and

- The directors have taken all the steps that a director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the company's auditors are aware of that information

Re-appointment of auditors

In accordance with Section 487 of the Companies Act 2006, Ernst & Young LLP will remain as auditors of the company

By order of the Board

P M Sissons

P M Sissons
For New Sheldon Limited
Secretary

27 June 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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) 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 year In preparing those financial statements, the directors are required to

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AGA RANGEMASTER LIMITED

We have audited the financial statements of AGA Rangemaster Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the Reconciliation of Movements in Shareholders' Funds / (Deficit) and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Bruce Morton (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

27 June 2011

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £000	Restated 2009 £000
Turnover	2	176.849	165,739
Cost of sales		(177.090)	(170,131)
Operating loss	3	(241)	(4.392)
Interest payable	4	(2,296)	(10,784)
Loss on ordinary activities before taxation		(2,537)	(15,176)
Tax (charge) / credit on loss on ordinary activities	7	(219)	480
Loss for the year	18	(2.756)	(14,696)

All activities relate to continuing activities

The company has no recognised gains and losses other than the loss stated above and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS / (DEFICIT)

	2010 £000	Restated 2009 £000
Loss for the year	(2,756)	(14.696)
Shares issued (note 17)	236,948	-
Net increase in shareholders' funds / (deficit)	234,192	(14,696)
Opening shareholders' deficit (31 December 2008 previously £68,922,000 before a prior year adjustment of £7,031,000 – note 9)	(90,649)	(75.953)
Closing shareholders' funds / (deficit)	143,543	(90 649)

BALANCE SHEET - 31 DECEMBER 2010

	Note	2010 £000	Restated 2009 £000
Fixed assets			
Investments	8	3,630	3,630
Intangible assets	9	73,272	82,952
Tangible assets	10	26,145	28,320
		103,047	114,902
Current assets			
Stocks	12	26.539	28.241
Debtors	13	317,769	66.083
Cash at bank and in hand		13.942	7,735
Total current assets		358,250	102,059
Creditors: amounts falling due within one year	14a	(316,202)	(303.923)
Net current assets / (liabilities)		42.048	(201.864)
Total assets less current liabilities		145.095	(86.962)
Creditors: amounts falling due after more than one year	14b	(297)	(328)
Provisions for liabilities and charges	15	(1,255)	(3,359)
Total net assets / (liabilities) employed		143.543	(90.649)
Capital and reserves			
Share capital	17	236.948	-
Profit and loss account	18	(93,405)	(90,649)
Total shareholders' funds / (deficit)		143.543	(90,649)

The accounts on pages 8 to 21 were approved by the Board of Directors on 27 June 2011 and were signed on its behalf by

Shaun Smith

SM Smith
Director

1. Accounting policies

The followıng statements outlıne the maın accountıng polıcıes of the company

Basis of preparation

The accounts present ınformatıon about the ındıvıdual undertakıng, not ıts group

The accounts are prepared under the hıstorıcal cost conventıon and ın accordance wıth applıcable Accountıng Standards and the Companıes Act 2006, on a goıng concern basıs

The company ıs exempt under sectıon 400 of the Companıes Act 2006 from the requırement to prepare consolıdated fınancıal statements as ıt and ıts subsıdıary undertakıng are ıncluded by full consolıdatıon ın the consolıdated fınancıal statements of ıts parent, AGA Rangemaster Group plc

The company's holdıng company has ıncluded a consolıdated group cash flow statement ın complıance wıth the Fınancıal Reportıng Standard No 1 (Revısed) The company has therefore taken advantage of the exemptıon under the standard not to produce a cash flow statement

It has been noted that the amortısatıon of the trademark lıcense was not ın accordance wıth the lıfe of the agreement and the accounts have been restated accordıngly Cumulatıve amortısatıon ıs now ın lıne wıth the terms of the agreement The effect on the profit and loss account ın 2009 was £1,406,000 and ın prevıous years ıt was £7,031,000, gıvıng a total restatement of £8,437,000

