



**AGA**

FOODSERVICE GROUP

## Key Events

### July 2001:

Acquisition of Fired Earth, the UK's leading home finishes business, for £30 million.

### March 2001:

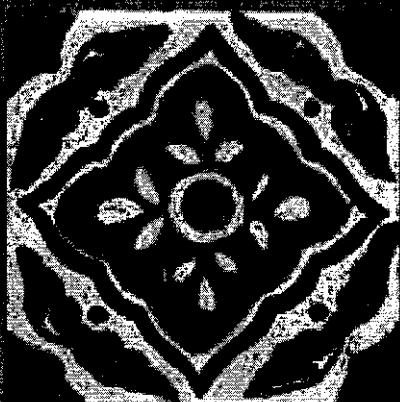
Completion of the sale of Pipe Systems to Etex for £786 million in cash.

### December 2001:

Acquisition of Elgin & Hall, the fireplace designer, for £4 million and the opening of Warmington Mill, Fired Earth's fourth inspirational store.

### March 2002:

Sale of Leisure and Flavel cooker brands and launch of Rangemaster. Acquisition of Domain Home Fashions for up to \$29 million providing US consumer platform.



## Contents

Financial summary

Chairman's statement

Chief Executive's review

Directors' and secretaries'

Report on the financial year

Corporate governance

Group profit and loss account

Supplementary statement

Balance sheet

Group cash flow statement

Notes to the accounts

Directors' responsibilities

Use of derivatives

Investment method history

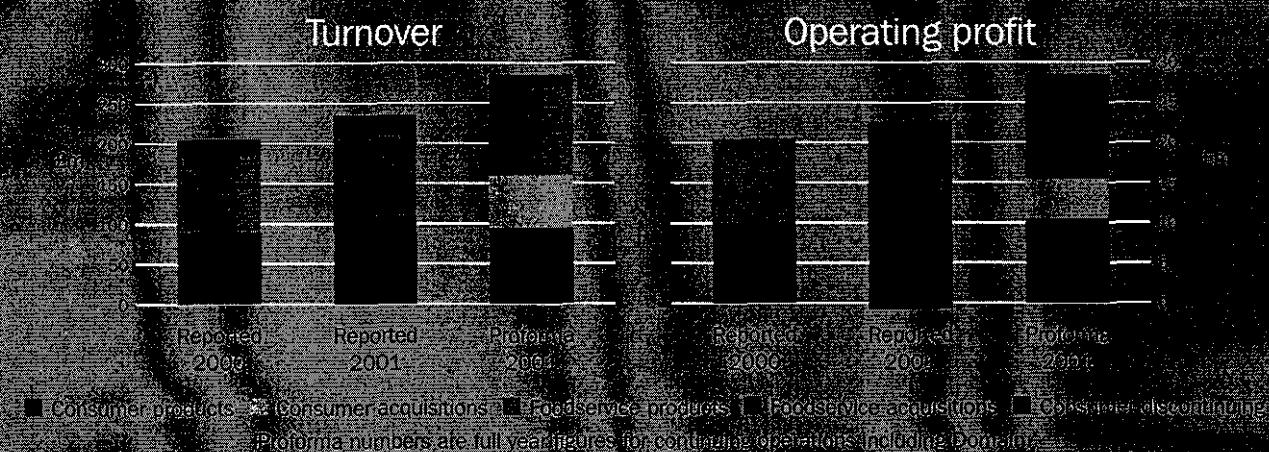
Notes to financial statements

Financial covenants and rewards

2002 financial calendar

The AGA Group's environmental policy

The **Aga Foodservice Group** is creating a major international consumer brand led operation with Aga at its heart. It is also expanding in niche foodservice markets and has the resources and funds available to support its development plans.



## Financial summary

	2001	2000
Turnover - continuing	£209.8m	£183.8m
Operating profit before exceptional costs and goodwill amortisation - continuing	£22.6m	£20.6m
Operating profit before exceptional costs and goodwill amortisation - Group	£23.0m	£102.0m
Profit before tax - Group	£24.7m	£30.8m
Earnings per share based on profit before goodwill amortisation and disposal of business	13.0p	22.6p
Dividend per share	5.0p	13.2p
Shareholders' funds	£253.0m	£375.4m
Net cash movements	(£16.1m)	(£304.3m)

**AGA**

FOODSERVICE GROUP

**2001** proved an exciting year for the Group as it established a clear identity in its chosen consumer and foodservice markets. Trading performance was commendable and a sound platform developed for sustained growth.

Considerable progress was achieved in a difficult year for some of our key customers, notably in the rural economy and in the tourism industry. On the consumer side we invested in distribution and in product development, creating a base for an international brand led business headed by Aga. In foodservice we expanded our product range, notably in bakery and continued to build on relationships with our national account customers.

#### Developing the Group

2001 started with the sale of our Pipe Systems operations to Etex. The transaction proved well-timed given the

difficult market conditions that emerged for industrial groups during the year. The sale enabled us to return £335 million to shareholders and the tender mechanism presented all shareholders with the opportunity to decide whether they wished to retain their investment with the Group in its new form. The return of capital was structured to leave the Group with a strong balance sheet to invest in the business and to seek acquisition opportunities.

We were successful during the second half of the year in completing four complementary acquisitions. The consumer side was broadened by the acquisition of Fired Earth, the UK's leading home finishes business, and Elgin & Hall, the fireplace surround designer and manufacturer. In commercial catering we acquired

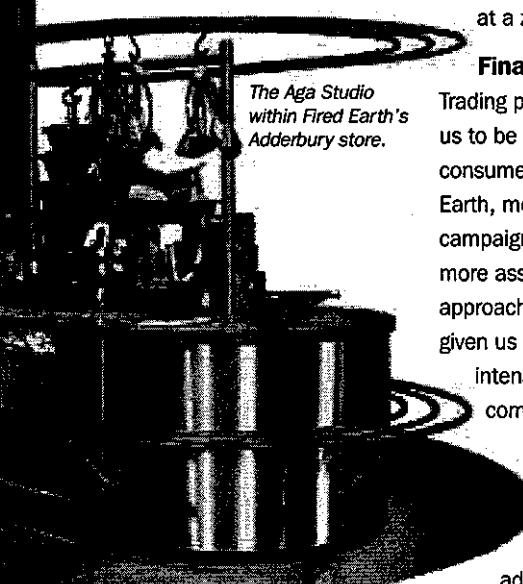
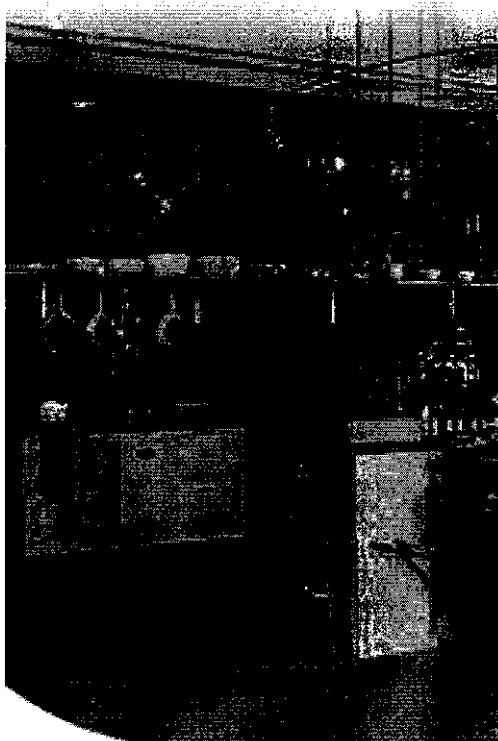
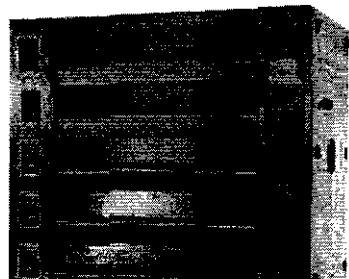
two additional bakery operations, Millers, giving us the number one position in the UK in-store bakery market and Adamatic in the USA presenting the opportunity to establish comparable businesses in North America. On 19th March 2002 we acquired Domain Home Fashions, the US East Coast retailer, for up to \$29 million. It provides retail expertise and a fast and cost effective way of obtaining a significant presence in the US market. Further acquisitions are to be expected as 2002 progresses.

Since the start of 2002 we have moved to make Rangemaster a major cooking brand and have agreed to sell our commodity cooking brands, Leisure and Flavel. The proceeds of these sales, together with that of Flavel Fires, for an aggregate up to £6.6 million will enable us to develop our Leamington factory as a centre of excellence for range cooking at a zero net cost.

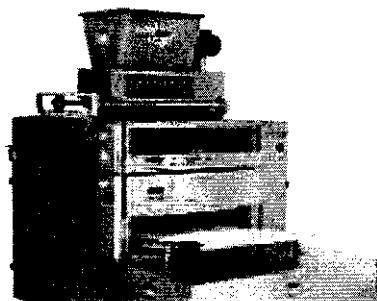
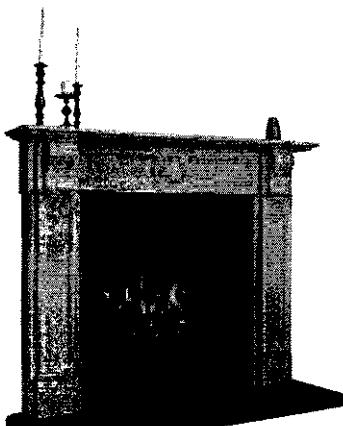
#### Financial performance

Trading performance in the year showed us to be on the right track. Our leading consumer operations, Aga and Fired Earth, met expectations. Aga's 'Iron Age' campaign is the cornerstone of our new more assertive sales and marketing approach. Leisure has for some time given us lower levels of return because of

intense price competition at the commodity end of the market. In early 2002 it implemented a repositioning programme which will raise overall returns by focussing on high value added product ranges. In



The Aga Studio within Fired Earth's Adderbury store.



foodservice there were strong performances in bakery and refrigeration.

Turnover from continuing operations (excluding discontinuing) rose from £183.8 million to £209.8 million and operating profits rose from £20.6 million to £22.6 million, with organic growth of 4% being achieved. Profit before tax and goodwill was £31.3 million. Earnings per share were 13.0 pence. To reflect the circumstances of the smaller group after the Pipe Systems sale the dividend level has been reset. A final dividend of 3.3 pence per share is being recommended bringing the total for the year to 5.0 pence per share. The dividend is covered 2.6 times. The Group continues to have a longer term target of three times dividend cover. The balance sheet at the end of 2001 was very strong. Following the disposal, return of capital and subsequent new investments made last year, net cash was £116.1 million and net assets were £258.8 million.

### Strategy

In 2002 we will further develop the strategy we set out last year. In the consumer field we aim to achieve growth by further development of our major brands, led by Aga, and the expansion of their markets overseas. Retailing is now an important aspect of our consumer operations with more shop openings at home and overseas and a widened product range emerging during the year. Raising market awareness of existing products is just as important as new product development. Looking forward, we believe that we have particular

opportunities in high-end consumer products, driven by our ability to transfer technology from our commercial products.

In foodservice we will be seeking to strengthen relationships with a number of key accounts, to benefit from the strong position we have developed in bakery and refrigeration equipment and to develop overseas. In prime cooking our major product introductions and upgrades will provide us with new impetus.

### Prospects

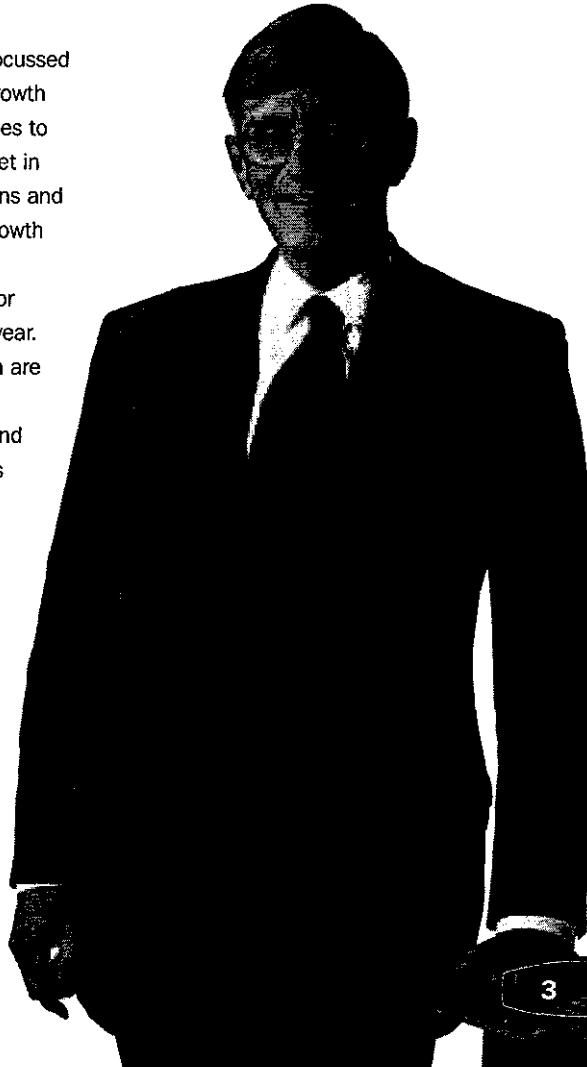
Aga Foodservice Group is now a focussed brand led Group with significant growth potential and the financial resources to support its plans. The objectives set in 2001 were to strengthen operations and create more substantial market growth opportunities. In 2001 much was achieved and the Group is ready for rapid development in the current year. The cornerstones of our expansion are to make Aga into a major international brand led business and to grow the foodservice operations in defensible niche markets more closely aligning the businesses with national accounts.

2002 has got off to a satisfactory start. Sales for Aga and our other retail operations are ahead of last year. In foodservice we have obtained important new business from accounts like Compass, Safeway and Sainsbury. While we remain alive to the possible weakening of consumer spending and reduced capital

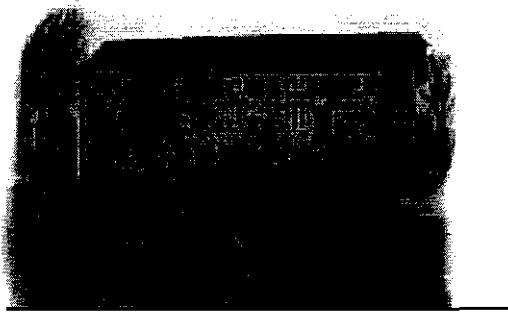
investment in some sections of our foodservice markets, we expect that the new products and sales initiatives we have taken will enable the Group to make good progress in the year.

*Kit Farrow*  
*Kit Farrow*

Christopher (Kit) Farrow, Chairman  
22nd March 2002



Aga Foodservice Group is now **focussed and brand led** with significant growth potential and the financial resources to support its plans.



Aga-Rayburn had an excellent year. Progress was made in all areas of the business and the potential for sustained growth became clearer. Under the banner of 'Project 10,000', launched in September 2001, Aga has set about broadening the product range and the customer base and raising Aga sales to over 10,000 by 2003. In 2001 orders were up by 5% to over 8,000.

Particular initiatives of the last year have included:

- A greater focus on distribution involving a large expansion of our retail interests and an overall upgrade of our retailing approach with increased training and support for our own stores and for distributors.
- The launch of the 'Iron Age' campaign featuring the Iron Age Man and Woman and their Iron Age tools. It shows Aga as a design classic fitting into contemporary and traditional settings.

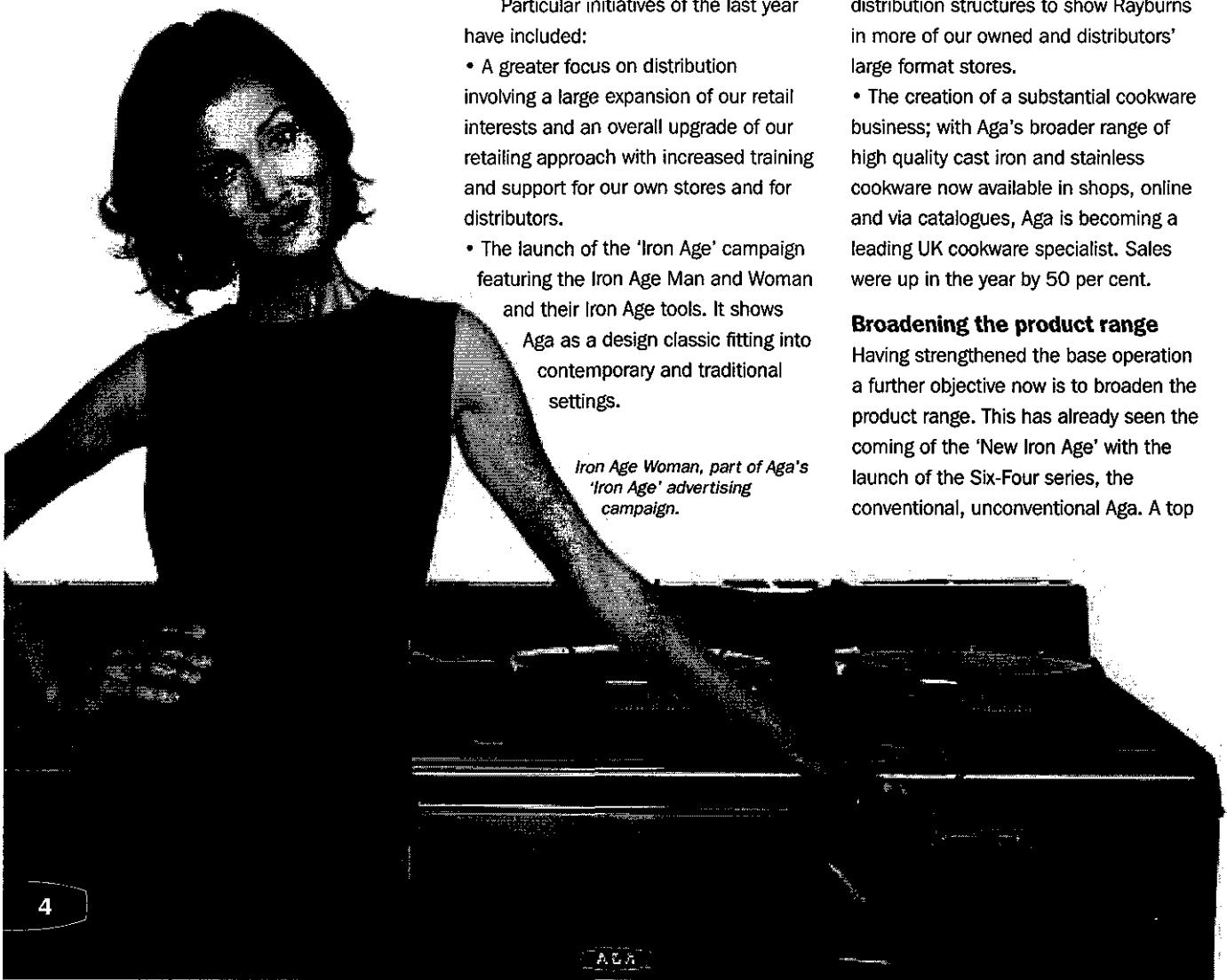
*Iron Age Woman, part of Aga's 'Iron Age' advertising campaign.*

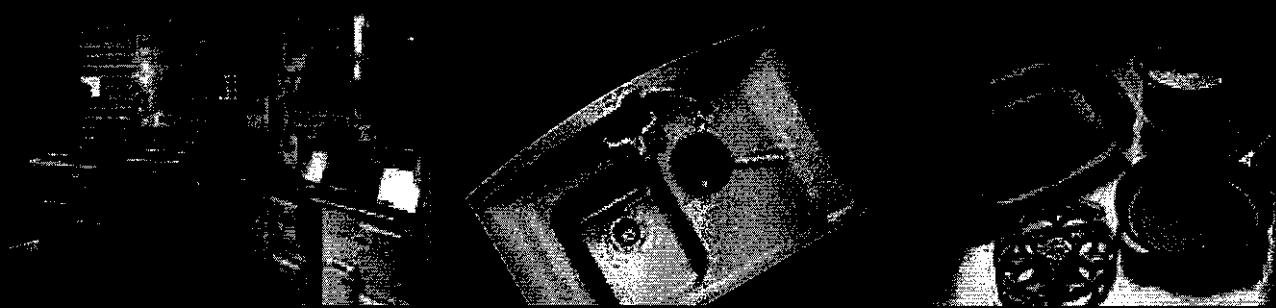
- New store openings, including that of the flagship Knightsbridge store and major refurbishments such as our Kidderminster store which now has the largest display of Agas and Rayburns in the UK.

