No 354715

A new focus

We have achieved a great deal since we became Aga Foodservice Group in 2001 and we are already building on that progress. We are also laying the foundations for future growth with a new focus on our family of strong consumer brands. Our aim is to be a more customer-driven, more responsive and more efficient business, offering the most desirable products and services across all of our brands.

And with our new focus, everything we do has one objective: building a sustainable business for the long term, generating shareholder value through consistent, profitable growth.

We put Aga firmly centre stage in 2001 and we can continue to build rapidly on the brand's product development successes. And to harness the strong emotional connection owners have to their Aga, we have launched 'Love Aga', our largest campaign ever, to track down every owner in the world and attract new ones into the Aga family.

The growth of Rangemaster following the radical repositioning of the business in 2002 is sustained and substantial and is set to continue. To have become the UK's number one brand in premium range cooking is an outstanding example of our people at their finest.

We are excited about the future for all our brands, led by Aga and Rangemaster with passion and expertise. We are ready. We are focused. We are now Aga Rangemaster.

2007 performance at a glance

Financial highlights
Full year to 31st December Continuing operations

	2006	2007	
Revenue	£278.6m	£291.8m	**4.7% increase**
EBITDA	£36.8m	£39.8m	**8.2% increase**
Operating profit	£24.3m	£25.0m	**2.9% increase**
Profit before net finance income and tax	£28.3m	£31.0m	**9.5% increase**
Profit before tax	£27.5m	£27.6m	**0.4% increase**
Basic earnings per share	16.5p	19.4p	**17.6% increase**
Dividend per share	10.5p	11.5p	**9.5% increase**
Shareholders' funds	£333.5m	£355.0m	

Cash return 2006 **2007:**

Net (debt) / cash 2006 **2007:**

Strategic and operational highlights

- Good progress made in the continuing business
- Successful sale of Foodservice for £265 million
- 121 pence per share cash return (£140 million) in addition to a final dividend of 7 65 pence per share (£8 8 million)
- Framework agreed with Group Pension Scheme Trustee for Scheme to reach a self-sufficiency funding position by 2020
- Strategic focus centres on growth for cast iron cookers and development of the Rangemaster suite of kitchen appliances

Chairman's introduction

Over the last twelve months, we have delivered on key objectives completed the successful sale of Foodservice for a good price, paid a special dividend of £55 6 million and prepared for the substantial cash return of £140 million to shareholders, put in place the long-term financial structure for the Group Pension Scheme, developed a new name and corporate identity for the Group, appointed a new chairman, and set a clear growth strategy for the focused consumer business

This all followed the decision of the board to sell the Foodservice operations These operations had been carefully built up over 6 years, and now needed to develop further through international reach and scale When the likelihood of ourselves driving change in the sector receded, we concluded that shareholders' interests were best served through their sale This was achieved at a good price of £265 million on an attractive exit multiple, particularly as financial markets tightened

During 2007 the continuing business performed satisfactorily with Rangemaster again achieving record sales and profits Turnover of the continuing business rose by 4 7% to £291 8 million (5 7% at constant exchange rates) EBITDA in the year was £39 8 million (2006 £36 8 million) Operating profit excluding net pension credits was £25 0 million, up from £24 3 million in the prior year Profit before interest and tax including net pension credit was £31 0 million (2006 £28 3 million) The interest charge of £3 4 million reflects the marked changes in the cash position in the year with the payment of the special dividend in June increasing debt levels at the half year to £79 7 million before the cash receipts from the sale of Foodservice, completed in December 2007, left us with net cash of £169 1 million at the year end Earnings per share from continuing operations were 19 4 pence per share compared with 16 5 pence per share in 2006 The Foodservice business made an operating profit after allocated corporate costs of £14 6 million in 2007 and the reported book profit on their sale, taking into account intangibles, was £30 7 million

Trading performance – continuing operations

Aga, Rayburn and Stanley saw leads and home surveys remain at good levels throughout the year Volumes were ahead at the half year but did slow at the end of 2007 as consumer markets tightened leaving volumes in the year marginally down at 19,600 Within the overall numbers the trend continued towards our electric models, most notably the new programmable ranges and, for Rayburn and Stanley towards carbon-neutral wood burning lines The year also saw our cookware operations from Aga and Divertimenti continue to progress well, accounting for £9 5 million in revenues

Rangemaster had an excellent year, with volumes over 7% ahead at 76,000 units The rapid internationalisation of the business continued, accounting for over 21% of sales with the Irish and, in particular, the French markets growing strongly The sustained growth achieved together with the pipeline of new cooking products made for the Rangemaster, Falcon, La Cornue and Heartland brands add up to a considerable success story

In the USA the consumer markets were difficult Marvel, after a strong 2006, saw volumes fall during the year The development of a new generation of Marvel products means that Marvel is well placed within the premium appliance sector, particularly in the outdoor market which has the potential to deliver sustained growth Aga Heartland is optimistic that the growing recognition of our cooking products in North America will enable sales growth to be achieved after a tough 2007

Return of cash to shareholders

In 2001, following the sale of the Group's Pipe Systems business, £335 million was returned to shareholders Following the disposal of our Foodservice operations, we are now proposing a cash return of £140 million by way of a 'B' / 'C' share scheme, which is intended to give holders, where eligible under their prevailing tax regime (such as in the UK), the flexibility so far as possible to receive the cash either as income or capital or as a combination of the two The total value of the return will equate to approximately 121 pence per existing ordinary share The board intends that the market price of the Company's ordinary shares will, subject to market movements, be approximately equal before and after the return and, accordingly, the board is also proposing a share consolidation in conjunction with the return of cash After the return and the accompanying share consolidation, the balance sheet will remain in a strong position The proposed return of cash is subject to approval by shareholders at an Extraordinary General Meeting to be held on 9th May 2008 In addition, we are paying a final ordinary dividend of 7 65 pence per share based on the number of shares in issue prior to the consolidation, which makes

Chairman's introduction

the total 2007 dividend 11 5 pence The proposed final ordinary and special payments, totalling approximately 129 pence per existing share, will be made in May 2008 With respect to future dividends, we expect to keep our long-term policy to have a fully taxed dividend cover of around 2 5 times

Including the proposed return of cash, the Group will have returned £614 million (including £74 million in ordinary dividends) since the sale of Pipe Systems, and this reflects our determined efforts over a long period to optimise returns for shareholders

Pension scheme arrangements

We are pleased that we have agreed a framework with the Pension Fund Trustee that establishes a funding framework for the Scheme up to 2020 I feel that this agreement is in the interests of members old and current, and is also in the interests of the Company and shareholders The Pension Scheme is covered in more depth in the chief executive's review

Board and management structure

This is my last statement as chairman as I retire at the AGM from the board which I first joined in 2000 The Group is at an exciting point at which much hard work is set to pay off I feel particularly pleased that over the years we have developed and helped to create a strong commercial structure for all our continuing businesses We are delighted that John Coleman has joined the board and will become non-executive chairman after the AGM John was chief executive of House of Fraser and is a non-executive director of Travis Perkins plc His long corporate experience, work with premium brands and in retail will assist in the drive to achieve the Group's performance targets There have been other changes to the management structure We have established an executive committee including the managing directors of Aga and Rangemaster, the Group manufacturing director and the new head of marketing We are grateful to our former colleagues who joined the Ali Group and in particular to Stephen Rennie, who made a great contribution as chief operating officer for over six years

Growth strategy

We have now chosen to focus on our exciting range of consumer brands led by Aga and Rangemaster – the brand names out of which we propose to create the name of the Group from the AGM in May 2008 Led by Aga and Rangemaster our brands include Divertimenti, Falcon, Fired Earth, Grange, Heartland, La Cornue, Leisure, Marvel, Northland, Rayburn, Stanley and Waterford

We propose to grow the business through five measurable strands Increasing sales of Aga and Rangemaster, improving returns of Fired Earth and Grange, growing overseas sales, investing in marketing and customer relationship management (CRM), and reducing costs This is with the aim of increasing the return on sales to nearer 12% excluding pension credits in the longer term

Increasing sales of Aga and Rangemaster In recent years significant investment has been made resulting in products that are more innovative, flexible and efficient than ever before We are aiming for sales of cast iron cookers to exceed the current level of 19,600 and sales of range cookers to exceed the current level of 76,000

Improving returns of Fired Earth and Grange These two brands accounted for a sixth of revenue in 2007 but were not profitable We have implemented a turnaround programme and are aiming for a return on sales of at least 5% in three years

Growing overseas sales 37% of revenue classified by geographic destination is outside the UK with particular strength in France, Ireland and the US We aim to increase this to nearer 50% in the longer term through increased displays, expanded sales teams and improved marketing

Investing in marketing and CRM In 2008 we will increase marketing spend, directing resources to where they will have most effect In addition, we will continue to develop and use our database of 800,000 to build strong and profitable relationships with our customers to increase customer lifetime value Richard Eagleton, our new Group marketing director, will drive these projects

Reducing costs We are exploring a number of cost improvement programmes including specification changes, sourcing more efficiently and plant efficiency upgrades We believe there will be a benefit of £3 million per annum starting in 2008 This will help absorb the £2 million overhead costs previously absorbed by Foodservice

We believe that we have the products and routes to market to achieve sustained growth We have committed substantial resources to product development and have the capacity to support our plans in both manufacturing and sourcing terms

Current trading and outlook

Orders at the start of 2008 have been encouraging for our major businesses, although some of the economies in which we operate are clearly slowing This year the price increase for Aga was on 1st March and this helped stimulate demand Rangemaster has seen growth continuing and order intake is up 5% so far this year Encouragingly, Fired Earth's orders are up nearly 10% In the US, Marvel has seen orders fall so far this year by around 20% while Aga Heartland is ahead The Group is adjusting to its new scale and focus and expects its cost cutting initiatives to assist in the current drive to achieve a higher return on sales

The "Love Aga" and the "Rangemaster Essential Ingredient" themes are already becoming powerful campaigns for us, and are indicative of our optimistic mood in spite of the very uncertain economic backcloth against which we are working We have delivered on the key objectives set for 2007 and, as the new Aga Rangemaster Group, we can expect further progress in 2008

Vic Cocker CBE,
Chairman
14th March 2008

Aga Rangemaster is home to a family of strong brands that, together, tell a powerful consumer story – not just in the UK, but increasingly overseas too. With cooking firmly at the heart, our brands spread out to embrace the kitchen generally and then yet further into the entire home. We believe that the dedicated work of recent years on product development, channel management and production is now translating into growth stories which will take the Group forward in the years ahead.

Chief executive's review

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Aga operations remain core to us While still made in Abraham Darby's foundry in the World Heritage site at Coalbrookdale, today's Aga has changed appreciably This is seen in the programmable electric Aga which can go into slumber mode until required to cook the next meal Production processes are more efficient, but more particularly, the product itself is more flexible and efficient than ever before This is seen, for example, in burner efficiency levels across our ranges and in the new generation of wood burning, carbon neutral products from Rayburn and Stanley

In cautious consumer markets sales of cast iron cookers were slightly down in the year but leads and enquiry levels continue to rise We link this to our work on our overall objective of being in active contact with as many cast iron cooker owners as possible worldwide by the end of 2009 Our database has steadily grown and improved but we are now actively tracking down existing owners – many of whom have had our products for tens of years Owners of Agas, Rayburns and Stanleys are strong advocates for the products themselves, but we would also like them to know that Aga Rangemaster is the company behind their much loved products

We hope to see more owners in the 76 Aga shops across the UK We have much that is new to offer – not just in cookers but in cookware too and more broadly, in the kitchen and entire home, through our Fired Earth, Grange and Divertimenti brands

We have some well established international markets Overseas, there are over 100 outlets which sell Agas Around 45% of cast iron cooker sales were outside the UK We now have some well established international positions, notably in Ireland where our Waterford Stanley team are making a success of our strong brand positions Holland and Belgium are also important markets

Chief executive's review

Where we are already seeing strong growth is with our Rangemaster brands This expansion – driven by efficient production and innovation since 2002 when we decided to focus exclusively on the premium end of the market – has been remarkable It now takes around 30% less time to produce a cooker than it did in 2002, with robotics and major layout improvements at our Leamington Spa factory playing important roles

Leamington Spa is now a production hub producing cookers to sell under the Rangemaster, Falcon and La Cornue brands and in North America under the Heartland and Aga brands Growth is coming fast overseas, most notably in Ireland and in France where we now have 1,500 displays and a sales team of 8 We have just under a 50% share of the premium range cooker market in France – a market that has been almost entirely built from scratch by the Rangemaster team

The broadening of the range to create a Rangemaster suite of products including cooker hoods, splash backs, sinks and fridges shows where there is still greater potential Further, moves into the built-in market with sourced product as well as expanding in induction models and developing an innovative energy saving panel which allows the customer to have either the largest capacity 110cm oven on the market or to divide the area in two to create a smaller, more energy efficient oven when only small meals are being cooked

We expect to build further on our sales of 76,000 cookers made in 2007 Our sink operation based in Nottingham also ties closely in with cookers, particularly in the growing number of Rangemaster centres – currently 65 – found in leading Design Centres, as more customers look to have Rangemaster kitchens and not just a Rangemaster or Falcon cooker

Our wider kitchen offering incorporates our US based Marvel undercounter refrigeration business Here, we felt the impact of the weak US consumer markets in 2007 with revenues falling around 10% (2 6% at constant exchange rates) However, the introduction of our new generation of appliances, including dual temperature zone models and electronic controls across the range, have proved timely, strengthening our competitive position Marvel has a good profitable track record and we believe that there are still considerable production efficiency improvements to be made which can help to raise margins

Aga Heartland has become our US cooker business in North America We have worked steadily to develop recognition and understanding of our products That process continues and we remain confident that the higher recognition we have will bring results – particularly as we reach out using the internet to both new customers and the considerable Aga owning community

When we look at the overall performance of our operations we recognise that improving margins at Fired Earth and Grange, which account for about one sixth of revenue but were not profitable in 2007, is an important challenge We are therefore particularly pleased that Fired Earth is making progress and our home design team is making an impact Our tile ranges are innovative, sales of our paint, now to be found in Homebase and B&Q, are growing fast and our Grange made kitchen and bathroom furniture gives us a clear identity in the market place in those sectors Similarly, at Grange a young and enthusiastic management

Aga is an aspirational brand, with a pedigree of luxury and English tradition – a brand steeped in heritage, with a heart and soul, and with a magical ability to become part of the family like no other

It's seen by millions as central to a happy home life, the warmth and atmosphere of a perfect meal shared with friends and family – an emotional connection to the brand that makes every Aga owner say 'I love my Aga'

The brand is quietly confident and discreetly affluent, attracting people who make a conscious decision to invest in an iconic and authentic product that will last a lifetime – in full knowledge of the fact that what they're buying is not just a cooker but a way of life

Principal markets
UK Ireland, France, North America Benelux

Primary routes to market
Own retail, dealers and distributors

Product lines and price points
Heat storage cookers £8 000 – £15 000
S Series £3 000 – £5 500
Masterchef £3 000 – £3 500
Refrigeration £1 300 – £4 700
Cookshop up to £350

Production location UK

team has successfully updated the product range and marketing imagery and is looking to use more effectively the brands' global dealer structure We are also looking to improve production efficiencies now that our new Romanian plant is fully operational The US has been the weakest part of the Grange business and it is here that we look for a significant rebound in profitability

Financial performance and targets

The sale of the Foodservice operations has materially altered the financial profile of the Group We have sold businesses accounting for nearly half the revenues and around 40% of the profits We have moved from being indebted to having a strong net cash position This creates new challenges such as the need to adjust the overheads of the Group to reflect a business with such a substantial reduction in turnover Further, there is now the return of cash and funding agreement with the Group Pension Scheme Trustee As a consequence we have reset our financial targets

We believe that, leaving to one side the costs and credits relating to the Group's pension schemes but absorbing Group costs, the continuing Group should be achieving a 10% return on sales The equivalent starting number on revenues of £291 8 million in 2007 was 8 6% Incorporating the net pension credits the return on sales in 2007 was 10 6% We aim to move to 12% return excluding these pension credits in the longer term Such returns would be better than those achieved by most appliance manufacturers and reflect the premium nature of our brands In assessing these targets with the improved performance of Fired Earth and Grange which can be expected to achieve over 5% returns makes the overall objectives achievable

In this process we are continuing to focus on cost improvement programmes We have identified input specification changes, sourcing changes (notably through accessing suppliers from the Far East), plant efficiency improvements which lead to benefits of over £3 million a year starting in 2008 Achieving our targets does mean that cost increases we have seen – notably in stainless steel and energy – need to be passed on to customers We have largely been able to achieve this

In relation to our balance sheet we have also looked again at our targets and concluded it is best to leave to one side the impact of the Group's pension schemes in assessing returns Taking our 2007 balance sheet and excluding the £79 6 million net pension surplus, our net assets were £277 5 million This will fall to £137 5 million on a proforma basis after the capital return Against this base we have set ourselves a return on capital target of 25% – with 15% as our target for incremental investments We expect to continue to have a conservatively positioned balance sheet On a proforma basis we had net cash at the end of 2007 after the proposed return of cash This represents a strong base from which to finance our plans

The structural change in the Group over the last decade and our careful approach to financial planning have been behind our lower than standard rate tax charge In 2007 we reported a tax charge of £4 2 million – a rate of 15 2% on the pre-tax profits We expect the rate to revert to around 20% in 2008 The total cash tax paid by the businesses in 2007 was £4 9 million

