

AGA RANGEMASTER LIMITED

Annual Report and Financial Statements

29 December 2018

Co. No. 3872754

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STRATEGIC REPORT

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'FRS 102'.

The directors present their strategic report for the year ended 29 December 2018.

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.

During 2017 the foundry in Coalbrookdale was closed. The remaining land and buildings have been written down during the year and are included in assets held for sale in current assets on the balance sheet.

The level of EBITDA pre exceptional costs decreased by 18.3% as turnover decreased by 6.4%, gross margins have improved whilst revenue streams have been hit by weaker UK market conditions. 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:

	29 December 2018 £000	30 December 2017 £000
Turnover	130,062	138,942
EBITDA pre exceptional costs	23,792	29,108
Profit for year attributable to members of the parent company	6,761	9,492
Cash at bank	235	1,917
Equity attributable to owners of the parent company	132,958	126,197
Average number of employees	898	1,077

Turnover reduced by 6.4% as AGA cookers and Rangemaster cooker sales continue to be streamlined. Overseas turnover increased by 5.5% during the year. EBITDA pre exceptional costs as a percentage of turnover was 18.3% as some product rationalisation and restructuring initiatives came through (30 December 2017: 21.0%).

The profit for the year attributable to members of the parent company of £6,761,000 (30 December 2017: £9,492,000 profit) included exceptional costs of £4,999,000 (30 December 2017: £6,088,000) of which £2,155,000 (30 December 2017: £1,143,000) related to associated costs and deficit reduction contributions in relation to the AGA Rangemaster Group's defined benefit pension scheme which the company participates and £2,844,000 (30 December 2017: £4,945,000) related to restructuring costs.

Cash at bank was lower at £235,000 (30 December 2017: £1,917,000).

Average employee numbers have reduced by 17% compared to the previous year as a result of further redundancy programmes.

Product development programmes of recent years are now providing traction in existing and new markets.

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, Brexit, inflation and consumer confidence. The ongoing uncertainty of Brexit remains a key risk to the company and in particular, whether there is a trade deal or not. The company continues to monitor the situation very closely. 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 manager 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**

The companies within the AGA Rangemaster Group Limited structure will continue to benefit from the ability to draw up to \$100 million of funding from the Middleby Corporation five-year \$2.5 billion multi-currency senior revolving credit facility announced on 3 August 2016. On 18 December 2018 the Middleby Corporation entered into an amendment to the credit facility, increasing the revolving commitments under the credit facility by \$500 million to a total of \$3 billion. The remaining borrowing under the credit facility was \$1.1 billion at 29 December 2018.

Interest rate and cash flow risk

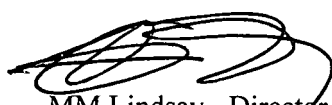
The company's interest rate risk will benefit from the above ability to draw funding from central Middleby committed facilities as part of the 2016 refinancing of the senior revolving credit facility. Borrowings issued at variable rates are partially offset by cash held at various rates. The company 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
17 September 2019

DIRECTORS' REPORT – COMPANY NO. 3872754

The directors present their report for the year ended 29 December 2018 together with the audited accounts of AGA Rangemaster Limited.

1. Results for the year

The profit and loss account is set out on page 10. The profit for the year after taxation amounted to £6,761,000 (30 December 2017: profit £9,492,000). During 2017 the foundry in Coalbrookdale was closed. The remaining land and buildings have been written down by £600,000 during the year and are included in assets held for sale in current assets on the balance sheet.

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.

3. Dividends

The directors do not recommend payment of an ordinary dividend (30 December 2017: £nil).

4. Directors and secretary

The directors of the company during the year were:-

TJ FitzGerald

MM Lindsay

A Zufia

The secretary of the company during the year was New Sheldon Limited.

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, comprising of AGA and Rangemaster 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.

DIRECTORS' REPORT (continued)**7. Creditor payment policy**

AGA Rangemaster Limited is 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 29 December 2018 equated to 84 days (30 December 2017: 85 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.