- New initiatives to boost Rayburn; Rayburn has great flexibility in cooker only and cooker with hot water formats and the onus is now on expanding its distribution structures to show Rayburns in more of our owned and distributors' large format stores.
- The creation of a substantial cookware business; with Aga's broader range of high quality cast iron and stainless cookware now available in shops, online and via catalogues, Aga is becoming a leading UK cookware specialist. Sales were up in the year by 50 per cent.

#### Broadening the product range

Having strengthened the base operation a further objective now is to broaden the product range. This has already seen the coming of the 'New Iron Age' with the launch of the Six-Four series, the conventional, unconventional Aga. A top



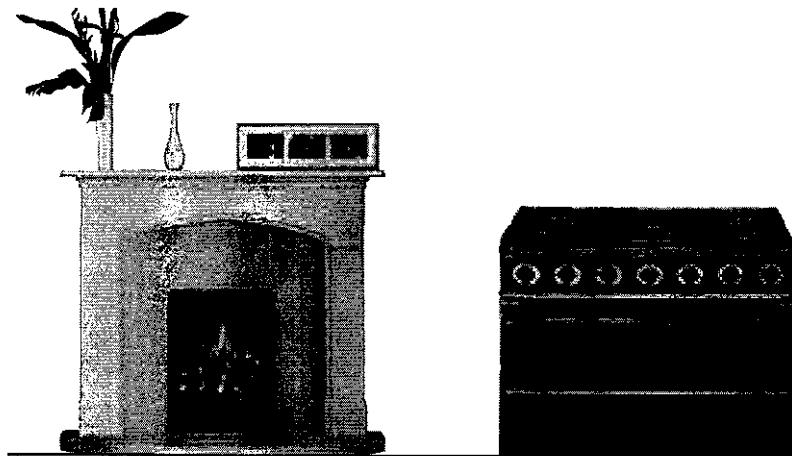


of the range domestic fridge, styled to complement the Aga cooker and produced to a commercial specification by Williams Refrigeration with Aga's consumer design input, will soon be available. These products which share Aga's brand values of discrete affluence, comfort and reliability can become important additions.

#### **Developing international markets**

The next phase in developing Aga is to look to international markets. A strengthened distributor base and service support has been put in place in the USA. New marketing literature for the US under the campaign 'Aga Ranges: You're Ready' is now in use. This has been given considerable impetus by the acquisition of Domain Home Fashions which designs, exclusively sources and retails furniture and home fashions through twenty-five stores on the US East Coast. A new concept store in Boston is planned covering our total consumer product offering. Similarly in Europe, Aga is to expand its existing outlets and is to open an Aga/Fired Earth format inspirational store in the centre of Paris in the summer.





### Retail outlet strategy

The objective overseas and in more UK locations is to present a range of complementary brands and products in destination stores. Here the acquisition of Fired Earth was a key move. It brought not only its established ranges of tiles, paints and bathrooms, but also additional retailing expertise. Since the acquisition for £30 million in July 2001 it has performed well in its own right and has worked with Aga to develop joint

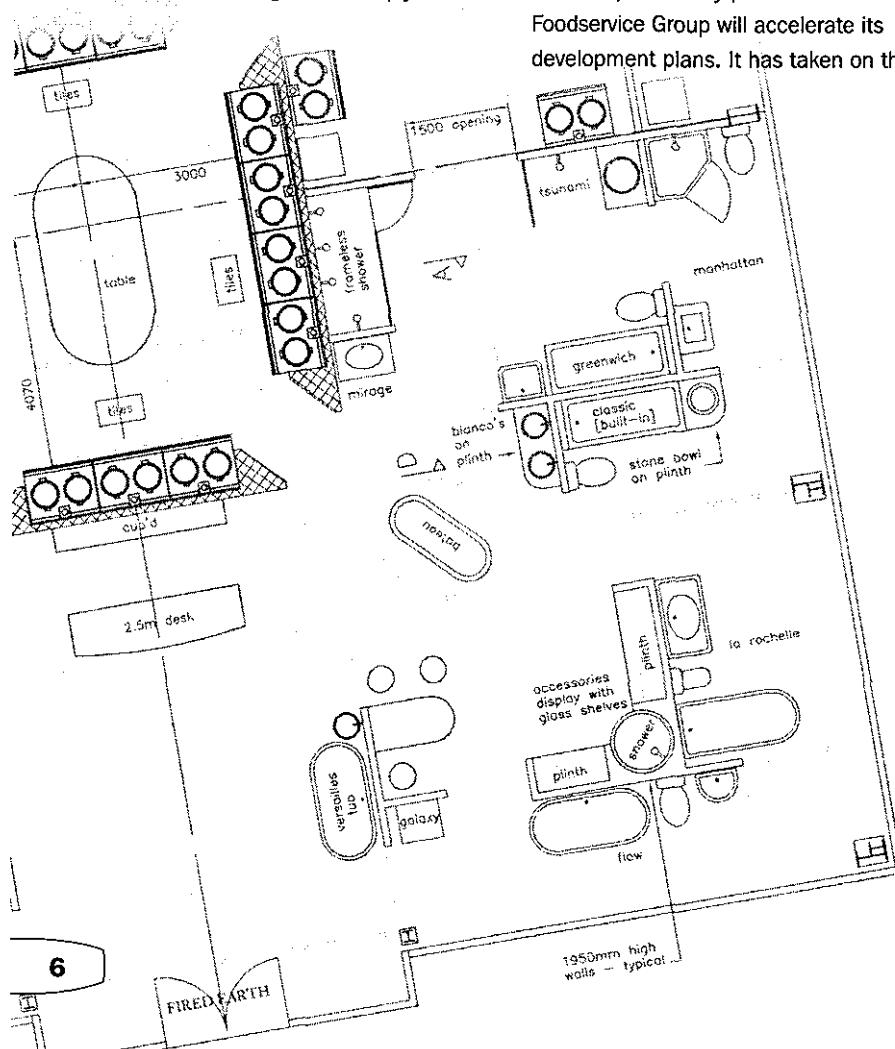
initiatives which are seen in 'Inspirational' stores at its head office at Adderbury, Warmington Mill near Peterborough and shortly in Knutsford.

Elgin & Hall is another empathetic brand brought into the Group in December 2001 for £4 million. It designs and makes hand painted fireplace surrounds. Its authoritative position in interior design is recognised in its sector and the greater resources and complementary products of the Aga Foodservice Group will accelerate its development plans. It has taken on the

marketing of Coalbrookdale Stoves and is providing a range of products for Fired Earth for its lifestyle range.

### Focus on added value

The Group's consumer product offering aims to be design-led and targets niche markets. This resulted in the decision announced in January 2002 to move out of commodity slot-in and eye-level cookers largely sold in highly competitive, multiple retailers. The sale of our Flavel and Leisure cooker brands to BEKO UK, part of the major international Arcelik appliance group, for up to £5.4 million followed. The transaction is expected to complete in April 2002. Our workforce will fall by about 30 per cent to around 500 at Leamington Spa. The focus will now be on higher value added products sold under the Rangemaster brand with the Group making the Leamington Spa factory its centre of excellence for range cooking. Working with design teams across the Group, Leamington Spa will manufacture Rangemaster, the Aga Masterchef and the Falcon Professional Kitchen Range. These products will be given significantly increased marketing resources.



*Part of the floor plan of the Sycamore Farm, Cheshire, Fired Earth inspirational store.*

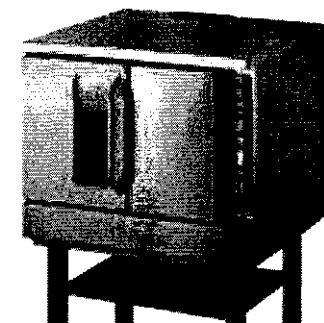
### Agalinks

The Group has invested £3 million over 2 years in developing Agalinks. These set-up costs have been reported as exceptional operating costs. It has over 80,000 registered users and has established a clear community. It is now an important marketing channel for Aga and our related brands. It will trade at close to breakeven in 2002. Its excellent technology is now used to run the Group's own website and the Aga Rayburn website which is itself receiving ever higher usage levels.

### Financial performance

Taken together the Group's consumer operations had a pleasing year with turnover rising from £90.5 million to £107.1 million and operating profits before goodwill and exceptionalities increasing from £10.1 million to £11.9 million. Appropriately, Aga took the lead achieving record profits even after £0.9 million final quarter expenditure on the Iron Age campaign which will benefit 2002 more particularly. Fired Earth achieved turnover up year on year by nearly 20 per cent as new stores came on stream. At Leisure volumes were impressive, but the business was held back by margin pressures on sales of slot-in and eye-level cookers. These consumer operations are achieving in excess of 10 per cent return on sales and with the repositioning of Leisure this can improve further.

In **foodservice** the Group is seeking to develop strong international and defensible niche market positions epitomised by the move into bakery.



#### Bakery equipment

Mono, acquired in July 2000, proved a significant success as investment programmes from key customers such as Safeway in their in-store bakeries took effect. Further, Mono has noteworthy new product initiatives in fast-fry and automatic slicers. The Millers Bakery acquisition in December 2001 broadened the UK customer base, most notably with Sainsbury and Somerfield. The focus that Millers has on facilities management and in particular deep cleaning of foodservice equipment in-store, linked to existing maintenance service strengths within the Group through Mono and through AFE Serviceline, now means that the Group is becoming a major force in facilities management with supermarkets.

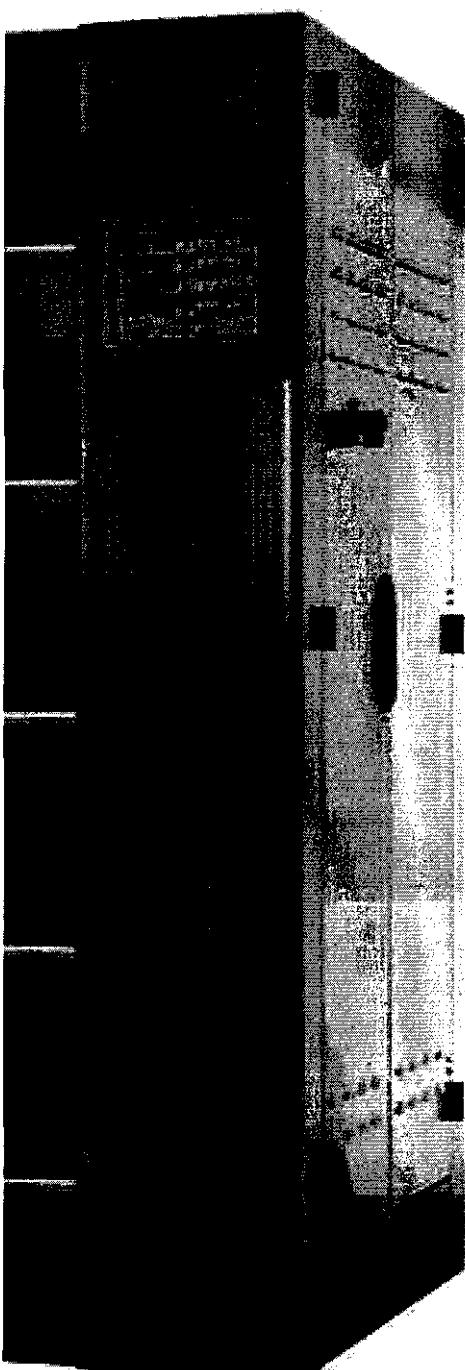
The acquisition of Adamatic based near Victory's production facilities in New Jersey in December 2001 gave impetus to expansion in the USA. Mono had had a presence in the USA for a number of years, but had not had the resources to create a sustainable position. With Adamatic's own lines and established

manufacturing in combination with product and expertise from Europe, the Group has the opportunity to influence US markets in moving to in-store bakery concepts.

#### Prime cooking

The Group is already a market leader in the UK in some important market areas such as prime cooking through Falcon. Market conditions were difficult for key target sectors of tourism and hotels and a number of large distributors left the market. Falcon performed creditably in focussing on new opportunities, notably in the public sector, where it won contracts, for example, with the Royal Navy. Falcon further recognised that more ambitious marketing programmes and greater product innovation were required. Whole new ranges to take it into the snack bar and smaller restaurant markets combined with upgrades to its core heavier duty ranges were launched at Hotelympia 2002 in February which will bring real benefits as the year progresses.

*The Millers Vanguard Decktronic TS deck oven.*





### **Service and distribution**

In aligning the foodservice operations closely with national accounts, the Group has the benefit of AFE Online, its equipment distributor and AFE Serviceline, the service provider. Compass has, for example, become over the last two years AFE Online's largest account and it now sources all its light and most of its heavy equipment from the Group. AFE Serviceline has an exceptional client base and with over 120 engineers is an established market leader.

In **refrigeration** the Group has in place the basis for a significant international business and the opportunity to move into consumer markets.



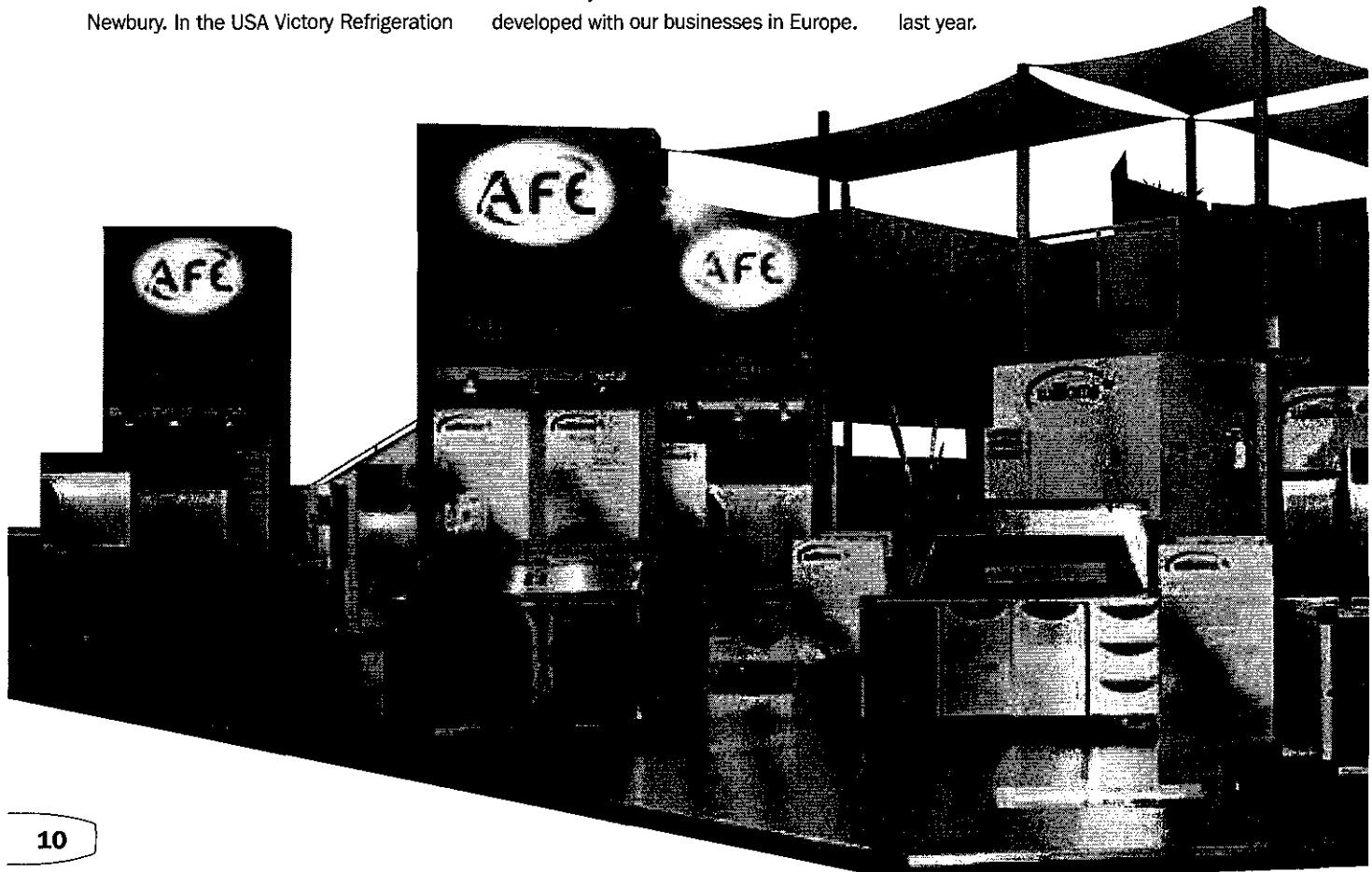
#### Refrigeration

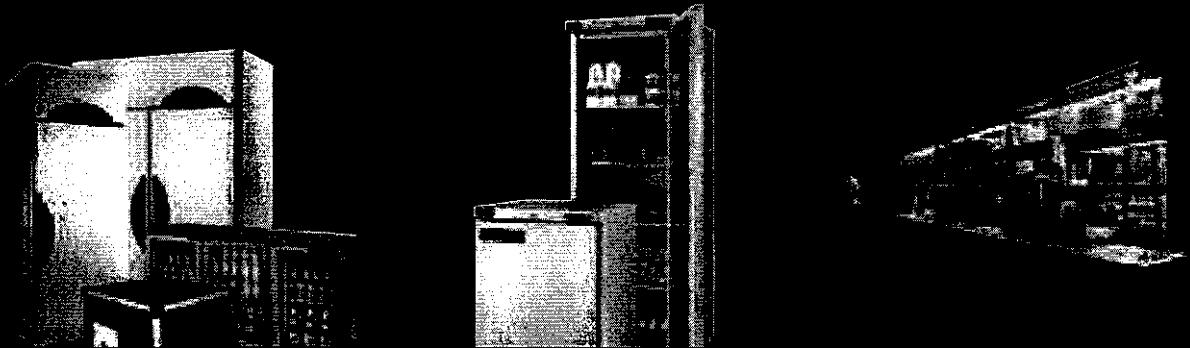
The Group's principal refrigeration businesses are Williams in the UK and Victory in the USA. Williams Refrigeration also has a presence in France, China and Australia. Williams Refrigeration had a strong year responding to challenging market conditions, picking up important contracts with major national accounts such as Whitbread and Sainsbury. The Glycol technology Williams has been developing is steadily winning market acceptance, most recently seen in use at the new Vodafone head office in Newbury. In the USA Victory Refrigeration

had a further difficult year not least because its cost base remained high. In the last quarter this improved and with significant new contracts in place and as part of a broader grouping with the acquisition of Adamatic, Victory is itself better placed than for some time with changes in management and working practices leading to greater production flexibility. Efficiencies have improved and sales have been steadily increasing as a result of re-established links with key buying groups. The sourcing links for both Victory and Adamatic will be developed with our businesses in Europe.