Goodwill

Goodwıll, beıng the dıfference arısıng between the purchase consıderatıon and the faır value of the assets acquıred ın the year, has been capıtalısed and then amortısed on a straıght lıne basıs over the estımated useful lıfe of 20 years from date of purchase The carryıng value of goodwıll ıs revıewed annually for ımpaırment and when events or changes ın cırcumstances ındıcate the carryıng value may not be recoverable

Research and development

Development expendıture ıs capıtalısed when a clear, commercıally vıable future for that development ıs confırmed and ıs amortısed over the lıfe of the project, lımıted to a maxımum of seven and a half years, followıng ıts commercıal productıon All other research and development expendıture ıs wrıtten off ın the year ın whıch ıt ıs ıncurred

Pension costs

The company partıcıpates ın the AGA Rangemaster Group plc pensıon scheme The FRS 17 dısclosures of the AGA Rangemaster Group plc pensıon scheme are shown ın the accounts of ARG Corporate Servıces Lımıted AGA Rangemaster Lımıted cannot ıdentıfy ıts share of the underlyıng assets and lıabılıtıes of the group scheme

As a result the contrıbutıons payable ın the year are accounted for as ıf they were a defined contrıbutıon scheme The amount charged to the profit and loss account ıs the contrıbutıons payable ın the year

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)

Fixed assets

Depreciation is provided on tangible fixed assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows

- Freehold buildings over 50 years
- Leasehold land and buildings over 50 years or the period of the lease whichever is less
- Plant, machinery and equipment over a period of 3 to 12 1/2 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 and hire purchase contracts are integrated with owned 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

Stocks

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

Foreign currencies

Assets and liabilities in foreign currencies are translated at the mid-market rates of exchange ruling at the balance sheet date Exchange differences are dealt with through the profit and loss account

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Turnover

Turnover which excludes value added tax and intra-group sales represents the invoiced value of goods and services supplied to customers

Provisions

Provision is made for the estimated liability on all products still under warranty Product warranties of between 1 and 3 years are given, where appropriate 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 and it is probable that an economic benefit will be required to settle the obligation

Trademark license

The trademark license has been capitalised and is being amortised over the period of the license which is 10 years

Investments

Investments in subsidiaries are held at cost and reviewed for impairment annually

Financial instruments

Preference shares and the related dividend have been shown as a liability in accordance with FRS 25

NOTES TO THE ACCOUNTS (continued)

2. Analysis of turnover

Turnover by customer location	2010 £000	2009 £000
United Kingdom	155,158	146,713
Rest of World	20,152	17,920
North & South America	1,539	1,106
Total overseas	21,691	19,026
Total turnover	176,849	165,739

Turnover excludes intra-divisional turnover In the opinion of the directors secondary segmental analysis is not required as there is no substantial difference between the class of business and the activities carried out by each of the trading units of the company Net assets and loss before taxation are originated in the UK

3. Net operating costs

	2010 £000	Restated 2009 £000
Turnover	176,849	165,739
Operating loss	241	4,392
Net operating costs	177,090	170,131
Change in stocks of finished goods and work in progress	95	4,656
Other operating income	(925)	(893)
Raw materials and consumables	71,411	66,285
Other external charges	3,643	3,110
Staff costs (see note 5)	47,706	45,327
Depreciation of tangible fixed assets (see note 10)	4,914	5,286
Intangibles amortisation (see note 9)	10,541	10,460
Other operating charges	39,705	35,900
Net operating costs	177,090	170,131

Net operating losses include the following charges

	2010 £000	2009 £000
Operating lease rentals		
Hire of plant, equipment and vehicles	1,873	2,295
Land and buildings	4,270	4,066
Auditor's remuneration – statutory audit services from primary auditors	71	71
Research and development costs written off	1,137	1,173
Loss on the disposal of fixed assets	65	35