Earnings per share from continuing businesses were 19 4 pence per share (2006 16 5 pence) calculated on the average number of

Rangemaster set the standard in cooking in 1830 when William Flavel invented the Kitchener – the first modern range cooker It was an overnight success and went on to win a gold medal at the Great Exhibition 1851

Still true to its roots, Rangemaster is now the leading name in range cooking, and is synonymous with innovation, performance, quality and reliability – making it the design conscious consumer's brand of choice in stylish kitchen appliances and cookware

Rangemaster is the first range cooker maker to be awarded The Good Housekeeping Institute's Approved Accreditation, and topped a recent Which? survey

Principal markets
UK Ireland France Holland Australia and USA

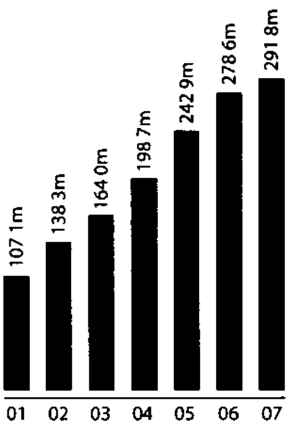
Primary routes to market
Multiple and independent electrical retailers and kitchen specialists

Product lines and price points
Range cookers £1,300 – £2 300
Integrated cookers £300 – £900
Fridge freezers ice makers wine fridges £700 – £2,000 Sinks £90 – £800
Cookware £2 – £130

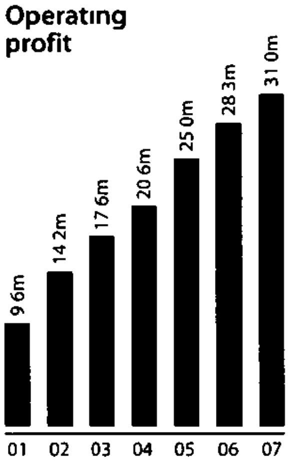
Production location UK

Chief executive's review

Turnover



Operating profit



shares in issue during the year of 120 3 million Future earnings per share will be impacted by the current proposals to make a cash return of £140 million and then to consolidate the number of shares in issue

We are proposing to pay an ordinary dividend of 7 65 pence per share making the total for the year 11 5 pence – an increase of nearly 10% over 2006 Looking to 2008 we expect to continue with our progressive dividend policy and expect that – after the share consolidation – the trend will continue using the established dividend cover policy of 2 5 times out of fully taxed earnings

Disposals in the year

2007 saw us exit from our US consumer home fashions business, Domain, and from our Foodservice operations Domain had been struggling for some time in difficult market conditions and we sold the business in June 2007 Subsequently market conditions deteriorated further and the new owners decided in January this year to file under US bankruptcy provisions We have now written down our residual loans of £2 1 million and a receivable of £0 2 million Where possible we took on through Aga Heartland the active customer leads of Domain for our cooker businesses

The sale of Foodservice was instigated in July and completed in December 2007 We received good interest from both private equity and trade companies and were able to conclude a transaction before the credit market conditions materially impinged on the process The initial sale proceeds of £260 million were subject to adjustment for the net assets at completion over a benchmark net asset figure and this has seen an additional £4 8 million cash receipt this year This means the profit on disposal was £30 7 million after costs

Cash flow

Operating cash flow performance in the year was satisfactory Working capital at the 31st December 2007 was £24 9 million, 8 5% of revenue The continuing business should be more cash generative and has lower capital intensity than the previous configuration of the Group

Net capital expenditure including intangibles was £15 7 million

After 75 years as the professional's number one choice, Falcon has developed an unrivalled understanding of the needs of the most demanding chefs – an insight that's applied to every Falcon product

From cookers to cookware, the commercial pedigree of the Falcon brand shines through and no other brand comes close in terms of performance, quality, durability and design The endorsement by renowned chef Nick Nairn is testament to the brand's achievement in meeting the needs of accomplished amateurs without compromising any of the Falcon professional equipment values

Principal market UK

Primary routes to market
Premium independent kitchen equipment specialists

Product lines and price points
Range cookers £2 500 – £5 000
Fridge freezers ice makers wine fridges £900 – £3,300
Sinks £120 – £460
Cookware £15 – £300

Production location UK

This compares with a depreciation charge of £11 2 million We generated £4 7 million in the year from the sale and leaseback of our factory property in Waterford – a reflection of continuing work to optimise the value of our property assets

The cash tax paid was £4 9 million (2006 £8 5 million) and the dividends paid consumed £69 1 million

The Group ended the year with a net cash position of £169 1 million This compares with net debt of £10 9 million at the start of the year and net debt of £79 7 million at the half year after the special dividend of £55 6 million

Pension scheme arrangements

It is important to maintain a strong balance sheet given the relatively large size of our Group Pension Scheme in relation to the continuing business The Group's strong finances and prospects are important to the Scheme Trustee's appraisal of the Scheme's position While the Scheme is well funded and reasonably defensively positioned, when determining the size of the cash return consideration had to be given to all circumstances under which additional funding might be required

This Scheme together with the smaller defined benefit schemes operated within the Group had combined assets of £776 9 million and combined liabilities of £697 3 million under IAS 19 at 31st December 2007 Working with KPMG LLP Pensions, we have considered the financial strategy for the Scheme and we have now reviewed this with the Scheme Trustee in light of the proposed

Key growth objectives

- Growth of cast iron cooker sales beyond 19,600
- Growth of Rangemaster made cooker sales beyond 76,000
- Ensuring Fired Earth and Grange make a real contribution on turnover of c£50 million
- Growing overseas sales from 37% to closer to 50% of total business
- Making better use of the Group's customer base of 800,000
- Managing costs through efficiency improvements and international sourcing
- Set return on sales target pre pension credits at 12% in the longer term

The modern kitchen is the hub of the home – a place to relax, be creative, to be with loved ones and to entertain The unsung hero of this environment is surely the kitchen sink – a hard working appliance that none of us could live without

Leisure Sinks has been quietly and determinedly delivering engineering excellence in sinks for over 70 years, employing a wealth of experience and dependable performance that make it the brand of choice for one in four homeowners in the UK

Principal market UK

Primary routes to market
Kitchen manufacturers and house builders

Product lines and price points
Sinks, taps and waste disposers £30 – £450

Production location UK

Chief executive's review

Market capitalisation at 01/01/2001	**£468m**
Total shareholder cash return 2001 - 2008	**£m**
2001 Sale of Pipe Systems results in tender offer	**335**
2004 Share buy back programme	**9**
2007 Special dividend	**56**
2008 Sale of Foodservice results in 'B'/'C' share	**140**
Ordinary dividend 2001 - 2007	**74**
Total cash return 2001 - 2008	**614**

return of cash to shareholders following the sale of the Foodservice operations The financial modelling highlighted that, with an appropriately balanced investment strategy designed to reduce risk, in the majority of long-run outcomes modelled the Scheme is now likely to be more than fully funded and can be expected to be more than able to meet the accrued benefits of members

To increase the strength of the Scheme's position the Company paid £14 5 million of additional contributions into the Scheme and agreed to add a £22 5 million cash collateralised guarantee to its commitments to the Scheme in 2007 as it returned cash to shareholders and sold Foodservice In light of the further proposed cash return, an additional guarantee of £27 5 million is now to be added, subject to implementation of the cash return The £50 million of guarantees are expected to remain in place until 2020 In reaching agreement with the Scheme Trustee on these matters, a long-term financial framework has been developed which aims to move the Scheme systematically to a self sufficiency funding position by 2020 Should the Scheme be more than fully funded on this self sufficiency basis in 2020, 20% of any surplus would be available to the Scheme Trustee to augment pension benefits

The Company and the Scheme Trustee believe that the careful and effective management of the Scheme over the last decade has given rise to a relatively strong pension scheme and that the long-term financial framework which has been developed will further meet the interests both of the Scheme's members and of the Company and its shareholders

Synonymous with all things good in country life, Rayburn has been at the very centre of family life throughout its history While practical considerations make it the brand of choice for many it is also the brand of choice for those who aspire to country life and have a strong sense of taste, self and authenticity

Rayburn is home to some of the greenest products around and the environment is at the forefront of Rayburn thinking Its robust designs, environmental credentials, longevity and practical attributes imbue the brand with a touch of the 'essential' - making it also the brand truly at the heart of the home

Principal markets UK and Ireland

Primary routes to market
Own retail independent dealers and distributors

Product lines and price points
Wood burning cookers £3 100 - £4 300
Gas condensing cooking heating and hot water ranges £3 500 - £8,300

Production location UK

Risks and uncertainties relating to the Group and its businesses

Here we highlight some of the particular risks which affect the Group but it is not intended to be an extensive analysis of all risks which may arise in the ordinary course of business or otherwise Additional risks and uncertainties not presently known to the directors, or that the directors currently consider to be immaterial, may also have an adverse effect on the business, results or financial condition of the Group in the future

There are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance and achievement of its strategy These risks and uncertainties arise as a result of operational, regulatory, financial and market driven factors, among other things The Group takes a proactive approach to managing risk and our risk management processes are further described on pages 28 and 29 These processes also help to identify business, product and performance opportunities Although the Group has been successful in managing and mitigating these risks in the past, there is no guarantee that it can continue to do so

Global, political and economic conditions

Changes in economic conditions, including, for example, interest rates, rates of inflation, the competitive environment, economic growth rates, tax laws and other factors can substantially and adversely affect the financial and operating performance of the Group Political risks can include sudden change in regulation, imposition of trade barriers, limits on the export of currency and volatility of currencies, prices and taxes

Competitive environment

The markets in which the Group competes are fragmented but many of the Group's competitors are large and have substantially greater financial, marketing, technological and personnel resources The Group is subject to their competitive actions and, although the Group believes that the performance and price characteristics of its products provide competitive solutions for its customers' needs, there can be no assurance that existing customers will continue to choose its products over products offered by competitors The Group has a good understanding of the markets in which it operates and its key competitors and their strategies and monitors and develops its strategy to mitigate these risks

Effect of legislation or other regulatory action

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

Foreign exchange

The Company is exposed to two types of currency risk transaction risk in respect of products manufactured in one currency region and sold in another currency, and translation risk in that the results of non-UK businesses will translate into

The philosophy of Fired Earth is simple – offer craftsmanship, originality, creativity, authenticity and inspiration to enable consumers to create distinctly individual homes

As a luxury brand, Fired Earth applies extraordinary care and attention to detail when selecting its products – over two thirds of its tiles are either hand-made or hand decorated and many are exclusive to the brand Likewise, its expert design and installation service ensures it applies the highest possible standards to create an individual experience

Fired Earth can be found in over 60 showrooms worldwide – the business has grown but the passion and philosophy remains the same One might call it a 'Distinctly' Fired Earth approach

Principal markets UK and Europe

Primary routes to market
Owned and licensed retail shops online and key multiples (paint only)

Product lines and price points
Wall and floor tiles £32 – £450 per square metre
Paint £3 – £40 Bathrooms £3 000 – £20 000+
Freestanding kitchens £10,000 – £35 000+

Production location Various

Chief executive's review

differing pounds sterling values depending on the exchange rate Further details relating to financial instruments are set out in note 19 to the financial statements

Raw material and utility prices

The Group uses large amounts of stainless steel, aluminized steel, electricity, gas and related commodities Volatility and changes in the pricing and availability of these could have a significant impact on the Group's results In particular, the prices of steel and utilities have increased significantly in recent years and may increase further The Group's raw materials are sourced on the world market and, in general, the Group has access to multiple sources of supply However, should there be a significant change in the global balance of supply and demand, or should there be a cessation of supply of these items, the performance of the Group could be adversely affected In addition, following the sale of the foodservice businesses, the Group now purchases lower volumes of stainless steel and other commodities As a result there can be no assurance that the Group will continue to secure supply of these commodities on the same pricing and other terms as currently supplied

Pension scheme funding

The value of the assets and liabilities of the Aga Foodservice Group's defined benefit pension scheme is substantial As at 31st December 2007, the Scheme was in surplus on an IAS 19 basis Further details are set out in note 5 to the financial statements The potential risks and uncertainties are mitigated by careful management and continual monitoring of the schemes and by appropriate and timely action to ensure as far as possible that the defined benefit pension liabilities do not increase disproportionately Scheme assets are defensively invested The Company works closely with the scheme trustee and specialist advisers in managing the inherent risks of such schemes

Succession planning

The future success of the Group is dependent on the continued services and continuing contributions of the Group's directors and other key personnel The loss of the services of these individuals could adversely affect our ability to maintain the loyalty of certain key customers, to continue to develop important markets or to implement our future strategy

The Group has reviewed its succession plans and the board are kept informed of the succession planning in place for directors and senior management Appropriate internal development is in place to ensure individuals can where possible be promoted from within to middle and senior management positions

Changes in consumer trends and spending

The Group derives most of its revenues from sales of consumer appliances Financial and operating performance depends, in part, on factors which affect the level and patterns of consumer and retail spending, including changes in consumer preferences and trends

The Group's future success and revenues will be dependent, in

The Marvel story began in 1932 – before the advent of electric refrigeration – with the manufacture of ice boxes during the camper craze and Marvel has been keeping America cool ever since

The secret to the brand's success over the intervening years lies in its innovation and lifestyle driven approach to product development – an approach that has given birth to a series of 'firsts' and making it a market leader in luxury refrigeration

Today, Marvel's stylish range of high-performance cooling appliances and sinks provide the finishing touches to modern living and outdoor entertaining

Principal markets
North America and UK

Primary routes to market
Two stage distribution

Product lines and price points
Wine fridges $1,000 – $3 600
Fridges and freezers $3 200 – $7 000
Ice makers $950 – $2,300
Sinks $300 – $2,000

Production location USA and UK

part, on the strength of its principal trading brands The Group monitors changing consumer preferences, brand perception, price points and other trends such as environmental awareness to understand better and to anticipate its customers' preferences

New product and technological developments

The Group continually seeks to refine and improve upon the performance, utility and physical attributes of its existing products and to develop new products As a result, the Group's business is subject to risks associated with new product and technological development, including unanticipated technical, marketing or other problems The occurrence of any of these risks could cause a substantial change in the design, delay in the development or abandonment of new technologies and products Such risks could have a material adverse effect on the Group's financial condition and operating results

Inability to protect intellectual property rights

The Group relies significantly on confidential know-how, patents, trademarks, copyrights and design rights to protect proprietary technology and other proprietary rights Notwithstanding the precautions taken to protect its intellectual property rights, it is possible that third parties may copy or otherwise obtain and use the Group's proprietary technology without authorisation or may otherwise infringe the Group's rights In some cases, including in relation to a number of the Group's most important products, there may be no effective legal recourse against duplication by competitors

Infringement of third party intellectual property rights

Patents of third parties may have an important bearing on the Group's ability to offer some of its products The competitors of the Group, as well as other companies and individuals, may obtain, and may be expected to obtain in the future, patents related to the types of products which the Group offers or plans to offer In addition, third parties may allege that their intellectual property rights have been infringed by Group products There can be no assurance that the Group is or will be aware of all patents which may pose a risk of infringement by its products If one or more of the Group's products were to infringe patents held by others or were alleged to infringe such patents, this could result in claims being made against the Group, which might result in additional costs and the Group being required to modify or cease development or marketing of a particular product or products

Product defect risk, products liability

The products manufactured and sold by the Group could contain defects, which could result in claims being made against the Group Individual components may not withstand the mechanical stress placed upon them The materials used may result in as yet unknown health risks, in particular this could affect food prepared with such materials The Group has put in place products liability insurance but it cannot be ruled out that claims arise which are not covered by such insurance

London-based Divertimenti has been the food lover's favourite since the sixties and is renowned as one of the best sources of distinctive cooking equipment, tableware, ingredients and appliances in the UK Its knowledgeable staff know their way round more than 5000 hand-picked items, almost all of which are displayed unboxed to encourage touching and handling

Divertimenti is so much more than just a cooks' emporium and beautiful tableware shop Intrinsic to the brand is the role it plays in educating novices and accomplished cooks alike, and the Divertimenti Cookery School runs a full programme designed to inform and develop skills at all levels

Principal markets UK

Primary routes to market
Retail stores in London and Cambridge online shop and mail order

Product lines and price points
La Cornue and Falcon appliances £2,300 – £20,000 Small electrical £50 – £1000
Baterie de cuisine £5 – £500 Tableware, glassware, cutlery and linens £5 – £1000
Books dry goods and ingredients £2 – £50

Production location Various

Chief executive's review

Business divestment

The sale and purchase agreements governing the sales of Domain and the Foodservice businesses contained certain warranties and indemnities in favour of the purchasers If the Group were to incur costs under any of these warranties or indemnities, these costs could have an adverse effect on its business and financial condition

Possible volatility of the price of shares in the Company

The market price of the ordinary shares may be affected by a variety of factors including, but not limited to, changes in market sentiment regarding the ordinary shares, variations in the Group's operating results compared with the expectations of market analysts and investors, its business developments and those of its competitors, the operating performance of its competitors, speculation about the Group's business and regulatory changes affecting the Group's operations Shareholders should be aware that the value of the ordinary shares can decrease as well as increase and may not always reflect the underlying asset value or prospects of the Group

Dividend payments

The ability of the Company to pay dividends on the ordinary shares in the normal course is dependent on its profitability and the extent to which, as a matter of law, it has available to it sufficient distributable reserves out of which any proposed dividend may be paid The Company's ability to pay dividends is also dependent upon receipt by it of dividends and other distributions from subsidiaries Further returns of cash other than in the ordinary course are subject to agreement with the Trustee of the Pension Scheme