#### Financial performance

Overall the foodservice operations had a sound year. Turnover increased from £93.3 million to £102.7 million and operating profits before goodwill and exceptional rose from £10.5 million to £10.7 million. Margin improvements proved difficult to achieve in quiet markets and consistent efficiency improvements were required. Currently orders are satisfactory with bakery operations exceptionally busy. In refrigeration and prime cooking the outlook is better than at the same time last year.



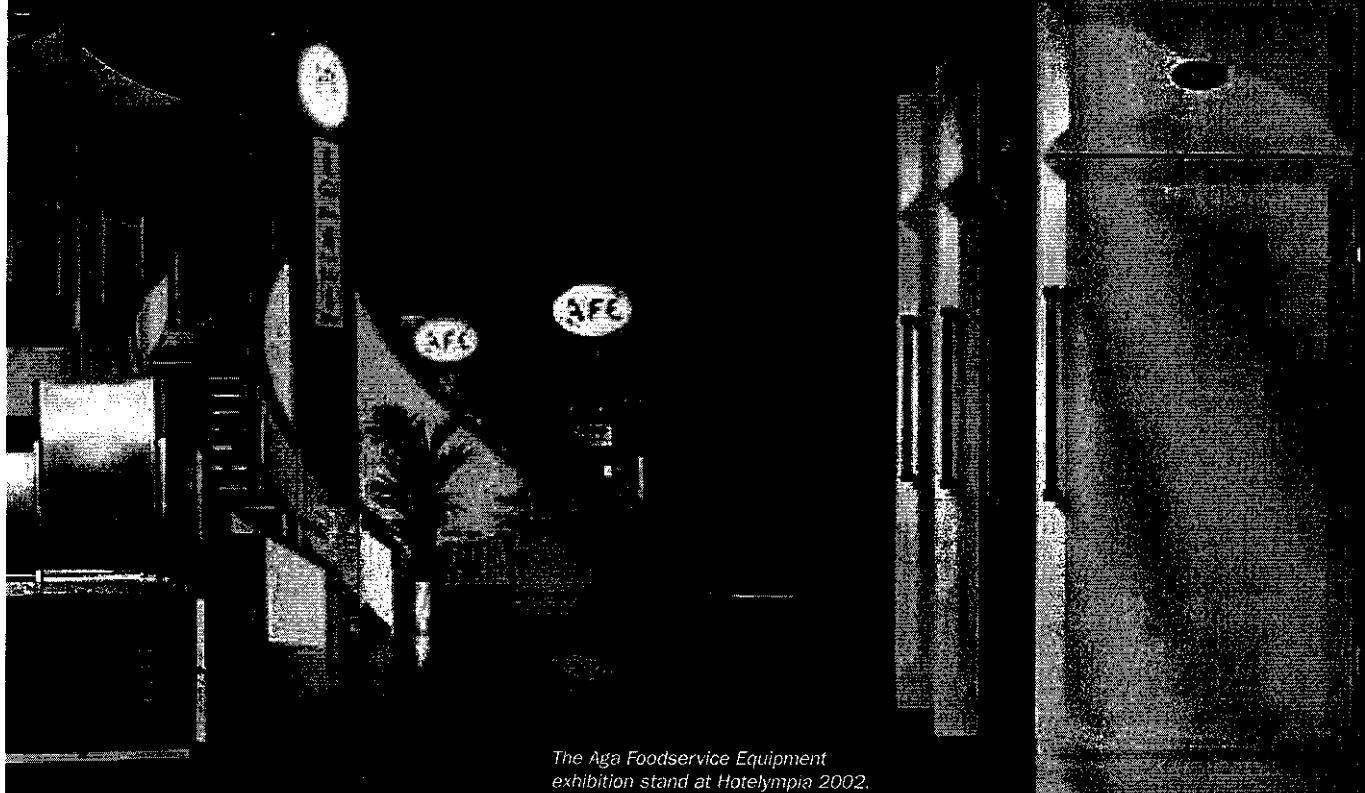


### **Development plans**

In foodservice the Group has good market positions, leading technology and impressive design capability. In the domestic market these represent considerable strengths on which to build. Outside the UK the Group's performance to date has been patchy and it is a key objective, looking to Europe as much as to the USA, to find routes to market and complementary activities which will enable the UK position to be replicated.

We see the links between our consumer and foodservice operations increasing. Our objective is to blur

further the distinction between domestic and commercial specifications. The new Aga fridge has been developed between Aga and Williams involving state-of-the-art refrigeration controls and materials alongside input into specific bespoke requirements for the high end domestic kitchen. Similarly, Falcon is now developing a new higher specification professional cooking range which will be a match for any of the imported stainless steel cookers. This cross-over point has been successfully addressed by some rapidly growing US groups and provides confidence in the development plan.

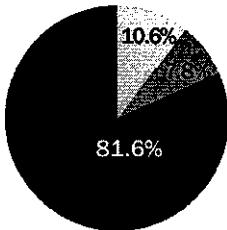


*The Aga Foodservice Equipment exhibition stand at Hatelympia 2002.*

**Turnover and operating profit** both moved ahead as the new financial shape of the Group emerged.

#### Turnover by geographical destination

- United Kingdom
- North America
- Rest of World



#### Financials

The transitional phase from Glynwed to Aga Foodservice adds some complexity to the accounts. Overall operating profits before goodwill and exceptional items were £22.6 million nearly 10 per cent up on the prior year. Return on sales reached 10.8 per cent.

The profit from discontinued activities of £3.7 million is mainly the post goodwill contribution of Pipe Systems in the period to 9th March 2001. Before goodwill the profit from discontinued activities was £6.0 million.

The operating losses of £0.6 million made in the period on the commodity segment of Leisure's cooker sales have been shown as discontinuing.

The net interest receivable figure of £5.6 million reflects the interest on cash balances, invested post disposal of Pipe Systems and the tender offer, with a range of international banks and liquidity funds at an average of 4.5 per cent while interest costs earlier in the year reflected the cost of debt prior to the completion of the sale of Pipe Systems.

The tax charge shown in the accounts is 26 per cent on profits before tax of £30.7 million, excluding goodwill net of tax, and 32.0 per cent taking account of goodwill. The currently configured Group will be close to a UK standard rate tax payer by 2003 at around 30 per cent.

#### Pensions

The changed Group reviewed its approach to pensions provision in the year. Like many others it closed its final salary scheme for new entrants and introduced a money purchase scheme. It accelerated a shift to defensive investment policies in early 2001. Following transfers resulting from the sale of the pipe systems business over half the fund assets will be in fixed income bonds and property.

Based on the valuation as at 1st July 2000 SSAP 24 calculations showed a sound financial position and an appreciable surplus. This valuation will also be used in the preparation of the 2002 accounts. For 2002 the Company has decided to make a cash contribution of around £6 million to take into account the market conditions which have recently impacted pension funds pending the next full valuation in June 2003. As shown under FRS 17 reporting requirements as at 31st December 2001 there was a small surplus in the scheme with a market valuation of assets in the scheme being £686 million and liabilities being £685 million.

#### Earnings and dividend

Earnings per share before disposal of businesses and goodwill amortisation were 13.0 pence on

**Summary of movement in net cash**

	£m
Net debt at 31 January 2000	(304.3)
Disposals	818.4
Acquisitions	(51.9)
Share buyback (less shares issued)	(301.5)
Other cash flows	(44.6)
Net cash at 31 December 2001	<b>116.1</b>

**Return per share** pence per share

	2001	2000
Cash/(borrowings)	90.9	(125.5)
Net assets	202.5	155.3
Dividend	5.0	13.2
EPS before disposal of business and goodwill	<b>13.0</b>	22.6

the basis of the weighted average number of shares in issue in the year being 174.9 million. There are now 128 million shares in issue. The dividend of 5 pence per share was covered 2.6 times reflecting a move towards the stated benchmark established of three times dividend cover.

**Cashflow**

Following the disposal of Pipe Systems, the Group's cash position at the end of the year was strong. Cash inflow from continuing operations was £17.2 million. This arose almost entirely in the second half of the year. Capital expenditure was £19.5 million compared with depreciation of £10.4 million – reflecting the relatively low capital intensity of the businesses in the Group. Working capital of the continuing group increased by £6.5 million as volumes picked up towards the end of the year.

The Group had net cash at 31st December 2001 of £116 million after spending over

£50 million on acquisitions in the year of which £24 million was in December. The cash balances at that date represented 91 pence per share. The Group would expect to invest the cash in supporting organic growth and acquisitions over the course of 2002. It will however then review the capital requirement and growth opportunities of the businesses in the longer term to ensure the business is not over capitalised.

**Aga Foodservice – a major force**

We have the enthusiasm, clear ideas and the resources that will enable Aga Foodservice to progress further in the current year. Immediate objectives are to launch the broadened consumer ranges and to back the other businesses with

expanded retail outlets in the UK and beyond. We have strengthened the management team and have a good balanced of long-term experience and new ideas. We are looking forward to 2002 with confidence.

William B. McGrath  
Chief Executive  
22nd March 2002

## Directors and secretary

**Christopher Farrow**  
Chairman

Christopher Farrow joined the Group in July 2003. He has also held posts in the gas and steel industries and was group chief executive officer of Gencor plc between 1995 and 2000. He is a member of the Government Advisory Committee on Business in the Environment. He is senior legal executive director and chairman of the Remuneration Committee.

**Victor Cocker CBE**  
Non-executive director

Victor Cocker CBE joined the Group in July 2003. He has also held posts in the gas and steel industries and was group chief executive officer of Gencor plc between 1995 and 2000. He is a member of the Government Advisory Committee on Business in the Environment. He is senior legal executive director and chairman of the Remuneration Committee.

**William McGrath**  
Chief executive

William McGrath joined the Group in 1998. He was managing director of the Group's Metals Processing Division in 1998. He joined the Board of Directors in 2000. He was appointed managing director of the Group in September 2003. He was the group chief executive from 1998 to 2000.

**Anthony Wilson**  
Non-executive director

Anthony Wilson joined the Group in 1974. He was managing director of the Group's Metals Processing Division in 1993. He joined the Board of Directors in 2000. He was appointed managing director of the Group in September 2003. He was the group chief executive from 1998 to 2000.

**Stephen Rennie**  
Chief operating officer

Stephen Rennie joined the Group in 1998. He was managing director of the Group's Metals Processing Division in 1998. He joined the Board of Directors in 2000. He was appointed managing director of the Group in September 2003. He was the group chief executive from 1998 to 2000.

**Shaun Smith**  
Group finance director

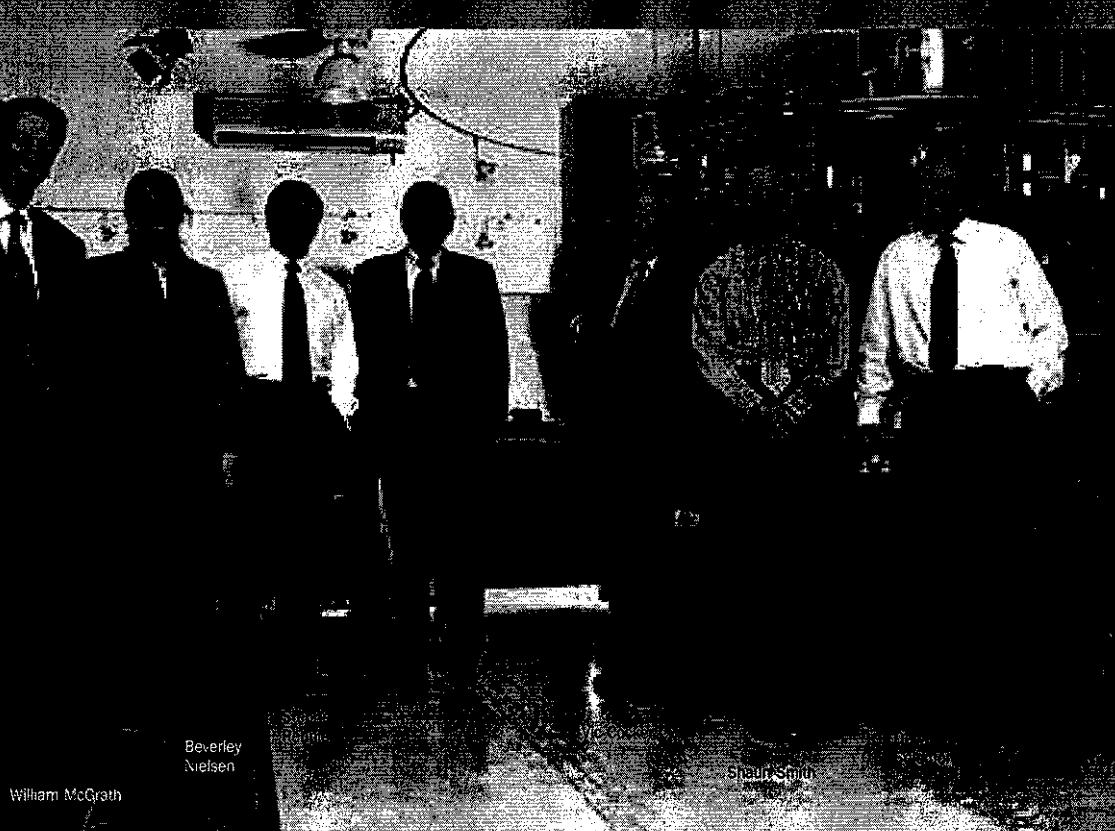
Shaun Smith joined the Group in 1998. He was managing director of the Group's Metals Processing Division in 1998. He joined the Board of Directors in 2000. He was appointed managing director of the Group in September 2003. He was the group chief executive from 1998 to 2000.

**Beverley Nielsen**  
Non-executive director

Beverley Nielsen joined the Group in 1998. She was appointed managing director of the Group's Metals Processing Division in 1998. She joined the Board of Directors in 2000. She was previously managing director of the Group's Metals Processing Division. She was also a director of the Group's Manufacturing, Sales and Pipe Systems division from 1998 to 2000.

**Deryck Solomon**  
Group secretary

Deryck Solomon joined the Group in 1998. He was managing director of the Group's Metals Processing Division in 1998. He joined the Board of Directors in 2000. He was appointed managing director of the Group in September 2003. He was the group chief executive from 1998 to 2000.



## Report of the directors

The directors of Aga Foodservice Group plc present their annual report, together with the accounts of the Company, for the year ended 31st December 2001. These will be submitted to members at the annual general meeting to be held at Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ, at 12 noon on Thursday 9th May 2002.

### **Activities, business review and company name**

Aga Foodservice Group plc is the holding company of the Group and its principal subsidiaries and their activities are shown on page 51. A review of the activities and prospects of the Group and of the principal businesses is given on pages 4 to 13. The name of the Company was changed from Glynwed International plc by a special resolution of shareholders passed at an extraordinary general meeting held on 19th February 2001 conditional upon completion of the sale of the Group's Pipe Systems business to Etex Group S.A., which took place on 9th March 2001. The change of name became effective on 12th March 2001.

### **Results and dividends**

The operating profit of the Group for the financial period was £19.1m (2000: £86.4m). The profit distributable to shareholders for the financial period was £16.7m (2000: £8.5m). An interim dividend of 1.7p per ordinary share was paid on 5th December 2001. The directors recommend a final dividend of 3.3p per ordinary share payable on 7th June 2002 to members on the register at the close of business on 3rd May 2002, making a total for the period of 5.0p per ordinary share (2000: 13.2p).

### **Share capital of the Company and annual general meeting**

Following a tender offer on 10th May 2001 the Company bought 130,771,563 of its own ordinary shares from shareholders and cancelled them. Details are set out in note 20 on page 46, which also records all allotments of the ordinary shares of the Company in 2001.

Three resolutions relating to share capital will be proposed at the annual general meeting.

Resolution 7 renews the directors' authority under section 80 of the Companies Act 1985 ('the Act') to issue relevant securities up to a nominal value of £10,653,774 being one-third of the nominal value of the Company's issued ordinary share capital at the date of this report. The directors have no present intention of

exercising this authority.

Resolution 8 renews the directors' authority under section 95 of the Act to allot ordinary shares for cash without first offering them pro rata to existing shareholders as otherwise required by section 89 of the Act; the authority sought is limited to issues of equity securities with a nominal value not to exceed £1,598,066, being equivalent to 5% of the nominal value of the Company's issued ordinary share capital at the date of this report.

Resolution 9, which will be proposed as a special resolution, renews authority for the Company to make market purchases of up to 12,784,529 of its own shares representing 10% of the current issued share capital of the Company. The authority will be exercised only if the directors believe that to do so would result in an increase in earnings per share and would be in the best interests of shareholders generally.

The total number of outstanding options to subscribe for equity shares as at the date of this report was 6,820,890. These rights represent 5.34 per cent of the issued share capital as at such date and would represent 5.93 per cent of the issued share capital of the Company, if the full authority to purchase its own shares in accordance with Resolution 9 were to be exercised by the Company.

### **Shareholders**

At 31st December 2001, the Company had 9,814 ordinary shareholders (2000: 13,360). Their holdings are analysed below:

Number of shares	% of shareholders	% of shares in issue
1 – 5,000	89.52	8.39
5,001 – 50,000	8.53	9.09
50,001 – 100,000	0.69	4.03
100,001 – 500,000	0.88	16.37
Over 500,000	0.38	62.12
	<b>100.00</b>	<b>100.00</b>

## Report of the directors

The following interests of 3% or more of the issued ordinary share capital of the Company as at the date of this report have been notified to the Company:

Person notifying interest	Number of ordinary shares	% of issued ordinary capital
Amvescap plc	16,933,579	13.25
CGNU PLC	7,720,836	6.04
Britannic Investment Managers Ltd	6,626,391	5.18
M&G Investment Management Ltd	4,368,414	3.42
Lattice Group	3,976,539	3.13

### Directors

The members of the board at the date of this report are shown on page 14. Mr A Catanzano resigned from the board on 9th March 2001 on completion of the sale of the Pipe Systems business. Mr S L Howard resigned from the board at the conclusion of the annual general meeting on 10th May 2001.

In accordance with the articles of association, Mr A J Wilson, Mr C J Farrow and Mr W B McGrath retire by rotation, and being eligible, offer themselves for re-election. Details of directors' remuneration are set out on page 21. The biographies of directors proposed for re-election appear on page 14.