9. Going concern

A letter of support has been provided by the ultimate parent company, The Middleby Corporation. Given the ongoing financial support of The Middleby Corporation the directors believe it is appropriate to prepare the accounts on a going concern basis.

10. Auditors**Statement of disclosure to the auditors**

The directors who are members 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.

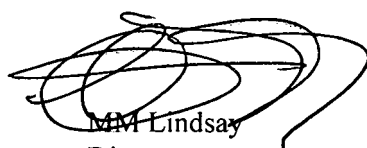
Re-appointment of auditors

In accordance with Section 485 of the Companies Act 2006, Ernst & Young LLP will remain as auditors of the company.

11. 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



Director

17 September 2019

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 AUDITOR'S REPORT TO THE MEMBERS OF AGA RANGEMASTER LIMITED

Opinion

We have audited the financial statements of AGA Rangemaster Limited for the year ended 29 December 2018 which comprise the Profit and Loss Account, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 29 December 2018 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AGA RANGEMASTER LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

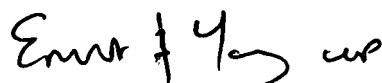
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditors' report.

Use of our report

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



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

30 September 2019

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 29 DECEMBER 2018**

	Note	29 December 2018 £000	30 December 2017 £000
Turnover	2	130,062	138,942
Net operating charges	3	(115,231)	(119,370)
Operating profit before exceptional costs	3	14,831	19,572
Exceptional costs	3	(4,999)	(6,088)
Profit for the year before taxation on ordinary activities		9,832	13,484
Tax on profit on ordinary activities	7	(3,071)	(3,992)
Profit for the financial year attributable to members of the parent company	18	6,761	9,492

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

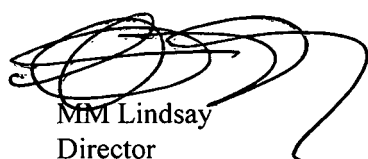
	Share capital £000	Profit and loss £000	Total equity £000
At 1 January 2017	236,948	(120,243)	116,705
Total comprehensive income - Profit for the financial year	-	9,492	9,492
Share capital reduction (note 17)	(236,925)	236,925	-
At 30 December 2017	23	126,174	126,197
Total comprehensive income - Profit for the financial year	-	6,761	6,761
At 29 December 2018	23	132,935	132,958

BALANCE SHEET

AS AT 29 December 2018

		29 December 2018	30 December 2017
	Note	£000	£000
Fixed assets			
Investments	8	-	-
Intangible fixed assets	9	7,069	14,039
Tangible fixed assets	10	14,416	15,466
		<u>21,485</u>	<u>29,505</u>
Current assets			
Stocks	12	22,676	25,431
Assets held for sale	10	554	-
Debtors: amounts falling due after more than one year	13	666	863
Debtors: amounts falling due with one year	13	116,382	100,732
Cash at bank and in hand		235	1,917
Total current assets		<u>140,513</u>	<u>128,943</u>
Creditors: amounts falling due within one year	14	<u>(26,983)</u>	<u>(30,161)</u>
Net current assets		<u>113,530</u>	<u>98,782</u>
Total assets less current liabilities		<u>135,015</u>	<u>128,287</u>
Provisions for liabilities	15	<u>(2,057)</u>	<u>(2,090)</u>
Net assets		<u>132,958</u>	<u>126,197</u>
Capital and reserves			
Share capital	17	23	23
Profit and loss account	18	132,935	126,174
Total shareholders' funds		<u>132,958</u>	<u>126,197</u>

The financial statements on pages 10 to 24 were approved by the Board of Directors on 17 September 2019 and were signed on its behalf by:



MM Lindsay
Director

NOTES TO THE ACCOUNTS**1. Accounting policies****Statement of compliance**

AGA Rangemaster Limited is a limited liability company incorporated in England and Wales. The Registered Office changed to Meadow Lane, Long Eaton, Nottingham, NG10 2GD on 22 March 2017. 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 29 December 2018.