Treasury risk and policy

The Group operates a central treasury which operates in accordance with a treasury policy and procedures manual setting out guidelines for managing foreign exchange risk, interest risk, credit risk and financial instruments to be used in managing these risks

The objective of the treasury policy is to manage the Group's financial risk The treasury policy applied by the Group and the specific guidelines to manage the main financial risks are outlined under the accounting policies on pages 42 to 46

Interest rate risk and policy

The Group's policy is to have, ordinarily between 25% and 75% of net debt at fixed rates at any time There were no interest rate swaps in place as at the balance sheet date since the Group only had a modest level of debt following the sale of the Foodservice businesses

Borrowings held at the Group level are primarily currency borrowings which are used to hedge the net investments in its foreign operations

Liquidity risk and policy

The Group's funding objective is to have sufficient long-term committed facilities, in addition to uncommitted facilities and finance lease agreements, to meet its funding needs An analysis of the Group's facilities is detailed in note 19 of the accounts

Heartland was established in 1990 to carry on the tradition of manufacturing classic cookers, first made in Canada by Findlay Foundry in 1906

Heartland continues to lead the North American market with innovation and style in the Classic and Legend brands Refrigeration, vent hoods and dishwashers have been added to the product line, offering the customer the opportunity to match the styling of all their kitchen appliances

Heartland Appliances are sold through a network of over 700 dealers throughout North America

Principal markets
North America

Primary routes to market
Direct to retailer
Appliance distributors

Product lines and price points
Ranges $4,700 – $7 900
Refrigerators $3,500 – $5,400
Dishwashers $1,900
Wood burning ranges $4 000 – $6,300

Production location Various

The Group maintains relationships with several large financial institutions Company management spends significant amounts of time with its lenders keeping them informed of the Group's development plans when appropriate to do so The Group's committed loan facilities have two principal financial covenants, interest cover and net debt EBITDA, and complied with them at the end of the year

Legal and other matters

The Group is committed to operating within the law in all applicable jurisdictions, and seeks to benefit from the rights and protections afforded by relevant laws The Group aims to anticipate and meet the changing requirements of the markets it serves, as legal and regulatory reforms impact those markets There were no material legal, regulatory or compliance matters to be disclosed during the period under review other than matters already provided for and there are no significant post balance sheet events to be disclosed

Resources

The Group has significant resources to support its core business operations Key strengths and resources which assist the Group in the pursuit of its key objectives include

Our people

We have consistently sought to recruit and retain the best employees in our sector and this has contributed to our success in developing, manufacturing and selling our products in our traditional markets and in entering and developing our presence in new markets Each business has its own approach to identifying and attracting the appropriate skills and expertise it needs, in line with both its own and the Group's strategy and requirements Vacancies and development opportunities are advertised internally and where suitable candidates cannot be identified conventional recruitment channels are used Each business regularly reviews its training and development needs to ensure we have people with the appropriate levels of skills, qualifications and experience to assist it in achieving our strategy

Our market position

We have a strong corporate reputation for quality products which is based on our longevity in supplying customers and on our development of new products using advanced manufacturing technology The Group is amongst the larger players within the sector and now has growing international reach and is well placed in product terms

Our manufacturing facilities

A key differentiator for our product is our manufacturing facilities which not only maximises the efficiency in our production processes but also means that we have a reputation for high quality products We continue to invest in our facilities to reinforce competitive advantage and to rationalise our businesses as appropriate

Intellectual property rights

The Group has registered a number of patents to support its business and to protect its competitive advantage Some of the

An Irish brand with a long and proud tradition, Stanley has been bringing warmth and comfort to homes for generations, stretching back to when the first range cooker was made in Waterford in 1934

The brand inspires instinctive loyalty and appeals strongly to rural consumers The sense of family, cosiness and a relaxed and traditional lifestyle are values that Stanley owners aspire to, and Stanley meets these aspirations with its collection of heat-storage cooking, heating and hot water units and stoves

Stanley combines superb craftsmanship and design to create products that suit a modern lifestyle and bring people together over good food, warmth and a strong sense of heritage

Principal markets Ireland

Primary routes to market
Stanley centres and dealers

Product lines and price points
Heat-storage cast iron cookers €5 000 – €7 500
Stoves €500 – €2 000

Production location Ireland and EU

Chief executive's review

intellectual property and product innovation developed by our research and development teams results in new patents being secured

In addition, we have a large number of registered trademarks and designs to protect our world renowned brands and trading styles We monitor market developments closely to identify any potential violations of our proprietary rights and take appropriate legal action where considered necessary

Procurement teams

Our central procurement team works with each operating business worldwide to enable us to negotiate contracts to ensure we benefit from the synergies available from group buying, whilst ensuring the quality of components and products is to our high standards and that delivery is scheduled to support our lean manufacturing processes We have an established procurement team based in China who have achieved significant savings

Cautionary Statement

The intention of the chief executive's review is to provide information to shareholders and should not be relied upon by any other party or for any other purpose This review and other sections of the annual report contain certain forward-looking statements with respect to the operations, performance and financial condition of the Group By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated These forward-looking statements which are made by the directors in good faith are based on the information available to them up to the date of their approval of the financial statements Subject to the Company's continuing obligations under the Listing Rules, the Disclosure and Transparency Rules, applicable laws and regulations, the Company undertakes no obligation to update publicly or revise any forward-looking statements whether as a result of new information, future events or otherwise The forward-looking statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information Nothing in this annual report should be construed as a profit forecast

This review has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are of significance to Aga Foodservice Group plc and its subsidiary undertakings when viewed as a whole

Corporate social responsibility

Corporate social responsibility ('CSR') is integral to all aspects of our operations and our Statement of Core Principles sets out our undertaking to act ethically and responsibly in all our business relationships and dealings with stakeholders We are committed to continuous improvements in all aspects of CSR – our policies, our systems, our performance and our reporting

Our programmes to enhance the sustainability of our business and products include responsible sourcing, our community activities, our health and safety and environmental programmes and our engagement with employees, customers and other

La Cornue has played an important part in French culinary life since 1908 when Albert Dupuy invented the Rôtisseuse-Pâtissière His patented vaulted oven design cooked at an even temperature for the first time and retained moisture in the food It was a great success, and is the system still used today

La Cornue is the world expert in domestic culinary art, combining a noble pedigree, professional performance, craftsmanship and stunning good looks to create a gastronomic experience like no other

Principal markets
France, Germany, Russia USA and UK

Primary routes to market
Own retail and dealers

Product lines and price points
Chateau and Cornuchef £12,000 – £25,000,
CornuFe £3 300
Complete kitchens £50 000+

Production location France, UK (CornuFe only) stakeholders As a supplier of premium consumer appliances, the Group sees product stewardship as a key part of its CSR programme We work to design our products to be more energy efficient in use, to have a high degree of recycleability and to utilise eco-friendly and sustainable energy solutions Thus, in addition to our work to improve the CSR-related performance of our own operations we also help our customers to address their CSR-related concerns

This report provides an overview of the CSR-related performance and progress of our continuing businesses during the year We also report on our key performance indicators relating to human resources, health and safety and environmental For reference we have included comparisons of performance against the former Group targets These targets were set to include the risks and opportunities of the Foodservice equipment businesses which were sold in December 2007 As a result the Company will be reviewing its CSR strategy and related targets with further detail to be included in our CSR Report to be published on the Group's website in May 2008

Management of CSR

The chief executive, William McGrath, is accountable to the board for the Group's CSR policies and procedures He is supported by the Group HR director, Paul Tonks and by the executive management committee The managing director of each business has operational responsibility for CSR and is accountable to the chief executive on all CSR matters Environmental, health and safety policy is included in the schedule of matters reserved for board approval and CSR is included in the ongoing risk management process

The Group undertakes a rolling programme of internal CSR audits which are conducted by functional specialists supported by external advisers, where appropriate During the year four CSR audits were conducted at production sites in Europe and North America The target for 2008 is to audit a further five sites with the objective being to audit each of our production sites at least once every two years

CSR reporting and benchmarking

The Group's annual CSR report is published on the corporate website in May each year The report includes further details of policies, procedures and performance, with case study examples describing implementation across the Group Aga Foodservice Group is a member of the FTSE4Good index and uses this index in conjunction with stakeholder consultations and other benchmarks to help identify key priorities and to drive progress

Stakeholder engagement

In accordance with our Statement of Core Principles, the Group engages in proactive dialogue with stakeholders and in particular liaises with shareholders, employees, customers, suppliers, local communities, government bodies, other authorities and non-governmental organisations This engagement includes regular customer surveys, surveys of suppliers and reviews of the impact of our operations on local communities

Heritage, warmth, durability and more than a century of 'savoir faire' in cabinet making are the essence of Grange

Established in 1904, Grange still crafts products in the mountains near Lyons in France It stays true to the idea of making furniture of high quality, combining inspirational new pieces, timeless classics and pieces that echo the spirit of the 'age d'or'

From Moscow to Sydney, Shanghai to New York, Paris and London – Grange furniture is available in over 40 countries worldwide, satisfying the appetite of discerning customers for beautiful products, hand-crafted with care and passion Grange epitomises the French 'art de vivre' through furniture that truly demonstrates that quintessential French touch

Principal markets
Europe, UK USA CIS and Asia

Primary routes to market
Own retail, dealers Fired Earth

Product lines and price points
A variety of styles of furniture presented in collections For example Directoire hall cupboard £1 800 Indochine bed with cane headboard £2,200 Provencale table £1 700 Modular furniture from £1 000 per unit

Production location France and Romania

Chief executive's review

Human resources

Our people are key to the Group's ongoing success and future development and following the sale of the Foodservice businesses the Group had 3,071 staff in six countries Some 69% of our staff are located in the UK, 19% elsewhere in Europe and 12% in North America 96% are permanent employees and 71% are male and 29% are female Of those in management roles 72% are male and 28% are female Voluntary staff turnover during the year was on average 15% across our continuing retail and manufacturing business A number of our businesses made long-service award presentations during the year, celebrating employees who have served for 25 and 40 years

Human resources policies

The Group's policy is to provide equal opportunities and recruits, selects and promotes employees on the basis of their skills, qualifications, attitude and aptitude The Group invests in its people and we encourage them to develop to their maximum potential according to the needs of our businesses and customers

The Group's Code of Conduct for employees outlines the standards of integrity and honest conduct expected, and explains that breaches of Company policy may result in disciplinary action and dismissal The Code of Conduct is published on the Group's website and includes the whistleblowing policy which enables employees to report in confidence and without fear of retribution any breaches of the Code of Conduct, fraud or other criminal acts All employees world-wide may use the internal whistle-blowing provisions and UK and US employees may alternatively use the external independent services available in those areas All reports are logged and monitored by the audit and risk committee and appropriate action taken

We support the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work concerning the fundamental rights including freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation

The Group requires its operating units to comply with its equal opportunities policy and it does not tolerate harassment or discrimination in any form The policy stipulates that operating units throughout the Group must ensure that this procedure is implemented and that there is equal opportunity of employment, retention, promotion and training regardless of race, ethnic or national origin, gender, marital status, age, sexual orientation, religion, trade union membership or disability and that appropriate consideration is given to disabled applicants in terms of employment taking into account local legislation Special consideration is given to the training and continuing development of employees whose capability may have become restricted whilst in our employment

Employee engagement

The Group recognises the importance of effective two-way communication in helping keep employees informed and

Our Executive Committee

We now have a strong executive committee to work with Shaun Smith and William McGrath to drive the operational performance of the Group and help achieve our growth targets

1 **Richard Eagleton** (40) was appointed group marketing director in January 2008 Prior to joining the Group, he held senior marketing and product development roles at Alfred Dunhill and Waterford Wedgwood before joining Wilson Connolly as director of marketing in 2000 Richard is responsible for developing and integrating the Group's family of consumer brands and customer relationship management (CRM)

2 **Gerald O'Brien** (56) is managing director of our Aga business which includes Fired Earth and Waterford Stanley He joined the Group in 1972, and held a number of operational management roles within the business before his appointment as manufacturing director of Aga in 1999 His role was later extended to include responsibility for operational management at Fired Earth and Waterford Stanley and culminating in his appointment as managing director of Aga in 2007

3 **Mike Bufton** (46) has been managing director of our Rangemaster business since January 2000, and led the transformation of Rangemaster that began in 2001 He worked for Morgan Crucible and Land Rover prior to joining the Group in October 1990 as finance director at Leisure Consumer Products Mike's responsibilities include the UK and international Rangemaster operations of La Cornue, Divertimenti, Northland Marvel and Aga Heartland

4 **Gary Green** (48) is group manufacturing director With a background in the automotive industry, Gary's expertise in value engineering and resource optimisation was critical to the turnaround success at Rangemaster where he served as manufacturing director from 1999 before taking on the wider role of group manufacturing director in 2002 Gary is responsible for strategic manufacturing and procurement initiatives across the Group

motivated and in maintaining constructive relationships Business unit management hold face-to-face briefing sessions to keep employees informed of developments across the Group and receive feedback This communication is supported by a variety of means including the Group newsletter, 'The Aga Times', which is updated online and is distributed regularly to employees A number of the Group companies have their own newsletters and employees are encouraged to access the Group's websites and the local intranet (where available) and certain businesses carry out employee surveys

The format of the well established Human Resources Forum in the UK and the equivalent structures in other countries will be reviewed by the Group HR director in view of the significant change in the structure and size of the Group during the year Revised arrangements will be put in place during 2008 We are pleased that Rangemaster was highly commended in the Employer of Choice for Warwickshire in 2007 Some 900 employees at Aga have received an intensive briefing on the 'Love Aga' campaign and personal targets have been set

Training and development

The Group invests in the capabilities of its employees and encourages them to be fully involved in their development and training Over 2,100 days of 'off-the-job' training were recorded during the year In 2007 the Group created a management development programme to help identify leadership talent and to support succession planning across the Group The programme was launched in early 2008 and early feedback has been very positive

Health, safety and environmental

The Group is committed to the continuous improvement of its environmental and health and safety ('EHS') performance and to enhancing the overall sustainability of its operations, products and services A summary of our progress during the year is included here and further details will be set out in our 2007 CSR Report

The Group's EHS policies are underpinned by detailed procedures within each of the Group's operations Business unit managers are responsible for their implementation and for keeping all concerned informed of best practice and the statutory frameworks Policies and practices are reviewed and updated for changes in legislation and employees are made aware of the policies and their responsibility to ensure that these are effectively applied The chief executive is accountable to the board for EHS matters, supported by the Group HR director In practice all employees are responsible for implementing our EHS policies and for identifying opportunities for improvement

The Group HR director ensures performance is regularly reviewed, that targets are set for improvement and to benchmark, leverage and promote best practice As noted above, the system of CSR audits supports this work and external consultants are utilised when specific needs arise

In addition to supporting the adoption and implementation of environmental management systems at its operating businesses,

Chief executive's review

in the coming year the Group will be assessing the potential implementation of BS OHSAS 18001 2007, the occupational health and safety standard, at a number of its major sites

Targets

The Group's 2007 targets were set to include the Foodservice businesses which were sold during the year Thus performance comparisons for our continuing businesses with these targets are for reference only We will reassess the performance of the continuing businesses and will develop appropriate new targets with details to be included in our CSR report which will be published on our website in May 2008

Health and safety targets and performance

The Group monitors both lost time and non-lost time accidents, their causes and the amount of time lost at all operating units and sets annual improvement targets

Our long term aim is to have no accidents, and we made progress towards this goal during the year Our specific 2007 target was to reduce the frequency of lost time accidents ('LTA') to 2 5 LTAs per 100,000 hours worked, a reduction of 12% In 2007 the LTA frequency in our continuing businesses was 1 4 LTA per 100,000 hours, which is markedly better than this target However, although the LTA frequency for our continuing businesses was down 10% against 2006, the reported lost working time as a percentage of total time worked increased from 0 16% to 0 25% This was due to a 67% increase in average time lost per LTA caused by a small number of long term cases, which had previously been reported as absence, rather than health and safety related lost time Our target had been to reduce the average time lost per LTA to 10 days Increased emphasis will be given to risk management and 'return to work' initiatives, initially targeting specific businesses with below average performance and ensuring there is consistency in recording lost time data

We monitor accident causes on a consistent global basis, with the most common cause of accidents across the Group being manual handling, cuts and abrasions

Going forward our objective continues to be to reduce accident frequencies and the related lost time We will continue to target those sites with below average performance Further details of our 2007 performance and our 2008 targets will be included in our 2007 CSR Report

KPI#	2006	**2007**	Increase/ (decrease)
LTAs/100k hours*	1 6	**1 4**	(10)%
Lost Working Time	0 16%	**0.25%**	51%
Days lost per LTA	12 9	**21.6**	67%
Total accidents/100k hrs**	16 6	**15.4**	(7)%

All data subject to rounding to one decimal place

All KPIs are for the continuing businesses only, with 2006 restated accordingly

* Lost time accidents (i e those resulting in lost time of one or more days not including the day of the accident) per 100,000 hours worked

** Total accidents includes lost time and non-lost time accidents (i e where the employee returns to work on the day of the accident)

Environmental targets and performance

We work to minimise the environmental impact of our business on the environment and to enhance the sustainability of the products we make and sell The Group's environmental impacts include energy use and transport and the resultant climate change related emissions, water consumption, and the waste and recycling arising from our manufacturing processes and general business operations

