AGA RANGEMASTER LIMITED

Annual Report and Financial Statements

2 January 2016

Co. No. 3872754

STRATEGIC REPORT

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'FRS 102'. An explanation of how the transition from previously extant UK GAAP to FRS 102 has affected the reported financial position and financial performance of the company is provided in note 23.

The directors present their strategic report for the year ended 2 January 2016.

Principal activities

The principal activities of the company continue to be the manufacture, retail, installation and maintenance of kitchen equipment, domestic heating appliances and home and kitchen orientated products. AGA Rangemaster Group Limited, of which the company is a member, was acquired by The Middleby Corporation on 23 September 2015.

The level of operating profit decreased as turnover decreased by 6.9%. We continue to make steady progress against our KPI of growing AGA cast iron cooker sales and our KPI of increasing Rangemaster cooker volumes. The company's key financial performance indicators during the year were as follows:

	2 January 2016 £000	Restated 31 December 2014 £000
Turnover	151,096	162,302
EBITDA pre exceptional costs	7,233	14,250
(Loss) / profit for year attributable to members of the parent company	(20,339)	1,915
Cash at bank	1,894	6,795
Equity attributable to owners of the parent company	124,852	145,191
Average number of employees	1,528	1,558

Turnover reduced by 6.9% as AGA cookers and Rangemaster cooker sales slowed in the year. EBITDA pre exceptional costs as a percentage of turnover amounted to 4.8% (2014: restated 8.8%). The loss for the year attributable to members of the parent company of £20,339,000 (2014: restated profit £1,915,000) included £13,906,000 relating to deficit reduction contributions and associated costs in respect of the company's defined benefit pension scheme and £6,653,000 of restructuring costs including £3,778,000 redundancy costs.

Cash at bank was lower at £1,894,000 (2014: £6,795,000).

Product development programmes of recent years are now providing traction in existing and new markets, in particular, in Europe and the US, in line with our KPI to increase sales internationally. We expect Rangemaster to expand further on the continent – a key strategic objective for the company. We expect real positive growth in 2016 following on from 4.3% growth experienced in the Rest of the World segment, including Europe, in 2015.

STRATEGIC REPORT (continued)

Principal risks and uncertainties

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 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.

Competition / market erosion
The company operates in a number of competitive markets and as such the activities of our competitors can adversely affect its' performance. The competition can be assessed on brand recognition, product features, reliability, quality, price, delivery, lead times and after sales service.

To mitigate these risks:

The company believes it has sufficiently strong brand equity, exceptional product performance, short lead times, timely delivery, competitive pricing and customer service support to withstand competitor activity across its' markets.

General economic conditions
Factors influencing the performance of the company include macro-economic factors such as GDP growth, employment rates, inflation and consumer confidence. In addition, particularly in the UK consumer market, factors which affect the market size and growth include the level of new home starts and kitchen refurbishments. A sustained period of underlying stability and upward growth within the UK housing market will benefit the operational gearing capabilities of the UK businesses.

Health, safety and environmental
The safety of employees, customers and visitors to our premises is of critical importance. As a business with a range of activities including manufacturing, retail and off site services, the company is exposed to a number of health and safety risks.

The company is committed to adhering to environmental standards set by governments and other organisations. It recognises that an environmental incident could impact on the community in which we operate. Further, the environmental performance and reputation of our products may affect customer demand and the environmental performance of our operations impact profitability and efficiency.

To mitigate these risks:
- We are committed to achieving the highest standards. We conduct regular audits to ensure compliance with relevant laws and regulations. We review both incidents and 'near misses' to establish their root cause.
- We have a health and safety executive committee with a focus on these aspects of the business.
- Accreditation to ISO 9001:2008, ISO 14001:2004 and BS OHSAS 18001:2007 ensures a framework is in place with clear policies, procedures and audits.
- Our product development and value engineering programmes help ensure product performance is continuously improved, taking advantage of new and emerging technologies.

STRATEGIC REPORT (continued)

Legal and regulatory

Compliance with laws and regulations is fundamental to the company's success. Changes to laws and regulatory requirements remain a source of both risk and opportunity throughout the company. In particular, changing regulations in the EU and the US, in respect of the energy efficiency of products.