### Directors' interests

The interests of the directors in shares of the Company shown in the register kept under section 325 of the Act and all of which are beneficially owned, are as follows:

	At 22nd March 2002	At 31st December 2001 or date of appointment or resignation	At 31st December 2000 or date of appointment
C J Farrow	21,000	21,000	11,000
S L Howard		11,235	11,235
W B McGrath	22,500	22,500	17,500
S Rennie	10,595	10,595	5,595
S M Smith	6,000	6,000	1,000
V Cocker			
A J Wilson	21,475	21,475	21,475
Mrs B A Nielsen			
A Catanzano			

Details of options exercisable by directors over shares in the Company are given on page 22.

No director had an interest in any contract of significance with any Group company.

### Disposals and acquisitions

On 9th March 2001 the Company completed the disposal of the Group's Pipe Systems businesses to Etex Group S.A. pursuant to the terms of a sale and purchase agreement entered into on 21st January 2001.

The principal acquisitions were as follows:

July 2001	Resurgan Limited (trading as Fired Earth) (UK)
December 2001	Elgin & Hall Limited (UK)
December 2001	Millers Bakery Machinery (Bury) Limited (UK)
December 2001	Adamatic, A Corporation (USA)
March 2002	Domain, Inc. (USA)

The purchases made in 2001 have been accounted for as acquisitions in accordance with accounting standard FRS6. Details relating to the fair value of net assets acquired and the consideration are set out in note 23 to the accounts on pages 48 and 49.

### Corporate ethics

The board of the Company recognises that it is accountable to shareholders and aims to protect shareholders' funds and manage risks. All Group operations are required to comply with applicable law and regulations and to have systems to ensure that due account is taken of the interests of stakeholders including employees, customers, suppliers and the communities in which the businesses operate.

All employees are required to adhere to a code of conduct promoting integrity in all dealings whilst in employment. The Group seeks honesty and fairness in its dealings with suppliers and customers and to meet agreed standards in the safety and quality of products and services supplied.

### Employees

As the Group's operations are mainly carried out by its operating subsidiaries, responsibility for employment matters lies primarily at the individual business level. It is, however, a requirement of the Group's central policy that responsibility is exercised in accordance with good, modern and consistent policies which are appropriate to local circumstances. A part of that requirement is set out in an equal opportunities policy which stipulates that policies be followed throughout the Group which ensure that there is equal opportunity of employment, retention, promotion and training regardless of race, ethnic or national origin, gender, marital status, sexual orientation, religion, trade union membership or disability.

## Report of the directors

Appropriate consideration is given to disabled applicants in terms of employment. Training, career development and promotion for disabled persons is provided as the case warrants, with special attention given to the particular needs of individuals who become disabled whilst in employment.

Employees are kept aware of developments within the Group by a variety of means, from arrangements made by local management relevant to employees in the business concerned through to a Group circular sent to employees. Employees are also encouraged to access the Group web sites.

The Group has a defined benefits pension scheme and a defined contribution pension scheme for UK employees. The defined benefits scheme was closed to new entrants on 1st October 2001. It also has savings-related and senior executive share option schemes and a long-term incentive plan.

### Health and safety and environment

The Group takes particular care over health, safety and environmental matters in its relationships with its employees and with the community. It aims to achieve high standards of operation under health and safety at work and environmental protection legislation and seeks to keep all concerned aware of good industrial practice and statutory frameworks. Implementation of the overall policy is co-ordinated by the Group's health and safety and environmental co-ordinator who reports directly to the group chief operating officer at least quarterly. The co-ordinator meets representatives from the Group's major operations at regular intervals during the year to review standards and promote improvement and best practice.

On health and safety issues, a Group policy statement sets parameters within which each business unit sets its own more detailed policies; responsibility for health and safety at each unit is clearly placed with the unit managing director. Operating sites in the UK are appraised by external consultants through a programme of regular visits and managements are made aware of the social, financial and other costs of failures to meet standards set by legislation and the Company.

On environmental matters, a Group policy statement forms the basis for more detailed policies, with clearly devolved management responsibilities, appropriate to the varying circumstances of the Group's individual operating businesses.

Examples of progress in reducing environmental

impacts in the year ended 31st December 2001 include:

Recycling or reduction of materials and packaging: many units are seeking to reduce packaging used for products or to encourage recycling themselves or by customers. Initiatives are being pursued with suppliers to increase the use of returnable packaging or to operate take-back schemes for packaging and pallets. Other examples include the return to suppliers of fluorescent tubes and printer cartridges and increasing recycling of waste oils, metals, timber and polystyrene. Williams Refrigeration is shredding waste office paper and reusing it as packaging and offers recovery facilities in respect of redundant refrigerators.

Reduction in the use of hazardous materials: Mono has introduced a new process line in the material preparation area of its paint plant which has reduced chemicals consumed by 75%.

Energy conservation: the Company seeks to reduce energy used in the manufacture and use of its products. Examples of this are capital investment in the modern foundry plant installed at Coalbrookdale, used in the manufacture of Aga castings. Both Williams Refrigeration in the UK and Victory Refrigeration in the USA, are developing technologies seeking to reduce energy consumption. The Glycol secondary refrigeration system developed by Williams produces faster temperature reduction resulting in greater efficiency and savings in cost and energy consumed. Williams Refrigeration is an active member of the refrigeration industry working party set up by the DETR on the impact on climate change intending to set test criteria to improve performance of products qualifying for enhanced capital allowances. From this, various initiatives have been taken to improve product performance through lower energy consumption, reduced noise and use of the latest, more environmentally friendly products for insulation. The newly developed advanced steam generation systems in the ovens by Mono materially reduce energy consumption.

### Research and development

Product innovation is a key feature of the Group's strategy. Each product group has its own development department close to its production line to encourage quick response times. A development facility for range cookers is to be expanded at the centre of excellence in Leamington Spa. Williams Refrigeration is at the forefront of the development of secondary refrigeration for

## Report of the directors

commercial catering applications which does not involve the use of greenhouse gases. Research expenditure is written off in the period in which it is incurred.

### Creditor payment policy

It is Group policy that payment will be made in accordance with agreed terms, provided the supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation. It is also Group policy to ensure that suppliers know the terms on which payment will take place when business is agreed. Individual operating businesses within the Group are responsible for establishing appropriate policies with regard to the payment of their suppliers. The Group's trade creditors as at 31st December 2001 equated to 76 days of related purchases (2000: 70 days).

### Political and charitable donations

During 2001 the Group gave £20,000 (2000: £27,000) for charitable purposes in the UK. The principal beneficiaries were organisations concerned with the arts, people with physical disabilities and sport. No political donations were made during the year (2000: nil).

### Capital gains tax

The official price of Aga Foodservice Group plc ordinary shares on 31st March 1982, adjusted for the bonus issues made in 1986 and 1988, was 62.4p.

### Close company status

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988, nor was it a close company during the period.

### Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future. For this reason the 'going concern basis' has been adopted in preparing the accounts.

### Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, and to authorise the directors to determine their remuneration, will be proposed at the annual general meeting.

*D J Solomon*

By order of the board

D J Solomon

Secretary

Birmingham

22nd March 2002

## Corporate governance

### **Statement of compliance with the Combined Code**

The Company has complied throughout the year ended 31st December 2001 with the code provisions set out in Section 1 of the principles of good governance and code of best practice prepared by the Hampel Committee ('the Combined Code') apart from the provision relating to the length of notice on directors' service agreements, which is discussed further on page 23.

### **Statement of application of principles**

The Company is committed to high standards of corporate governance. The board is accountable to the Company's shareholders for good governance and this report describes how the principles set out in Section 1 of the Combined Code are applied by the Company.

### **Board of directors**

The board of directors of the Company currently comprises a non-executive chairman, chief executive, chief operating officer, finance director and three other non-executive directors. The roles of group chairman and group chief executive are held by separate directors and there is a clear division of responsibilities between them.

All directors are suitably qualified and trained or experienced so as to be able to participate fully in the work of the board.

The non-executive directors fulfil a vital role in corporate accountability and participate fully in the review of strategic proposals to ensure that the interests of shareholders and relevant stakeholders in the Company are safeguarded. Each non-executive director is a member of the audit, remuneration and nomination committees. The Company's articles provide that each director will be required to retire by rotation at least once every three years.

The non-executive directors are independent of the Group's management and have no business relationship with the Group. Mr A J Wilson ceased to be an executive director of the Company on 9th March 2001. Mr V Cocker has been nominated as senior non-executive director.

The board meets regularly to exercise control over the Company. Matters specifically reserved to the board for decision include material capital expenditure, approval of annual budgets and the development of corporate strategy. The board also monitors issues relating to corporate responsibility.

All directors have access to the advice and services of the group secretary, who is responsible for the proper

conduct of board procedures, and whose appointment and removal is a matter for the board as a whole. The group secretary reports to the chairman upon secretarial matters. As is commensurate with the independent conduct of their function, the non-executive directors are authorised to obtain professional advice at the Company's expense, if they so wish. Management reports fully to the board at each board meeting and continuously as required.

### **Audit committee**

The audit committee is under the chairmanship of Mr C J Farrow. It normally meets at least three times each year. Its membership comprises all the non-executive directors of the Company. It has written terms of reference which deal clearly with its authority and duties. The duties of the committee include keeping under review the scope and results of the audit and the cost-effectiveness, independence and objectivity of the auditors. In addition, the committee receives reports from internal audit and other specialist departments. The committee also keeps under review the nature and extent of auditors' supply of non-audit services, such as consultancy services.

### **Nomination committee**

The nomination committee is under the chairmanship of Mr C J Farrow. Its membership comprises the non-executive directors and such executive directors as may be co-opted, provided that a majority of non-executive directors is maintained at all times. It is responsible for nominating candidates with required skills and attributes for approval by the board as a whole to fill vacancies on the board and ensure that the board has an appropriate balance of expertise and ability.

### **Internal control**

The board is ultimately responsible for the Group's systems of internal controls, including internal financial control, operational and compliance controls and risk management and for monitoring their effectiveness. The board confirms that it has established procedures necessary to implement the Guidance for Directors on the Combined Code. The meeting calendar and agenda of the board ensure that risk management and internal control are considered on a regular basis throughout the year and are subject to continuous review and development.

Following a review of risk throughout the Group, a

## Corporate governance

methodology for identification and assessment of relevant risks was settled and disseminated. This methodology ensures that appropriate reviews of risk are carried out at each business within the Group to arrive at an ordered assessment encompassing issues including likelihood of occurrence and degree of impact. The areas reviewed include risks relating to operational and financial contingencies, tangible and intangible asset protection, HR policies, compliance and legal and regulatory issues, including environment and health and safety. The system of internal control reflects the needs of the Group and is regularly evaluated. A full risk and control assessment has been prepared in respect of the year to 31st December 2001 and will be prepared in respect of the current year.

Throughout the Group's operations, regular management and board meetings review all aspects of the Group's various businesses, including those aspects where there is a potential risk to the Group. Key procedures include planning, budgeting and investment appraisal.

Systems of internal control are designed to provide reasonable assurance that the Group's assets are safeguarded and that the financial information and accounting records are reliable, though such assurance cannot be absolute. The board has reserved, for its own approval, those major decisions considered significant to the strategy and operation of the Group as a whole. A control structure is in place throughout the Group which requires at least two appropriate levels of authorisation for other decisions which have a major financial implication for the businesses concerned. Continual monitoring of the systems of internal financial control is the responsibility of all management teams.

The Group has clearly defined guidelines for appraisal, approval and monitoring of acquisition and divestment, major capital investments and restructuring costs. These include budgets (covering quantification of benefits), detailed review and monitoring procedures, specific levels of expenditure authority and due diligence where businesses are being acquired.

The board has approved operating policies and controls for the Group's treasury activities and receives regular information about them. In addition its insurance and risk management programmes are reported upon to the board and the audit committee.

The Group has an internal audit department whose head reports to the group finance director and has

access to the chairman of the audit committee. The department has an annually agreed programme, which is approved by the audit committee. External auditors consider the systems of internal financial control, in conjunction with the internal auditors, to the extent necessary to express their audit opinion. Internal and external auditors report regularly on the results of their work to management, including executive members of the board, and to the audit committee. The board will continue to review the effectiveness of the Group's internal financial control systems.

### **Relations and communications with shareholders**

Meetings are held between directors of the Company and major institutional shareholders at regular intervals as part of the Company's investor relations programme and as required in relation to specific issues.

Notice of the annual general meeting and related papers are sent to shareholders at least 20 working days before the meeting. Separate resolutions are proposed at the annual general meeting on each substantive issue. Shareholders attending the annual general meeting are entitled to ask questions and to meet with directors after formal proceedings have ended. The chairmen of the board, audit, remuneration and nomination committees are each available at the annual general meeting to answer questions together with relevant executive directors. At the annual general meeting proxy votes are announced by the chairman.

In the annual and interim reports, annual general meeting trading statements, results presentations and city announcements generally, the Company seeks to present an accurate, objective and balanced view in a style and format which is appropriate for the intended audience. In addition to those maintained by individual businesses, the Company has an internet website on which it presents information about the Group.

### **Remuneration committee**

The remuneration committee under the chairmanship of Mr V Cocker also comprises the other non-executive members of the board. Mr W B McGrath is not a member of the committee but may attend meetings of the committee by invitation. No executive director was present at meetings of the committee during consideration of his own remuneration. The Company has complied throughout the year under review with the Combined Code provisions concerning directors'

## Corporate governance

remuneration. During 2001 the executive directors' remuneration comprised the following elements:

### Salary and benefits

The remuneration committee determines the contracts of service and emoluments of executive directors. The committee ordinarily reviews directors' salaries annually effective from 1st January, although reviews take place at other times, if appropriate. Salary reviews take into account market rates and the performance of the individual and of the Company. Policies for benefits (which include company cars and private health insurance) are reviewed regularly and comparisons with benefit packages of other companies are made.

It is confirmed that in carrying out its work the committee has full regard to schedule A in the code of best practice in the Combined Code. It is the underlying policy of the committee that the levels of remuneration of executive directors shall be reasonable and fair in comparison with that of directors of other companies which are broadly similar in size and in range of activities and sufficient to attract and retain the directors needed to run the Company successfully.

The individual elements of remuneration of each director are set out in the table below.

### Annual bonus

Executive directors participate in a performance-related annual bonus scheme which is intended to provide appropriate incentives and rewards for achieving the

Company's business objectives. Current performance measures balance the need for the Company to secure the best results from its ongoing operations in achieving growth in sales and earnings per share while successfully carrying out its strategic programme of acquisitions and disposals. Details of annual bonuses paid in respect of 2001 are set out in the table below.

The overall bonus cap for executive directors is 60% of salary. The Company's annual bonus arrangements have been linked to a co-investment plan, intended to encourage a higher level of personal shareholding on the part of senior management. No award has yet been made under the co-investment plan.

The remuneration committee has received independent external advice that salary and bonus arrangements for the executive directors represent a competitive level taking account of relevant issues including strategic and operational objectives and required competencies. In this review, full account is taken of information provided by other UK listed companies, in relation to which data is obtained from leading external consultancy sources.

### Long-term incentive plan (the 'LTIP')

The LTIP is a performance share plan whereby shares are conditionally allocated to senior management, up to a maximum annual value of 100% of salary. Shares will be released to participants, who are still in the Group's service, on a sliding-scale three years after they are allocated.

	Salary £000	Fees £000	Benefits in-kind £000	Annual bonus £000	2001 Total £000	2000 Total £000
<b>C J Farrow</b>		75			75	50
<b>W B McGrath*</b>	285	—	17	63	365	336
<b>S Rennie</b>	196	—	5	46	247	36
<b>S M Smith*</b> (appointed in March 2001)	107	—	5	31	143	—
<b>V Cocker</b>	—	25	—	—	25	11
<b>A J Wilson</b>	109	19	4	—	132	520
<b>Mrs B A Nielsen</b> (appointed in March 2001)	—	19	—	—	19	—
<b>S L Howard</b> (retired May 2001)	—	9	—	—	9	25
<b>A Catanzano</b> (resigned March 2001)	41	—	4	10	55	60
<b>E C S Macpherson</b> (retired June 2000)	—	—	—	—	—	45
<b>Lord Biffen</b> (retired December 2000)	—	—	—	—	—	25
<b>Total</b>	<b>738</b>	<b>147</b>	<b>35</b>	<b>150</b>	<b>1,070</b>	<b>1,098</b>

\* The salary figures for Mr W B McGrath and Mr S M Smith include the sums of £34,366 and £5,288 respectively provided in place of pension benefits on salary in excess of the statutory earnings cap.

Principal benefits in kind are car-related with private healthcare costs accounting for the balance.

## Corporate governance

The actual percentage of shares they can acquire will depend on a comparison of the Company's total shareholder return ('TSR') with the TSR of companies in the engineering sector of the FTSE All Share Index. If the Company's TSR places it in the top 25% of the comparator companies, the participant can acquire all the shares; if the Company's TSR is at the midpoint, 25% of the shares can be acquired; if the Company's TSR is below midpoint, none of the shares can be acquired. There is a sliding-scale if the Company's TSR is between upper quartile position and the midpoint. In addition, none of the shares can be acquired unless the remuneration committee determines that there has been a sustained improvement in underlying financial performance during the performance period.

Participants in the LTIP will not be able to participate in future option grants under the Aga Foodservice Group 1994 senior executive share option scheme. The LTIP awards made to executive directors are set out below.

### Executive share options

The Company has senior executive and savings-related share option schemes, which it sees as a means of encouraging employees' closer involvement in the

success of the Group. Options granted under the 1994 senior executive share option scheme are only exercisable if the Company's earnings per share, calculated on the basis promulgated by the Institute of Investment Management and Research, have exceeded by at least 2% per annum the increase in the UK's retail price index over a period of three years beginning not earlier than the Company's last financial year before the date of an option grant.

The options concerned are ordinarily exercisable in the periods set out below:

#### Senior executive share option schemes

	Option price (p per share)	Period of 7 years to
	288	September 2002
	321	May 2008
	225	September 2009

#### Savings-related share option schemes

	Option price (p per share)	Period of 6 months to
	199	May 2003

No share options were granted to executive directors under the 1994 senior executive share option scheme during 2001.

	Options under the 1994 Senior Executive Share Option Scheme approved in 1994		Options under the Savings Related Share Option Scheme approved in 1994		Long-Term Incentive Plan approved in 1999
	<b>at 288pps</b>		<b>at 199pps</b>		<b>at 198pps</b>
<b>A Catanzano</b>					
At 1st January 2001	40,000	—	—	—	50,505
At date of resignation	40,000	—	—	—	50,505
<b>W B McGrath</b>					
At 1st January 2001	—	175,000	—	8,479	75,757
At 31st December 2001	—	175,000	—	8,479	75,757
<b>S Rennie</b>					
At 1st January 2001	75,000	—	—	—	55,555
At 31st December 2001	75,000	—	—	—	55,555
<b>S M Smith</b>					
At date of appointment	7,500	—	30,000	—	—
At 31st December 2001	7,500	—	30,000	—	—
<b>A J Wilson</b>					
At 1st January 2001	100,000	150,000	—	—	136,363
At 31st December 2001	100,000	150,000	—	—	136,363

The above interests have not changed since the end of the 2001 financial year. No other directors held any share options.