The environmental data in this report covers 100% of our production sites and all sites for which comparative data for 2006 is available This represents some 97% of the total sales of the continuing business

In 2007 the CO2 emissions intensity of our continuing businesses were down 9% which was ahead of the former Group target of a 2 5% improvement This was driven by efficiency and reduction programmes across the business, with reduced transport emissions playing a significant part Total CO2 emissions due to energy use and in-house transport were some 36,600 tonnes Our water use intensity was down 14% reflecting the impact of site based reduction programmes and the increased focus that reporting has given to the use of this resource Our target was for a 3% reduction Reported waste intensity increased by 7% during the year and the proportion of total waste which was recycled fell Improved waste management reporting and the reclassification of waste streams meant that the targeted 3% reduction in waste intensity and 2% increase in the proportion of waste which is recycled were not achieved

The Group supports the adoption and implementation of environmental management systems at its operating businesses Some 11 sites have environmental management systems in place, including two which are accredited to ISO 14001 The 2007 target to have one further site to achieve ISO 14001 certification referred to one of the Foodservice businesses and this was achieved

Further details of our 2007 performance and our 2008 targets will be included in our 2007 CSR report which will be published on the Group's website in May 2008

Area	KPI#	2006	**2007**	Increase/ (decrease)
Emissions intensity*	Tonnes CO2 per £m sales**	135	**123**	(9)%
Water use intensity	Cubic metres of water per £m sales**	367	**314**	(14)%
Waste intensity	Tonnes total waste per £m sales**	41	**44**	7%
Waste recycling	% of total waste recycled	73%	**60%**	(19)%

All data subject to rounding to one decimal place

All KPIs are for the continuing businesses only, with 2006 restated accordingly

* Includes in house transport and all energy sources with electricity converted using country specific electricity factors

** Includes inter-company sales at constant exchange rates

Compliance

During the year, there were no fines reported as a result of health and safety or environmental incidents However, following an incident at one of our sites, a prosecution in respect of one offence under the Provision and Use of Work Equipment Regulations (PUWER 1998) is to be heard in court Details of the outcome will be recorded once judgement is made later in 2008

Product stewardship

We are committed to minimising the environmental impact of our products through manufacture, use and at end of life We aim to offer our customers well designed, quality products which have been sustainably sourced, are energy efficient and have a high degree of recycleability We are also pursuing eco-friendly and sustainable energy solutions to ensure that our products address concerns over the use of energy and the emissions in the home For example

- Aga's cast iron cookers are manufactured from 70% recycled materials, the main constituent being scrap iron which can be recycled again and again,
- Aga has introduced AIMS – the 'Aga Intelligent Management System' – which is now fitted as standard on all 13 amp heat storage Agas AIMS allows customers to programme their electric Aga to go into 'slumber' and low-output modes This cuts energy use and cost and reduces related CO2 emissions,
- An Aga which uses kerosene or diesel is capable of using biofuels and Aga is working with several key industry players and leading universities at the forefront of moves to bring this new energy source into domestic homes,
- Running in parallel with Aga's key product design and development work is a programme to work with other alternative energy and micro-generation specialists, on wind power, solar power and heat pumps The heat storage capability of the Aga in effect enables energy to be accumulated and stored for later use,
- The new generation of Rayburn and Stanley wood burning models offer customers the option of sustainable, carbon neutral cooking, heating and hot water,
- Rangemaster supplies both cooking and refrigeration products achieving 'A' grade energy efficiency ratings,
- Rangemaster has developed an innovative energy saving panel which allows customers to either have the largest capacity 110cm oven on the market or divide the cavity in two to create a smaller more energy efficient oven when only small meals are being cooked

Supply chain – ethical trading policy

The board recognises the importance of managing its supply chain to ensure, so far as is practicable, that its direct and indirect suppliers adopt the same core principles as the Group The Group monitors quality, design and availability of all sourced components and products, to ensure high standards are maintained The Group introduced an ethical trading policy in 2002 which encompasses a set of global sourcing principles covering fair terms of employment, human rights, health and safety, equal opportunities and good environmental practice All operating companies are required to review supplier compliance with this policy, identify any areas of non-conformance and take action where appropriate The Group's supplier development programme has been updated to include a more comprehensive monitoring questionnaire to help ensure suppliers conform to standards set by the Group

Following an extensive review of our print and paper sourcing procedures we are working to achieve Forest Stewardship Council ('FSC') accreditation for all our printed and promotional materials This internationally recognised system of certification will help ensure that all our printed materials meet the strict FSC criteria, regardless of whether the individual printer is accredited or not The FSC principles help guard against deforestation, protect wildlife habitats, improve water cleanliness and protect the rights of local communities worldwide and also require a proactive and innovative approach in the sourcing and selection of sustainable paper products As a Group we are taking this approach in the selection of paper merchants and printers, including those working to FSC accreditation, ISO 14001 and ISO 9001

Customers

The Group's customer service strategy is to respond rapidly to evolving customer demand, to identify and anticipate emerging needs and to improve continuously product availability, quality and value Our quality management systems help ensure that our products meet or exceed customer requirements with over 50% of our employees working at sites accredited to ISO 9001 A number of our businesses received quality and other awards during the year For example, Waterford Stanley was the Manufacturing Category winner in the Business Excellence awards from Waterford Chamber of Commerce Waterford Stanley also retained its Q-Mark which is Ireland's National Organisation Assessment Standard and we have held this accreditation since 1982

In the coming year we plan to engage further with our customers to ensure that our product stewardship and other customer-related initiatives are fully communicated Since the year end we have also appointed a new marketing director who will be working to ensure that customer engagement and customer relationship management is at the hub of all our marketing activities We have also launched the 'Love Aga' campaign which encourages customer feedback and early results have been positive and constructive

Community involvement

Each operating company and its employees are encouraged to become involved with and to support local community projects, educational establishments, charities and other causes This support takes various forms including donations, fundraising, payroll giving or personal time and commitment Our retail businesses also organise events and allow charities to hold meetings in the Group's outlets Charitable initiatives can include financial and product donations, equipment maintenance and employee involvement Liaison on community issues is encouraged and comments are logged, responded to and reviewed at Group level Further information will be included in the Group's 2007 CSR report

Verification

In addition to our internal CSR audit programme, those businesses certified to ISO 14001 and other standards are subject to regular external audits Since March 2002 the Group has also been advised by CSR Consulting Ltd, who assist the Company in evaluating its policies and procedures and with the reporting and review of its CSR related performance CSR related risks are included in the Group's risk management process and at present the board does not believe that an overall external CSR audit would be appropriate However, where significant issues are identified the Group utilises external specialists as necessary The information in this CSR report is not subject to audit by Ernst & Young LLP

Your Board

1 Victor Cocker CBE
Chairman (independent) (B* N*)

Vic Cocker (age 67) joined the board in July 2000 and became chairman in February 2004 Vic was chief executive of Severn Trent plc between 1995 and 2000 He chairs WRAP, the Government funded company established to develop markets for recycled materials and is a non-executive director of Modern Waste Limited Vic will retire from the board after the AGM

2 William McGrath
Chief executive (B)

William McGrath (age 49) was appointed chief executive in March 2001 William joined the Group as finance director in October 1997 from Aggregate Industries where he had become finance director in 1992 He had previously worked in the investment banking and construction sectors He is a qualified accountant and a history graduate

3 Shaun Smith
Finance director (B)

Shaun Smith (age 47) was appointed to the board as finance director in March 2001 Shaun joined the Group from Marks and Spencer plc in 1989 and worked in treasury becoming the group treasurer in 1999 He is a qualified treasurer and economics graduate

4 John Coleman
Non-executive director (independent) (B N)

John Coleman (aged 55) was appointed an independent non-executive director in March 2008 and is chairman designate John is a non-executive director of Travis Perkins plc He was chief executive of House of Fraser plc from 1996 to 2006 Prior to that he was chief executive of Texas Homecare and held a number of senior management positions within the Burton Group PLC He is a chartered management accountant

5 Peter Tom CBE
Non-executive director (senior independent director) (B A N R*)

Peter Tom (age 67) joined the board in February 2004 and chairs the remuneration committee Peter was previously the chief executive of Aggregate Industries plc and is the chairman of Leicester Football Club plc (Leicester Tigers)

6 Helen Mahy
Non-executive director (independent) (B A N R)

Helen Mahy (age 47) joined the board in March 2003 Helen is group company secretary and general counsel of National Grid plc and a member of its executive committee Previously she was group general counsel and company secretary at Babcock International Group PLC She is a barrister and an Associate of the Chartered Insurance Institute

7 Paul Jackson
Non-executive director (independent) (B A, N R)

Paul Jackson (age 54) joined the board in December 2005 Paul was a director at Ogilvy Advertising Limited, part of the WPP Group, until 2007 He has wide experience in brand and international product development

8 Paul Dermody OBE
Non-executive director (independent) (B A*, N R)

Paul Dermody (age 62) joined the board in March 2004 and chairs the audit and risk committee Paul is a non-executive director of Majestic Wine PLC He was formerly chief executive of De Vere Group Plc, having spent his career with its predecessor Greenalls He is a chartered management accountant

9 Pam Sissons
Company secretary

Pam Sissons (age 45) joined the Group in 1999 and was appointed company secretary in October 2004 She is a Fellow of the Chartered Insurance Institute and an Associate of the Chartered Institute of Secretaries and Administrators

B Board member
A Audit and risk committee member
N Nomination committee member
R Remuneration committee member
* denotes chairman of the board or committee

Directors' report

The directors present their report, together with the audited financial statements, for the year ended 31st December 2007

Principal activities

The principal activities of Aga Foodservice Group plc are the design, development, manufacture, sale and service of premium brand cookers, kitchen and household products The Company sold its Foodservice Equipment businesses on 18th December 2007

The principal trading subsidiaries are shown on page 70

Business review

The Company is required to set out in this report a fair view of the business of the Group during the financial year ended 31st December 2007, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group The information that fulfils this requirement can be found in the chief executive's review The review of the financial results and of the operations on pages 5 to 10, risks and uncertainties on pages 11 to 15, resources on pages 15 to 16 and corporate social responsibility on pages 16 to 21, which are incorporated into this report by reference

Profit and dividends

The profit attributable to equity shareholders including discontinued operations for the period was £63 4m (2006 £31 1m) The directors have declared dividends as follows

	£m
Paid interim dividend of 3 85p per share (2006 3 5p per share)	4 4
Proposed final dividend of 7 65p per share (2006 7 0p per share)	8 8
Total ordinary dividend 11 5p per share (2006 10 5p per share)	13 2

The final dividend recommended by the directors and subject to shareholder approval at the Annual General Meeting ('AGM') will be paid on 30th May 2008 to members on the register at the close of business on 25th April 2008

Share capital

Full details of the movements in the issued share capital of the Company are provided in note 22 on page 64 On 1st January 2007, the Company had 129,107,928 ordinary shares of 25p in issue On 14th May 2007, having been approved by shareholders, the share capital of the Company was consolidated in the ratio of 8 new ordinary shares of $28\frac{1}{8}$p for every 9 existing ordinary shares of 25p As at 31st December 2007 115,222,899 ordinary shares of $28\frac{1}{8}$p were in issue At the 2007 AGM, shareholders approved a resolution to permit directors to undertake market purchases of its own shares up to a maximum number of 11,492,393 ordinary shares of $28\frac{1}{8}$p each The resolution remains valid until the conclusion of the 2008 AGM No shares were bought back under this authority during the year and at present the Company does not hold any shares in treasury

Return of funds to shareholders

Following the share consolidation that occurred on 14th May 2007, the Company paid a special dividend of 43p per share on 1st June 2007

The Company indicated that following the sale of the Foodservice Equipment businesses in December 2007, it would make another significant return of cash to shareholders The board has considered the various methods of returning cash to shareholders and has decided that it will make a proposal to shareholders to return £140 0m of cash via a 'B' / 'C' share scheme This will provide a one-off opportunity for shareholders to receive the return as capital or income or a combination of the two In addition, the board is proposing to consolidate the share capital of the Company in the ratio of approximately 3 new ordinary shares for approximately 5 existing ordinary shares Full details of the proposed resolutions are included in the separate circular to shareholders The return of cash is recommended by the directors and share consolidation will be subject to shareholder approval at an Extraordinary General Meeting ('EGM')

Major shareholdings

As at 14th March 2008, the Company had been notified under the Disclosure and Transparency Rules of significant holdings of voting rights in shares as set out on the opposite page

Directors and their interests

Details of the directors who served on the board during the year are shown on pages 22 to 23 In addition the biographical details of John Coleman are included John Coleman was appointed an independent non-executive director on 6th March 2008 and is the chairman designate He will take up the position of chairman after the AGM, when Vic Cocker will retire from the board

In accordance with the Company's Articles of Association four directors will seek re-election at the AGM Helen Mahy, Shaun Smith and William McGrath retire by rotation and, being eligible, offer themselves for re-election In proposing the re-election of Helen Mahy, the board reviewed her effectiveness as a non-executive director and concluded that she continues to be effective and remains independent in judgement She is also a member of the audit and risk, remuneration and nomination committees Helen Mahy has expressed a willingness and ability, in terms of time commitment, to continue in her role John Coleman who was appointed a director on 6th March 2008 retires at the AGM and, being eligible, offers himself for re-election

Details of the directors' service contracts are set out in the remuneration report on page 36 Other than service contracts, no director had any material interest in any contract with any Group company at any time in the year The interests of directors and their connected persons in the ordinary share capital of the Company are disclosed on page 35 Options granted under the Senior Executive Share Option Scheme and Long-Term Incentive Plan are shown on page 34

Directors' indemnities

The directors have the benefit of the indemnity provision contained in the Company's Articles of Association This provision which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006, was in force throughout the financial year and remains in force The Company also purchases directors' and officers' liability insurance in respect of the Company, its subsidiaries and its directors

Political and charitable donations

Charitable donations made during the year were £6,337 (2006 £6,502) These donations were made across the businesses principally to local organisations serving the communities in which we operate No political donations were made during the period (2006 nil)

Research and development

Research and development plays an important role in the development of the Group with product innovation a key feature of the Group's strategy Each manufacturing business has its own development department close to its production facility to encourage rapid response times The Group capitalises certain development spend under IAS 38 During the year, the Group capitalised expenditure on development of £3 1m (2006 £2 8m)

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction Individual operating businesses within the Group are responsible for establishing appropriate policies with regard to the payment of their suppliers Trade payables at the year end equated to 66 days of related purchases (2006 67 days), for the continuing businesses

Employee involvement

The average number of employees within the Group is shown in note 4 to the accounts on page 48 The Group is committed to a policy of equal opportunity with the objective of promoting a workplace which is free from discrimination, harassment and victimisation The policy requires that full and fair consideration is given to disabled applicants in terms of employment

Furthermore, career development opportunities and training for disabled persons is available as appropriate, with particular attention paid to the needs of individuals who become disabled in employment

The Group has a policy of actively communicating information to employees concerning the development of the Group and how this may affect their interests and of ensuring their appropriate involvement Further details of the Group's human resources policies are provided in the CSR section on page 18

The Company is introducing a new Sharesave Plan, subject to shareholder approval, and will encourage employees to participate in the Group's success through share ownership

Health, safety and environmental

It is important to the Group to provide and maintain a safe environment for all employees, customers and other visitors to its premises and the wider workplace The Group complies with the relevant health and safety legislation in the jurisdictions in which it operates The Group's health and safety policy and performance is regularly reviewed by the board Further details are included on pages 19 and 20 of the CSR section

	date of notification	ordinary shares of 28⅛p each	% of share capital directly owned	% of share capital indirectly owned
Boston Holdings LP Inc	10 03 08	26,869,179	23 32	0
Aviva plc	29 11 07	8,659,179	7 04	0 47
HSBC Holdings plc	09 01 08	8,048,122	6 68	0 30
Prudential plc	28 01 08	4,854,832	4 19	0
J P Morgan Chase & Co	30 10 07	5,797,524	0	5 03
Aberdeen Asset Management Ltd	25 01 08	5,765,600	0	5 00
Legal & General Group plc	07 02 08	4,686,714	4 06	0
Principle Capital Investment Trust plc	13 07 07	3,502,382	3 05	0

Directors' report

The Group also recognises that it is part of the wider community and that it has a responsibility to act in a way that respects the environment and the social wellbeing of others The Group's environmental policy and performance against objectives and targets is regularly reviewed by the board Further details are included on pages 19 to 20 of the CSR section

Statement of directors' responsibilities

The directors are responsible for preparing the annual report, the remuneration report and the Group and Company financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and the Company financial statements and the remuneration report in accordance with the applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Practice) The Group and Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period

In preparing those financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- state that the Group financial statements comply with IFRS as adopted by the European Union and, with regard to the Company financial statements, that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the Group financial statements and the remuneration report comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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 In preparing the financial statements on pages 38 to 41 on a going concern basis, the directors consider that 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 the maintenance and integrity of the Company website 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

Auditors

Ernst & Young LLP ('E&Y') has indicated its willingness to continue as auditors and, accordingly resolutions to reappoint and to authorise the directors to determine their remuneration will be proposed at the AGM

Disclosure of audit information

In the case of each of the persons who are directors of the Company at the date when this annual report was approved, so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and each of the directors has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

