FIRED EARTH LIMITED

Annual Report and Financial Statements

29 December 2018

Co. No. 1733704

STRATEGIC REPORT

The directors present their strategic report for the year ended 29 December 2018.
These financial statements have been prepared in accordance with Financial Reporting Standard 102 'FRS 102'.

Principal activities

The principal activities of the company continue to be that of retail, marketing and distribution of hand-made ceramic tiles, specialist interior finishes and home fashions products. AGA Rangemaster Group Limited, the company's immediate holding company, was acquired by The Middleby Corporation on 23 September 2015.

The profit and loss account is set out on page 10. The company's performance during the year was as follows:

	29 December 2018 £	30 December 2017 £
Turnover	18,399,314	21,932,438
Loss before interest, tax, depreciation, amortisation, exceptional and redundancy and reorganisation costs ("EBITDA")	(3,531,680)	(1,460,933)
Operating loss	(4,606,199)	(1,973,255)
Loss for the financial year attributable to members of the parent company	(4,041,137)	(1,115,537)
Average number of employees	257	296

The turnover for the year was £18,399,314 (30 December 2017: £21,932,438) and was down 16.1% on 30 December 2017. The EBITDA loss was £3,531,680 (30 December 2017: £1,460,933 loss) and the operating loss amounted to £4,606,199 (30 December 2017: £1,973,255 loss).

The reduction in turnover was largely the result of challenging market conditions and the implementation of an ERP system in the previous year. The issues associated with this implementation are now resolved and the business is moving forward and regaining its market position. The website is currently being developed which should lead to increased activity.

The loss for the year after tax of £4,041,137 (30 December 2017: £1,115,537) included exceptional costs of £78,159 (30 December 2017: £449,847 net income which comprised of one-off redundancy and reorganisation costs of £356,923 and a reversal of a dilapidations provision of £806,770). Cash at bank was up at £347,776 (30 December 2017: £278,889).

The closing shareholders' deficit at 29 December 2018 of £9,169,370 (30 December 2017: £5,128,233) was a result of further exceptional costs, historical trading losses and intra-group interest.

No dividends were declared in the year (30 December 2017: £nil).

STRATEGIC REPORT (CONTINUED)

Future developments

The directors are confident that the business will shortly return to profitability and that growth is achievable within the current market. The company now benefits from improved systems and a lower cost base resulting from new operational efficiencies.

Fired Earth Limited is now part of the Residential Kitchen Equipment Group within The Middleby Corporation and benefits from the financial support of The Middleby Corporation.

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.

Changes in current economic conditions can have a sudden and material impact on the company. 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 the company. Competition in the market place particularly from online retailers can create pricing pressures. Further, the heavy promotion of new competitor products can impact demand. A significant downwards pressure on pricing and or a reduction in demand might impact the company's ability to deliver its strategy and business plans.
To mitigate these risks:
• We have differentiated, high quality products and actively invest in new product and design to maintain our position.
• Constant monitoring of our market position and competitor strategies.

General economic conditions
The company's operations are sensitive to economic conditions particularly the consumer and housing markets. Our exposure is most notable in the UK. The UK is growing but consumer confidence requires a sustained period of rising household incomes to recover to pre-downturn levels. Improved economic conditions would bring benefits given the operational gearing of the company whereas adverse conditions can result in reduced demand for our products. 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.

To mitigate these risks:
• The company tracks key economic metrics for the markets in which it operates. The data is used to identify early signs of change enabling the company to adjust its strategic plans and modify its investment priorities on a timely basis.
• The company seeks to increase international sales and to reduce individual market dependency.

Health, safety and environmental
The safety of employees, customers and visitors to our premises is of critical importance. As a retail business the company is exposed to a number of health and safety risks.

STRATEGIC REPORT (CONTINUED)

Health, safety and environmental (continued)
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 have a health and safety executive committee with a focus on these aspects of the business.

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.
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 operations require the timely supply of quality products and materials. Supply chain disruptions can adversely impact the company. Such disruptions include the failure of key suppliers. Quality issues in the supply chain can also adversely impact the company as faulty or substandard products 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.

STRATEGIC REPORT (CONTINUED)

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 China 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.