To mitigate these risks:
• The company is committed to compliance with relevant laws and regulations and sees this compliance as central to the operations.
• We monitor the legal and regulatory environment within the countries in which we operate and maintain dialogue with relevant regulatory bodies. We take specialist public policy advice, if required. Management are tasked with ensuring that employees are aware of and comply with regulations and laws specific to their roles.
• In respect of product regulations our design team maintains an ongoing development programme to ensure that our product range remains compliant. This programme produces ever improving products which are also a source of opportunity for the company.

People

The company requires skilled people to enable it to develop fully and exploit new opportunities. A failure to recruit quality personnel in a competitive market and develop existing talent might in time erode our competitive advantage. Further, a failure to plan adequately for succession could also damage the future prospects of the company.

To mitigate these risks:
• The company HR director oversees the company's people strategy. This includes an annual review of its succession and personal development plans. The board is kept updated on key issues.
• Remuneration packages including fixed, variable and long-term elements and compensation arrangements are regularly benchmarked to ensure the company's remuneration policy remains in line with market practice.

Supply chain

The company's manufacturing operations require the timely supply of quality parts and materials. Supply chain disruptions can adversely impact the company. Such disruptions include the failure of key suppliers and environmental or industrial accidents. Quality issues in the supply chain can also adversely impact the company as faulty or substandard parts are unacceptable.

To mitigate these risks:
• We closely monitor our supply chain and employ a range of strategies to reduce reliance on individual suppliers and minimise the impact of potential supplier failures.
• We conduct supplier audits to assess compliance with the terms of supply agreements including processes, product specifications and manufacturing conditions.

Foreign currency risk

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 United States of America ('US') which are denominated in US Dollars and imports of component parts from Europe which are denominated in Euros. To mitigate this, the currency outflows are partly 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. Forward currency contracts may also be used to reduce exposure to variability of foreign exchange rates.

STRATEGIC REPORT (continued)

Liquidity and funding risk

Whilst the £60 million of committed facilities that were put in place in late 2012, were renewed in September 2015, and remained in place until 31 August 2016, the liquidity available to the company significantly increased as the £30 million of guarantees in favour of the pension scheme previously drawn on these facilities were cancelled on completion of the change of ownership to become part of The Middleby Corporation on 23 September 2015. All borrowings on these facilities were repaid in full on 16 August 2016, prior to their maturity on 31 August 2016.

The companies within the Aga Rangemaster Group Limited structure will now benefit from the ability to draw up to $100m USD of funding from the new Middleby Corporation five-year $2.5 USD billion multi-currency senior revolving credit facility announced on 3 August 2016.

Interest rate and cash flow risk

The company's interest rate risk will benefit from the above ability to draw funding from central Middleby committed facilities as part of the 2016 refinancing of the senior revolving credit facility. Borrowings issued at variable rates are partially offset by cash held at various rates. The company will continue to analyse its interest rate exposure on a regular basis and calculate the impact on the profit and loss for a defined interest rate shift.

Credit and price risk

The company monitors closely the availability of trade finance to its customers and suppliers. The ability for the company and its principal operations to maintain trade credit insurance on our customers is monitored on an ongoing basis. 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 and actively manage the terms of trade with any such customers as appropriate. In addition, the ability of our suppliers to maintain credit insurance on the company and its principal operations is an important issue. We have excellent relationships with our suppliers and we continue to work closely with them on a normal commercial basis. There are no significant concentrations of credit risk within the company. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date.

The company's operations are exposed to risk in the price movement of key raw materials and energy. The company's operations manage these risks via naturally hedged two year fixed price contracts for gas and electricity, with one contract expiring each year. With regard to steel there is a one year partially fixed steel supply contract in place. The company continues to review exposure to any remaining commodity risk and mitigates these risks wherever possible.

This report was approved by the Board and signed on its behalf by:

MM Lindsay - Director
21 September 2016

DIRECTORS' REPORT – COMPANY NO. 3872754

The directors present their report for the year ended 2 January 2016 together with the audited accounts of AGA Rangemaster Limited.