## Corporate governance

The mid-market price of Aga Foodservice Group plc ordinary shares at the beginning and end of the year was 193p and 216p respectively. During the year the market price of the shares ranged between 193p and 278p.

The interests of directors at the beginning and end of the 2001 financial year in the currently-operating share option schemes were as stated in the table on page 22.

### Pensions

Mr A J Wilson, Mr W B McGrath, Mr S Rennie and Mr S M Smith are members of a defined benefit pension scheme which provides for a pension of two-thirds of final pensionable remuneration on retirement at normal retirement age with 20 or more years of pensionable service. Final pensionable remuneration is limited to the statutory earnings cap where relevant.

The increase in the transfer value of the directors' pensions, after deduction of contributions paid by them, is shown below.

The transfer values shown are not payable to the individuals concerned. During the year the Company paid premiums of £773 to provide life assurance cover on that part of Mr W B McGrath's earnings above the Inland Revenue cap for the year.

Mr A J Wilson ceased to be a Group employee on 9th March 2001. As part of the transitional pension arrangements agreed between the Company and Etex Group S.A. in respect of all transferring employees, Mr Wilson remained in pensionable service under the Aga Foodservice Group pension scheme until 30th September 2001.

Mr A Catanzano ceased to be a director on 9th March 2001. He was a member of a defined contribution pension scheme to which the Company contributed £11,309 between 1st January 2001 and 9th March 2001.

### Service contracts

The remuneration committee has established and implemented a policy to align the normal notice period of new executive directors with the best practice provisions set out in the Combined Code. Accordingly, the service contracts for Mr S Rennie and Mr S M Smith have a notice period of one year.

Since 12th March 2001, the service contract for Mr W B McGrath (who is proposed to be re-elected at the forthcoming annual general meeting) has also had a notice period of one year reduced without compensation from two years.

The service contract of Mr A J Wilson (who is proposed to be re-elected at the forthcoming annual general meeting) had a notice period of two years until Mr Wilson ceased to be an executive director and became a non-executive director on 9th March 2001.

The remuneration committee does not consider it to be in the best interests of shareholders for directors' contracts to provide explicitly for predetermined compensation in the event of termination and accordingly none of the contracts contains any such provision.

Non-executive directors are appointed for an initial term of 3 years pursuant to a letter of appointment. Details of fees paid during the year are set out on page 21.

	Mr A J Wilson £000	Mr W B McGrath £000	Mr S Rennie £000	Mr S M Smith £000
Total accrued pension at 31st December 2001 (pa)	234	13	86	24
Increase in accrued pension over 2001 (pa)	6	3	9	8
Transfer value of increase at 31st December 2001	96	25	97	66
Contributions paid by directors in 2001	3	3	6	2
Transfer value increase after deduction of directors' contributions	93	22	91	64

## Group profit and loss account

For the year ended 31st December

	Notes	Restated 2001 £m	2000 £m
<b>Turnover</b>			
Continuing operations		<b>198.7</b>	
Acquisitions		<b>11.1</b>	
		<b>209.8</b>	183.8
Discontinuing operations		<b>22.0</b>	20.8
Total continuing operations		<b>231.8</b>	204.6
Discontinued operations		<b>138.5</b>	764.5
<b>Total turnover</b>	2 & 3	<b>370.3</b>	969.1
<b>Operating profit</b>			
Continuing operations		<b>21.4</b>	
Acquisitions		<b>1.2</b>	
Total continuing operating profit before exceptional costs and goodwill amortisation		<b>22.6</b>	20.6
Exceptional costs		(2.3)	(0.5)
Goodwill amortisation		(4.3)	(3.1)
		<b>16.0</b>	17.0
Continuing operations		<b>15.5</b>	17.0
Acquisitions		<b>0.5</b>	–
		<b>16.0</b>	17.0
Discontinuing operations		(0.6)	–
Total continuing operations		<b>15.4</b>	17.0
Discontinued operations		<b>3.7</b>	69.4
<b>Total operating profit</b>	2 & 3	<b>19.1</b>	86.4
Provision for loss on disposal of businesses		–	(36.0)
<b>Profit before interest and tax</b>		<b>19.1</b>	50.4
Interest receivable	6	<b>10.9</b>	2.1
Interest payable	6	(5.3)	(21.7)
Net interest receivable / (payable)	6	<b>5.6</b>	(19.6)
<b>Profit before tax</b>		<b>24.7</b>	30.8
Tax on profit on ordinary activities	7	(7.9)	(22.1)
<b>Profit on ordinary activities after tax</b>		<b>16.8</b>	8.7
Equity minority interests	22	(0.1)	(0.2)
Profit attributable to shareholders		<b>16.7</b>	8.5
Dividends	9	(7.7)	(32.0)
<b>Profit retained / (transfer from reserves)</b>	21	<b>9.0</b>	(23.5)
<b>Earnings per share</b>	10	<b>p</b>	<b>p</b>
Before disposal of businesses and goodwill amortisation		<b>13.0</b>	22.6
Before disposal of businesses, exceptional costs and goodwill amortisation		<b>13.9</b>	22.7
Basic		<b>9.5</b>	3.5
Diluted		<b>9.5</b>	4.1

Notes to the accounts are on pages 29 to 51.

## Supplementary statements

For the year ended 31st December

**Statement of total recognised gains and losses**

	Notes	2001 £m	2000 £m
Profit attributable to shareholders		<b>16.7</b>	8.5
Exchange adjustments on net investments	21	(0.3)	8.2
<b>Total recognised gains and losses relating to the year</b>		<b>16.4</b>	16.7
Prior year adjustment	21	(4.2)	–
<b>Total recognised gains and losses since last annual report</b>		<b>12.2</b>	16.7

**Note of historical cost profit**

	Notes	2001 £m	2000 £m
Reported profit before tax		<b>24.7</b>	30.8
Realisation of property revaluation gains of previous years		<b>1.2</b>	0.4
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amounts		–	0.1
Historical cost profit on ordinary activities before tax		<b>25.9</b>	31.3
Tax on profit on ordinary activities	7	(7.9)	(22.1)
Equity minority interests	22	(0.1)	(0.2)
Dividends	9	(7.7)	(32.0)
<b>Historical cost profit retained / (transfer from reserves)</b>		<b>10.2</b>	(23.0)

**Reconciliation of movements in shareholders' funds**

		Restated 2001 £m	2000 £m
Total recognised gains and losses relating to the year		<b>16.4</b>	16.7
Dividends	9	(7.7)	(32.0)
New share capital subscribed	21	<b>30.8</b>	0.1
- share premium		<b>4.0</b>	–
- share capital		<b>30.8</b>	0.1
Share buybacks	20	(32.7)	–
- ordinary shares	21	(336.3)	–
- profit and loss account	21	32.7	–
- capital redemption reserve	21	175.8	–
Goodwill reinstated on disposals	21	<b>175.8</b>	–
Net decrease in shareholders' funds		<b>(117.0)</b>	(15.2)
Shareholders' funds at 1st January			
(2000: originally £394.8m before prior year adjustment of £4.2m)		<b>375.4</b>	390.6
<b>Shareholders' funds at 31st December</b>		<b>258.4</b>	375.4

Notes to the accounts are on pages 29 to 51.

## Balance sheets

As at 31st December

	Notes	Group		Company	
		Restated		2001 £m	2000 £m
		2001 £m	2000 £m		
<b>Fixed assets</b>					
Goodwill	11	<b>97.7</b>	275.8	—	—
Tangible assets	12	<b>49.0</b>	288.2	—	—
Investments	13	—	—	<b>143.0</b>	343.2
<b>Total fixed assets</b>		<b>146.7</b>	564.0	<b>143.0</b>	343.2
<b>Current assets</b>					
Stocks	14	<b>36.8</b>	194.4	—	—
Debtors	15	<b>60.7</b>	192.9	<b>590.8</b>	937.5
Cash at bank and in hand	17	<b>157.4</b>	33.5	<b>145.1</b>	0.3
<b>Total current assets</b>		<b>254.9</b>	420.8	<b>735.9</b>	937.8
<b>Creditors – amounts falling due within one year</b>					
Operating creditors	16	(59.0)	(163.9)	(289.7)	(221.3)
Borrowings	17	(32.7)	(56.8)	(18.5)	(68.1)
Exchangeables	17 & 20	—	(33.5)	—	—
Tax and dividends payable	16	(11.0)	(33.6)	(4.2)	(21.3)
<b>Total amounts falling due within one year</b>		<b>(102.7)</b>	(287.8)	<b>(312.4)</b>	(310.7)
<b>Net current assets</b>		<b>152.2</b>	133.0	<b>423.5</b>	627.1
<b>Total assets less current liabilities</b>		<b>298.9</b>	697.0	<b>566.5</b>	970.3
<b>Creditors – amounts falling due after more than one year</b>					
Borrowings	17	(8.6)	(247.5)	(8.4)	(241.9)
<b>Provisions for liabilities and charges</b>	19	(31.5)	(72.8)	(18.1)	—
<b>Total net assets employed</b>		<b>258.8</b>	376.7	<b>540.0</b>	728.4
<b>Capital and reserves</b>					
Called up share capital	20	<b>31.9</b>	60.6	<b>31.9</b>	60.6
Share premium account	21	<b>56.7</b>	25.9	<b>56.7</b>	25.9
Revaluation reserve	21	<b>5.8</b>	7.0	—	—
Capital redemption reserve	21	<b>35.0</b>	2.3	<b>35.0</b>	2.3
Profit and loss account	21	<b>129.0</b>	279.6	<b>416.4</b>	639.6
<b>Total shareholders' funds</b>		<b>258.4</b>	375.4	<b>540.0</b>	728.4
Equity minority interests	22	0.4	1.3	—	—
<b>Total funds</b>		<b>258.8</b>	376.7	<b>540.0</b>	728.4

The accounts on pages 24 to 51 were approved by the board of directors on 22nd March 2002 and were signed on its behalf by:

W B McGrath      Chief Executive  
S M Smith      Finance Director

Notes to the accounts are on pages 29 to 51.

## Group cash flow statement

For the year ended 31st December

	Notes	<b>2001</b>	<b>2000</b>
		£m	£m
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(12.3)</b>	106.0
<b>Returns on investments and servicing of finance</b>		<b>4.9</b>	(17.0)
<b>Tax paid</b>		<b>(4.3)</b>	(20.9)
<b>Capital expenditure and financial investment</b>		<b>(9.5)</b>	(27.4)
<b>Acquisitions and disposals</b>	23	<b>809.0</b>	(19.1)
<b>Equity dividends paid</b>		<b>(24.8)</b>	(32.0)
<b>Net cash inflow/(outflow) before financing</b>		<b>763.0</b>	(10.4)
 <b>Financing</b>			
- issue of ordinary share capital	24	<b>34.8</b>	0.1
- buyback of ordinary share capital	24	<b>(336.3)</b>	-
- (decrease)/increase in debt	24	<b>(321.5)</b>	3.4
<b>Net financing</b>		<b>(623.0)</b>	3.5
<b>Increase/(decrease) in cash in the year</b>	25	<b>140.0</b>	(6.9)
 <b>Reconciliation of net cash flow</b>			
<b>to movement in net cash/(borrowings)</b>			
Increase/(decrease) in cash in the year	25	<b>140.0</b>	(6.9)
Decrease/(increase) in debt	24	<b>321.5</b>	(3.4)
Change in net cash/(debt) resulting from cash flows	25	<b>461.5</b>	(10.3)
Borrowings acquired with acquisitions	23	<b>(22.3)</b>	(4.5)
Loan notes issued for acquisitions	23	<b>(20.2)</b>	(7.1)
Exchange adjustment	25	<b>1.4</b>	(8.5)
<b>Increase/(decrease) in net cash</b>		<b>420.4</b>	(30.4)
Opening net borrowings		<b>(304.3)</b>	(273.9)
<b>Closing net cash/(net borrowings)</b>		<b>116.1</b>	(304.3)

This statement should be read in conjunction with the reconciliations on page 28.

Notes to the accounts are on pages 29 to 51.

## Group cash flow statement - reconciliations

For the year ended 31st December

### **Reconciliation of operating profit to net cash (outflow) / inflow from operating activities**

	Notes	2001			2000		
		£m	£m	£m	£m	£m	£m
		Continuing	Discon-	Total	Continuing	Discon-	Total
Operating profit		<b>16.0</b>	<b>3.7</b>	<b>19.7</b>	<b>17.0</b>	<b>69.4</b>	<b>86.4</b>
Discontinuing operations		(0.6)	–	(0.6)	–	–	–
Goodwill amortisation	3	<b>4.3</b>	<b>2.3</b>	<b>6.6</b>	<b>3.1</b>	<b>12.0</b>	<b>15.1</b>
Depreciation	3	<b>4.8</b>	<b>5.6</b>	<b>10.4</b>	<b>3.9</b>	<b>22.8</b>	<b>26.7</b>
Profit on disposal of fixed assets		(0.8)	(0.6)	(1.4)	(0.5)	(1.9)	(2.4)
(Increase)/ decrease in stocks		(3.6)	(8.5)	(12.1)	(1.3)	(11.8)	(13.1)
(Increase)/ decrease in debtors		<b>2.0</b>	<b>(19.3)</b>	<b>(17.3)</b>	<b>0.9</b>	<b>4.8</b>	<b>5.7</b>
Increase/ (decrease) in creditors		(4.0)	(12.2)	(16.2)	4.1	(9.9)	(5.8)
Increase/ (decrease) in provisions		(0.9)	(0.5)	(1.4)	(4.1)	(2.5)	(6.6)
<b>Net cash (outflow) / inflow from operating activities</b>		<b>17.2</b>	<b>(29.5)</b>	<b>(12.3)</b>	<b>23.1</b>	<b>82.9</b>	<b>106.0</b>

Operating cashflows relating to acquisitions and disposals are shown in note 23.

### **Returns on investments and servicing of finance**

		2001	2000
	Notes	£m	£m
Net interest receivable / (payable)	6	<b>5.6</b>	(19.6)
Movement in prepayments and accruals		(0.7)	2.8
<b>Net interest received / (paid)</b>		<b>4.9</b>	(16.8)
Interest received		<b>10.0</b>	2.1
Interest paid		(5.1)	(18.9)
<b>Net interest received / (paid)</b>		<b>4.9</b>	(16.8)
Dividend paid to minority interests	22	–	(0.2)
<b>Net cash inflow / (outflow) from returns on investments and servicing of finance</b>		<b>4.9</b>	(17.0)

### **Capital expenditure and financial investment**

		2001	2000
	Notes	£m	£m
Purchase of tangible fixed assets	12	(12.8)	(37.5)
Sale of tangible fixed assets		3.3	10.1
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(9.5)</b>	(27.4)

Notes to the accounts are on pages 29 to 51.

# Notes to the accounts

## 1. Accounting policies

### Basis of accounting

The accounts are prepared under the historical cost convention, except where adjusted for revaluations of certain fixed assets, and in accordance with applicable Accounting Standards.

### Adoption of new accounting standards

Adoption of new Financial Reporting Standards 17, 18 and 19 have been applied in 2001. The transitional arrangements of FRS 17 have been adopted which has prompted additional disclosure but does not represent a change in accounting policy. FRS 18 has been adopted in the current year but this did not require any change in accounting policy. FRS 19 has been adopted in the current year, which represents a change in accounting policy, and the comparative figures have been restated accordingly (note 21).

### Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the parent company and all its subsidiaries made up to the end of the financial year and include the results of subsidiaries and businesses acquired and sold during the year from or up to their effective date of acquisition or sale. The consolidated accounts also include the Group's share of post-acquisition earnings and reserves of associated undertakings.

### Acquisitions

Shares issued as consideration for the acquisitions of companies have a fair value attributed to them, which is normally their market value at the date of acquisition. Net tangible assets acquired are consolidated at a fair value to the Group at date of acquisition. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are credited and charged to the post-acquisition profit and loss account or the statement of recognised gains and losses as appropriate. In the Company accounts, where advantage can be taken of the merger relief rules, shares issued as consideration for acquisitions are accounted for at nominal value.

### Goodwill

From 1998, goodwill, being the difference between the fair value of the purchase consideration and the fair value of the assets acquired, has been capitalised in the accounts as goodwill and then amortised on a straight line basis over its estimated useful life.

Goodwill arising on acquisitions prior to 1998 has been written off to reserves. This goodwill will be charged in the profit and loss account as part of any profit or loss of any subsequent disposal of the business to which it relates.

### Turnover

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

### Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services in accordance with SSAP 24.

### Research and development

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

### Tangible fixed assets

Following the adoption of FRS 15 in 2000 the Group has changed its accounting policy and no longer revalues its fixed assets every five years. 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:

- i. Freehold buildings over 50 years.
- ii. Leasehold land and buildings over 50 years or the period of the lease whichever is less.
- iii. Plant, machinery and equipment over a period of 3 to 12½ years.

### Leases

Assets held under finance leases and hire purchase contracts are integrated with owned tangible fixed assets and the obligations relating thereto, excluding finance charges, are included in borrowings. Finance costs are charged to the profit and loss account over the contract term to give a constant rate of interest on the outstanding balance. Costs in respect of operating leases are charged in arriving at the operating profit.

Assets leased to third parties under operating leases (principally land and buildings) are held as tangible fixed assets and depreciated over their expected useful life in line with the depreciation policy. Rental income from leased assets is credited to the profit and loss account on an accruals basis.

### Stocks

Stocks are valued at the lower of cost on a first in first out basis and net realisable value. Cost includes a proportion of production overheads based on normal levels of activity. Full provision is made for obsolete and slow moving items.

## Notes to the accounts

### **Borrowings**

All financial instruments with a cost to the Group, with the exception of share capital, have been included in borrowings. Consequently finance leases and bills of exchange, which have a cost to the Group, are included in net borrowings. The cost of bills and finance leases has been included in net interest. Borrowings are shown net of the associated finance costs, which are amortised to the profit and loss account over the life of the borrowings.

### **Foreign currencies**

The profit and loss account items of overseas subsidiaries and related companies are translated into sterling using average exchange rates. Assets and liabilities in foreign currencies including goodwill arising on acquisitions are translated at the mid-market rates of exchange ruling at the balance sheet date unless matched by forward contracts. Where the translation of overseas subsidiaries and associated undertakings, net of any foreign currency borrowing used to finance them, gives rise to an exchange difference, this is taken directly to reserves. Other exchange differences are dealt with through the profit and loss account.

### **Financial instruments**

The principal derivative instruments utilised by the Group are interest rate swaps and forward rate agreements. These instruments are used for hedging purposes in line with the Group's risk management policy and no trading in financial instruments is undertaken. Interest differentials are taken to net interest payable in the profit and loss account, and premiums and fees are amortised at a constant rate over the life of the underlying instrument.