NOTES TO THE ACCOUNTS (continued)

4. Interest payable

	2010 £000	2009 £000
Interest payable and similar charges	1	1
Intra-group interest payable and similar charges	2,288	10,776
Preference share appropriation	7	7
Interest payable	2,296	10.784

5. Employees

a) Staff costs, including executive directors:

	2010 £000	2009 £000
Wages and salaries	43,433	41,324
Social security costs	3.805	3,605
Pension costs (see below)	468	398
Total staff costs (note 3)	47,706	45,327

b) Pension costs

The company is a member of the AGA Rangemaster Group plc pension schemes The main schemes, which cover the majority of UK employees, are defined benefit schemes and the assets are held in funds separate from the group's assets The other schemes are relatively small in size and generally of a defined contribution nature Contributions are based on pension costs across the group as a whole The actuarial valuations have been used in assessing the expected cost of providing pensions for future years The charge for the defined benefit scheme is shown in the accounts of ARG Corporate Services Limited There is a £468,000 charge to the profit and loss account for the defined contribution scheme (2009 £398,000)

The FRS 17 disclosures of the AGA Rangemaster Group plc pension scheme in which the company participates are shown in the accounts of ARG Corporate Services Limited The surplus of the group schemes is £7,100,000 (2009 deficit £40,500,000) as shown in the accounts of AGA Rangemaster Group plc AGA Rangemaster Limited cannot identify its share of the underlying assets and liabilities of the group scheme on a reasonable and consistent basis

c) Numbers employed

The average number of persons employed by the company including executive directors during the year is analysed below

	2010 Number	2009 Number
Production	932	932
Selling and distribution	580	586
Administration	274	311
	1,786	1.829

NOTES TO THE ACCOUNTS (continued)

6. Directors' emoluments

WB McGrath and SM Smith were paid by AGA Rangemaster Group plc and received no remuneration in respect of AGA Rangemaster Limited

7. Tax on loss on ordinary activities

	2010 £000	2009 £000
United Kingdom corporation tax charge / (credit) on the loss for the year	5,255	(1,242)
Under provision from previous years	-	1 166
Corporation tax	5.255	(76)
Deferred tax (note 16)	(5,036)	(404)
Total taxation charge / (credit)	219	(480)

Factors affecting future tax charges

Deferred tax has been calculated at the rate expected to apply at the time at which timing differences are forecast to reverse, based on tax rates which have been substantively enacted at the balance sheet date It should be noted that the Government announced on 22 June 2010 that it intended to introduce legislation to reduce the mainstream rate of UK corporation tax from 28% to 24% over a period of four years, beginning in April 2011 The reduction to 27% was substantively enacted on 21 July 2010 On 22 March 2011 a further announcement was made reducing the rate to 26% from 1 April 2011 and ultimately to 23% by 2014 The reduction to 26% was substantively enacted on 29 March 2011 It is not anticipated that these reductions nor subsequent reductions to 23% once substantively enacted, will have a material effect on the company's future current or deferred tax charges

The current tax charge assessed for the year is higher than the standard rate of corporation tax in the UK as explained below

	2010 £000	Restated 2009 £000
Loss on ordinary activities before tax	(2.537)	(15.176)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28 0% (2009 28 0%)	(710)	(4.249)
Effects of		
- non-deductible expenses including goodwill amortisation	2,850	2,805
- depreciation in advance of capital allowances	(18)	202
- capital allowances disclaimed	3,133	1,166
Current tax charge / (credit)	5.255	(76)

NOTES TO THE ACCOUNTS (continued)

8. Investments

	2010 £000
Cost	4,546
Provision	(916)
Net book value at beginning and end of year	3,630

The company's wholly owned subsidiary is AFG Hunton Limited, a dormant company registered in England