1. Results for the year

The profit and loss account is set out on page 9. The loss for the year after taxation amounted to £20,339,000 (31 December 2014: profit £1,915,000).

2. 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. The company has changed its accounting policy in respect of development expenditure which is now written off to the profit and loss account.

3. Dividends

The directors do not recommend payment of an ordinary dividend (31 December 2014: £nil). A preference dividend of £6,000 (31 December 2014: £6,000) has been appropriated – see note 14 for details.

4. Future developments

AGA Rangemaster Limited is now part of the Residential Kitchen Equipment Group within The Middleby Corporation and will benefit from the financial support of The Middleby Corporation.

5. Directors

The directors of the company during the year were:-

TJ Fitzgerald	Appointed 31 December 2015
MM Lindsay	Appointed 31 December 2015
A Zufia	Appointed 31 December 2015
WB McGrath	Resigned 31 December 2015
SM Smith	Resigned 31 December 2015

6. 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.

7. Employee participation

The company is composed of a number of trading units, comprising of AGA, Rangemaster and Divertimenti, 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' website which gives all employees a detailed explanation of the highlight events during the year. A quarterly company newsletter was introduced in the prior year.

DIRECTORS' REPORT (continued)

8. Creditor payment policy

AGA, Rangemaster and Divertimenti 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 2 January 2016 equated to 75 days (2014: 83 days) of related purchases.

9. 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.

10. Going concern

Given the ongoing financial support of The Middleby Corporation the directors believe it is appropriate to prepare the accounts on a going concern basis.

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 relevant audit information of which the company's auditors are unaware, and

- The directors have taken all the steps that ought to have been taken as directors in order 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 485 of the Companies Act 2006, Ernst & Young LLP will remain as auditors of the company.

12. Post balance sheet event

On 17 March 2016 the brand and assets of Divertimenti, one of the trading names of AGA Rangemaster Limited was sold for a consideration of £100,000 to Steamer Trading Limited. The loss on disposal is being finalised. Restructuring costs of £1,524,000 relating to Divertimenti are included in the exceptional restructuring costs in note 3.

The Preference Shares were redeemed by the company on 1 May 2016 for £1.2086 per share.

13. Risks and uncertainties

In accordance with the Companies Act 2006 section 414c(ii), the disclosure of the principal risks and uncertainties has been included in the Strategic Report.

By order of the Board

MM Lindsay
Director
21 September 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AGA RANGEMASTER LIMITED

We have audited the financial statements of AGA Rangemaster Limited for the year ended 2 January 2016, which comprise the Profit and Loss Account, Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 24. 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) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'. 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 auditors' 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 7, 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 Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2 January 2016 and of its loss 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 to the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Nigel Meredith (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor, Birmingham
30 September 2016

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 2 JANUARY 2016

	Note	2 January 2016 £000	Restated 31 December 2014 £000
Turnover	2	151,096	162,302
Net operating charges	3	(153,975)	(158,317)
(Loss) / profit on ordinary activities before exceptional costs	3	(2,879)	3,985
Exceptional costs	3	(20,364)	-
(Loss) / profit on ordinary activities before interest and taxation		(23,243)	3,985
Net interest payable	4	(6)	(6)
(Loss) / profit for the year before taxation on ordinary activities		(23,249)	3,979
Tax on (loss) / profit on ordinary activities	7	2,910	(2,064)
(Loss) / profit for the financial year attributable to members of the parent company	18	(20,339)	1,915

All activities are continuing.

There were no recognised gains and losses for the current or prior year other than those included in the profit and loss account.

STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Profit and loss £000	Total equity £000
At 1 January 2014 as previously stated	236,948	(89,865)	147,083
Restatement (note 22)	-	(3,807)	(3,807)
At 1 January 2014 as restated	236,948	(93,672)	143,276
Total comprehensive income - Profit for the financial year as restated (note 22)	-	1,915	1,915
At 31 December 2014	236,948	(91,757)	145,191
Total comprehensive losses - Loss for the financial year	-	(20,339)	(20,339)
At 2 January 2016	236,948	(112,096)	124,852

BALANCE SHEET

AS AT 2 JANUARY 2016

	Note	2 January 2016 £000	Restated 31 December 2014 £000
Fixed assets			
Investments	8	272	272
Intangible fixed assets	9	27,979	34,950
Tangible fixed assets	10	21,156	22,926
		49,407	58,148
Current assets			
Stocks	12	28,044	28,489
Debtors	13	102,854	100,170
Cash at bank and in hand		1,894	6,795
Total current assets		132,792	135,454
Creditors: amounts falling due within one year	14	(54,971)	(46,967)
Net current assets		77,821	88,487
Total assets less current liabilities		127,228	146,635
Creditors: amounts falling due after more than one year	14	(39)	(242)
Provisions for liabilities	15	(2,337)	(1,202)
Net assets		124,852	145,191
Capital and reserves			
Share capital	17	236,948	236,948
Profit and loss account	18	(112,096)	(91,757)
Equity attributable to owners of the parent		124,852	145,191

The financial statements on pages 9 to 25 were approved by the Board of Directors on 21 September 2016 and were signed on its behalf by:

MM Lindsay
Director

1. Accounting policies

Statement of compliance

AGA Rangemaster Limited is a limited liability company incorporated in England and Wales. The Registered Office is Juno Drive, Leamington Spa, Warwickshire, CV31 3RG. On 23 September 2015 the AGA Rangemaster Group Limited, formerly AGA Rangemaster Group plc, of which the company is a member, was acquired by The Middleby Corporation.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 2 January 2016.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how the transition to FRS 102 has affected the reported financial position and financial performance is given in note 23.

Basis of preparation

The financial statements of AGA Rangemaster Limited were authorised for issue by the Board of Directors on 21 September 2016. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency and rounded to the nearest thousand pounds (£000), except where otherwise stated. The company has prepared its annual report and financial statements as at 2 January 2016 so it is in line with its' parent company's reporting period end which is the Saturday closest to the year end. Therefore comparative amounts presented in the financial statements are not entirely comparable.

Change in accounting policy

The company has changed its accounting policy for development costs from capitalisation, in certain circumstances, to one of immediate write off to the profit and loss account. The impact of the change is shown in note 22.

Exemptions taken

The exemption from preparing consolidated financial statements in section 401(1)(a) and section 401(1)(b) of the Companies Act 2006 has been applied as the company and all of its subsidiary undertakings are included in the consolidated financial statements of a larger group drawn up to the same date by a parent undertaking.

A consolidated Group cash flow statement has been included in The Middleby Corporation consolidated accounts; the company has therefore taken advantage of the exemption under FRS 102 not to produce a cash flow statement. In addition, the company has taken advantage of the exemption permitted by FRS 102 not to disclose any transactions or balances with entities that are wholly owned by The Middleby Corporation.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions and conditions. 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. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Impairment – the company determines whether its investments are impaired on an annual basis or more frequently if there are indicators of impairment. Other non-current assets are tested for impairment if there are indicators of impairment. Impairment testing requires an estimate of future cash flows and the choice of a suitable discount rate.

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)

Tax – provisions for tax accruals require judgements on the interpretation of tax legislation, developments in tax case law and the potential outcomes of tax audits and appeals. In addition, deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which they can be utilised. Judgement is required as to the amount that can be recognised based on the likely amount and timing of future taxable profits together with future tax planning strategies. Deferred tax balances are dependent on management's expectations regarding the manner and timing of recovery of the related assets.

Goodwill

Goodwill, being the difference arising between the purchase consideration and the fair value of the net assets acquired in the year, has been capitalised, classified as an asset on the balance sheet and then amortised on a straight line basis over its useful life. 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.

Research and development

All research and development expenditure is written off in the year in which it is incurred. This is a change of accounting policy. Previously development expenditure relating to clearly defined and identifiable development projects was recognised as an intangible asset, only after certain criteria were met.