### **Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

In the holding company and its subsidiaries the liability is assessed with reference to the individual company. On consolidation the liability is assessed with reference to the Group as a whole.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

## Notes to the accounts

### 2. Segmental analysis

By business group	2001			2000		
	Turnover	Operating profit	Net operating assets	Turnover	Operating profit	Net operating assets
	£m	£m	£m	£m	£m	£m
Consumer Products	<b>107.1</b>	<b>11.9</b>	<b>44.5</b>	90.5	10.1	34.5
Foodservice Products	<b>102.7</b>	<b>10.7</b>	<b>38.1</b>	93.3	10.5	32.3
	<b>209.8</b>	<b>22.6</b>	<b>82.6</b>	183.8	20.6	66.8
Discontinuing operations	<b>22.0</b>	<b>(0.6)</b>	<b>-</b>	20.8	<b>-</b>	<b>-</b>
Total continuing operations	<b>231.8</b>	<b>22.0</b>	<b>82.6</b>	204.6	20.6	66.8
Exceptional costs – continuing	<b>-</b>	<b>(2.3)</b>	<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>-</b>
Goodwill amortisation – continuing	<b>-</b>	<b>(4.3)</b>	<b>-</b>	<b>-</b>	<b>(3.1)</b>	<b>-</b>
Discontinued operations	<b>138.5</b>	<b>3.7</b>	<b>(21.2)</b>	764.5	69.4	362.6
<b>Total Group</b>	<b>370.3</b>	<b>19.1</b>	<b>61.4</b>	969.1	86.4	429.4

An analysis of net operating assets by category of asset is given on page 53.

Turnover between business groups is immaterial. Goodwill amortisation on continuing operations relates to Foodservice Products £3.6m (2000: £3.1m) and Consumer Products £0.7m (2000: nil).

Consumer Products includes acquisition turnover of £11.1m and operating profit of £0.5m.

By geographical origin	2001			2000		
	Turnover	Operating profit	Net operating assets	Turnover	Operating profit	Net operating assets
	£m	£m	£m	£m	£m	£m
United Kingdom	<b>182.9</b>	<b>20.1</b>	<b>77.9</b>	156.6	19.2	63.9
North America	<b>22.0</b>	<b>(0.1)</b>	<b>3.4</b>	21.5	0.4	1.3
Rest of World	<b>4.9</b>	<b>0.3</b>	<b>1.3</b>	5.7	0.5	1.6
	<b>209.8</b>	<b>20.3</b>	<b>82.6</b>	183.8	20.1	66.8
Discontinuing operations	<b>22.0</b>	<b>(0.6)</b>	<b>-</b>	20.8	<b>-</b>	<b>-</b>
Total continuing operations	<b>231.8</b>	<b>19.7</b>	<b>82.6</b>	204.6	20.1	66.8
Goodwill amortisation – continuing	<b>-</b>	<b>(4.3)</b>	<b>-</b>	<b>-</b>	<b>(3.1)</b>	<b>-</b>
Discontinued operations	<b>138.5</b>	<b>3.7</b>	<b>(21.2)</b>	764.5	69.4	362.6
<b>Total Group</b>	<b>370.3</b>	<b>19.1</b>	<b>61.4</b>	969.1	86.4	429.4

Goodwill amortisation on continuing operations relates to United Kingdom £3.5m (2000: £2.3m) and North America £0.8m (2000: £0.8m).

Turnover by geographical destination	2001		2000	
	£m	%	£m	%
United Kingdom	<b>171.1</b>	<b>81.6</b>	144.4	78.6
North America	<b>22.3</b>	<b>10.6</b>	22.3	12.1
Rest of World	<b>16.4</b>	<b>7.8</b>	17.1	9.3
<b>Total continuing operations excluding discontinuing</b>	<b>209.8</b>	<b>100.0</b>	183.8	100.0

## Notes to the accounts

### 3. Net operating costs

	2001				2000			
	Continuing £m	Discon- tinuing £m	Discon- tinued £m	Total £m	Continuing £m	Discon- tinuing £m	Discon- tinued £m	Total £m
<b>Turnover</b>	<b>209.8</b>	<b>22.0</b>	<b>138.5</b>	<b>370.3</b>	183.8	20.8	764.5	969.1
Less operating profit	(16.0)	0.6	(3.7)	(19.1)	(17.0)	—	(69.4)	(86.4)
<b>Net operating costs</b>	<b>193.8</b>	<b>22.6</b>	<b>134.8</b>	<b>351.2</b>	166.8	20.8	695.1	882.7

#### Net operating costs

Raw materials and consumables	77.4	10.8	67.6	155.8	65.7	9.8	360.8	436.3
Staff costs (note 4)	62.8	10.3	38.2	111.3	55.4	9.2	177.4	242.0
Other operating charges	44.0	1.7	23.6	69.3	36.1	1.6	113.3	151.0
Change in stocks of finished goods and work in progress	(2.1)	(0.1)	(7.8)	(10.0)	(3.7)	0.4	(22.1)	(25.4)
Other operating income	(4.2)	(0.2)	(1.7)	(6.1)	(0.7)	(0.4)	(5.3)	(6.4)
Other external charges	6.8	0.1	7.0	13.9	7.0	0.2	36.2	43.4
Amortisation of goodwill (note 11)	4.3	—	2.3	6.6	3.1	—	12.0	15.1
Depreciation of tangible fixed assets (note 12)	4.8	—	5.6	10.4	3.9	—	22.8	26.7
<b>Net operating costs</b>	<b>193.8</b>	<b>22.6</b>	<b>134.8</b>	<b>351.2</b>	166.8	20.8	695.1	882.7

The figures for 2001 include the following amounts relating to acquisitions:

	2001
	£m
<b>Turnover</b>	<b>11.1</b>
Less operating profit	(0.5)
<b>Net operating costs</b>	<b>10.6</b>

#### Net operating costs

Raw material and consumables	4.7
Staff costs	2.6
Other operating charges	2.3
Other external charges	0.1
Amortisation of goodwill	0.7
Depreciation of tangible fixed assets	0.2
<b>Net operating costs</b>	<b>10.6</b>

## Notes to the accounts

### 3. Net operating costs (continued)

Net operating costs include the following:

	2001	2000
	£m	£m
<b>Exceptional costs</b>	<b>2.3</b>	0.5
<b>Profit on disposal of tangible fixed assets</b>	<b>2.4</b>	2.4
<b>Research and development</b>	<b>3.4</b>	8.7
<b>Rentals under operating leases</b>		
- Plant and machinery	3.0	5.6
- Other	3.0	4.9
<b>Auditors' remuneration</b>		
Audit services		
- Primary auditors		
(Company £23,000 (2000: £117,000))	0.2	0.7
- Other auditors of Group companies	-	0.1
<b>Total audit services</b>	<b>0.2</b>	0.8
<b>Other services provided by primary auditors</b>	<b>0.8</b>	1.0

### 4. Employee information

		2001	2000
<b>Average number of employees (including directors)</b>		<b>2001</b>	2000
Consumer Products		<b>1,680</b>	1,527
Foodservice Products		<b>1,491</b>	1,378
Discontinuing operations		<b>258</b>	262
Discontinued operations		<b>1,397</b>	7,460
<b>Total</b>		<b>4,826</b>	10,627

	2001				2000			
	Continuing	Discon-tinuing	Discon-tinued	Total	Continuing	Discon-tinuing	Discon-tinued	Total
<b>Staff costs (including directors)</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Wages and salaries	57.1	9.7	32.1	98.9	49.6	8.5	147.9	206.0
Social security costs	5.4	0.6	5.2	11.2	4.5	0.7	26.0	31.2
Other pension costs	0.3	-	0.9	1.2	1.3	-	3.5	4.8
<b>Total staff costs</b>	<b>62.8</b>	<b>10.3</b>	<b>38.2</b>	<b>111.3</b>	<b>55.4</b>	<b>9.2</b>	<b>177.4</b>	<b>242.0</b>

#### Directors' emoluments

Details of directors' emoluments are set out in the remuneration report on pages 21 to 23.

## Notes to the accounts

### 5. Pension costs

The Group has continued to account for pensions in accordance with SSAP 24. The disclosures given below are those required by that standard. FRS 17 Retirement Benefits was issued in November 2000 but will not be fully mandatory for the Group and the Company until the year ended 31st December 2003. Prior to this, phased transitional disclosures are required. The required disclosures are shown below.

The Group operates a pension scheme, which covers the majority of United Kingdom employees and is a defined benefit scheme. The assets are held in trust funds separate from the Group's assets. Other defined benefit schemes operated within the Group are the Mono Equipment Limited Pension and Life Assurance Scheme and Amari plc Pension and Life Assurance Plan.

The latest full valuation of the main United Kingdom scheme was carried out by Watson Wyatt Partners, independent consulting actuaries, as at 1st July 2000 using the projected unit credit method. The principal assumptions on which the valuation was based for the purposes of establishing the Group's pension cost were that the investment return would be 1.5% greater than general salary increases, and between 2.25% and 3% greater than increases in future pension payments. The results of the valuation showed that the scheme had an aggregate market value of £793.0m and was 107% funded. The surplus has been spread forward on the fixed monetary amount basis. This valuation has been used for the 2001 accounts. At 31st December 2001 the pensions prepayment held in the Group's balance sheet is £13.5m (2000: £12.9m). The amount charged to the profit and loss account in the year to 31st December 2001 was nil (2000: £1.3m) in accordance with SSAP 24.

#### FRS 17 Retirement Benefits

The valuation used for FRS 17 disclosures has been based on an updated actuarial valuation at 31st December 2001 by a qualified actuary. This takes account of the requirements of FRS 17 in order to assess the liabilities of the schemes at 31st December 2001. Scheme assets are stated at their market value at 31st December 2001.

The financial assumptions used to calculate scheme liabilities under FRS 17 were:

Rate of increase in salaries	3.75%
Rate of increase of pensions in payment	2.50 - 3.25%
Discount rate	5.85%
Inflation assumption	2.25%

The assets of the aggregated schemes and the expected rates of return are:

	Long-term asset returns expected	2001	2001
	%	£m	£m
Equities	7.5	334	
Bonds	5.6	273	
Property	6.6	61	
Other	4.3	18	
Total market value of assets	6.6	686	
Actuarial value of liabilities		(685)	
Recoverable surplus in the scheme		1	
Related deferred tax asset		-	
<b>Net pension asset</b>		<b>1</b>	

No contributions based on pensionable salaries were made during the year ended 31st December 2001. It has been agreed with the trustees that contributions for the next year will be 18.2% for members of the Group scheme and 36.5% for members of the former 1970 scheme.

	2001
	£m
Net assets excluding pension asset	259
Pension asset	686
<b>Net assets including pension asset</b>	<b>945</b>
Profit and loss account excluding pension asset	129
Pension reserve	1
<b>Profit and loss account including pension reserve</b>	<b>130</b>

## Notes to the accounts

### 6. Interest

	2001	2000
	£m	£m
Interest payable	4.8	18.8
Bank loans and overdrafts	0.5	2.9
All other borrowings		
Total interest payable	5.3	21.7
Less interest receivable and similar income	(10.9)	(2.1)
<b>Net interest (receivable) / payable</b>	<b>(5.6)</b>	<b>19.6</b>

### 7. Tax on profit on ordinary activities

	2001	2000
	£m	£m
United Kingdom corporation tax based on a rate of 30% (2000: 30%)	5.3	27.4
Current tax on income for year	1.1	(1.6)
Adjustments in respect of prior years		
	6.4	25.8
Double taxation relief	-	(20.6)
Deferred tax (note 19)	0.4	-
<b>Total United Kingdom tax</b>	<b>6.8</b>	<b>5.2</b>
Overseas tax		
Current tax on income for year	1.2	15.5
Adjustments in respect of prior years	0.1	(0.3)
	1.3	15.2
Deferred tax (note 19)	(0.2)	1.7
<b>Total overseas tax</b>	<b>1.1</b>	<b>16.9</b>
<b>Tax on profit on ordinary activities</b>	<b>7.9</b>	<b>22.1</b>
Including tax on exceptional costs:		
- disposal of businesses	-	(1.7)
- exceptional costs	(0.7)	(0.2)
<b>Tax on exceptional costs</b>	<b>(0.7)</b>	<b>(1.9)</b>

### 8. Profit for the year

Group profit after tax and minority interests for the year was £16.7m (2000: £8.5m). Aga Foodservice Group plc has taken advantage of section 230(3) of the Companies Act 1985 and has not included its own profit and loss account in these accounts. The Company's profit was £120.7m (2000: £346.1m).

## Notes to the accounts

### 9. Dividends

	2001 £m	2000 £m
<b>Ordinary dividends</b>		
Interim paid of 1.7p per share (2000: 4.4p)	2.2	10.7
Proposed final of 3.3p per share (2000: 8.8p)	4.2	21.3
<b>Total of 5.0p per share (2000: 13.2p)</b>	<b>6.4</b>	32.0
Dividends paid on conversion of Exchangeables (note 20)	1.3	–
<b>Total dividends</b>	<b>7.7</b>	32.0

### 10. Earnings per share

	2001 £m	2000 £m	Restated £m
<b>Earnings before disposal of businesses</b>			
Profit on ordinary activities after tax	16.8	8.7	
Minority interests	(0.1)	(0.2)	
Disposal of businesses net of tax	–	34.3	
Goodwill amortisation net of tax	6.0	12.0	
Earnings before disposal of businesses and goodwill amortisation	22.7	54.8	
Exceptional costs net of tax	1.6	0.3	
Earnings before disposal of businesses, exceptional costs and goodwill amortisation	24.3	55.1	

#### Earnings

Profit on ordinary activities after tax	16.8	8.7
Minority interests	(0.1)	(0.2)
Earnings – for basic EPS	16.7	8.5
Dilutive effect of Exchangeables (note 20)	–	2.0
Earnings – for diluted EPS	16.7	10.5

	million	million
<b>Weighted average number of shares in issue</b>		
For basic EPS calculation	174.9	242.5
Dilutive effect of Exchangeables (note 20)	–	14.9
For diluted EPS calculation	174.9	257.4

	p	p
Before disposal of businesses and goodwill amortisation	13.0	22.6
Before disposal of businesses, exceptional costs and goodwill amortisation	13.9	22.7
Basic	9.5	3.5
Diluted	9.5	4.1

The additional earnings per share figures have been calculated to provide a measure of performance before the impact of profits and losses on disposals and exceptional costs.

## Notes to the accounts

### 11. Intangible assets - goodwill

	2001 £m	2000 £m
<b>Cost</b>		
At 1st January	<b>302.8</b>	284.1
Exchange adjustment	(0.9)	8.7
Arising from acquisitions in the year (note 23)	<b>41.8</b>	10.2
Disposals in the year (note 23)	<b>(234.8)</b>	–
Arising from adjustment to prior year acquisitions	–	(0.2)
At 31st December	<b>108.9</b>	302.8
<b>Amortisation</b>		
At 1st January	<b>27.0</b>	11.5
Exchange adjustment	(0.1)	0.4
Disposals in the year (note 23)	<b>(22.3)</b>	–
Charge for the year	<b>6.6</b>	15.1
At 31st December	<b>11.2</b>	27.0
<b>Net book value at 31st December</b>	<b>97.7</b>	275.8

Goodwill arising on acquisitions is being amortised over 20 years, which the directors believe to be its useful economic life.

### 12. Tangible fixed assets

	Land and buildings £m	Plant, machinery and equipment £m	Assets in course of construction £m	Total tangible fixed assets £m
<b>Cost and valuation</b>				
At 1st January	169.8	369.2	5.9	<b>544.9</b>
Exchange adjustment	–	(0.8)	–	(0.8)
Businesses acquired	4.0	4.1	–	<b>8.1</b>
Capital expenditure	0.9	8.6	3.3	<b>12.8</b>
Disposals	(146.3)	(316.1)	(7.1)	<b>(469.5)</b>
Reclassification	–	1.4	(1.4)	–
At 31st December	28.4	66.4	0.7	<b>95.5</b>
<b>Depreciation</b>				
At 1st January	11.0	245.7	–	<b>256.7</b>
Exchange adjustment	(0.1)	(0.4)	–	(0.5)
Businesses acquired	1.4	2.7	–	<b>4.1</b>
Charge for the year	1.6	8.8	–	<b>10.4</b>
Disposals	(11.7)	(212.5)	–	<b>(224.2)</b>
At 31st December	2.2	44.3	–	<b>46.5</b>
<b>Net book value at 31st December</b>	<b>26.2</b>	<b>22.1</b>	<b>0.7</b>	<b>49.0</b>
Net book value at 1st January	158.8	123.5	5.9	288.2

## Notes to the accounts

### 12. Tangible fixed assets (continued)

All tangible fixed assets are held at cost except for £18.2m of land and buildings valued professionally in 1995.

The historical cost to the relevant businesses of tangible fixed assets amounts to £91.9m (2000: £539.6m) and the accumulated depreciation thereon is £48.7m (2000: £263.2m), giving a net historical book value of £43.2m (2000: £276.4m).

The net book value of tangible fixed assets includes £0.4m (2000: £1.0m) in respect of assets held under finance leases. Depreciation for the year on these assets was £0.1m (2000: £0.2m).

The net book value of land and buildings comprises:

	2001 £m	2000 £m
Freehold	23.9	157.9
Long leasehold	0.2	0.8
Short leasehold	2.1	0.1
<b>Total</b>	<b>26.2</b>	<b>158.8</b>

Included in the net book value of land and buildings is £9.8m relating to properties leased to former Metals Processing businesses. The businesses have options to purchase these properties, exercisable before 2009. No material loss would arise on the exercise of these options.

### 13. Investments

Company	Cost of shares £m	Provisions £m	Net book value £m	Amounts due from	Amounts due to	Total £m
				subsidiaries £m	subsidiaries £m	
<b>In subsidiaries</b>						
At 1st January	414.1	(70.9)	343.2	913.4	(214.5)	1,042.1
Acquisitions	45.6	–	45.6	–	–	45.6
Disposals	(89.7)	5.7	(84.0)	–	–	(84.0)
Intra group transfers	(152.5)	–	(152.5)	–	–	(152.5)
Other movements	–	(9.3)	(9.3)	(333.2)	(73.9)	(416.4)
<b>At 31st December</b>	<b>217.5</b>	<b>(74.5)</b>	<b>143.0</b>	<b>580.2</b>	<b>(288.4)</b>	<b>434.8</b>

The Group has no trade investments.