9. Intangible fixed assets

	Development costs £000	Goodwill £000	Other £000	Trademark license £000	Total £000
Cost					
At beginning of year	8,431	137,748	644	28,129	174,952
Additions	880	-	-	-	880
Disposals	(140)	-	-	-	(140)
At end of year	9,171	137,748	644	28,129	175,692
Amortisation					
At beginning of year as previously stated	4,095	69,448	175	9,845	83,563
Restated	-	-	-	8,437	8,437
At beginning of year as restated	4,095	69,448	175	18,282	92,000
Charge for the year	820	6,887	20	2,814	10,541
Disposals	(121)	-	-	-	(121)
At end of year	4,794	76,335	195	21,096	102,420
Net book value					
At end of year	4,377	61,413	449	7,033	73,272
At beginning of year as restated	4,336	68,300	469	9,847	82,952

NOTES TO THE ACCOUNTS (continued)

10. Tangible fixed assets

	Freehold land and buildings £000	Plant, machinery & equipment £000	Total £000
Cost			
At beginning of year	10,468	72,673	83,141
Additions	63	2,705	2,768
Disposals	(148)	(1,036)	(1,184)
Transfers	-	39	39
At end of year	10,383	74,381	84,764
Depreciation			
At beginning of year	4,258	50,563	54,821
Charge for the year	441	4,473	4,914
Disposals	(138)	(981)	(1,119)
Transfers	-	3	3
At end of year	4,561	54,058	58,619
Net book value			
At end of year	5,822	20,323	26,145
At beginning of year	6,210	22,110	28,320

The net book value of plant and equipment held under finance leases is £30,000 (2009 £38,000) and the depreciation charge relating to those assets is £8,000 (2009 £2 000)

11. Commitments

Capital commitments:

	2010 £000	2009 £000
Contracted for but not provided for in the accounts	33	550

Operating lease commitments:

	Land & buildings 2010 £000	Others 2010 £000	Land & buildings 2009 £000	Others 2009 £000
Leases expiring				
Within one year	275	86	153	106
Between one and two years	182	195	391	35
Between two and five years	790	1,101	457	601
More than five years	2,714	40	2,554	213
Total operating lease commitments	3,961	1,422	3,555	955

NOTES TO THE ACCOUNTS (continued)

12. Stocks

	2010 £000	2009 £000
Raw materials and consumables	2,331	3,483
Work in progress	4,692	5,546
Finished goods and goods for resale	19.516	19.212
Total stocks	26,539	28,241

13. Debtors

	2010 £000	2009 £000
Trade debtors	10,993	13.105
Amounts owed by the group's holding company and fellow subsidiaries	301,499	50,448
Deferred tax asset (note 16)	3,133	-
Other debtors	101	108
Prepayments and accrued income	2,043	2,422
Total debtors falling due within one year	317,769	66,083

14. Creditors

a) amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	28,402	27,240
Amounts owed to the group's holding company and fellow subsidiaries	247,830	245,340
Other taxes and social security	1,205	967
Taxation	22.452	17.197
Amounts due under finance leases	8	7
Other creditors	7,183	4,828
Accruals and deferred income	9,122	8,344
Total creditors falling due within one year	316.202	303.923

b) amounts falling due after more than one year

	2010 £000	2009 £000
Preference shares	100	100
Preference dividend	62	56
Amounts due under finance leases - repayable in one to two years	8	22
Amounts due under finance leases - repayable in two to five years	15	22
Accruals and deferred income	112	128
Total creditors falling due after more than one year	297	328

NOTES TO THE ACCOUNTS (continued)

14. Creditors (continued)

The Preference Shares shall confer upon the holders thereof, the right in priority to any payment by way of dividend of the company, to receive a cumulative Preferential dividend The dividend shall be at the Specified Gilt Rate plus 1 649% per annum, increased by the percentage increase in the Retail Price Index The Preference Shares shall be redeemed by the company, without notice, on 1 May 2016 for £1 2086 per share, increased by the percentage increase in the Retail Price Index