Pension costs

The company participates in the AGA Rangemaster Group Pension Scheme. The FRS 102 disclosures of the AGA Rangemaster Group Pension Scheme are shown in the accounts of ARG Corporate Services Limited. AGA Rangemaster Limited cannot identify its share of the underlying assets and liabilities of the company scheme.

As a result the contributions payable in the year are accounted for as if they were a defined contribution scheme. The amount charged to the profit and loss account is the contributions payable in the year.

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.
- 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.

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.

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)

Foreign currencies

The company's functional currency and the presentation currency is pounds sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- 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;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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, discounts, rebates and intra-divisional sales represent the invoiced value of goods and services supplied to customers. Turnover is recognised from the sale of goods when the significant risks and rewards of ownership of the goods have passed to the buyer and can be readily measured.

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. A provision is recognised 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.

Other intangibles

Other intangibles include brands which have been identified in certain business combinations and are amortised on a straight line basis over their estimated lives. Brands are assessed for impairment on an annual basis or sooner where there is an indication of impairment.

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)

Trademark license

Trademark licenses are capitalised and are amortised over the period of the license. They are reviewed for impairment annually.

Investments

Investments in subsidiaries are held at cost less provisions for impairment and reviewed for impairment annually or where there are indicators of impairment.

Financial instruments

Preference shares and the related dividend have been shown as a liability.

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

The company does not undertake any hedge accounting transactions.

NOTES TO THE ACCOUNTS (continued)

2. Segmental analysis

In the opinion of the directors the company has one principal activity as described in the Strategic Report. Turnover and profit before taxation primarily arose in the UK.

Turnover by customer location	**2 January 2016 £000**	**31 December 2014 £000**
United Kingdom	130,058	142,032
North & South America	1,320	1,366
Rest of World	19,718	18,904
Total overseas	21,038	20,270
Total turnover	151,096	162,302

3. Net operating charges

	2 January 2016 £000	**Restated 31 December 2014 £000**
Turnover	151,096	162,302
Operating loss / (profit)	2,879	(3,985)
Net operating charges	153,975	158,317
Change in stocks of finished goods and work in progress	(812)	(4,141)
Other operating income	(389)	(1,289)
Raw materials and consumables	64,792	69,462
Other external charges	2,831	2,774
Staff costs (see note 5)	49,464	51,195
Depreciation of tangible fixed assets excluding exceptional accelerated depreciation of £505,000 (see note 10)	3,141	3,379
Intangibles amortisation (see note 9)	6,971	6,886
Other operating charges	27,977	30,051
Net operating charges	153,975	158,317

Net operating charges include warranty and other external charges as well as the following charges / (credits):	**2 January 2016 £000**	**31 December 2014 £000**
Operating lease rentals:		
Hire of plant, equipment and vehicles	1,342	1,529
Land and buildings	1,835	1,871
Profit on foreign exchange differences	(266)	(194)
Auditors' remuneration – statutory audit services from primary auditors	109	72
Research and development costs written off (2014: restated by £1,419,000)	2,175	2,343
Loss on the disposal of fixed assets	215	62

Exceptional costs amounted to £20,364,000 (2014: £nil) of which £13,906,000 related to the company's defined benefit pension scheme and £6,653,000 related to restructuring costs which included £3,778,000 redundancy costs and £505,000 accelerated depreciation.

NOTES TO THE ACCOUNTS (continued)

4. Net interest payable

	2 January 2016 £000	31 December 2014 £000
Preference share appropriation	6	6
Net interest payable	6	6

5. Employees

a) Staff costs, including executive directors:

	2 January 2016 £000	31 December 2014 £000
Wages and salaries	41,820	43,575
Social security costs	4,341	3,797
Pension costs (see below)	3,303	3,823
Total staff costs (note 3)	49,464	51,195

b) Pension costs

The company participates in the AGA Rangemaster Group Pension Scheme, which covers the majority of UK employees. This scheme includes members on a defined benefit basis of pension provision and members on a defined contribution basis of pension provision and the assets of the schemes are held in funds separate from the Group's assets. The FRS 102 disclosures of the AGA Rangemaster Group Pension Scheme as at 2 January 2016 are shown in the accounts of ARG Corporate Services Limited. The deficit of the AGA Rangemaster Group Pension Scheme as at 2 January 2016 is £125,600,000 (2014: £45,100,000) as shown in the accounts of ARG Corporate Services Limited.