Basis of preparation

The financial statements of AGA Rangemaster Limited were authorised for issue by the Board of Directors on 17 September 2019. 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 29 December 2018 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.

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.

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.

NOTES TO THE ACCOUNTS (continued)**1. Accounting policies (continued)****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 remaining 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.

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 12.5 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.

Asset in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

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

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.

NOTES TO THE ACCOUNTS (continued)**1. Accounting policies (continued)****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 reliably 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.

Assets held for sale

Property, plant and equipment held for sale is transferred to current assets held for sale at the expected realisable amount.

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

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 company does not undertake any hedge accounting transactions.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are items that are material either because of their size or their nature, or that are nonrecurring are considered as exceptional items and are presented within the line items to which they best relate.

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.

	29 December 2018 £000	30 December 2017 £000
Turnover by customer location		
United Kingdom	113,359	123,111
North & South America	1,239	1,399
Rest of World	15,464	14,432
Total overseas	16,703	15,831
Total turnover	130,062	138,942

NOTES TO THE ACCOUNTS (continued)

3. Net operating charges

	29 December 2018 £000	30 December 2017 £000
Turnover	130,062	138,942
Operating profit	(14,831)	(19,572)
Net operating charges	115,231	119,370
Other operating income	(581)	(471)
Raw materials and consumables	53,629	51,203
Other external charges	2,184	2,241
Staff costs (see note 4)	32,570	38,946
Depreciation of tangible fixed assets (see note 10)	1,991	2,566
Intangibles amortisation (see note 9)	6,970	6,970
Other operating charges	18,468	17,915
Net operating charges	115,231	119,370
Net operating charges include warranty and other external charges as well as the following charges / (credits):	29 December 2018 £000	30 December 2017 £000
Operating lease rentals:		
Hire of plant, equipment and vehicles	669	715
Land and buildings	1473	1,346
Profit on foreign exchange differences	(27)	(233)
Auditors' remuneration – statutory audit services from primary auditors	151	146
Research and development costs written off	895	1,520
Loss on the disposal of fixed assets	-	1,712

Exceptional costs amounted to £4,999,000 (30 December 2017: £6,088,000) of which £2,155,000 (30 December 2017: £1,143,000) related to the AGA Rangemaster Group's defined benefit pension scheme in which the company participates and £2,844,000 (30 December 2017: £4,945,000) related to restructuring costs including a £600,000 impairment of the remaining Coalbrookdale assets.

4. Employees

a) Staff costs, including executive directors:

	29 December 2018 £000	30 December 2017 £000
Wages and salaries	27,794	33,253
Social security costs	2,710	3,282
Pension costs (see below)	2,066	2,411
Total staff costs (note 3)	32,570	38,946

NOTES TO THE ACCOUNTS (continued)

4. Employees (continued)

b) Numbers employed

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

	29 December 2018 Number	30 December 2017 Number
Production	507	602
Selling and distribution	235	292
Administration	156	183
	<u>898</u>	<u>1,077</u>

5. 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 29 December 2018 are shown in the accounts of ARG Corporate Services Limited. The deficit of the AGA Rangemaster Group Pension Scheme as at 29 December 2018 is £185,272,000 (30 December 2017: £233,637,000) 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 £538,000 (30 December 2017: £563,000) charge to the profit and loss account for contributions to the defined contribution schemes and £1,528,000 (30 December 2017: £1,848,000) for the company's proportion of the contributions towards the defined benefit pension scheme, which form part of the full disclosures shown in the accounts of ARG Corporate Services Limited as at 29 December 2018. Additional contributions of £2,155,000 (30 December 2017: £1,143,000) were paid into the defined benefit pension scheme in the year which have been included as exceptional costs.

6. Directors' emoluments

TJ Fitzgerald, MM Lindsay and A Zufia 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 (30 December 2017: £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 (30 December 2017: £nil) under the company's defined benefit pension scheme as at 29 December 2018. There are no amounts receivable under the LTIP scheme (30 December 2017: £nil).