Liquidity and funding risk
The company is part of the Middleby Group and is financed by the Group. 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. The company will continue to analyse its interest rate exposure on a regular basis.

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. 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 number 1733704

The directors present their report and accounts for the company for the year ended 29 December 2018.

1. Result for the year

The profit and loss account is set out on page 10. The loss for the year after taxation amounted to £4,041,137 (30 December 2017: loss £1,115,537).

2. Research and development

The company has no research and development expenditure.

3. Directors and secretary

The directors of the company were as follows:
TJ FitzGerald
MM Lindsay
A Zufia
The secretary of the company during the year was New Sheldon Limited.

4. 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.

5. Employee participation

The company has developed individual, mainly informal, methods of communication. Employees are provided with information relevant to the negotiations of terms and conditions, rationalisation and development of facilities and products. These communications are supplemented by the internal employees' website which highlights events during the year.

6. Creditor payment policy

The company is responsible for establishing appropriate policies with regard to the payment of their suppliers. The company agrees 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 47 days (30 December 2017: 46) of related purchases.

7. Going concern

The company has net current liabilities and 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. 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.

DIRECTORS' REPORT (continued)

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. 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 information relevant to the preparation of their report of which the company's auditors are unaware, and

- The directors have taken all the steps that 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, No. 1 Colmore Square, Birmingham, B4 6HQ, will remain as auditors of the company.

10. 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
17 September 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and 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; and
- 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 FIRED EARTH LIMITED

Opinion

We have audited the financial statements of Fired Earth 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 20, 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRED EARTH LIMITED (CONTINUED)

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.

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.

Ernst & Young LLP

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 £	30 December 2017 £
Turnover	2	18,399,314	21,932,438
Net operating charges	3	(23,005,513)	(23,905,693)
Loss on ordinary activities before exceptional costs		(4,606,199)	(1,973,255)
Net exceptional (costs) / income	4	(78,159)	449,847
Loss on ordinary activities before interest and taxation		(4,684,358)	(1,523,408)
Net interest payable	5	(328,629)	(174,778)
Loss on ordinary activities before taxation		(5,012,987)	(1,698,186)
Tax credit on loss on ordinary activities	8	971,850	582,649
Loss for the financial year attributable to members of the parent company		(4,041,137)	(1,115,537)

All activities relate to continuing activities.

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

	Called-up share capital £	Share premium £	Profit and loss account £	Total equity £
At 1 January 2017	9,300	74,400	(4,096,396)	(4,012,696)
Total comprehensive losses – Loss for the financial year	-	-	(1,115,537)	(1,115,537)
At 30 December 2017	9,300	74,400	(5,211,933)	(5,128,233)
Total comprehensive losses – Loss for the financial year	-	-	(4,041,137)	(4,041,137)
At 29 December 2018	9,300	74,400	(9,253,070)	(9,169,370)

BALANCE SHEET AS AT 29 DECEMBER 2018

	Note	29 December 2018 £	30 December 2017 £
Fixed assets			
Tangible assets	10	2,266,002	3,099,900
Intangible assets	9	24,994	30,875
Total fixed assets		2,290,996	3,130,775
Current assets			
Stocks	12	2,265,172	2,667,463
Debtors	13	4,062,374	3,140,712
Cash		347,776	278,889
Total current assets		6,675,322	6,087,064
Creditors: amounts falling due within one year	14	(16,796,888)	(12,884,034)
Net current liabilities		(10,121,566)	(6,796,970)
Total assets less current liabilities		(7,830,570)	(3,666,195)
Provision for liabilities	16	(1,338,800)	(1,462,038)
Net liabilities		(9,169,370)	(5,128,233)
Capital and reserves			
Share capital	17	9,300	9,300
Share premium	17	74,400	74,400
Profit and loss account		(9,253,070)	(5,211,933)
Shareholders' deficit		(9,169,370)	(5,128,233)

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

Fired Earth 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 Fired Earth Limited were authorised for issue by the Board of Directors on 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 pound (£), except where otherwise stated.

Exemptions taken

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.

Provision is made for the estimated liability on all products still under warranty based on historical experience. Provision is also made for goods returned based on the historical experience of management. This requires management to exercise its judgement in calculation of these provisions.