### 14. Stocks

	2001 £m	2000 £m
Raw materials and consumables	7.9	41.4
Work in progress	10.0	20.2
Finished goods and goods for resale	18.9	132.8
<b>Total stocks</b>	<b>36.8</b>	<b>194.4</b>

## Notes to the accounts

### 15. Debtors

	Group		Company	
	2001	2000	2001	2000
	£m	£m	£m	£m
<b>Operating debtors</b>				
- falling due within one year				
Trade debtors	40.3	136.2	—	—
Amounts owed by Group undertakings	—	—	580.2	913.4
Other debtors	3.1	14.3	0.9	0.1
Prepayments and accrued income	3.5	7.0	—	0.3
<b>Total falling due within one year</b>	<b>46.9</b>	<b>157.5</b>	<b>581.1</b>	<b>913.8</b>
<b>Operating debtors</b>				
- falling due after one year				
Other debtors	0.1	6.9	—	—
Pension prepayment	13.5	12.9	4.8	—
<b>Total operating debtors</b>	<b>60.5</b>	<b>177.3</b>	<b>585.9</b>	<b>913.8</b>
Tax recoverable falling due within one year	0.2	15.6	4.9	23.7
<b>Total debtors</b>	<b>60.7</b>	<b>192.9</b>	<b>590.8</b>	<b>937.5</b>

### 16. Creditors

	Group		Company	
	2001	2000	2001	2000
	£m	£m	£m	£m
<b>Amounts falling due within one year</b>				
<b>Operating creditors</b>				
Trade creditors	35.9	99.7	—	—
Amounts owed to Group undertakings	—	—	288.4	214.5
Social security	2.0	6.0	—	—
Accruals and deferred income	8.4	36.5	0.4	6.4
Other creditors	12.7	21.7	0.9	0.4
<b>Total operating creditors</b>	<b>59.0</b>	<b>163.9</b>	<b>289.7</b>	<b>221.3</b>
<b>Tax and dividends payable</b>				
Tax	6.8	12.3	—	—
Dividends payable	4.2	21.3	4.2	21.3
<b>Total tax and dividends payable</b>	<b>11.0</b>	<b>33.6</b>	<b>4.2</b>	<b>21.3</b>

## Notes to the accounts

### 17. Borrowings

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Floating Rate Loan Notes – 2002/2010	<b>32.4</b>	6.8	<b>18.5</b>	6.8
Finance leases	<b>0.1</b>	0.2	–	–
Other borrowings	<b>0.2</b>	49.8	–	61.3
<b>Total falling due within one year</b>	<b>32.7</b>	56.8	<b>18.5</b>	68.1
Finance leases	<b>0.1</b>	0.3	–	–
Floating Rate Loan Notes – 2010	–	7.1	–	7.1
Other borrowings	<b>8.5</b>	240.1	<b>8.4</b>	234.8
<b>Total falling due after one year</b>	<b>8.6</b>	247.5	<b>8.4</b>	241.9
<b>Exchangeables (note 20)</b>	–	33.5	–	–
Total borrowings	<b>41.3</b>	337.8	<b>26.9</b>	310.0
Cash at bank and in hand	(157.4)	(33.5)	(145.1)	(0.3)
<b>Total net (cash) / borrowings</b>	<b>(116.1)</b>	304.3	<b>(118.2)</b>	309.7
Secured	<b>0.2</b>	2.0	–	–
Unsecured	<b>41.1</b>	335.8	<b>26.9</b>	310.0
<b>Total borrowings</b>	<b>41.3</b>	337.8	<b>26.9</b>	310.0

The Group cash balance of £157.4m includes £14.0m which is collateralised against a bank guarantee facility, in respect of a loan note issued for acquisitions in 2001. Providing cash cover against the guarantee facility minimises the charges payable.

### 18. Financial instruments

The Group's objective in using financial instruments is to reduce the exposure to financial risk. The group treasurer co-ordinates banking, investment of surplus funds, financial instrument transactions and manages ongoing borrowing requirements. The Group manages its investment and financial instrument credit risk by undertaking transactions with established financial institutions and relationship banks. Such transactions are governed by board approved policies and procedures.

Major corporate-related transactions are undertaken by the group treasury team. Operating units carry out transactional hedging within the parameters set by the board and the level of hedging is reviewed by group treasury on a monthly basis. The treasury department is a cost centre, undertaking transactions to hedge identified Group exposures.

Three principal areas of financial risk are:

- **Foreign exchange transactional exposure**

Foreign exchange transactional hedging policy aims to minimise the impact of exchange rate fluctuations on expected results. This is achieved through the use of forward foreign exchange contracts on all material transaction flows.

- **Foreign exchange translation exposure**

The Group continues with its strategy of maintaining liabilities in the overseas currencies to hedge a proportion of the Group's investments made in those currencies. At the end of 2001, the non-sterling liabilities represented 42.5% (2000: 4.5%) of US net assets.

- **Interest rate risk**

The Group maintains its policy to minimise interest rate risk on its borrowings and deposits by using interest rate swaps and forward rate agreements where appropriate. The Group's policy is, normally, to have between 25% and 75% of debt at fixed rates at any time, depending on debt levels and market conditions. Interest rate risk is currently minimised, without the need to use derivative financial instruments, as explained in the paragraph below.

## Notes to the accounts

### 18. Financial instruments (continued)

#### Pipe Systems Disposal

Following the disposal of Pipe Systems, the Group's borrowings have been reduced substantially. At the date of completion, after taking account of interest rate swaps, the proportion of the Group's borrowings at fixed rates was 30%. These swaps were closed out following repayment of the underlying debt.

Following the disposal and the return of capital to shareholders, the Group has surplus funds, which provides it with the opportunity to develop its core businesses. As the Group's objective is to maintain flexibility in utilising these funds, the maturity profile has been kept short. At the year end, all of the Group's investments were floating rate, with a weighted average maturity of 60 days.

The ongoing financial liabilities are all interest bearing and floating rate. As the majority of the borrowings are floating rate loan notes which mature within one year, there were no interest rate swaps in place at the year end. In addition, a natural hedge against interest rate risk is achieved by matching the rollover dates on borrowings with the maturity dates on deposits. It is therefore considered appropriate not to have any fixed rate borrowings.

Short term debtors and creditors have been excluded from all the following disclosures, other than the currency exposure.

#### a) Currency and interest rate exposure of financial assets and liabilities

The following table analyses the currency and interest composition of the Group's financial liabilities, comprising total borrowings of £41.3m (2000: £337.8m) included in note 17 and the provision for vacant leasehold properties of £1.5m (2000: £1.9m) included in note 19.

	Floating rate £m	Fixed rate £m	Non interest bearing £m	Total £m	Fixed rate weighted average	
					Interest rate %	Time period Years
<b>2001</b>						
<b>Currency</b>						
Sterling	32.7	–	1.5	34.2	–	–
US	8.5	–	–	8.5	–	–
Other currencies	0.1	–	–	0.1	–	–
<b>At 31st December</b>	<b>41.3</b>	<b>–</b>	<b>1.5</b>	<b>42.8</b>		

	Floating rate £m	Fixed rate £m	Non interest bearing £m	Total £m	Fixed rate weighted average	
					Interest rate %	Time period Years
<b>2000</b>						
<b>Currency</b>						
Sterling	41.4	–	1.9	43.3	–	–
Eurozone	37.3	43.1	–	80.4	5.5	1.8
US	16.7	–	–	16.7	–	–
Canadian	106.7	55.3	–	162.0	6.3	1.1
Other currencies	3.8	–	–	3.8	–	–
<b>At 31st December</b>	<b>205.9</b>	<b>98.4</b>	<b>1.9</b>	<b>306.2</b>		
<b>Canadian – Exchangeables (note 20)</b>	<b>33.5</b>	<b>–</b>	<b>–</b>	<b>33.5</b>		

## Notes to the accounts

### 18. Financial instruments (continued)

Floating rate financial liabilities bear interest based on the relevant national LIBOR equivalents, which are fixed in advance for periods of between one month and six months.

The provision for vacant leasehold properties is considered to be a non-interest bearing liability and has an average period to maturity of 4 years (2000: 4.5 years).

The following table analyses the currency rate exposure of the Group's financial assets, comprising cash at bank and in hand of £157.4m (2000: £33.5m).

Currency	2001 £m	2000 £m
Sterling	155.1	1.0
Eurozone	0.9	13.7
US	0.7	3.0
Canadian	–	6.2
Other currencies	0.7	9.6
<b>At 31st December</b>	<b>157.4</b>	<b>33.5</b>

The above financial assets bear floating rate interest at the relevant short term market rate. In accordance with the parameters set by the board, the Group's policy is to select those counterparties with high-quality credit ratings.

#### b) Maturity analysis of financial liabilities

The following table analyses the maturity profile of the Group's financial liabilities at the year end. Other financial liabilities represent the provision for vacant leasehold properties.

2001	Group			Company	
	Borrowings £m	Finance leases £m	Other financial liabilities £m	Total £m	Total £m
Within 1 year or on demand	32.6	0.1	0.2	32.9	18.5
Between 1 and 2 years	8.5	0.1	0.2	8.8	8.4
Between 2 and 5 years	–	–	0.9	0.9	–
Over 5 years	–	–	0.2	0.2	–
<b>At 31st December</b>	<b>41.1</b>	<b>0.2</b>	<b>1.5</b>	<b>42.8</b>	<b>26.9</b>

2000	Group			Company	
	Borrowings £m	Finance leases £m	Other financial liabilities £m	Total £m	Total £m
Within 1 year or on demand	90.1	0.2	0.4	90.7	68.1
Between 1 and 2 years	23.1	0.2	0.2	23.5	20.1
Between 2 and 5 years	222.8	0.1	1.1	224.0	221.8
Over 5 years	1.3	–	0.2	1.5	–
<b>At 31st December</b>	<b>337.3</b>	<b>0.5</b>	<b>1.9</b>	<b>339.7</b>	<b>310.0</b>

## Notes to the accounts

### 18. Financial instruments (continued)

#### c) Borrowing facilities

The following table analyses the Group's undrawn committed facilities at the year end.

	2001 £m	2000 £m
Expiring within 1 year	–	94.9
Expiring between 1 and 2 years	<b>16.6</b>	12.0
Expiring in more than 2 years	–	82.2
<b>Total undrawn committed facilities</b>	<b>16.6</b>	189.1

The Group also has uncommitted facilities totalling £68.4m (2000: £126.4m).

#### d) Fair values of financial assets and liabilities

	2001		2000	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<b>Primary financial instruments held or issued to finance Group operations</b>				
Short term borrowings	(32.7)	(32.7)	(56.8)	(56.8)
Long term borrowings	(8.6)	(8.6)	(247.5)	(247.5)
Exchangeables	–	–	(33.5)	(33.5)
Other financial liabilities	(1.5)	(1.5)	(1.9)	(1.9)
Cash at bank and in hand	<b>157.4</b>	<b>157.4</b>	33.5	33.5
<b>Derivative financial instruments held to manage the interest rate and currency profile</b>				
Interest rate swaps	–	–	–	(0.8)
<b>Derivative financial instruments held or issued to hedge the currency exposure on purchases and sales</b>				
Forward foreign exchange contracts	–	–	–	(0.1)

As noted on page 41 the Group's borrowings are primarily floating rate loans and their book value is deemed to approximate to their fair values. As the majority of the borrowings mature within one year, there were no interest rate swaps in place at the year end. The fair value of the forward foreign exchange contracts has been calculated using the spot rate of exchange at the year end, which was not materially different from the book value.

## Notes to the accounts

### 18. Financial instruments (continued)

#### e) Currency exposures

The table below shows the currency exposure of the Group's net monetary assets and liabilities in currencies other than their local currency after taking account of forward foreign exchange contracts held to manage such exposures. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account.

2001	Net foreign currency financial assets/(liabilities)				
	Sterling £m	Eurozone £m	US £m	Other currencies £m	Total £m
<b>Functional currency of Group operation</b>					
Sterling	–	(0.6)	(0.1)	0.1	(0.6)

2000	Net foreign currency financial assets / (liabilities)				
	Sterling £m	Eurozone £m	US £m	Other currencies £m	Total £m
<b>Functional currency of Group operation</b>					
Sterling	–	0.6	(0.3)	(1.4)	(1.1)
Eurozone	(0.1)	–	0.1	2.0	2.0
US	–	0.2	–	–	0.2
Canadian	–	–	(2.1)	–	(2.1)
Other currencies	(1.6)	(1.4)	0.4	–	(2.6)
<b>Total</b>	<b>(1.7)</b>	<b>(0.6)</b>	<b>(1.9)</b>	<b>0.6</b>	<b>(3.6)</b>

#### f) Hedges on future transactions

As explained on page 40, the Group's policy is to hedge the following exposures:

- interest rate risk by using interest rate swaps and forward rate agreements where appropriate
- structural and transactional currency exposures, and currency exposures on future expected sales and purchases by using forward foreign exchange contracts.

At 31st December 2001 there were no interest rate swaps outstanding (2000: unrecognised net losses of £0.8m) and no material unrecognised net gains or losses in respect of forward foreign exchange contracts (2000: unrecognised net losses of £0.1m).

## Notes to the accounts

### 19. Provisions for liabilities and charges

Group	Deferred tax	Pensions & employee benefits	Product warranties	Property & reorganisation	Other	Total
	£m	£m	£m	£m	£m	£m
At 1st January as previously reported	2.0	16.0	6.6	3.1	40.9	68.6
Prior year adjustment (note 21)	4.2	–	–	–	–	4.2
At 1st January restated	6.2	16.0	6.6	3.1	40.9	72.8
Exchange adjustment	(0.2)	–	–	–	–	(0.2)
Acquisitions (note 23)	–	–	0.1	–	–	0.1
Disposals (note 23)	–	(13.9)	(5.3)	(1.4)	(6.2)	(26.8)
Charge / (credit) in the year	0.2	0.5	0.4	(0.4)	(2.4)	(1.7)
Utilised in the year	(0.6)	(2.5)	(0.2)	0.3	(9.7)	(12.7)
<b>At 31st December</b>	<b>5.6</b>	<b>0.1</b>	<b>1.6</b>	<b>1.6</b>	<b>22.6</b>	<b>31.5</b>

Company	Deferred tax	Other	Total
	£m		
At 1st January	–	–	–
Charge in the year	2.0	16.0	18.0
Utilised in the year	(0.6)	0.7	0.1
<b>At 31st December</b>	<b>1.4</b>	<b>16.7</b>	<b>18.1</b>

Deferred tax	2001		2000	
	Group	Company	Group	
			Restated provided	Restated potential unprovided
Timing differences between tax allowances and depreciation	1.7	–	2.1	1.8
Other timing differences	3.9	1.4	4.1	–
<b>Total deferred tax</b>	<b>5.6</b>	<b>1.4</b>	<b>6.2</b>	<b>1.8</b>

#### Pensions and employee benefits

Pensions and employee benefits include £0.1m (2000: £14.1m) in respect of unfunded pension schemes and nil (2000: £1.9m) in respect of other long-term employee benefits.

#### Product warranties

Provision is made for the estimated liability on all products still under warranty. Product warranties of between 1 and 2 years are given, where appropriate, by individual businesses in the Group.

#### Property and reorganisation

Following the disposal programme of previous years certain vacant property located in the UK remains with the Group. Full provision has been made for the residual lease commitments, together with other outgoings, for the remaining period of the leases. The timing of payments is shown in note 18(b).

## Notes to the accounts

### 19. Provisions for liabilities and charges (continued)

#### Other

The Group's and Company's other provisions relate to the remaining costs in respect of the disposal of Pipe Systems, including probable warranty and indemnity claims, taxation exposures and other claims and other costs from third parties in relation to divested businesses. Although the majority of these provisions should be realised in the next accounting period, the exact timing is unclear.

### 20. Share capital

	2001 £m	2000 £m
<b>Authorised</b>		
327.0m ordinary shares of 25p each (2000: 327.0m)	<b>81.8</b>	81.8
<b>Issued and fully paid</b>		
127.8m ordinary shares of 25p each (2000: 242.5m)	<b>31.9</b>	60.6

On 21st May 2001 130.8m ordinary shares of 25p each (nominal value £32.7m) were repurchased.

During the year 1,186,495 ordinary shares of 25p each (nominal value £296,624) (2000: 51,426 shares, nominal value £12,856) were issued in connection with the Company's share option schemes for an aggregate consideration of £2,621,137 (2000: £105,720).

#### Convertibles

On 6th July 2001 £2,967,744 variable rate Convertible Unsecured Redeemable Loan Stock 2004 ('CURLS') and £500,000 Fixed Rate Convertible Redeemable Unsecured Loan Stock 2007 ('CRULS') were issued by the Group as part of the consideration for the purchase of Resurgan Limited. At the holder's option the principal outstanding on CURLS and CRULS may be converted into Aga Foodservice Group plc ordinary shares at a price of 250p per share up to 31st July 2004 and on the 30th September 2004 respectively.

#### Exchangeables

On 9th March 2001 the Exchangeables were converted at the holders' option into 14.9m Aga Foodservice Group plc ordinary shares (nominal value £3,727,500). The Exchangeables carried an interest cost equivalent to the dividend payable on the shares that would be issued on conversion into Aga Foodservice Group plc shares. A dividend of £1.3m was payable on the conversion of the Exchangeables (note 9).

#### Options

Options outstanding at 31st December 2001 under the following schemes were as follows:

Senior Executive Share Option Schemes			Savings-Related Share Option Schemes		
Number of shares	Option price p per share	Exercisable in 7 years to	Number of shares	Option price p per share	Exercisable in the 6 months to
25,000	200	September 2002	145,526	268	May 2002
799,444	288	April 2007	243,521	199	May 2003
325,000	321	May 2008	399,954	199	May 2005
1,413,866	225	September 2009			
1,051,500	236	June 2011			
<b>Total</b>	<b>3,614,810</b>		<b>789,001</b>		

Additionally under the Long-Term Incentive awards, options outstanding at the year end were for 459,592 shares. These are exercisable in the 7 years to June 2009. A fee of £1 per award is payable and no further consideration is due.

## Notes to the accounts

### 21. Reserves

	Share premium	Revaluation reserve	Capital redemption reserve	Profit and loss account	Total
Group	£m	£m	£m	£m	£m
At 1st January as previously reported	25.9	7.0	2.3	283.8	319.0
Prior year adjustment – FRS 19	–	–	–	(4.2)	(4.2)
At 1st January restated	25.9	7.0	2.3	279.6	314.8
Exchange adjustment	–	–	–	(0.3)	(0.3)
Profit retained	–	–	–	9.0	9.0
Premium on shares issued	30.8	–	–	–	30.8
Transfer between reserves	–	(1.2)	–	1.2	–
Share buyback	–	–	32.7	(336.3)	(303.6)
Goodwill reinstated on disposals	–	–	–	175.8	175.8
<b>At 31st December</b>	<b>56.7</b>	<b>5.8</b>	<b>35.0</b>	<b>129.0</b>	<b>226.5</b>
<b>Company</b>					
At 1st January	25.9	–	2.3	639.6	667.8
Exchange adjustment	–	–	–	0.1	0.1
Premium on shares issued	30.8	–	–	–	30.8
Share buyback	–	–	32.7	(336.3)	(303.6)
Profit retained	–	–	–	113.0	113.0
<b>At 31st December</b>	<b>56.7</b>	<b>–</b>	<b>35.0</b>	<b>416.4</b>	<b>508.1</b>

The cumulative amount of goodwill taken direct to reserves since 1985 in respect of businesses who were members of the Group at 31st December 2001 is £6.3m (2000: £182.1m).

In accordance with SSAP 20, for each currency, exchange differences arising from the translation of foreign currency borrowings used to finance foreign currency investments, have been offset as reserves movements against exchange differences arising on the retranslation of the net investment in that currency. In total, net exchange gains on foreign currency borrowings of £1.4m (2000: £8.5m losses) have been taken to reserves. The Company's profit and loss account reserves of £416.4m (2000: £639.6m) include approximately £292m (2000: £280m) which is unavailable for distribution.

### Prior year adjustment

The prior year adjustment relates to the implementation of FRS 19, which requires a full provision for deferred tax and has resulted in an increase in tax on profit on ordinary activities of £0.5m. The opening profit and loss reserve at 1st January 2000 has been reduced by a £4.2m deferred tax provision.