NOTES TO THE ACCOUNTS (continued)

7. Tax on profit on ordinary activities

	29 December 2018 £000	30 December 2017 £000
United Kingdom corporation tax on the profit for the year	2,208	1,225
Adjustments in respect of prior periods	313	88
Total current tax	2,521	1,313
Origination and reversal of timing differences	1,073	2,768
Adjustments in respect of prior periods	(523)	(89)
Deferred tax (note 16)	550	2,679
Total taxation charge	3,071	3,992

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.

A further reduction in the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016. Accordingly, the substantively enacted rates have been applied in the measurement of the deferred tax assets and liabilities as at 29 December 2018.

The tax assessed for the year is higher (30 December 2017: higher) than the standard rate of corporation tax in the UK of 19% (30 December 2017: 19.25%) as explained below:

	29 December 2018 £000	30 December 2017 £000
Profit on ordinary activities before tax	9,832	13,484
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (30 December 2017: 19.25%)	1,868	2,595
Effects of:		
- non-deductible expenses including goodwill amortisation	1,428	1,359
- adjustment in respect of prior years	(210)	(1)
- re-measurement of deferred tax – change in UK tax rate	(15)	39
Total tax charge	3,071	3,992

8. Investments

	29 December 2018 £000	30 December 2017 £000
Cost		
At beginning and end of year	4,546	4,546
Provision		
At beginning and end of year	(4,546)	(4,546)
Net book value	-	-

The company's wholly owned subsidiary is AFG Management Limited (formerly AGA Living Limited), a dormant company registered in England and Wales. The company was dissolved on 10 September 2019.

NOTES TO THE ACCOUNTS (continued)

9. Intangible fixed assets

	Goodwill £000	Other £000	Trademark license £000	Total £000
Cost				
At beginning of year	138,000	835	28,124	166,959
At end of year	<u>138,000</u>	<u>835</u>	<u>28,124</u>	<u>166,959</u>
Amortisation				
At beginning of year	124,547	249	28,124	152,920
Charge for the year	<u>6,887</u>	<u>83</u>	<u>-</u>	<u>6,970</u>
At end of year	<u>131,434</u>	<u>332</u>	<u>28,124</u>	<u>159,890</u>
Net book value				
At end of year	<u>6,566</u>	<u>503</u>	<u>-</u>	<u>7,069</u>
At beginning of year	<u>13,453</u>	<u>586</u>	<u>-</u>	<u>14,039</u>

Goodwill is being amortised over its remaining useful life of 3 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	Assets in course of construction £000	Total £000
Cost				
At beginning of year	6,081	57,926	982	64,989
Additions	-	995	983	1,978
Inter-group transfers	-	118	-	118
Impairment	(600)	-	-	(600)
Transfer to assets held for sale	(756)	-	-	(756)
Disposals	-	(70)	-	(70)
At end of year	4,725	58,969	1,965	65,659
Depreciation				
At beginning of year	855	48,668	-	49,523
Charge for the year	50	1,941	-	1,991
Inter-group transfers	-	1	-	1
Transfer to assets held for sale	(202)	-	-	(202)
Disposals	-	(70)	-	(70)
At end of year	703	50,540	-	51,243
Net book value				
At end of year	4,022	8,429	1,965	14,416
At beginning of year	5,226	9,258	982	15,466

The remaining freehold land and buildings relating to the Coalbrookdale site were impaired by £600,000 in the year and then the assets were transferred to assets held for sale where they are held at £554,000. The sale of these assets is expected within the next accounting period but the exact timing is unclear.