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)

Going concern

The company has net current liabilities and 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. The companies within the Aga Rangemaster Group Limited structure will now 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.

Pension costs

The company participates, on a defined contribution basis, in the AGA Rangemaster Group Limited Pension Scheme. The FRS 102 disclosures of the AGA Rangemaster Group Limited Pension Scheme are shown in the accounts of ARG Corporate Services Limited. Fired Earth Limited cannot identify its share of the underlying assets and liabilities of the company scheme.

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

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows:

- Leasehold land and buildings over 50 years or the period of the lease whichever is less.
- Plant, machinery and equipment (including shop fittings) over a period of 3 to 12.5 years.
- Office 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.

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

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. Provision is made for obsolete and slow moving items based on the company's judgement of future realisation. A review of the stock provisioning method in the previous year, so it is consistent with other Middleby Group companies, led to an exceptional cost being incurred in the previous year.

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.

Turnover

Turnover which excludes value added tax and intra-group sales represents the invoiced value of goods and services supplied to customers. Revenue 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. This is deemed to be when the goods have been dispatched and the title has passed to the customer.

Rental income from operating leases of short leasehold properties is recognised on a straight-line basis on the term of the lease.

Provisions

Provision is made for the estimated liability on all products still under warranty. Product warranties of up to twelve months are given, where appropriate. Other provisions relate to minor legal and other claims and other costs from third parties and are provided for when a legal or constructive obligation arises, as a result of a past event and it is probable that an economic benefit will be required to settle the obligation. Provision has also been made to make good any dilapidations on leased shops during their rental period.

Deferred taxation

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

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)

Intangible assets

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

Other intangibles relate to lease premiums paid to get access to properties located in specific prime locations. The lease premium is amortised over the period of the lease.

2. Segmental analysis

Turnover by customer location	29 December 2018 £	30 December 2017 £
United Kingdom	16,651,014	20,047,938
Rest of World	150,300	135,500
Rest of Europe	1,598,000	1,749,000
Total overseas	1,748,300	1,884,500
Total turnover	18,399,314	21,932,438

In the opinion of the directors secondary segmental analysis is not required as there is no substantial difference between the class of business carried out as described in the Strategic Report.

3. Net operating charges

	29 December 2018 £	30 December 2017 £
Turnover	18,399,314	21,932,438
Operating loss	4,606,199	1,973,255
Net operating charges	23,005,513	23,905,693
Raw materials, consumables and change in stocks of finished goods and work in progress	7,784,806	8,948,682
Staff costs (see note 6)	5,795,463	6,466,879
Depreciation of tangible fixed assets (see note 10)	652,019	506,441
Impairment of tangible fixed assets (see note 10)	416,619	-
Intangibles amortisation (see note 9)	5,881	5,881
Other operating costs	8,350,725	7,977,810
Net operating charges	23,005,513	23,905,693

NOTES TO THE ACCOUNTS (continued)

3. Net operating charges (continued)

Other operating costs include the following:

	29 December 2018 £	30 December 2017 £
Operating lease rentals:		
Hire of plant, equipment and vehicles	56,411	59,251
Land and buildings	2,698,618	2,738,861
Auditors' remuneration – statutory audit services from primary auditors	45,320	25,000
Loss on foreign exchange differences	268,826	379,043
Loss on the disposal of fixed assets	115,537	5,001

4. Net exceptional costs / (income)

Exceptional costs of £78,159 (30 December 2017: net income £449,847) have been incurred in the year relating to redundancy costs. The exceptional income in the year to 30 December 2017 related to one-off redundancy and reorganisation costs of £356,923 and dilapidations provisions income of £806,770.

5. Net interest payable

	29 December 2018 £	30 December 2017 £
Intra-group interest payable to parent company	329,949	175,029
Bank interest receivable and similar income	(1,320)	(251)
Net interest payable	328,629	174,778

6. Employees

a) Staff costs, including executive directors:

	29 December 2018 £	30 December 2017 £
Wages and salaries	5,320,933	5,882,410
Social security costs	402,796	510,688
Pension costs (see below)	71,734	73,781
Total staff costs (note 3)	5,795,463	6,466,879

b) Pension costs

The company is a member of the AGA Rangemaster Group Limited Pension Scheme on a contribution basis. There is a £71,734 charge to the profit and loss account for the defined contribution scheme (30 December 2017: £73,781).