Annual General Meeting

The AGM of the Company will be held at the National Motorcyle Museum, Coventry Road, Bickenhill, Solihull B92 0EJ on 9th May 2008 The notice convening this meeting, together with explanatory notes for the special business are set out in a shareholder circular which will be posted with the annual report and accounts and proxy voting papers At the meeting resolutions will be proposed to renew the authority to issue shares without applying statutory pre-emption rights and to authorise the Company to make market purchases of its own shares Resolutions will also be proposed to change the Company name, to introduce a new Sharesave Plan and to make amendments to the Long-Term Incentive Plan Rules Full details of these resolutions are provided in the notice of meeting

Extraordinary General Meeting

The notice convening an EGM and explanatory notes are set out in a separate circular to shareholders which will be despatched to shareholders separately At the meeting resolutions will be proposed to make a return of cash to shareholders of £140m which will involve the issue to shareholders of B shares and/or C shares which is intended to give shareholders, where eligible under their prevailing tax regime (such as the UK), the flexibility to receive their cash as capital or income, or a combination of the two It is also intended that the market price of the Company's ordinary shares should be approximately equal before and after the return, subject to market movements, and, consequently the return of cash will involve the reduction of the number of shares in issue Subject to this resolution being passed, the Company will propose to renew the authority to make market purchases of its own shares, based on the revised number of shares in issue

The Company also proposes to make certain amendments to update the Company's Articles of Association to be compliant with changes implemented under the Companies Act 2006 to date and a separate resolution will be proposed to introduce further amendments to the Articles of Association which will take effect on and from the 1st October 2008 Full details of these resolutions are provided in the shareholder circular

By order of the board

P M Sissons
Secretary
Solihull
14th March 2008

P M. Sissons

Corporate governance

Statement of compliance with the Combined Code

The Company is committed to the highest standards of corporate governance and throughout the year ended 31st December 2007 the Company complied with the principles set out in section 1 of the June 2006 edition of the Combined Code on Corporate Governance ('the Code') This statement explains our governance policies and practices and describes how the Company has applied the principles and provisions of the Code

The board and directors

The board is responsible to the Company's shareholders for the success of the Company, the Group's system of corporate governance, its strategic objectives and the stewardship of the Company's resources The board is satisfied that it meets the Code's requirements for effective operation The board takes full responsibility for social, environmental and ethical matters which are also included in the risk management process

The board promotes the success of the Group and provides leadership within a framework of prudent and effective controls that enable risks and opportunities to be assessed and managed

To help ensure the effective control of the Group, the board has a number of items reserved for its sole consideration The schedule of matters reserved for board decision was reviewed during the year and include the following key areas approval of results announcements and the annual report and accounts, dividend policy, key financial matters including major capital investments, restructuring costs, acquisitions and divestments, treasury policy, significant changes in accounting policy and practice, capital structure, corporate strategy, approval of the Group's budget and business plan, corporate governance and listing requirements, corporate social responsibility, delegation of authority to the executive management committee

As of 1st January 2008, the board comprised Vic Cocker, chairman, William McGrath, chief executive, Shaun Smith, finance director and four independent non-executive directors, Paul Dermody, Paul Jackson, Helen Mahy and Peter Tom Peter Tom was the senior independent director throughout the year Biographies of the current directors are shown on pages 22 and 23

A number of changes to the board were announced during the year On 19th October 2007 it was announced that Vic Cocker would retire from the board after the 2008 AGM Stephen Rennie was an executive director until 18th December 2007 when he resigned to take up a role with the purchaser of the Foodservice businesses Subsequent to the year end, John Coleman was appointed as an independent non-executive director and chairman designate on 6th March 2008

Directors submit themselves for re-election by shareholders at the first AGM following their appointment and for re-election at least once every three years Should a non-executive director serve for more than six years his re-election would be subject to particularly rigorous review Should any non-executive director serve for longer than nine years he would then be subject to annual re-election

The board held twelve meetings during the year, consisting of seven scheduled meetings and five supplementary meetings predominantly to consider matters in relation to the sale of the Foodservice businesses Paul Jackson was unable to attend two of the supplementary meetings due to prior commitments

Board balance and independence

During the year the board complied with the Code requirement that at least half the board, excluding the chairman, comprise non-executive directors determined by the board to be independent At the year end, the board comprised the chairman, whom the board deemed to have been independent on appointment, two executive directors and four independent non-executive directors All of the non-executive directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement Each non-executive director possesses a wide range of skills and experience The board will keep under review the size and structure of the board to ensure it is appropriate for the ongoing business

Chairman and chief executive

The roles and responsibilities of the chairman and chief executive are clearly divided, set out in writing and regularly reviewed by the board The chairman is responsible for the effective running of the board The chief executive is responsible for implementing strategy, running the businesses in accordance with the objectives and policies agreed by the board and for the executive management of the Group

Board information, training and development

The board has a forward rolling business agenda, which is updated after each meeting to include specific topics that directors have requested be reviewed at future meetings The board reviews the key activities of the business and receives

Corporate governance

papers and presentations from senior management and external advisers to enable it to do so effectively From the beginning of 2008, the board will receive regular reports from the executive management committee, covering a broad range of issues including health, safety and environmental matters, finance and operational performance, risk management, business development initiatives, special projects, legal and regulatory developments, governance and best practice guidelines that affect the Group The company secretary is responsible to the board, and is available to individual directors, in respect of board procedures In conjunction with the chairman, the company secretary ensures that information distributed to the board is sufficient, clear and accurate, that it is circulated in a timely manner and is appropriate to enable the board to discharge its duties Papers are generally dispatched five days before a board meeting

On appointment to the board all directors receive appropriate induction training This includes site visits and meetings with senior management and the Company's advisers Major shareholders are offered the opportunity to meet new non-executive directors Directors receive regular updates appropriate to the business throughout the year and the Company provides resources for directors to develop and refresh their knowledge and capabilities as required All directors are suitably qualified, trained and experienced so as to be able to participate fully in the work of the board

To assist with the independent conduct of their function, the non-executive directors are able to obtain professional advice at the Company's expense, if required in connection with their duties, and a process is in place to facilitate this In addition, all directors have access to the services of the company secretary The Group maintains appropriate directors' and officers' liability insurance cover

Board performance evaluation

During the year, the board undertook a formal evaluation of its performance and the performance of its committees and the individual directors The formal evaluation process included questionnaires supplemented by individual interviews undertaken by the chairman Any specific issues raised in the questionnaires were followed up by the chairman, along with a number of other topics for discussion The questionnaires considered a number of areas including the performance of the chairman, chief executive and non-executive directors, the operation and performance of the board, its committees and the committee chairman, governance matters and evaluation methods The one to one interviews included a broad range of topics including discussions on specific projects and performance, particular areas for improvement, a review of issues raised by shareholders during the year, as well as a review of individual performance, knowledge gaps and training requirements

The non-executive directors, including the chairman, met without the executive directors being present during the year and led by the senior independent director, the non-executive directors met without the chairman present to review his performance

The results of the performance evaluation were considered by the board resulting in a number of action points being incorporated into the 2008 business agenda The aim of the action plan is to continually improve processes, procedures and performance

The schedule of matters reserved for the board, statements outlining the roles of the chairman and chief executive, the terms of reference of the committees and other policy statements are reviewed annually as part of the formal evaluation process

The chairman communicates frequently with the non-executive and executive directors Directors are also encouraged to discuss any issues or concerns with the chairman at any time throughout the year Directors are encouraged to ensure that any unresolved issues are formally minuted

Accountability and audit

The statement of the responsibility of directors for the preparation of the directors' report and the accounts under IFRS is set out on page 71 (page 78 in respect of UK GAAP) The Group going concern statement is on page 26 with the Company statement on page 78

Internal control and risk management

The board is ultimately responsible for the Group's systems for financial reporting, internal control and risk management Together with the audit and risk committee, the board confirms that it has established procedures necessary to comply with the Code to implement the guidance on internal control issued by

	BOARD		AUDIT AND RISK COMMITTEE		NOMINATION COMMITTEE		REMUNERATION COMMITTEE	
Director	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
V Cocker	12	12	–	–	2	2	–	–
W B McGrath	12	12	–	–	–	–	–	–
S Rennie	12	12	–	–	–	–	–	–
S M Smith	12	12	–	–	–	–	–	–
P B Dermody	12	12	3	3	2	2	7	7
P E Jackson	12	10	3	3	2	2	7	6
H M Mahy	12	12	3	3	2	2	7	7
P W G Tom	12	12	3	3	2	2	7	7

(Attendance table exclude meetings attended by invitation) the Turnbull Committee, and is reporting in accordance with that guidance

The board is responsible for ensuring that the Group maintains systems of internal controls, including internal financial control, operational and compliance controls and risk management systems and for monitoring the effectiveness of these controls

Meetings of the board and the audit and risk committee ensure that risk management and internal control are considered on a regular basis throughout the year, and are subject to continuous review and development This includes consideration of corporate social responsibility matters as outlined in the chief executive's review on pages 16 to 21

The executive management committee receives a monthly summary of the financial results from each business unit in a standardised reporting format and provides updates directly to the board The Group has in place an annual budgeting process and the draft budget is approved annually by the board Business performance is a standing agenda item at board meetings A comparison of forecast and actual results is considered, with comparisons against budgets and the prior year

There is an ongoing and forward looking process for identifying, evaluating and managing significant risks across the Group Risk reviews are carried out at each business unit, taking into account the likelihood of occurrence and the degree of impact Risks considered include operational and financial contingencies, legal and regulatory compliance and social, environmental and ethical issues The process identifies both short and long-term risks to business performance and value Such systems are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss

At business unit level, there are regular management and board meetings to review all aspects of the Group's business, including those where there are potential risks to the Group Members of the executive management committee undertake frequent visits to business units to discuss strategy, review business performance and significant operational and financial risks Key procedures include planning, budgeting and investment appraisal Feedback is provided to the board

The internal and external auditors report regularly to management, the audit and risk committee and the board on their activities, findings and recommendations

A control structure is in place with defined delegated authorities for management throughout the Group and includes clear approval requirements for decisions which have a major financial implication for the business units concerned Continual monitoring of systems of internal financial control is the responsibility of all management teams

The directors confirm that they have conducted a specific annual review of the effectiveness of the Group's systems of internal control and risk management in respect of the financial period and up to the date of this report Systems of internal control are designed to provide reasonable, but not absolute assurance, to safeguard shareholders' investments, the Group's assets and ensure that financial information and accounting records are reliable

Risk factors

The system for monitoring risks is continuous and an ongoing process throughout the year Risk is a formal agenda item at the October meeting of the audit and risk committee Key risks and uncertainties are set out on pages 11 to 15 of the chief executive's review

This process has identified a number of risks where action plans have been developed to eliminate, minimise or mitigate these risks (including the use of insurance where appropriate) The board has not identified or been advised of any significant failings or weaknesses where action has not been taken which might have a material impact on the business

Communication with shareholders

In its reporting to shareholders, the board aims to present a balanced and understandable assessment of the Group's financial position and prospects and this is outlined in the chief executive's review The Company reports formally to shareholders twice a year when its half year and full year results are announced and an interim and a full year report is issued to shareholders There are regular institutional, analyst and media presentations which cover strategy, trading and market conditions with copies of the major presentations made available on the corporate website (www agafoodservice com) The Company seeks to present an accurate and objective view in a manner appropriate for the intended audience Contact with the major shareholders is principally maintained by the chief executive and finance director The chairman ensures that the views of shareholders are communicated to the board as a whole The board is provided with a summary of the feedback from broker and shareholder meetings on a six-monthly basis and has met with the Company's brokers during the year to ensure they are aware of the current views of major shareholders and of any material issues they may have

At the request of shareholders the chairman and senior independent director held meetings with shareholders during the year, without the executive directors being present
On each occasion a briefing note was provided to the board as a whole and the key issues raised by shareholders were discussed and, where necessary, action taken No specific meetings were requested with the other non-executive directors during the year

Constructive use of the AGM

The AGM is normally attended by all members of the board and is an opportunity for shareholders to meet the directors, senior managers and the Company's advisers and to ask questions At the AGM, the chief executive provides a brief presentation outlining developments within the Group The meeting provides a useful interface with private shareholders, many of whom are also customers The notice of the meeting and related papers are sent to shareholders at least twenty-one clear days before the meeting, and separate resolutions are proposed on each substantial issue Details of the results of proxy voting are announced after each resolution has been dealt with on a show of hands Immediately after the AGM the Company issues a market announcement setting out the results of the AGM and details are made available on the Company's website

Corporate governance

Details of the 2008 AGM are set out in the notice of meeting in a separate circular issued to shareholders, along with details of the facilities available for proxy votes to be cast electronically The Company offers shareholders the right to withhold their vote, if they so wish, in line with best practice As detailed on page 80, shareholders may contact our investor relations' personnel at the corporate office or by email to ir@agafoodservice com with any questions, issues or concerns The non-executive directors may be contacted by email at nonexec@agafoodservice com

Committees of the board

The board delegates specific responsibilities to board committees which carry out a significant amount of work towards the successful management of the Group The board has established audit and risk, remuneration and nomination committees as described below and in the remuneration report Each board committee has terms of reference that meet the provisions of the Code and they are approved by the board and are reviewed annually as part of the performance evaluation process These terms of reference are available on the Group website at www agafoodservice com In addition, certain matters have been delegated to the executive management committee

Audit and risk committee

During the year, membership of the audit and risk committee ('the committee') comprised Paul Dermody (chairman), Paul Jackson, Helen Mahy and Peter Tom Each of these directors is non-executive and regarded by the board as independent The board has determined that Paul Dermody has recent and relevant financial experience The chairman, chief executive, finance director, head of internal audit and the external auditors attend the majority of meetings by invitation Other senior management and advisers are invited to attend meetings as required The head of internal audit reports to the finance director and has direct access to the chairman of the committee The committee members, all other directors and senior management have direct access to the external auditors throughout the year, to seek advice or raise any issues or concerns

The main responsibilities of the committee are to assist the board in the effective discharge of its responsibilities for financial reporting, internal control and risk management processes

The committee met three times during the year All committee members attended all meetings and committee members met with the external auditors without the executive management being present The committee has an agenda linked to events in the Group's financial calendar and the work of the committee during the year included

- reviewing the results and annual report and accounts, monitoring the integrity of financial statements of the Group and considering any significant reporting judgements contained therein,
- reviewing formal announcements relating to the Group's financial performance,
- reviewing the effectiveness of the Group's internal financial control and risk management systems,
- monitoring the effectiveness of the Group's internal audit function and ensuring it is adequately resourced,
- considering reports from internal auditors on work undertaken during the year including audits, investigations and whistleblowing reports The committee has agreed the programme of work for the internal audit function for the year ending 31st December 2008,
- considering reports from the external auditors, including their review of the effectiveness of controls across the Group and a review of management action taken in response to the findings and recommendations of the auditors,
- monitoring and reviewing the external auditors independence and objectivity, reviewing and agreeing the nature and scope of the audit, monitoring the performance of the external auditors and the effectiveness of the audit process,
- making a recommendation to the board with respect to the level of audit fees paid to the external auditors,
- the review of the external auditor non-audit fees and consultancy spend which in 2007 included services amounting to £1 4m in relation to due diligence work and tax consultancy services,
- receiving updates from the Group's treasury and taxation departments

The committee keeps the potential re-tendering of the external audit services under review Ernst & Young LLP were appointed auditors following a formal tender exercise in June 2006 During the year the committee reviewed the scope and programme of work to be undertaken by the external auditors, considered the independence and objectivity of services provided and reviewed the level of fees paid for those services

Resolution 8 set out in the notice of AGM recommends that shareholders reappoint Ernst & Young LLP as the Company's auditors and Resolution 9 authorises the directors to determine their remuneration

When appointing advisers for non-audit work, the Group considers the value for money, experience and objectivity required and in this respect it has used other accounting firms to conduct a range of non-audit work The committee recognises that there are occasions when it is advantageous to use the external auditors to undertake non-audit services, when they are best placed to do so The committee operates under a formal policy approved by the board to help ensure the independence and objectivity of the external auditors is not compromised The policy states that non-audit fees paid to the principal external auditors should not exceed 250% of the audit fee, except in the case of significant events The chairman of the committee is required to authorise non-audit work above a pre-agreed threshold Note 3 to the Group accounts provides a breakdown of 2006 and 2007 audit and non-audit fees In 2007, the non-audit services provided by the external auditors exceeded the pre-agreed threshold In authorising the work to be undertaken by E&Y in respect of the due diligence work relating to the disposals of Domain and the Foodservice businesses, the committee considered value for money and the firm best placed to undertake the work effectively The committee deemed these disposals to be significant events

Nomination committee

During the year the nomination committee ('the committee') comprised Vic Cocker (chairman), Paul Dermody, Paul Jackson, Helen Mahy and Peter Tom The chief executive is invited to attend meetings at the request of the committee The committee met twice during the year A majority of members are independent non-executive directors and all committee members attended all meetings

The main responsibilities of the nomination committee are to keep under review the size, structure and composition of the board and its committees, to ensure that adequate succession planning is in place, and when necessary identify and nominate individuals for appointment to the board and its committees The committee reviews the balance of skills, knowledge and experience of the existing board members and prepares a description of the role and capabilities required for a new appointment Candidates are considered by the committee, taking advice from external search consultants where appropriate No director is involved in any decisions regarding his or her own appointment Vic Cocker was not involved in the formal process to select his own successor