AGA Rangemaster Limited cannot identify its share of the underlying assets and liabilities of the company scheme on a reasonable and consistent basis. The company is also joint and severally liable for other employees in the pension scheme, who are not employed by the company.

There is a £667,000 (2014: £777,000) charge to the profit and loss account for contributions to the defined contribution schemes and £2,636,000 (2014: £3,046,000) for the company's proportion of the contributions towards defined benefit pension scheme, which form part of the full disclosures shown in the accounts of ARG Corporate Services Limited as at 2 January 2016 .

c) Numbers employed

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

	2 January 2016 Number	31 December 2014 Number
Production	936	960
Selling and distribution	309	304
Administration	283	294
	1,528	1,558

NOTES TO THE ACCOUNTS (continued)

6. Directors' emoluments

WB McGrath and SM Smith were paid by AGA Rangemaster Group Limited up to 31 December 2015 and for all of 2014. TJ Fitzgerald, MM Lindsay and A Zufia, who were appointed on 31 December 2015, are paid by The Middleby Corporation. These directors neither received nor waived any emoluments in respect of their services to the company during the year (2014: £nil). The directors of the company are also, or have been, directors of one or more of the companies in the Group. The directors do not believe that it is practicable to apportion their emoluments between their services as directors of this company and their services as directors of other companies in the Group. No retirement benefits are accruing for directors (2014: 2) under the company's defined benefit pension scheme as at 2 January 2016. There are no amounts receivable under the LTIP scheme (31 December 2014: £nil).

7. Tax on (loss) / profit on ordinary activities

	2 January 2016 £000	Restated 31 December 2014 £000
United Kingdom corporation tax (credit) / charge on the (loss) / profit for the year	-	2,274
Adjustments in respect of prior periods	(138)	(51)
Total current tax	(138)	2,223
Origination and reversal of timing differences	(3,227)	(159)
Adjustments in respect of prior periods	455	-
Deferred tax (note 16)	(2,772)	(159)
Total taxation (credit) / charge	(2,910)	2,064

Factors affecting future tax charges

Reductions in the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 26 October 2015. Accordingly, the substantively enacted rates have been applied in the measurement of the deferred tax assets and liabilities as at 2 January 2016.

A further reduction in the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016. As this tax rate had not been substantively enacted at the balance sheet date it has not been applied in the measurement of deferred tax assets and liabilities as at 2 January 2016. The effect of this change in tax rate would be a reduction in the deferred tax asset as at 2 January 2016 of £6,689.

NOTES TO THE ACCOUNTS (continued)

7. Tax on (loss) / profit on ordinary activities

The tax assessed for the year is higher (2014: higher) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%) as explained below:

	2 January 2016 £000	Restated 31 December 2014 £000
(Loss) / profit on ordinary activities before tax	(23,249)	3,979
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	(4,708)	855
Effects of:		
- non-taxable profit on disposal of fixed assets	-	(231)
- non-deductible expenses including goodwill amortisation	1,472	1,485
- deduction for share option exercises	(45)	-
- adjustment in respect of prior years	316	(51)
- re-measurement of deferred tax – change in UK tax rate	55	6
Total tax (credit) / charge	(2,910)	2,064

8. Investments

	2 January 2016 £000	31 December 2014 £000
Cost	4,546	4,546
Provision	(4,274)	(4,274)
Net book value	272	272

The company's wholly owned subsidiary is AFG Management Limited (formerly AGA Living Limited and AFG Hunton Limited), a dormant company registered in England and Wales. The provision is partly against this cost of investment.