### 22. Minority interests

	2001	2000
	£m	£m
At 1st January	1.3	1.4
Exchange adjustment	0.1	–
Purchased in year	–	(0.1)
Disposed of in year (note 23)	(1.1)	–
Profit and loss account	0.1	0.2
Dividend paid	–	(0.2)
<b>At 31st December</b>	<b>0.4</b>	<b>1.3</b>

## Notes to the accounts

### 23. Acquisitions and disposals

#### a) Acquisitions

The principal acquisitions during the year were Resurgan Limited, trading as Fired Earth, acquired in July, and Millers Bakery Machinery (Bury) Limited, Elgin & Hall Limited and Adamatic, A Corporation, acquired in December. The net assets of the individual businesses acquired are not significant enough to disclose separately and therefore the acquisitions are aggregated below.

	Book value	Revaluation	Total
	£m	£m	£m
<b>Aggregated net assets acquired</b>			
Intangible fixed assets	15.6	–	<b>15.6</b>
Tangible fixed assets	4.0	–	<b>4.0</b>
Stocks	6.9	–	<b>6.9</b>
Debtors	6.0	(0.4)	<b>5.6</b>
Cash at bank and in hand	3.3	–	<b>3.3</b>
Other creditors	(6.0)	–	<b>(6.0)</b>
Tax	(0.3)	–	<b>(0.3)</b>
Borrowings acquired	(22.3)	–	<b>(22.3)</b>
Provisions (note 19)	(0.1)	–	<b>(0.1)</b>
<b>Net assets acquired</b>	<b>7.1</b>	<b>(0.4)</b>	<b>6.7</b>
Cash paid			<b>12.7</b>
Loan notes issued			<b>20.2</b>
<b>Total consideration</b>			<b>32.9</b>
Goodwill arising on acquisitions in the year			<b>26.2</b>
Goodwill acquired			<b>15.6</b>
<b>Total goodwill arising (note 11)</b>			<b>41.8</b>

Adjustments relating to debtors reflect knowledge gained as to the recoverability of the item following acquisition.

#### b) Disposals

During the year the Group disposed of its Pipe Systems businesses as set out below:

	2001
	£m
<b>Net assets disposed</b>	
Fixed assets	(243.4)
Stock	(176.3)
Debtors	(141.1)
Cash	(12.4)
Tax	(5.9)
Creditors	96.1
Finance leases	0.2
Provisions (note 19)	26.8
Minority interests (note 22)	1.1
Goodwill reinstated (note 21)	(175.8)
Goodwill previously capitalised (note 11)	(212.5)
<b>Total assets transferred with disposal</b>	<b>(843.2)</b>
Provision for additional costs and liabilities	(23.4)
Proceeds received less costs incurred	830.6
<b>Loss on disposal</b>	<b>(36.0)</b>

## Notes to the accounts

### 23. Acquisitions and disposals (continued)

#### c) Net cash flow on acquisitions and disposals

	2001 £m	2000 £m
<b>Current year acquisitions</b>		
Cash paid	(12.7)	(20.1)
Cash acquired	3.3	0.6
Net current year acquisitions paid	(9.4)	(19.5)
Prior year acquisitions received	-	0.2
Net acquisitions outflow	(9.4)	(19.3)
<b>Current year disposals</b>		
Initial consideration	786.0	-
Further proceeds received less costs incurred	44.6	0.2
Net cash disposed	(12.2)	-
<b>Net cash flow</b>	<b>809.0</b>	<b>(19.1)</b>

#### Effect of acquisitions and disposals during the year on the Group cash flow statement

Post-acquisition the effect on the Group cash flow was an inflow of £1.0m being cash inflow from operations of £1.3m and cash outflow for capital expenditure and financial investment of £0.3m.

The effect on the Group cash flow from businesses now classified as discontinued was an outflow of £36.6m being cash outflow from operations of £29.5m, interest paid of £0.1m, tax paid of £1.0m and cash outflow for capital expenditure and financial investment of £6.0m.

### 24. Financing

	Notes	2001		2000	
		£m	£m	£m	£m
Issue of ordinary share capital			34.8		0.1
Buyback of ordinary capital	21		(336.3)		-
(Decrease) / increase in borrowings not repayable on demand	25	(321.2)		3.8	
Finance lease repayments	25	(0.3)		(0.4)	
(Decrease) / increase in debt			(321.5)		3.4
<b>Movement in financing</b>			<b>(623.0)</b>		<b>3.5</b>

### 25. Analysis of movement in net borrowings

	At 1st January £m	Exchange translation adjustments				At 31st December £m
		Cash flow £m	Acquisitions £m	£m	£m	
Cash at bank and in hand (note 17)	(33.5)	(124.2)	-	0.3	(157.4)	
Borrowings repayable on demand	15.8	(15.8)	-	-	-	
Net cash	(17.7)	(140.0)	-	0.3	(157.4)	
Other borrowings	321.5	(321.2)	42.5	(1.7)	41.1	
Finance lease obligations	0.5	(0.3)	-	-	0.2	
<b>Total net borrowings / (cash)</b>	<b>304.3</b>	<b>(461.5)</b>	<b>42.5</b>	<b>(1.4)</b>	<b>(116.1)</b>	

## Notes to the accounts

### 26. Commitments

	2001 £m	2000 £m
<b>Capital commitments contracted for by the Group but not provided in the accounts</b>	<b>1.4</b>	<b>14.1</b>

In 2000 £13.6m related to discontinued businesses.

The Company had no commitments (2000: nil).

### 27. Operating lease commitments

	<b>Land &amp; buildings</b>		<b>Other operating leases</b>	
	2001 £m	2000 £m	2001 £m	2000 £m
For leases expiring:				
- within 1 year	0.5	2.4	0.5	1.6
- between 1 and 2 years	-	2.3	0.4	1.6
- between 2 and 5 years	0.2	3.7	2.1	2.2
- after more than 5 years	1.6	1.1	-	0.2
<b>Total operating lease commitments</b>	<b>2.3</b>	<b>9.5</b>	<b>3.0</b>	<b>5.6</b>

Of the above operating lease commitments outstanding at 31st December 2000 £8.6m and £2.8m related to discontinued businesses for land and buildings and other operating leases respectively.

The Company had no operating lease commitments (2000: nil).

### 28. Contingent liabilities

The Group had no contingent liabilities arising in the normal course of business at 31st December 2001 (2000: £0.2m). The Group has contingent liabilities for certain potential claims from third parties in relation to divested businesses. On the basis of information presently available to them, the directors believe that no material claims are likely to arise for which provision has not been made in these accounts. The Company has given a number of financial and performance guarantees on behalf of subsidiaries, the relevant liabilities are included in the consolidated balance sheet.

### 29. Major non-cash transactions

Loan notes totalling £20.2m were issued in the year in connection with acquisitions (note 23).

On 9th March 2001 the Exchangeables were converted into 14.9m Aga Foodservice Group plc ordinary shares (note 20).

### 30. Related party transactions

The Group recharges the Group pension scheme with the cost of administration and independent advisers paid by the Group. The total amount recharged in the year to 31st December was £0.2m (2000: £0.2m).

### 31. Post balance sheet events

#### Disposal of Flavel fires brand

On 15th March 2002 Aga Foodservice Group plc announced the disposal of its Flavel fire brand and related stock to CFM Kinder Limited for £1.2m. This activity has been reported as discontinuing.

#### Disposal of Leisure and Flavel cooker brands

On 15th March 2002 Aga Foodservice Group plc announced the disposal of its Leisure and Flavel 55cm slot-in and eye-level cooker brands and related stock to BEKO (UK) Limited for up to £5.4m. These activities have been reported as discontinuing.

#### Acquisition of Domain, Inc. (Domain)

On 19th March 2002 Aga Foodservice Group plc announced the acquisition of Domain for consideration of \$25m (£17.6m) in cash and up to \$4m (£2.8m) payable on 1st April 2005 subject to the continued employment of four Domain officers. The officers have an option to receive 1.18m shares in Aga Foodservice Group plc in lieu of the deferred cash payments. Domain made a profit before tax of \$3.3m (£2.3m) in the year ended 30th June 2001, on sales of \$62m (£43m).

## Notes to the accounts

### **32. Trading subsidiaries**

The following is a list of the Company's principal subsidiaries at 31st December 2001. A brief description of activities is given in the chief executive's review on pages 4 to 11. The share capital in each case consists, unless otherwise stated, wholly of ordinary shares or common stock. All companies are held by subsidiary undertakings, except for those marked \* in which case it is held directly by the Company.

Where subsidiaries are not wholly owned the percentage of owned capital is stated in brackets. Unless otherwise stated the companies are registered in England and operate in the United Kingdom.

#### **Aga Consumer Products**

Aga Consumer Products Limited traded in the UK principally under the trade and business names of:

Aga-Rayburn

Leisure Consumer Products

Agalinks.com

Principal overseas businesses are:

Adamatic, A Corporation (USA)

Ming Fai Stainless Steel Catering Equipment Manufacturing Co Limited (56.8%) (Hong Kong)

Victory Refrigeration LLC (USA)

Williams Refrigeration Limited (Australia) \*

#### **Aga Foodservice Equipment**

Aga Foodservice Equipment Limited traded in the UK principally under the trade and business names of:

AFE Online

AFE Serviceline

Falcon Foodservice Equipment

Mono Equipment

Williams Refrigeration

Other principal businesses:

Elgin & Hall Limited

Fired Earth Limited

Millers Bakery Machinery (Bury) Limited

Williams Refrigeration Central Limited (80%)

#### **Central Services**

AFG Properties Limited \*

AFG Corporate Services Limited \*

## Directors' responsibilities

The directors are required to prepare financial statements for each financial year which comply with the provisions of the Companies Act 1985 and give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss for that year.

The directors consider that in preparing the financial statements on pages 24 to 51 on a going-concern basis, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors are responsible for ensuring that the Company and the Group maintain accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure

that the financial statements comply with the Companies Act 1985.

The directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Aga Foodservice Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Independent auditors' report

### To the members of Aga Foodservice Group plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, the related notes on pages 29 to 51 and the directors' remuneration disclosures on pages 20 to 23.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 51.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the chairman's statement, the chief executive's review, the directors' report and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

### Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

### PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Birmingham

22nd March 2002

## Five year financial history

	<b>2001</b>	2000	1999	1998	1997
	£m	£m	£m	£m	£m
<b>Trading results</b>					
<b>Turnover</b>	<b>370</b>	969	878	1,015	1,242
Operating profit before disposal of businesses and goodwill amortisation	25.7	101.5	81.0	81.0	96.1
Goodwill amortisation	(6.6)	(15.1)	(9.7)	(2.1)	–
Net interest receivable / (payable)	5.6	(19.6)	(9.2)	(3.6)	(6.7)
Profit before disposal of businesses	24.7	66.8	62.1	75.3	89.4
Disposal of businesses	–	(36.0)	32.5	(38.9)	(13.2)
<b>Profit before tax</b>	<b>24.7</b>	30.8	94.6	36.4	76.2
Tax					
- before disposal of businesses	(7.9)	(23.8)	(17.8)	(23.9)	(27.8)
- disposal of businesses	–	1.7	(1.0)	(3.6)	(2.6)
<b>Profit after tax</b>	<b>16.8</b>	8.7	75.8	8.9	45.8

### Balance sheet summary

#### Net operating assets

Fixed assets	49.0	288.2	273.3	267.3	175.4
Stocks	36.8	194.4	166.6	163.6	181.7
Operating debtors less creditors and provisions	(24.4)	(53.2)	(24.2)	(52.6)	(38.6)
Businesses held with a view to resale	–	–	–	17.7	–
<b>Total net operating assets</b>	<b>61.4</b>	429.4	415.7	396.0	318.5
Goodwill	97.7	275.8	272.6	130.7	–
Tax and dividends	(16.4)	(24.2)	(22.4)	(33.7)	(38.1)
Total net cash / (borrowings)	116.1	(304.3)	(273.9)	(158.5)	(2.5)
<b>Total net assets employed</b>	<b>258.8</b>	376.7	392.0	334.5	277.9

#### Financed by

Ordinary shares	31.9	60.6	60.6	60.6	61.5
Reserves	226.5	314.8	330.0	263.7	214.7
<b>Ordinary share capital and reserves</b>	<b>258.4</b>	375.4	390.6	324.3	276.2
Preference shares	–	–	–	1.3	1.3
<b>Total shareholders' funds</b>	<b>258.4</b>	375.4	390.6	325.6	277.5
Minority interests	0.4	1.3	1.4	8.9	0.4
<b>Total funds</b>	<b>258.8</b>	376.7	392.0	334.5	277.9

#### Statistics

Operating profit before disposal of businesses and goodwill amortisation to turnover	%	6.9	10.5	9.2	8.0	7.7
Interest cover before disposal of businesses	x	–	4.4	7.8	21.9	14.3
Dividend per ordinary share	p	5.0	13.2	13.2	13.2	13.2
<b>Earnings per share</b>						
Before disposal of businesses and goodwill amortisation	p	13.0	22.6	22.0	21.5	25.1
Basic	p	9.5	3.5	31.0	3.3	18.6
Diluted	p	9.5	4.1	30.5	3.3	–

## Notice of annual general meeting

Notice is hereby given that the sixty first annual general meeting of Aga Foodservice Group plc (formerly known as Glynwed International plc) will be held at Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ on 9th May 2002 at 12 noon to transact the following business:

### Ordinary business:

1. To receive and adopt the annual report and accounts for the year ended 31st December 2001.
2. To declare a final dividend.
3. To re-elect Mr A J Wilson as a director.
4. To re-elect Mr C J Farrow as a director.
5. To re-elect Mr W B McGrath as a director.
6. To re-appoint the auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors to determine the auditors' remuneration.
7. To consider the following resolution, which will be proposed as an ordinary resolution:

That the authority conferred on the directors by article 4(B) of the Company's Articles of Association be renewed for the period expiring on the earlier of the date 15 months after the passing of this resolution and the conclusion of the next annual general meeting of the Company following the passing of this resolution and for that period the 'section 80 amount' is £10,653,774.

8. Subject to the passing of the foregoing resolution no. 7, to consider the following resolution, which will be proposed as a special resolution:

That the power conferred on the directors by article 4(C) of the Company's Articles of Association be renewed for the period expiring on the earlier of the date 15 months after the passing of this resolution and the conclusion of the next annual general meeting of the Company following the passing of this resolution and for that period the 'section 89 amount' is £1,598,066.

### Special business:

9. To consider the following resolution, which will be proposed as a special resolution:

That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 25p in the capital of the Company ('ordinary shares') provided that:

- (a) the maximum aggregate number of ordinary shares authorised to be purchased is 12,784,529 (representing 10 per cent of the issued ordinary share capital);
- (b) the minimum price which may be paid for an ordinary share is 25p (exclusive of expenses and taxes (if any) payable by the Company);
- (c) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased (exclusive of expenses and taxes (if any) payable by the Company);
- (d) this authority expires on the earlier of the date 12 months after the passing of this resolution and the conclusion of the next annual general meeting of the Company following the passing of this resolution; and
- (e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority and may make a purchase of ordinary shares in pursuance of any such contract.

By order of the board

  
D J Solomon

Secretary  
Birmingham  
8th April 2002

## Notice of annual general meeting

### Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his or her stead. A proxy need not be a member of the Company.
2. The Company pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001, specifies that only those holders of ordinary shares whose names appear on the register of members of the Company as at 6pm on 7th May 2002 shall be entitled to attend the annual general meeting either in person or by proxy and the number of shares then registered in their respective names shall determine the number of votes such persons are entitled to cast at the meeting. Changes to entries on the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
3. A form of proxy is enclosed for the use of ordinary shareholders. The form should be completed, signed and returned so that it arrives at the office of the Company's registrars not less than 48 hours before the time of the meeting. By signing and returning the form of proxy, a shareholder will not be precluded from attending and voting in person should he or she subsequently find it possible to be present.
4. Copies of the contracts of service of directors (unless expiring or determinable by the Company within one year without payment of compensation) and the register of directors' interests in shares in the Company will be available for inspection at the Company's registered office between 9:00am and 5:30pm on any weekday (Saturdays and public holidays excluded) from the date of this notice up to and including the day before the meeting and also at the place of the meeting for 15 minutes prior to the meeting and during the meeting.
5. An explanation of resolutions 7 to 9 (inclusive) is set out in the Report of the directors on page 15 under the heading 'Share capital of the Company and annual general meeting'.

## Main addresses & advisers and 2002 financial calendar

### Main addresses & advisers

#### Head office and registered office

Headland House  
54 New Coventry Road  
Sheldon  
Birmingham  
B26 3AZ  
Telephone: 0121 742 2366  
Fax: 0121 742 0403  
e-mail: info@agafodservice.com  
Website: www.agafodservice.com  
Registered in England No. 354715

#### Auditors

PricewaterhouseCoopers

#### Financial advisers and joint stockbrokers

Dresdner Kleinwort Wasserstein

#### Joint stockbrokers

Old Mutual

### Registrars

Lloyds TSB Registrars  
The Causeway  
Worthing  
West Sussex  
BN99 6DA  
Telephone (Helpline): 0870 600 3953

### 2002 financial calendar

Record date for final ordinary dividend	3rd May
Annual general meeting	9th May
Final ordinary dividend payable	7th June
Record date for interim ordinary dividend	8th November
Interim ordinary dividend payable	4th December

## The Aga Foodservice Group online

### Group

Aga Foodservice Group plc  
[www.agafoodservice.com](http://www.agafoodservice.com)

### Consumer Products

Aga Links  
[www.agalinks.com](http://www.agalinks.com)

Aga Ranges  
[www.agaranges.com](http://www.agaranges.com)

Aga Rayburn  
[www.agarayburn.co.uk](http://www.agarayburn.co.uk)

Cookware and accessories  
[www.agacockshop.com](http://www.agacockshop.com)

CookCraft  
[www.cookcraft.com](http://www.cookcraft.com)

Domain  
[www.domain-home.com](http://www.domain-home.com)

Elgin and Hall  
[www.elgin.co.uk](http://www.elgin.co.uk)

Fired Earth  
[www.fireearth.com](http://www.fireearth.com)

Rangemaster  
[www.rangemaster.co.uk](http://www.rangemaster.co.uk)

### Foodservice Products

Adamatic  
[www.adamatic.com](http://www.adamatic.com)

AFE Online  
[www.afeline.co.uk](http://www.afeline.co.uk)

AFE Serviceline  
[www.afeserviceline.com](http://www.afeserviceline.com)

Falcon Foodservice Equipment  
[www.falconfoodservice.com](http://www.falconfoodservice.com)

Mono Equipment  
[www.monoequip.com](http://www.monoequip.com)

Victory Refrigeration  
[www.victory-refrig.com](http://www.victory-refrig.com)

Williams Refrigeration  
[www.williams-refrigeration.co.uk](http://www.williams-refrigeration.co.uk)





FOODSERVICE GROUP



Aga Foodservice Group plc  
Headland House  
54 New Coventry Road  
Sheldon  
Birmingham B26 3AZ  
Telephone: 0121 742 2366  
Fax: 0121 742 0403  
e-mail: [info@agafoodservice.com](mailto:info@agafoodservice.com)  
Website: [www.agafoodservice.com](http://www.agafoodservice.com)