Following the announcement that Vic Cocker intended to retire from the board after the 2008 AGM, the committee nominated Peter Tom to act as chairman of the committee and to lead the process to find a successor for the role of chairman of the board The process described above, including the use of external search consultants, was used in connection with the appointment of John Coleman as a non-executive director and chairman designate This review also included an assessment of the time commitment expected from the new chairman John Coleman has undertaken to meet this expectation and has disclosed to the board his other significant commitments

All non-executive directors are appointed for an initial three-year term pursuant to a standard letter of appointment, which is available for viewing at the Company's registered office during normal business hours or at the AGM

The committee ensures that newly appointed directors receive a full induction, and when considering the reappointment of directors ensures that the board has an appropriate balance of skills, knowledge and experience

Items discussed by the committee during the year to enable it to discharge its duties in accordance with its terms of reference included

- the size, structure, composition and skills of the board membership,
- the appointment of an independent external selection consultant to assist the committee in identifying potential candidates for the role of chairman,
- the proposal to re-elect Helen Mahy, Shaun Smith and William McGrath under the retirement by rotation provisions,
- the board and board committee evaluation process

The committee, in conjunction with the board, receives updates from the chief executive and other advisers on succession and development planning for senior positions within the Group

Changes to directors' commitments are reported to the committee as they arise and are considered on their individual merits There were no significant changes to the retiring chairman's external commitments during the year

Remuneration report

This report has been prepared by the remuneration committee and has been approved by the board The remuneration committee has adopted the principles of good governance relating to directors' remuneration as set out in the Combined Code on Corporate Governance 2006 ('the Code') This report complies with the Companies Act 1985, amended by the Directors' Remuneration Report Regulations 2002 and Listing Rules of the Financial Services Authority The Companies Act 1985 requires the Company's auditors to report on the "audited" information within the report and state whether in their opinion those parts of the report have been properly prepared in accordance with the Companies Act 1985 Sections of the report that are subject to audit are separately referenced as "audited" and all other information is unaudited

As required by the Companies Act 1985, Resolution 2 will be proposed at the AGM and invites the members to approve the remuneration report for the financial year ended 31st December 2007

Remuneration committee

The remuneration committee ('the committee') comprises Peter Tom (chairman), Paul Dermody, Paul Jackson and Helen Mahy Each member of the committee is considered by the board to be independent There have been no changes to the composition of the committee during the year The chairman of the board, chief executive and external advisers are invited to attend meetings as required Neither the chairman of the board nor any executive director participates in any discussion on his own remuneration No committee member has any personal financial interest, other than as a shareholder, in matters to be decided by the committee The remuneration of the non-executive directors is decided by the board as a whole on the advice of executive directors, supported by the independent remuneration advisers to the Company

The committee keeps itself fully informed of all relevant developments and best practice in the field of remuneration and seeks advice where appropriate from external advisers During the year, the committee appointed KPMG LLP ('KPMG') as its independent remuneration advisers and they have provided advice to the committee on directors' remuneration and share plans during the year KPMG also provided advice to the executive directors in respect of non-executive directors' fees In view of the change in size and structure of the Group, in 2008 KPMG has been asked to update its advice to the committee on directors' remuneration During the year the committee also received advice from Watson Wyatt Limited and KPMG in relation to pensions, Alithos Limited in relation to total shareholder return performance monitoring and Allen & Overy LLP, the Company's legal advisers

The remit of the committee is set out in full in the committee's terms of reference which are available on the Group's website and which are reviewed annually by the board The committee is responsible for setting the framework and policy for remuneration of the executive directors, the chairman and company secretary It determines the specific elements of executive director remuneration, their contractual terms and, where necessary, compensation arrangements It maintains a dialogue with shareholder representatives to ensure remuneration arrangements are designed to align remuneration with shareholder interests It also maintains an overview of remuneration of the senior employees of the Group and of the Company's share plans

The committee met seven times during the year and all members attended all meetings with the exception of Paul Jackson, who was absent from one meeting due to a prior commitment Items discussed by the committee during the year to enable it to discharge its duties in accordance with its terms of reference included

- remuneration advice including a benchmarking and market trends review,
- review of the overall balance of benefits between fixed and variable components,
- review of the executive bonus scheme targets,
- remuneration disclosure and the remuneration report,
- further independent remuneration advice following the change in the structure of the business

The board accepted all recommendations made by the committee during the year

Remuneration policy for the executive directors

The Group's remuneration policy is designed to ensure that the remuneration of executive directors is sufficiently competitive to retain and motivate the existing directors and to attract high calibre candidates to ensure the continued success and development of the business The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the committee,

Audited	Salary/ Fees £000	Compensation for loss of office (note 1) £000	Salary in lieu of pension above earnings cap £000	Benefits in kind and cash benefits (note 2) £000	Annual bonus £000	2007 Total £000	2006 Total £000
W B McGrath	468	–	78	26	309	**881**	709
S M Smith	269	–	35	23	177	**504**	406
V Cocker	108	–	–	–	–	**108**	88
P B Dermody	39	–	–	–	–	**39**	30
P E Jackson	35	–	–	–	–	**35**	30
H M Mahy	35	–	–	–	–	**35**	30
P W G Tom	39	–	–	–	–	**39**	30
Continuing board	**993**	–	**113**	**49**	**486**	**1,641**	1,323
S Rennie (resigned December 2007)	334	300	–	24	220	**878**	461
Total	**1,327**	**300**	**113**	**73**	**706**	**2,519**	1,784

note 1 - A compromise agreement was reached with Stephen Rennie on leaving the Company and he received a cash payment of £300,100 No additional payments were made in relation to pensions or benefits in kind or cash benefits

note 2 - Benefits in kind comprise car or car benefit, fuel or cash allowance, private health care and life assurance

note 3 - There were no taxable expenses in 2006 or 2007 for any of the directors

taking into account the level and structure of remuneration of members of senior management and pay and conditions elsewhere in the Group The current policy is based around the following principles

- that total compensation should be set at levels that are competitive in comparison to companies of a similar size by turnover, market capitalisation and geographical spread from within and outside the industry sector,
- to position base salaries around the median level in the relevant pay peer group and to supplement base salaries by variable performance related rewards and incentives which can raise the total value of the remuneration package into the upper quartile, if performance targets are met,
- to align management incentives with the creation of shareholder value over both the short and longer term,
- to ensure a substantial proposition of remuneration is 'at risk' and delivered through variable performance related remuneration

The main elements to the remuneration package for executive directors and senior management are as follows

Fixed

Basic annual salary
Benefits in kind and cash benefits
Pension benefits

Variable	**% of salary**
Annual bonus related to the Company performance and strategic objectives	Up to 100%
Annual award of nil cost options under the Long-Term Incentive Plan, with vesting after three years subject to performance conditions being met	Up to 100%

Basic salary

Salaries for the executive directors are reviewed annually and are targeted broadly at the median position in the relevant pay peer group The committee takes into consideration the size, complexity and responsibilities of the individual's role, the individual's experience in the role and the overall business performance In deciding the appropriate level, the committee considers salary practices prevailing in the Group as a whole and relies on independent research, which gives up to date information on a comparator group of companies It also considers the balance between fixed and variable rewards and the total compensation achievable Basic salaries were reviewed in December 2006 with increases of 7% taking effect from 1st January 2007 Following receipt of advice from KPMG in 2007, the committee agreed that future salary increases would be linked to inflation (RPI) until the further remuneration review was completed following the sale of the Foodservice businesses As a result, basic salaries were increased by 4 2% from 1st January 2008

Benefits in kind

The executive directors receive certain benefits in kind, principally the provision of a car or car benefit, fuel or equivalent cash allowance, private health care and life assurance

Annual bonus payments

The committee establishes the objectives that must be met each financial year if a cash bonus is to be paid In setting appropriate bonus parameters, the committee reviewed independent research on a comparator group of companies from independent remuneration consultant sources The committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders After considering the balance between fixed and variable rewards and the total compensation achievable, the committee in 2007 increased the maximum bonus potential to 100% of base salary, subject to meeting performance conditions Previously the maximum bonus potential was 75% of base salary The performance target measures improvement in earnings per share on the prior year compared to the budget and conditions set by the committee relating to the achievement

Remuneration report

Audited		Options under the 1994 Senior Executive Share Option Scheme approved in 1994	Long-Term Incentive Plan approved in 1999 Price shown is at date of award			
		at 321pps	235pps	307pps	387pps	386pps
W B McGrath						
At 1st January 2007		153,000	42,766	38,549	33,922	–
Exercised 15th January 2007	(at 398 75pps)	4,000	–	–	–	–
Exercised 16th March 2007	(at 398 pps)	5,000	–	–	–	–
Granted 14th May 2007		–	–	–	–	121,262
At 31st December 2007		144,000	42,766	38,549	33,922	121,262
S Rennie						
At 1st January 2007		–	30,000	27,521	24,219	–
Exercised 15th January 2007	(at 398 75pps)	–	4,000	–	–	–
Exercised 16th March 2007	(at 398 pps)	–	5,000	–	–	–
Granted 14th May 2007		–	–	–	–	86,574
Lapsed 18th December 2007		–	–	3,267	10,948	69,338
At 18th December 2007		–	21,000	24,254	13,271	17,236
S M Smith						
At 1st January 2007		–	23,617	22,153	19,486	–
Exercised 15th January 2007	(at 398 75pps)	–	4,000	–	–	–
Exercised 16th March 2007	(at 398 pps)	–	5,000	–	–	–
Granted 14th May 2007		–	–	–	–	69,656
At 31st December 2007		–	14,617	22,153	19,486	69,656
Option grant date		**5 May 98**	**13 Oct 03**	**27 Apr 05**	**27 Apr 06**	**14 May 07**
Exercisable period		**5 May 01**	**13 Oct 06**	**27 Apr 08**	**27 Apr 09**	**14 May 10**
		to	**to**	**to**	**to**	**to**
		4 May 08	**12 Oct 13**	**26 Apr 15**	**26 Apr 16**	**13 May 17**

The mid-market price of ordinary shares at the beginning and end of the year was 435 pence and 358 5 pence respectively During the year the market price of ordinary shares ranged from 352 5 pence to 450 5 pence

Qualifying performance conditions are shown within Long-term incentive plan (LTIP) on page 34

Gains on the exercise of options are calculated on the date of exercise William McGrath exercised options at an average price of 398 pence and retained the shares making a gain on exercise of £6,960 (2006 £7,055) Shaun Smith exercised options at an average price of 398 pence and retained the shares making a gain on exercise of £35,850 (2006 £4,370) Stephen Rennie exercised options at an average price of 398 pence and retained the shares making a gain on exercise of £35,850 (2006 £33,000) Therefore, the total gain made by directors on exercise of options during 2007 was £78,660 (2006 £44,425)

of Group strategic objectives The committee approves the target at the beginning of each year and reviews performance against this target and strategic objectives during and at the end of the year The bonus award made to each executive director for year ended 31st December 2007 was 66% of base salary

Long-term incentive plan ('LTIP')

All equity based awards are subject to an overall limitation on the number of shares issued, transferred from treasury or that remain issuable pursuant to awards of 10% within any ten year period

The committee continues to view the LTIP, introduced in 1999, as an appropriate method to incentivise executive directors and key senior managers to enable them to potentially benefit from improved total shareholder return ('TSR') of the Company

The committee administers the plan and the grant of nil cost options under the LTIP The maximum annual conditional award of nil cost options that can be made to an individual is equivalent to 100% of base salary The options granted during the year will only become exercisable (vest) if the performance conditions are met

Historically performance has been based on a comparison of the Company's TSR against the TSR of companies in a comparator group approved by the committee (FTSE engineering-general sector of the FTSE All Share Index or FTSE 250 Index)

In considering the balance between fixed and variable rewards and the total compensation achievable, in 2007 the committee granted LTIP options equivalent to 100% of each executive's base salary in May 2007 Awards of LTIP options were also made to senior management All theseß awards were subject to the same performance condition - 50% of the award is dependent on the Company's TSR performance against the TSR of the FTSE 250 and 50% of the award is monitored by reference to EPS improvement If the Company's TSR places it in the top 25% (upper quartile) of the comparator companies, the participant can acquire all of the TSR linked shares If the Company's TSR is at the mid-point, 25% of the shares under that part of the award can be acquired There is a sliding scale on a straight line basis, if the Company's TSR is between the upper quartile position and the mid-point The awards monitored against an EPS target, requires EPS growth to be at least 3% p a compound in excess of RPI over the three-year performance period (where 25% of the shares will vest) If growth exceeds 10% p a compound in excess of RPI then all of the shares will vest If compound growth is less than 3% p a over RPI none of the awards will vest

To the extent that these performance conditions are not met at the end of the three year period, the options will lapse Once an option has vested, the percentage of the option which has vested may be exercised during the remainder of a ten year period from the date of the grant of the award, without further test The committee believes the performance conditions remain appropriate to the Group's circumstances and shareholder value and will continue to keep the performance conditions under review to ensure they remain relevant in the prevailing market The committee regularly receives reports on actual Company performance against the relevant conditions from Alithos Limited and option holders are kept advised of performance and the likelihood of vesting

The committee intends to allow one further grant of options in 2008 under the LTIP and consideration will be given to whether to renew the authority for an LTIP plan or introduce an alternative scheme in 2009 The committee has recommended that the LTIP rules are amended to align the dilution limits with current ABI best practice Resolution 15 will be put to shareholders recommending the relevant amendments

The interests of directors in nil cost options at the beginning and end of the financial year are shown in the table on page 34

Share option schemes

The Company's senior executive and savings-related share option schemes were allowed to lapse in 2004 Following a review undertaken in conjunction with KPMG, the Company is proposing to introduce a new Sharesave Plan in 2008 The board believes the introduction of the new Sharesave Plan will aid retention and incentivise all employees and enable them to benefit from the increased capitalisation of the Company The board will have the responsibility for administering the Sharesave Plan and the terms and conditions offered on each invitation Resolution 14 will propose the introduction of the new Sharesave Plan

The interests of directors in options held under the Senior Executive Share Option Plan at the beginning and end of the financial year are shown in the table on page 34

Pension arrangements

The committee takes into account pension arrangements and associated costs in reviewing remuneration policy

The executive directors are members of the Group's UK pension scheme on a defined benefit basis of pension provision Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service On their retirement from service at their normal retirement age of 60 the arrangements provide for a pension of two-thirds of final pensionable remuneration, which in the cases of William McGrath and Shaun Smith is subject to the statutory earnings cap No other payments are pensionable and there are no unfunded pension promises or similar arrangements for directors William McGrath and Shaun Smith receive additional salary in lieu of pension on remuneration above the statutory cap as detailed in the table on page 33

Stephen Rennie resigned from his position as an executive director on 18th December 2007 and is now a deferred member of the pension scheme

The increase in the transfer value of the directors' accrued pensions at 31st December 2007, after deduction of contributions paid by them, is shown in the table on page 36 The transfer values shown are not payable to the individuals concerned During the year the Company paid premiums of £1,933 and £1,236 to provide life assurance cover on that part of William McGrath's and Shaun Smith's basic salary above the statutory cap for the year

The Company closed the Group's UK pension scheme to new members on a defined benefit basis of pension provision in 2001, although the scheme remains open for future accrual of benefits for the existing defined benefit basis members From 2002 new members of the scheme join on a defined contribution basis of pension provision

Shareholding requirement

To ensure that directors' interests are aligned with those of shareholders, the board introduced a minimum shareholding requirement for executive directors in December 2004 Executive directors are expected to build up and maintain a shareholding in the Company with a value of at least one times annual salary, within a period of three years from appointment as a director

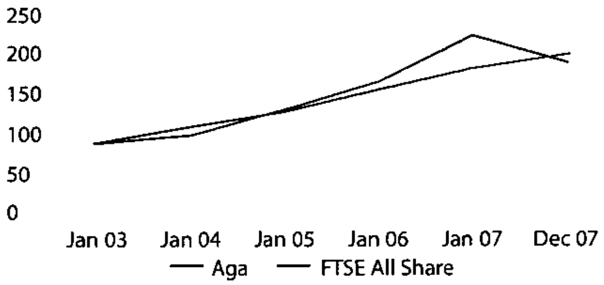
The interests of the directors and their connected parties in the ordinary share capital of the Company all of which are beneficially owned, are shown in the table below

	At 14th March 2008 (28¹/8p ordinary shares)	At 31st December 2007 (28¹/8p ordinary shares)	At 31st December 2006 (25p ordinary shares)
W B McGrath	146,692	146,692	156,029
S Rennie*	-	70,222	70,000
S M Smith	105,396	105,396	94,000
V Cocker	51,161	51,161	50,000
P B Dermody	17,777	17,777	20,000
P E Jackson	888	888	1,000
H M Mahy	4,848	4,848	4,000
P W G Tom	17,777	17,777	20,000

* Stephen Rennie resigned as a director on 18th December 2007

Remuneration report

Aga Foodservice Group plc Total Shareholder Return Index vs. FTSE All Share Total Shareholder Return Index for the 5 financial years ending 31st December 2007.