NOTES TO THE ACCOUNTS (continued)

9. Intangible fixed assets

	Development costs £000	Goodwill £000	Other £000	Trademark license £000	Total £000
Cost					
At beginning of year as reported	13,564	138,000	835	28,124	180,523
Restated	(13,564)	-	-	-	(13,564)
At beginning of year restated	-	138,000	835	28,124	166,959
Additions	-	-	-	-	-
At end of year	-	138,000	835	28,124	166,959
Amortisation					
At beginning of year as reported	8,397	103,885	-	28,124	140,406
Restated	(8,397)	-	-	-	(8,397)
At beginning of year restated	-	103,885	-	28,124	132,009
Charge for the year	-	6,888	83	-	6,971
At end of year	-	110,773	83	28,124	138,980
Net book value					
At end of year	-	27,227	752	-	27,979
At beginning of year as restated	-	34,115	835	-	34,950

Goodwill is amortised over its useful life of 20 years and other intangibles are amortised over 10 years.

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	6,141	78,732	84,873
Additions	3	2,015	2,018
Disposals	-	(20,014)	(20,014)
At end of year	6,144	60,733	66,877
Depreciation			
At beginning of year	736	61,211	61,947
Charge for the year	55	3,591	3,646
Disposals	-	(19,872)	(19,872)
At end of year	791	44,930	45,721
Net book value			
At end of year	5,353	15,803	21,156
At beginning of year	5,405	17,521	22,926

The depreciation charge includes an exceptional write down of £505,000.

11. Commitments

Capital commitments:

	2 January 2016 £000	31 December 2014 £000
Contracted for, but not provided for in the accounts	69	181

Operating lease commitments:

	Land & buildings 2 January 2016 £000	Others 2 January 2016 £000	Land & buildings 31 December 2014 £000	Others 31 December 2014 £000
Future minimum total rentals under non -cancellable operating leases are as follows:				
Within one year	1,543	1,492	1,743	1,163
Between one and two years	1,380	1,289	1,480	996
Between two and five years	2,747	1,403	3,022	1,745
More than five years	874	37	693	88
	6,544	4,221	6,938	3,992

NOTES TO THE ACCOUNTS (continued)

12. Stocks

	2 January 2016 £000	31 December 2014 £000
Raw materials and consumables	5,956	5,646
Work in progress	3,020	3,214
Finished goods and goods for resale	19,068	19,629
Total stocks	28,044	28,489

13. Debtors

	2 January 2016	Restated 31 December 2014
Amounts falling due within one year	**£000**	**£000**
Trade debtors	10,875	12,763
Amounts owed by the company's holding company and fellow subsidiaries	85,901	84,177
Deferred tax asset (note 16)	4,260	1,488
Corporation tax	157	-
Other debtors	86	70
Prepayments and accrued income	1,575	1,672
Total debtors falling due within one year	102,854	100,170

The amounts owed by the company's holding company and fellow subsidiaries are repayable on demand and are interest free.

14. Creditors

	2 January 2016	31 December 2014
Amounts falling due within one year	**£000**	**£000**
100,000 £1 preference shares	100	-
Preference dividend	94	-
Trade creditors	26,254	30,947
Amounts owed to the company's holding company and fellow subsidiaries	11,475	581
Other taxes and social security	1,081	1,223
Other creditors	4,226	5,454
Taxation	-	2,222
Accruals and deferred income	11,741	6,540
Total creditors falling due within one year	54,971	46,967

Amounts falling due after more than one year	2 January 2016 £000	31 December 2014 £000
100,000 £1 preference shares	-	100
Preference dividend	-	87
Accruals and deferred income	39	55
Total creditors falling due after more than one year	39	242

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 were redeemed by the company on 1 May 2016 for £1.2086 per share, being the issue price of £1.00 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 2 January 2016.

15. Provisions for liabilities

	Warranty provision	Other provision	Total provisions
	£000	£000	£000
At beginning of year	1,202	-	1,202
Utilised in year	(2,694)	-	(2,694)
Charge in year	3,191	638	3,829
At end of year	1,699	638	2,337

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 provision

A provision has been made for the estimated stock loss on the sale of the Divertimenti business.