NOTES TO THE ACCOUNTS (continued)

6. Employees (continued)

c) 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
Selling and distribution	244	274
Administration	13	22
	257	296

7. 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 under the company's defined benefit pension scheme as at 29 December 2018 (30 December 2017: nil). There are no amounts receivable under the LTIP scheme (30 December 2017: £nil).

8. Tax on loss on ordinary activities

	29 December 2018 £	30 December 2017 £
Current tax:		
UK corporation tax credit on the loss for the year	(823,094)	(493,158)
Adjustments in respect of prior years	(384,404)	31,302
Total current tax	(1,207,498)	(461,856)
Deferred tax:		
Origination and reversal of timing differences	(89,924)	24,893
Adjustments in respect of prior years	325,572	(145,686)
Deferred tax charge / (credit) (note 15)	235,648	(120,793)
Total tax credit	(971,850)	(582,649)

NOTES TO THE ACCOUNTS (continued)

8. Tax on loss on ordinary activities (continued)

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.

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

	29 December 2018 £	30 December 2017 £
Loss on ordinary activities before tax	(5,012,987)	(1,698,186)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (30 December 2017: 19.25%)	(952,468)	(326,843)
Effects of:		
- adjustments in respect of prior years	(58,832)	(114,384)
- non-deductible expenses	31,721	17,144
- re-measurement of deferred tax - change in UK tax rate	10,579	(3,290)
- non-taxable dilapidations provision credit	(2,850)	(155,276)
Total tax credit	(971,850)	(582,649)

9. Intangible fixed assets

	Other lease premium
Cost	
At beginning of year	49,988
Additions	-
At end of year	49,988
Amortisation	
At beginning of year	19,113
Charge for the year	5,881
At end of year	24,994
Net book value	
At end of year	24,994
At beginning of year	30,875

NOTES TO THE ACCOUNTS (continued)

10. Tangible fixed assets

	Short leasehold land and buildings	Plant, machinery, office equipment and shop fittings	Total
Cost	**£**	**£**	**£**
At beginning of year	318,591	5,616,359	5,934,950
Reclassification	-	5,001	5,001
Additions	-	350,277	350,277
Disposals	-	(475,406)	(475,406)
At end of year	318,591	5,496,231	5,814,822
Depreciation			
At beginning of year	306,619	2,528,431	2,835,050
Reclassification	-	5,001	5,001
Charge for the year	2,772	649,247	652,019
Impairment	-	416,619	416,619
Disposals	-	(359,869)	(359,869)
At end of year	309,391	3,239,429	3,548,820
Net book value			
At end of year	9,200	2,256,802	2,266,002
At beginning of year	11,972	3,087,928	3,099,900

The net book value of plant and equipment held under finance leases is £nil (30 December 2017: £nil) and the depreciation charge relating to those assets is £nil (30 December 2017: £1,332).

NOTES TO THE ACCOUNTS (continued)

11. Commitments

Capital commitments:

	29 December 2018 £	30 December 2017 £
Contracted for, but not provided for in the accounts	-	-

Operating lease commitments:

	Plant & machinery		Land & buildings	
	29 December 2018 £	30 December 2017 £	29 December 2018 £	30 December 2017 £
Future minimum total rentals under non -cancellable operating leases are as follows:				
Within one year	223,676	192,316	2,582,350	2,475,027
Between one and two years	192,789	187,724	2,396,822	2,384,350
Between two and five years	18,436	165,177	5,574,686	5,689,108
More than five years	-	-	5,429,387	5,938,300
Operating lease commitments	434,901	545,217	15,983,245	16,486,785

12. Stocks

	29 December 2018 £	30 December 2017 £
Finished goods and goods for resale	2,265,172	2,667,463
Total stocks	2,265,172	2,667,463