Performance graph

The graph above shows the comparative total shareholder return ('TSR') performance of the Company against the FTSE All Share Index during the previous five financial years The TSR indices used in the chart have been calculated in accordance with the Directors' Remuneration Report Regulations 2002 relative to a base date beginning on 31st December 2002 The FTSE All Share Index has been selected as a comparator because the Group believes it is the most meaningful market index of which the Company is a member and going forward it is possibly the most relevant index The Group believes it would be less appropriate to use a narrower index such as the Household Goods index or an Engineering index for comparison purposes

Executive	Date of contract	Notice period
W B McGrath	September 1998	12 months
S M Smith	March 2001	12 months

Non-executive	Letter of appointment	End of period of appointment
V Cocker	June 2000	2009 AGM
J Coleman	March 2008	2008 AGM
P B Dermody	April 2004	2010 AGM
P E Jackson	December 2005	2009 AGM
H M Mahy	March 2003	2008 AGM
P W G Tom	February 2004	2010 AGM

Directors' contracts

It is the Company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice in line with the best practice provisions set out in the Code In the event of early termination, the directors' contracts provide for compensation of up to a maximum of one year's basic salary for the notice period The committee does not consider it to be in the best interests of shareholders for directors' contracts to provide explicitly for pre-determined compensation in the event of early termination However, the principle of mitigation would be applied to reduce any compensation payable to departing directors, with each case being taken on its own merits

Audited		Directors' Remuneration Report Regulations 2002				Listing Requirements	
	Accrued pension at 31st Dec 2007 £000 pa	Increase in accrued pension over the year £000 pa	Transfer value of accrued pension at 31st Dec 2006 £000	Transfer value of accrued pension at 31st Dec 2007 £000	Increase in transfer value over the year, net of director's contributions (note 1) £000	Increase in accrued pension over the year (net of inflation) £000 pa	Transfer value of increase in accrued pension over the year, net of director's contributions (note 2) £000
W B McGrath	36	5	335	384	46	4	34
S Rennie	172	12	2,436	2,657	212	6	69
S M Smith	43	4	401	439	34	3	20

note 1 reflects the comparison of the transfer value of the accrued pensions at the start and end of the period
note 2 reflects the transfer value of the increase in the accrued pension over the period only

- Normal retirement age is 60
- On death after retirement the spouse's pension payable will be 50% of the member's pre commutation pension for William McGrath and 65% of the member's pre commutation pension for Stephen Rennie and Shaun Smith
- Post retirement pension increases for William McGrath's pension will be in line with statutory requirements Both Stephen Rennie's and Shaun Smith's pension will receive annual post retirement increases on pension earned prior to 1st October 2001 at the increase in RPI subject to a maximum of 5% and a minimum of 3%, on pension earned between 1st October 2001 and 30th September 2005 at the increase in RPI subject to a maximum of 5%, and on pension earned on and from 1st October 2005 at the increase in RPI subject to a maximum of 2 5% The Trustee of the Pension Scheme with the consent of the Company has a discretion to grant pension increases above these rates
- Transfer values are calculated on the basis of actuarial advice in accordance with guidance note GN11
- Stephen Rennie ceased to be a director and a Group employee on 18th December 2007, and his pensionable service with the Group ended on that date

Stephen Rennie resigned as a director on 18th December 2007 The committee considered the particular circumstances of this case and agreed that a compromise agreement would be appropriate A sum equivalent to 90% of basic annual salary was agreed and in addition, having served as an executive director for nearly the full financial year, the committee determined that Stephen Rennie would be eligible to a bonus payment No payment was made in respect of benefits in kind, cash benefits or pensions accrual

Helen Mahy will be proposed for re-election having served five years as a director and John Coleman for re-election at the AGM following his appointment in March 2008 As they are non-executive directors, they do not have service contracts Shaun Smith and William McGrath will be proposed for re-election at the AGM, and they have service contracts which provides for a notice period of one year

Non-executive directors are appointed for an initial three year term, subject to re-election by shareholders at the first AGM after their appointment Details of the directors' contracts and letters of appointment are set out on page 36

Outside appointments

At present none of the executive directors hold any outside directorships and do not earn fees for any other services outside employment with the Company

Non-executive directors

All non-executive directors have specific terms of engagement, set out in their letters of appointment Their remuneration is determined by the board within the limits set out by the Articles of Association and based on independent remuneration advice regarding fees paid to non-executive directors of companies of a similar size and complexity The Group's policy in respect of non-executive directors is to pay annual fees which reflect the responsibilities and duties placed upon them, whilst also having regard to market practice

In February 2007, the committee reviewed the fees of the chairman, based on advice received from KPMG At the same time the board reviewed non-executive directors fees Prior to this, non-executive fees had not been reviewed for two years

The committee increased the chairman's fees from £88,000 to £110,000 per annum and in addition, it set a per diem rate in the event that hours exceeded the expected time commitment for the role No additional payment was made during the year

The executive directors recommended to the board that the basic fee paid to each non-executive director in the year be increased from £30,000 to £35,000 In addition a separate fee of £5,000 per annum was introduced for the non-executive directors who chair the audit and risk and remuneration committees respectively No additional fees are paid for attendance or for being a member of board committees Non-executive directors cannot participate in the Company's LTIP, option schemes, annual bonus scheme, receive any payment on termination and are not eligible to join the Company's pension scheme

External advice

The committee has requested that updated independent external advice be taken in early 2008 in view of the recent significant change to the size and structure of the Group Advice is being sought on whether changes need to be made to the current remuneration packages, the balance between fixed and variable rewards and performance conditions are to be considered

Approval

This remuneration report has been approved by the board and signed on its behalf by

P W G Tom
Chairman of the remuneration committee
Solihull
14th March 2008

Consolidated income statement

For the year ended 31st December

	Notes	2007 £m	Restated 2006 £m
Continuing operations			
Revenue	2 & 3	**291.8**	278 6
Net operating costs	3	**(266.8)**	(254 3)
Group operating profit	3	**25.0**	24 3
Net pension credit	5	**6.0**	5 0
Non-recurring cost	3	**-**	(1 0)
Profit before net finance income and income tax		**31.0**	28 3
Finance income	6	**2.0**	1 2
Finance costs	6	**(5.4)**	(2 0)
Profit before income tax		**27.6**	27 5
Income tax expense	7	**(4.2)**	(6 2)
Profit for year from continuing operations		**23.4**	21 3
Discontinued operations			
Post tax profit from discontinued operations	8	**40.1**	9 8
Profit for year		**63.5**	31 1
Profit attributable to equity shareholders	24	**63.4**	31 1
Profit attributable to minority shareholders	24	**0 1**	–
Profit for year	24	**63 5**	31 1
Earnings per share – continuing operations	10	**p**	**p**
Basic		**19.4**	16 5
Diluted		**19.2**	16 4
Earnings per share – total operations	10	**p**	**p**
Basic		**52 7**	24 1
Diluted		**52 2**	23 9
Dividend per share	9	**p**	**p**
Interim paid		**3 85**	3 50
Final proposed		**7.65**	7 00
Total		**11 50**	10 50
Special dividend		**43.00**	–

Notes to the accounts are on pages 42 to 70

Consolidated balance sheet

As at 31st December

	Notes	2007 £m	Restated 2006 £m
Non-current assets			
Goodwill	11	**60.1**	171 5
Intangible assets	12	**18.0**	29 1
Property, plant and equipment	13	**51.7**	85 7
Retirement benefit surplus	5	**80.4**	29 9
Deferred tax assets	21	**2.7**	6 5
		212.9	322 7
Current assets			
Inventories	14	**54.9**	94 8
Trade and other receivables	15	**46 4**	93 3
Current tax assets	17	**1.5**	7 2
Cash and cash equivalents	18	**181.5**	43 2
		284.3	238 5
Assets held for sale	8	**–**	8 1
Total assets		**497.2**	569 3
Current liabilities			
Borrowings	18	**(4.3)**	(2 4)
Trade and other payables	16	**(76.4)**	(115 2)
Current tax liabilities	17	**(8.7)**	(14 4)
Current provisions	20	**(2.6)**	(5 4)
		(92.0)	(137 4)
Net current assets		**192 3**	101 1
Non-current liabilities			
Borrowings	18	**(8.1)**	(51 7)
Other payables	16	**–**	(1 0)
Retirement benefit obligation	5	**(0 8)**	(5 5)
Deferred tax liabilities	21	**(29.9)**	(20 1)
Provisions	20	**(9.3)**	(10 1)
		(48.1)	(88 4)
Liabilities held for sale	8	**–**	(8 1)
Total liabilities		**(140.1)**	(233 9)
Net assets		**357.1**	335 4
Shareholders' equity			
Share capital	22	**32.4**	32 3
Share premium account	24	**68.8**	67 8
Other reserves	24	**37 1**	28 5
Retained earnings	24	**216.7**	204 9
Shareholders' equity		**355 0**	333 5
Minority interest in equity	24	**2.1**	1 9
Total equity		**357.1**	335 4

The accounts on pages 38 to 70 were approved by the board of directors on 14th March 2008 and were signed on its behalf by

W B McGrath **Chief Executive** W. McGrath

S M Smith **Finance Director** Shaun Smith

Notes to the accounts are on pages 42 to 70

Consolidated cash flow statement

For the year ended 31st December

	Notes	2007 £m	2006 £m
Cash flows from operating activities			
Cash generated from operations post pensions items		**12.4**	38 5
Finance income		**1.8**	1 3
Finance costs		**(5.0)**	(2 0)
Tax payment		**(4.9)**	(8 5)
Net cash generated from operating activities		**4.3**	29 3
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	26	**-**	(31 8)
Purchase of property, plant and equipment		**(17 1)**	(14 5)
Expenditure on intangibles		**(3.9)**	(4 1)
Proceeds from disposal of property, plant and equipment and intangibles		**5.3**	4 6
Disposal proceeds less costs	8	**259.8**	-
Net cash from investing activities		**244.1**	(45 8)
Cash flows from financing activities			
Dividends paid to shareholders	9	**(69.1)**	(12 5)
Net proceeds from issue of ordinary share capital	22	**1.1**	2 2
Repayment of borrowings acquired with acquisitions	26	**-**	(3 0)
Finance lease repayment		**-**	(1 8)
Repayment of borrowings		**(43.4)**	-
New bank loans raised		**1.7**	21 6
Net cash used in financing activities		**(109.7)**	6 5
Effects of exchange rate changes		**(0 4)**	(2 2)
Net increase / (decrease) in cash and cash equivalents		**138 3**	(12 2)
Cash and cash equivalents at beginning of year		**43.2**	55 4
Cash and cash equivalents at end of year	18a	**181.5**	43 2

This statement should be read in conjunction with the reconciliation on page 41

Notes to the accounts are on pages 42 to 70

Consolidated statement of recognised income and expense

For the year ended 31st December

	Notes	**2007 £m**	2006 £m
Profit for year		**63.5**	31 1
Exchange adjustments on net investments	24	**3.1**	(9 8)
Actuarial gains on defined benefit pension schemes	5	**27.4**	33 3
Deferred tax on items taken directly to reserves	21	**(10.8)**	(9 9)
Income and expenses recognised directly in equity		**19.7**	13 6
Transfers to income statement			
Movement on exchange as a result of disposals	8	**5.5**	-
Total recognised income for year		**88.7**	44 7
Attributable to			
Equity shareholders		**88.6**	44 7
Minority interests		**0 1**	–
Total recognised income for year		**88 7**	44 7

Consolidated cash flow statement - reconciliation

For the year ended 31st December

Cash generated from operations

		Continuing		**Total**	
	Notes	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Profit before income tax – continuing operations		**27.6**	27 5	**27.6**	27 5
Profit before income tax – discontinued operations	8	**-**	–	**12.7**	12 6
Net finance costs		**3.4**	0 8	**3.0**	0 9
Share based payments expense	24	**0.5**	0 2	**0.9**	0 4
Amortisation of intangibles	12	**1.2**	1 4	**2.2**	2 5
Impairment of assets held for sale		**-**	-	**-**	3 0
Depreciation	13	**7.6**	7 1	**11.2**	11 1
Profit on disposal of property, plant and equipment		**(1.3)**	(0 2)	**(1.3)**	(2 4)
(Increase) / decrease in inventories		**(7.1)**	0 9	**(24.4)**	(8 6)
Increase in receivables		**(2.2)**	(2 9)	**(9.7)**	(0 7)
Increase in payables		**0.7**	6 6	**17 1**	5 7
Decrease in provisions		**(0.1)**	(3 4)	**(0 3)**	(3 7)
Increase in pension balances		**(9.8)**	(6 8)	**(12 1)**	(8 8)
Pension scheme additional cash contributions		**(14 5)**	(1 0)	**(14.5)**	(1 0)
Cash generated from operations post pensions items		**6.0**	30 2	**12.4**	38 5

Notes to the accounts are on pages 42 to 70

Notes to the accounts

1. Accounting policies

Basis of accounting

The Group financial statements presented in this document have been prepared on the basis of all International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and interpretations issued by the International Accounting Standards Board ('IASB') and its committees, and as interpreted by any regulatory bodies applicable to the Group published by 31st December 2007 and adopted by the European Union

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates It also requires management to exercise its judgement in the process of applying the Group's accounting policies The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of indefinite life intangible assets, including goodwill, the measurement of defined benefit pension obligations and the estimation of share-based payments

The following standard and amendment to existing standards have been adopted for the first time in the Group's annual report

- Amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures'
- IFRS 7 'Financial Instruments Disclosure'

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's future accounting periods but which the Group has not early adopted These are set out below

- IFRS 8 'Operating Segments' This replaces IAS 14 and requires segmental information to be based on internal reporting lines This is effective for accounting periods beginning on or after 1st January 2009
- IAS 23 (revised) 'Borrowing Costs' This requires costs which are directly attributable to assets which take a long time before they are ready for use (or for sale) to be capitalised This is effective for accounting periods beginning on or after 1st January 2009
- IFRIC 14 'Accounting for Pensions Surpluses' This gives guidance on when pensions surpluses as calculated under IAS 19 should be capped This is effective for accounting periods beginning on or after 1st January 2008

The Group has considered the above standards, interpretations and amendments Both IFRS 8 and IFRIC 14 are expected to be applicable The Group intends to comply with these from the effective date

A summary of the principal Group IFRS accounting policies is set out below

Basis of consolidation

The consolidated income statement and consolidated 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 Group defines a subsidiary as an entity that the Group has the power to control All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred

The consolidated income statement has been stated this year with the pension items separately shown to highlight their effects on the results Comparatives have been restated

Business combinations and goodwill

Shares issued as consideration for the acquisition of companies have a fair value attributed to them, which is normally their market value at the date of acquisition Net assets acquired are consolidated at a fair value to the Group at the date of acquisition 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 income statement or the statement of recognised income and expense, where appropriate On the acquisition of minority interests the difference between cost and the minority interest is taken to goodwill

Goodwill arising on acquisitions prior to 1998 was written off to reserves From 1998, goodwill, being the difference between the fair value of the purchase consideration and the fair value of the assets acquired, was capitalised in the balance sheet as goodwill and until 31st December 2003 was amortised on a straight line basis over its estimated useful life, not exceeding 20 years Under IFRS 3 'Business Combinations' the amortisation of goodwill ceased from 1st January 2004 and is subject to an impairment review annually When there are indications that the carrying value may not be recoverable an impairment loss is recognised in the income statement for the amount by which the asset's carrying value exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and its discounted value in use For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of a unit Goodwill arising on acquisitions prior to 1998 remains set off directly against reserves even if the related investment becomes impaired or the business is disposed of

For goodwill impairment testing future cash flows are estimated based on budgeted trading cash flows (for the relevant cash generating unit) for the next two years and 2% growth thereafter (representing inflation only) Future cash flows are discounted at the relevant weighted average cost of capital applicable to that particular intangible asset For 2007 testing this was 8 73% (2006 7 65%)

Following the sale of the Foodservice businesses and subsequent re-organisation of the Group reporting structure the composition of cash generating units (CGUs) to which goodwill has been allocated has changed As a result goodwill has been reallocated The reallocation has been performed using a relative value approach by reference to future cash flows attributable to each CGU In determining future cash flows budgeted numbers for 2008 and 2009 have been used followed by 2% incremental growth in future years (representing inflation only) These cash flows have been discounted at the relevant weighted average cost of capital of 8 73%

The combined operations of Aga, Fired Earth, Waterford Stanley and Grange now form one CGU with the combined operations of Rangemaster, Northland, Heartland, La Cornue and Divertimenti forming a second CGU Given the shared resource and integration within these two business combinations they are deemed to be the smallest identifiable group of assets that generate cash inflows that are largely independent of each other

Using relative values as noted above 58% (£34 9m) of existing goodwill at 31st December 2007 has been allocated to the Aga CGU with the remaining 42% (£25 2m) being allocated to the Rangemaster CGU

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments Other operating income, expenses, assets and liabilities are allocated based on revenues

Based on the risks and returns of the Group's products and services the directors consider that the primary reporting format is by business segment and the secondary reporting format is geographical The directors consider that there is only one business segment being the manufacture and sale of range cookers and related equipment

Revenue recognition

Revenue, which excludes value added tax and intra-group revenue, principally represents the invoiced value of goods sold and also services rendered and short-term maintenance contracts Appropriate provisions for returns, trade discounts and other allowances are deducted from revenue as appropriate The Group has no barter transactions Under IAS 18 'Revenue' the Group's revenue has been recognised when performance has occurred and a right to consideration has been obtained

Post retirement benefits

The Group's major pension plans are of a defined benefit type Under IAS 19 'Employee Benefits' the employer's portion of the current service costs, settlement gains and curtailment gains are charged to operating profit for these plans, with the interest cost net of the expected return on assets in the plans also being credited to operating profit When a settlement or a curtailment occurs the obligation and plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs Actuarial gains and losses are recognised directly in equity, in the statement of recognised income and expenditure, and the balance sheet reflects the schemes' surplus or deficit at the balance sheet date The determination of the present value of obligations and plan assets is done with sufficient regularity that the amounts do not differ from the amounts determined at the balance sheet date A full valuation is carried out triennially using the projected unit credit method - the 2005 valuation of the Group's main schemes has been approved by the Trustee