On a return of capital on winding-up or capital reduction or otherwise (a "Return of Capital"), the holders of the Preference Shares shall be entitled, in priority to any payment to the holders of any other class of shares, to the repayment of a sum calculated in accordance with the following formula RPI * £(1 $2086^{N/15}$) where N is equal to the number of years (including fractions of a year) which have elapsed between the date of issue of the relevant Preference Share and the date of the Return of Capital Whenever the holders of the Preference Shares are entitled to vote on a resolution at a General Meeting of the company, on a show of hands, every such holder who is present in person or (being a corporation) by a representative shall have one vote and, on a poll, every such holder who is present in person or by proxy shall have one vote in respect of each fully-paid Preference Share registered in the name of such holder The holders of the Preference Shares shall, by virtue of and in respect of their holdings of the Preference Shares, have the right to receive notice of, attend, speak and vote at a General Meeting of the company only if a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the Preference Shares (in which case they shall only be entitled to vote on such resolution)

The preference dividend creditor relates to a period from May 2001 to December 2010

15. Provisions for liabilities and charges

	Warranty provision	Deferred tax	Other provisions	Total
	£000	£000	£000	£000
At beginning of year	931	1,903	525	3,359
Utilised in year	(78)	-	(600)	(678)
Charge in year	331	(1,903)	146	(1,426)
At end of year	1,184	-	71	1,255

Warranty provision

Provision is made for the estimated liability on all products still under warranty Product warranties of between 1 and 3 years are given, where appropriate for the company's main products

Other provisions

Other provisions relate to reorganisation and redundancy provisions which should be realised in the next accounting period

NOTES TO THE ACCOUNTS (continued)

16. Deferred taxation

	£000
At beginning of year	(1,903)
Credit in year	5,036
At end of year	3,133

	Asset 2010 £000	Liability 2009 £000
Losses carried forward	3,133	-
Accelerated capital allowances	-	(1,903)
	3,133	(1,903)

17. Called-up share capital

Ordinary shares of £1 each	2010 £000	2009 £000
At beginning of year	-	-
Shares issued	236,948	-
At end of year	236,948	-

On 26 March 2010 a further 236,948,405 ordinary shares of £1 were issued in exchange for a loan with AFG Holdings Limited, the company's immediate parent company

18. Reserves

	2010 £000	Restated 2009 £000
At beginning of year – as previously stated	(90,649)	(68,922)
Prior year adjustment – trademark license amortisation (note 9)	-	(7,031)
At beginning of year – as restated	(90,649)	(75,953)
Loss for the year	(2,756)	(14,696)
At end of the year	(93,405)	(90,649)

In accordance with FRS 25, the company has appropriated through the profit and loss account the preference share dividend for the year As the company does not have sufficient distributable reserves in order to pay such preference share dividends, the dividend has been included in creditors falling due after one year

NOTES TO THE ACCOUNTS (continued)

19. Contingencies

The company is jointly and severally liable under a group VAT registration scheme At the end of the year there was a liability of £3,735,000 (2009 £2,636,000)

20. Related party transactions

As the company is a wholly owned subsidiary of AFG Holdings Limited, which is a wholly owned subsidiary of AGA Rangemaster Group plc, it has taken advantage of the exemption permitted by FRS 8 not to disclose any transactions or balances with entities that are part of the AGA Rangemaster Group

21. Post balance sheet event

With effect from 31 March 2011 the trade and assets of the trading unit known as Fired Earth were transferred into Fired Earth Limited at a value equal to the net asset value of £2,602,117

22. Ultimate holding company

The company's ultimate holding company and controlling party is AGA Rangemaster Group plc, a company registered in England Copies of the group accounts of AGA Rangemaster Group plc, the parent company of the largest and smallest group preparing consolidated accounts, which include AGA Rangemaster Limited, can be obtained from Juno Drive, Leamington Spa, Warwickshire, CV31 3RG

The company's immediate parent company is AFG Holdings Limited