13. Debtors

	29 December 2018 £	30 December 2017 £
Trade debtors	490,037	633,158
Amounts owed by fellow subsidiaries	8,974	34,945
Deferred tax asset (note 15)	-	8,285
Group relief receivable	1,700,656	493,158
Other debtors	217,662	121,241
Prepayments and accrued income	1,422,398	1,399,915
Total debtors falling due within one year	3,839,727	2,690,702
Deferred tax asset (note 15)	222,647	450,010
Total debtors falling due after more than one year	222,647	450,010
Total debtors	4,062,374	3,140,712

NOTES TO THE ACCOUNTS (continued)

14. Creditors

Amounts falling due within one year	**29 December 2018**	**30 December 2017**
	£	**£**
Trade creditors	2,517,287	2,553,687
Amounts owed to the parent holding company and fellow subsidiaries	11,420,183	7,564,416
Other taxes and social security	103,389	112,366
Other creditors	1,607,395	1,691,121
Accruals and deferred income	1,148,634	962,444
Total creditors falling due within one year	16,796,888	12,884,034

15. Deferred tax asset

	29 December 2018	**30 December 2017**
	£	**£**
Amounts falling due within one year:		
Fixed asset timing differences	-	8,285
Amounts falling due after one year:		
Other timing differences	-	325,957
Fixed asset timing differences	222,647	124,053
Amounts falling due after one year	222,647	450,010
Total deferred tax asset	222,647	458,295

Deferred tax asset	**Fixed asset timing differences**	**Other timing differences**	**Total**
	£	**£**	**£**
At beginning of year	132,338	325,957	458,295
(Charge) / credit in year	90,309	(325,957)	(235,648)
At end of year	222,647	-	222,647

Deferred tax

At 29 December 2018 the company had unused tax losses of £nil (30 December 2017: £nil). The deferred tax asset is expected to increase by £84,071 during 2019. This relates to fixed asset timing differences.

NOTES TO THE ACCOUNTS (continued)

16. Provisions for liabilities

	Dilapidations provision	Warranty provision	Other provisions	Total
	£	£	£	£
At beginning of year	1,249,800	60,000	152,238	1,462,038
Utilised in year	(20,000)	(52,360)	(95,695)	(168,055)
(Credit) / charge in year	(15,000)	33,360	26,457	44,817
At end of year	1,214,800	41,000	83,000	1,338,800

Dilapidations provision

The company's shop leases are reviewed annually to ensure an adequate dilapidations provision is held.

Warranty provision

Provision is made for the estimated liability on all products still under warranty. Product warranties of up to twelve months are given, where appropriate for the company's main products.

Other provisions

Other provisions relate to a provision for goods returned which should be realised in the next accounting period.

17. Called-up share capital and share premium

	29 December 2018	29 December 2018	30 December 2017
Called-up, allotted, issued and fully paid share capital	**Number**	**£**	**£**
Ordinary shares of £0.10 each			
80,477 A and 12,523 B shares			
At beginning and end of year –	93,000	9,300	9,300

The authorised share capital of £10,598 (30 December 2017: £10,598) is divided into 80,477 (30 December 2017: 80,477) A ordinary shares of 10p each and 25,500 (30 December 2017: 25,500) B ordinary shares of 10p. A ordinary shareholder directors have the right to appoint three directors of the company whereas B ordinary shareholder directors have to right to appoint two directors. The rights of the A and B shareholders are shown in the Articles of Association.

Share premium account

This reserve records the amount above the nominal value received for shares less transaction costs.

18. Related party transactions

As the company is a wholly owned subsidiary of The Middleby Corporation, it has taken advantage of the exemption permitted by FRS 102 not to disclose any transactions or balances with entities that are 100% controlled by The Middleby Corporation.

NOTES TO THE ACCOUNTS (continued)

19. Contingencies

The company is jointly and severally liable under the AGA Rangemaster 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 £217,306 was included in debtors (30 December 2017: £97,387 was included in other creditors). Other Group companies are in a repayment position.

20. Ultimate holding company

The company's immediate parent company is AGA Rangemaster Group Limited, incorporated and registered in England and Wales. The smallest and largest group of which the company is a member and for which group financial statements are prepared is The Middleby Corporation, incorporated and registered in the state of Delaware, USA.

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