NOTES TO THE ACCOUNTS (continued)

16. Deferred taxation

Deferred tax asset	Fixed asset timing differences £000	Revaluation of intangibles £000	Tax losses £000	Total £000
At beginning of year as previously stated	455	-	-	455
Revaluation	-	1,033	-	1,033
At beginning of year as revalued	455	1,033	-	1,488
Credit in year	(335)	(1,033)	4,140	2,772
At end of year	120	-	4,140	4,260

	2 January 2016 £000	Restated 31 December 2014 £000
Fixed asset timing differences	120	455
Revaluation of intangibles	-	1,033
Tax losses	4,140	-
Deferred tax asset	4,260	1,488

At 2 January 2016 the company had unused tax losses of £20,697,972 on which deferred tax has been recognised at a rate of 20%. The tax losses resulted from current year trading activities and exceptional costs (see note 3).

The company expects to fully utilise the tax losses during 2016 and therefore the deferred tax asset expected to reverse in 2016 is £4,140,000.

17. Called up, allotted, issued and fully paid share capital

	2 January 2016 £000	31 December 2014 £000
Ordinary shares of £1 each		
At beginning and end of year – 236,948,407 ordinary shares	236,948	236,948

18. Reserves

Profit and loss account

In accordance with FRS 102 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 within 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 net Group liability of £3,091,000 (2014: £3,769,000) of which £3,595,000 was included in other creditors as it relates to AGA Rangemaster Limited. Other Group companies are in a repayment position.

AGA Rangemaster Limited is a guarantor to the long term committed banking facilities of AGA Rangemaster Group Limited.

20. Related party transactions

As the company is a wholly owned subsidiary of AGA-Rayburn Limited, which is a wholly owned subsidiary of AGA Rangemaster Group Limited, it has taken advantage of the exemption permitted by FRS 102 not to disclose any transactions or balances with entities that are part of The Middleby Corporation.

21. Ultimate holding company

The company's immediate parent company is AGA-Rayburn Limited which is registered in England and Wales.

The smallest Group of which the company is a member and for which Group financial statements are prepared is The Middleby Corporation.

The company's ultimate holding company and controlling party is The Middleby Corporation, a company incorporated and registered in Delaware, USA. Copies of the consolidated accounts can be obtained from the company at 1400 Toastmaster Drive, Elgin, Illnois, 60120, USA.

22. Change in accounting policy

The company has adopted a policy of writing off development costs incurred whereas previously development costs had been capitalised where certain criteria were met.
The impact of the change is as follows:

Reconciliation of equity at 1 January 2014

	£000
Equity shareholders funds at 1 January 2014 as reported	147,083
Development costs	(4,758)
Deferred tax on intangibles	951
Equity shareholders funds at 1 January 2014 as restated	143,276

Reconciliation of equity at 31 December 2014

	£000
Equity shareholders funds at 31 December 2014 as reported	149,325
Net adjustment to 2014 as above	(3,807)
Development costs - expenditure in year written off to profit and loss account	(1,419)
Development costs - reversal of amortisation for the year	1,010
Deferred tax on intangibles	82
Equity shareholders funds at 31 December 2014 as restated	145,191

NOTES TO THE ACCOUNTS (continued)

22. Change in accounting policy (continued)

Reconciliation of profit and loss for the year ended 31 December 2014

	£000
Profit for the year ended 31 December 2014 as reported	2,242
Development costs - expenditure in year written off to profit and loss account	(1,419)
Development costs - reversal of amortisation for the year	1,010
Deferred tax on intangibles revaluation	82
Profit for the year ended 31 December 2014 as restated	1,915

23. Transition to FRS 102

The following were changes in accounting policies arising from the transition to FRS 102:

Deferred tax
Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently deferred tax has been recognised on all fair value re-measurements.

Transitional relief
On transition to FRS 102 from previous UK GAAP, the company has taken advantage of transitional relief as follows:

Investments in subsidiaries
The company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.

24. Post balance sheet events

On 17 March 2016 the brand and assets of Divertimenti, one of the trading names of AGA Rangemaster Limited was sold for a consideration of £100,000 to Steamer Trading Limited. The loss on disposal is being finalised. Restructuring costs of £1,524,000 relating to Divertimenti are included in the exceptional restructuring costs in note 3.

The Preference Shares were redeemed by the company on 1 May 2016 for £1.2086 per share.