NOTES TO THE ACCOUNTS (continued)

11. Commitments

	29 December		30 December	
	2018		2017	
	£000		£000	
Capital commitments:				
Contracted for, but not provided for in the accounts		883		1,024
Operating lease commitments:				
	Land & buildings	Others	Land & buildings	Others
	29 December	29 December	30 December	30 December
	2018	2018	2017	2017
	£000	£000	£000	£000
Future minimum total rentals under non-cancellable operating leases are as follows:				
Within one year	1,016	688	1,224	1,036
Between one and two years	573	560	1,013	405
Between two and five years	1,365	1,183	1,402	116
More than five years	311	309	336	-
	<u>3,265</u>	<u>2,740</u>	<u>3,975</u>	<u>1,557</u>

12. Stocks

	29 December	30 December
	2018	2017
	£000	£000
Raw materials and consumables	7,953	6,913
Work in progress	1,395	2,028
Finished goods and goods for resale	13,328	16,490
Total stocks	<u>22,676</u>	<u>25,431</u>

13. Debtors

	29 December	30 December
	2018	2017
	£000	£000
Amounts falling due after more than one year		
Deferred tax (note 16)	666	863
Total debtors falling due after more than one year	<u>666</u>	<u>863</u>
Amounts falling due within one year		
Trade debtors	17,083	13,951
Amounts owed by the company's holding company and fellow subsidiaries	97,482	83,503
Deferred tax asset (note 16)	45	398
Other debtors	97	160
Prepayments and accrued income	1,675	2,720
Total debtors falling due within one year	<u>116,382</u>	<u>100,732</u>
Total debtors	<u>117,048</u>	<u>101,595</u>

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

NOTES TO THE ACCOUNTS (continued)

14. Creditors

	29 December 2018 £000	30 December 2017 £000
Amounts falling due within one year		
Trade creditors	14,425	17,159
Amounts owed to the company's holding company and fellow subsidiaries	254	101
Corporation tax	3,412	961
Other taxes and social security	374	448
Other creditors	3,370	3,803
Accruals and deferred income	5,148	7,689
Total creditors falling due within one year	26,983	30,161

15. Provisions for liabilities

	Warranty provision £000	Other provision £000	Total provisions £000
At beginning of year	2,032	58	2,090
Utilised in year	(2,201)	(58)	(2,259)
Charge in year	2,226	-	2,226
At end of year	2,057	-	2,057

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. The majority of the provision will be utilised within the next accounting period although the exact timing is unknown.

Other provision

Provision was made for the estimated stock loss on the sale of the Divertimenti business. The majority of the provision will be utilised within the next accounting period although the exact timing is unknown.

16. Deferred taxation

	Fixed asset timing differences £000	Other timing differences £000	Tax losses £000	Total £000
Deferred tax asset				
At beginning of year	863	10	388	1,261
Charge in year	(152)	(10)	(388)	(550)
At end of year	711	-	-	711

NOTES TO THE ACCOUNTS (continued)

16. Deferred taxation (continued)

	29 December 2018 £000	30 December 2017 £000
Amounts falling due after one year:		
Fixed asset timing differences	666	863
Amounts falling due within one year:		
Fixed asset timing differences	45	-
Other timing differences	-	10
Tax losses	-	388
Deferred tax asset	711	1,261

At 29 December 2018 the company had no unused tax losses (30 December 2017: £2,041,000) on which deferred tax has been recognised at a rate of 19%.

The deferred tax asset expected to reverse in 2019 is £45,000. This relates to fixed asset timing differences.

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

	29 December 2018 £000	30 December 2017 £000
Ordinary shares		
At beginning of year – 236,948,407 ordinary shares at 31 December 2017 of £0.0001 each (1 January 2017 of £1 each)	23	236,948
Share capital reduction	-	(236,925)
At end of year – 236,948,407 ordinary shares of £0.0001 each	23	23

On 2 October 2017 the company's share capital was reduced to £23,000 by way of a special resolution.

18. Reserves

Profit and loss account

The company has recorded the share capital reduction in the year through the profit and loss account in the Statement of Changes in Equity.

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 £3,433,000 (30 December 2017: £3,163,000) of which £3,430,000 (30 December 2017: £3,769,000) was included in other creditors as it relates to AGA Rangemaster Limited. Other Group companies are in a repayment position.