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid in the year

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation, using a discount rate based on high quality corporate bonds, less any past service cost not recognised and less the fair value of plan assets out of which the obligations are to be settled directly Fair value is based on market price information and in the case of quoted securities is the published bid price Measurement of defined benefit obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, and the selection of a suitable discount rate

Payments to defined contribution schemes are charged to the income statement as they become payable

Intangible assets

Expenditure relating to clearly defined and identifiable development projects is recognised as an intangible asset only after the following criteria are met the project's technical feasibility and commercial viability can be demonstrated, the availability of adequate technical and financial resources and an intention to complete the project have been confirmed and the correlation between development costs and future revenues has been established The development costs are then amortised on a straight line basis over the life of the project, limited to a maximum of five years, following the commencement of its commercial production Development expenditure that has not been brought into use is also reviewed for impairment on an annual basis All other research and development expenditure is written off in the year in which it is incurred

Computer software licences acquired, costs associated with the developing of software products and software that is not integral to a related item of hardware, are recognised as intangible assets and are amortised over their useful lives, which is limited to a maximum of five years

Notes to the accounts

Separable intangible assets, after 1st January 2004, the date of transition to IFRS, such as trademarks, licences and brands, are recognised separately from goodwill on all acquisitions after the date of transition which are carried at cost less accumulated amortisation and are amortised over their estimated useful life Brands identified in certain business combinations have been assessed as having an indefinite useful life In reaching this assessment, account was made of their market-leading position in niche markets, premium image, length of history and unchanging fashion These factors are coupled with continuing marketing spend to maintain the brand These brands are assessed for impairment on an annual basis or sooner where there is indication of impairment The carrying values are assessed by reference to the net present values of forecast future cash flows For brands the Royalty Relief Methodology is used to forecast future cash flows This is based on the notion of what an independent third party would need to pay a brand owner in order to use that brand name in a particular marketplace or defined territory Cash flows are estimated using an imputed royalty rate applied to budgeted sales for the next two years and 2% growth thereafter (representing inflation only)

Future cash flows are discounted at the relevant weighted average cost of capital applicable to that particular intangible asset For 2007 and 2006 testing these were in the range 7 5% to 8 8% Imputed royalty rates used in the cash flow forecasts for brands are in the range 2 9% to 3 5% These are based on a study by external experts of royalty rates for in-house brands which have come out in the range 2% to 5%

Development costs generally arise from internal development and brands are acquired separately

Property, plant and equipment

Under IAS 16 'Property, Plant and Equipment' assets are held at cost less accumulated depreciation Assets held at 1st January 2004, the date of transition, are held at deemed cost Depreciation is provided on property, plant and equipment, 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 down to its residual value as follows

i Freehold buildings over 50 years

ii Leasehold buildings over 50 years or the period of the lease whichever is less

iii Plant and equipment over a period of 3 to 12½ years

The Group annually reviews the assessment of residual values and useful lives in accordance with IAS 16 The carrying value of property, plant and equipment is reviewed for impairment if there are indicators that the carrying value amount may not be recoverable

Leases

Under IAS 17 'Leases,' assets held under leases and hire purchase contracts, where the Group has substantially all the risks and rewards of ownership, are capitalised as owned property, plant and equipment and the obligations relating thereto, excluding finance charges, are included in borrowings Finance costs are charged to the income statement over the contract term to give a constant rate of interest on the outstanding balance Finance lease assets held as property, plant and equipment are depreciated over the shorter of the asset's expected useful life and the lease term

Payments in respect of operating leases, net of any incentives received, are charged in arriving at the operating profit on a straight line basis over the period of the lease

The Group treats sale and operating leasebacks as disposals and any profit or loss on the transaction is recognised at the time of the sale

Inventories

In accordance with IAS 2 'Inventories' the Group's inventories 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 Provision is made for obsolete and slow moving items

Borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in finance revenue and finance cost

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability at the balance sheet date

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date All differences are taken to the income statement, except when hedge accounting is applied and for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation These are taken directly to equity until the disposal of the net investment, at which time they are recognised as a profit or loss

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date Income and expenses are translated at the average exchange rate for the month in which they arise The main foreign currencies used are US Dollars and Euros The year end rate of exchange used for the Euro was 1 36 (2006 1 48) and for the US Dollar was 1 99 (2006 1 96) and the average rates were 1 46 (2006 1 47) and 2 00 (2006 1 84), respectively The resulting exchange differences are taken directly to a separate component of equity On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined

Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through the income statement, loans and receivables, held-to-maturity investments, or as available-for-sale financial assets, under the requirements of IAS 39

Derivative financial instruments are classified as held for trading unless they are designated as hedging instruments Assets are carried in the balance sheet at fair value with gains or losses recognised in the income statement

Derivative financial instruments and hedging

Where appropriate, the Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations The Group does not hold or issue derivative financial instruments for speculative purposes

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles The fair value of interest rate swap contracts is determined by reference to market values for similar instruments

Where the criteria are met for hedge accounting, it is applied to the forward foreign currency contracts put in place to reduce exposure to currency denominated sales and purchases

Where the criteria for hedge accounting are not met, or the Group elects not to hedge account, gains and losses on the fair value of forward contracts are taken to the income statement as they arise

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration Such hedges are expected to be highly effective at inception

For the purpose of hedge accounting, a hedge is classified as

- a fair value hedge, i e a hedge of the fair value of an asset or a liability,
- a cash flow hedge, i e a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction,
- a hedge of a net investment in a foreign entity

Fair value hedges

Changes in the fair value of derivative instruments that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk

Cash flow hedges

Changes in the fair value of derivative instruments designated as cash flow hedges such as forward currency contracts are recognised in equity, to the extent that the hedges are effective Any ineffective portion is recognised as a profit or loss Amounts deferred in equity are released when the forecast hedged transaction impacts profit and loss

Hedge of net investments in foreign entities

The Group hedges net investments in foreign entities primarily through currency borrowings Any gains or losses on the translation of the borrowings are recognised in equity As the hedge relationship is expected to remain highly effective, the accounting treatment will be applied on an ongoing basis until the Group revokes the designation or the investment is disposed of

Current and deferred tax

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the tax authorities, based on tax rates and laws that are enacted or substantively measured at amortised cost using the effective interest rate method

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future

At 31st December 2007, the Group has not provided deferred tax in relation to temporary differences associated with undistributed earnings of subsidiaries Quantifying the temporary differences is not practical However, based on current enacted law and on the basis that the Group is in a position to control the timing and realisation of these temporary differences, no material tax consequences are expected to arise

Notes to the accounts

Employee share options

IFRS 2 'Share-based Payments' requires that an expense for equity instruments granted is recognised in the financial statements based on its fair value at the date of grant This expense, which is primarily in relation to employee share options and Executive LTIP schemes, is recognised over the vesting period of the schemes - the Group has principally adopted the Black Scholes model and a TSR pricing model, respectively, for the purposes of computing fair value under IFRS The measurement of this expense is calculated only on options granted after 7th November 2002

For LTIP options granted in 2007 the performance criteria is now 50% based on a TSR pricing model and 50% on EPS growth against RPI

The estimation of share-based payments costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees

Any awards that do not ultimately vest are lapsed

Dividends

The final dividend is only recognised at the point it is declared and approved by the shareholders at the Annual General Meeting Interim dividends are recognised on payment

Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation

Provision is made for the estimated liability on all products still under warranty Product warranties of between one and three years are given, where appropriate, by individual businesses in the Group Following the disposal programme of previous years certain vacant properties located in the UK remain with the Group Full provision has been made for the residual onerous lease commitments, together with other outgoings, for the remaining period of the leases The Group's other provisions relate to the remaining costs in respect of the disposal of the Pipe Systems and Foodservice operations, including probable warranty and indemnity claims, other claims and other costs from third parties in relation to divested businesses Provisions are not discounted where the effect is not material

Non-recurring costs

The Group presents as non-recurring items on the face of the income statement, those items of income and expense which, because of the non-recurring nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance

2. Segmental analysis

Following the sale of the Foodservice operations the directors have re-organised the way in which the businesses report internally Based on risks and returns the directors still consider that the primary reporting format is by business segment The directors consider that there is only one business segment being the manufacture and sale of range cookers and related equipment Therefore the majority of the disclosures for the primary segment have already been given in these financial statements with the exception of some restated comparatives These are detailed here

Segment liabilities	**2007** **£m**	Restated 2006 £m
Continuing operations	**81.3**	68 8
Discontinued operations	**-**	71 0
Segment liabilities	**81 3**	139 8
Provision for businesses sold	**7 8**	5 5
Tax	**38.6**	34 5
Borrowings	**12.4**	54 1
Total liabilities	**140.1**	233 9

Segment assets include property, plant and equipment, intangibles, inventories, retirement benefit surpluses and receivables Segment liabilities comprise operating payables, retirement obligations and provisions of continuing businesses Cash, borrowings and taxation are not included

The secondary reporting format is by geographical analysis Revenue is shown by geographical destination Segment assets and capital expenditure are shown by origin

	2007			Restated 2006		
	Revenue £m	**Segment assets £m**	**Capital expenditure £m**	Revenue £m	Segment assets £m	Capital expenditure £m
United Kingdom	**182.9**	**218.1**	**6.9**	174 2	159 5	6 5
North America	**42.1**	**37.4**	**1.4**	44 9	35 3	2 6
Europe	**63.2**	**56.0**	**2.0**	56 3	51 9	5 1
Rest of World	**3.6**	**-**	**-**	3 2	-	-
Total continuing operations	**291.8**	**311.5**	**10.3**	278 6	246 7	14 2
Discontinued operations	**279.9**	**-**	**10 7**	289 1	265 7	4 4
Tax	**-**	**4.2**	**-**	-	13 7	-
Cash	**-**	**181.5**	**-**	-	43 2	-
Total	**571.7**	**497.2**	**21.0**	567 7	569 3	18 6

3. Net operating costs

	2007 **£m**	Restated 2006 £m
Continuing operations		
Revenue	**291.8**	278 6
Less operating profit	**(25.0)**	(24 3)
Net continuing operating costs	**266.8**	254 3
Net continuing operating costs		
Raw materials and consumables	**114.6**	108 7
Staff costs	**82.6**	77 3
Other operating charges	**60 4**	63 6
Change in inventories of finished goods and work in progress	**2.5**	1 0
Other operating income	**(2.1)**	(4 8)
Amortisation of intangibles	**1.2**	1 4
Depreciation of property, plant and equipment	**7 6**	7 1
Net continuing operating costs	**266.8**	254 3

Notes to the accounts

3 Net operating costs (continued)

Total profit for the year is stated after charging

	2007 £m	Restated 2006 £m
Profit on disposal of property, plant and equipment	**(1.3)**	(2 4)
Trade receivables impairment	**0 7**	(0 1)
Reversal of inventory write down made in previous year (note 14)	**(0 7)**	(0 5)
Inventory provision charged in the year (note 14)	**0 9**	1 8
Research and development expenditure and amortisation	**3.5**	3 5
Depreciation of property, plant and equipment:		
- owned assets	**11 2**	11 0
- under finance lease	**-**	0 1
Amortisation of intangibles	**2.2**	2 5
Operating lease rentals payable		
- plant and machinery	**4 0**	2 9
- property	**10.2**	12 4
Net exchange differences	**(0.4)**	0 1
Auditors' remuneration		
- Statutory audit services provided by primary auditors	**0 4**	0 4
- Other services provided by primary auditors	**1 4**	0 5
(Comprises £0 2m for tax compliance services and £1 2m for due diligence)		
Other services received from other professional accountants	**0 4**	0 7
(Comprises £0 1m for advisory services and £0 3m for pensions work)		

Non-recurring cost

The £1 0m non-recurring cost in 2006 related to professional fees incurred in respect of the proposed acquisition of Enodis The tax impact of this was £0 3m

4. Employee information

Average number of employees (including directors)	2007	Restated 2006
Total continuing operations	**3,071**	3,059
Discontinued operations	**2,845**	2,953
Total	**5,916**	6,012

Total staff costs (including directors)	£m	£m
Wages and salaries	**140.6**	141 9
Social security costs	**18.7**	19 5
Share based payments	**0.9**	0 4
Pensions	**(3 3)**	(2 4)
Staff costs - total	**156 9**	159 4

Details of directors' compensation, share options, Long-term Incentive Plans and pensions are set out in the remuneration report on pages 32 to 37

5. Pensions

The Group operates a pension scheme which covers the majority of United Kingdom employees Membership on a defined benefit basis was closed in 2001 but the scheme remains open to new entrants on a defined contribution basis The assets are held in trust funds separate from the Group's assets although they are included in the Group's balance sheet Following the Foodservice disposal the defined benefit schemes operated within the Group are the Aman plc Pension and Life Assurance Plan in the UK and the Waterford Stanley scheme in Europe Various defined contribution schemes exist across the Group and the total contributions in the year were £1 4m (2006 £1 4m) included in note 4, staff costs

The latest full valuation of the main United Kingdom scheme was carried out by Watson Wyatt LLP, independent consulting actuaries, as at 31st December 2005 using the projected unit credit method Group defined benefit scheme contributions of £4 4m (2006 £4 8m) based on pensionable salaries and an additional £14 5m were made during the year ended 31st December 2007 including a £10m contribution on the sale of the Foodservice operations as agreed with the Trustee Contributions of £0 4m (2006 £0 4m) were owed to the schemes at 31st December 2007 Contributions for 2008 under the main UK scheme will be 5 5% (2006 13 9%) for all members accruing benefits on a final salary basis with the exception of members of the former 1970 scheme and 27 4% (2006 27 4%) for members of the former 1970 scheme Company contributions of around £1 3m are expected to be paid to this scheme during 2008

The financial assumptions used to calculate the defined benefit schemes' liabilities under IAS 19 were

	UK Schemes 2007	**Waterford Stanley Scheme 2007**	UK Schemes 2006	European Schemes 2006
Rate of increase in pensionable salaries	**4 1%**	**3.4%**	3 9%	3 0–4 0%
Rate of increase of pensions in payment	**2 5–3 5%**	**2.4%**	2 25–3 3%	–
Discount rate	**5.8%**	**5.5%**	5 2%	4 0–4 3%
Inflation rate	**3.1%**	**2.4%**	2 9%	2 0%
Expected rate of return on schemes' plan assets	**6.4%**	**6.4%**	6 25%	4 5%

The overall expected rate of return on assets is the average of the best estimate for the expected long-term rate of return for each of the major asset classes weighted according to the percentage allocation of the aggregated assets to each of the asset classes at the reporting date

The demographic assumptions used include rates for mortality which, for example, generally lead to an average projected life expectancy of 18 years for male members currently aged 65 and of 19 1 years from age 65 for male members currently aged 50

The assets and obligations of the aggregated schemes were

	2007 £m	2006 £m
Equities	**256 4**	343 3
Bonds	**372.9**	290 7
Property	**116.5**	130 6
Other	**31.1**	20 0
Fair value of schemes' assets	**776.9**	784 6
Present value of funded obligation	**(697.3)**	(760 2)
Surplus in the schemes	**79 6**	24 4
Balance sheet presentation		
Retirement benefit asset	**80.4**	29 9
Retirement benefit obligation	**(0.8)**	(5 5)
Surplus in the schemes	**79.6**	24 4

Included above are assets with a market value of £3 2m (2006 £4 8m) and a deficit of £0 6m (2006 £2 7m) in respect of overseas schemes The foreign exchange impact on the overseas schemes is not significant

Notes to the accounts

5. Pensions (continued)

The amounts recognised in the income statement are as follows	**2007 £m**	2006 £m
Current service cost	**3.9**	4 3
Curtailment gain	**(0.3)**	(0 9)
Expected return on pension schemes' assets	**(48 1)**	(44 4)
Interest cost on pension schemes' liabilities	**38.5**	36 0
Total credit included in continuing income statement	**(6 0)**	(5 0)
Current service cost	**2 6**	2 6
Curtailment gain	**(1.3)**	(0 4)
Settlement gain	**(2.8)**	(1 0)
Total (credit) / cost included in discontinued operations	**(1.5)**	1 2
Total benefit credit	**(7.5)**	(3 8)

The settlement gain in 2007 relates to the disposal of the Mono, Bongard and Eloma liabilities (2006 Amari scheme) and the curtailment gains relate to changes in the basis used to calculate pensionable salary

History of experience gains and losses	**2007 £m**	2006 £m	2005 £m	2004 £m
Fair value of schemes' assets	**776.9**	784 6	750 6	674 0
Present value of funded obligation	**(697.3)**	(760 2)	(768 8)	(680 6)
Surplus / (deficit) in the schemes	**79.6**	24 4	(18 2)	(6 6)
Experience gain / (loss) on schemes' liabilities	**15.3**	2 4	(7 8)	14 1
Experience (loss) / gain on schemes' assets	**(31.2)**	14 6	57 2	21 0

Movement in surplus / (deficit) of the aggregated schemes during the year	**2007 £m**	2006 £m
Surplus / (deficit) of the schemes at 1st January	**24.4**	(18 2)
Total income as above	**7.5**	3 8
Company contributions	**20.3**	5 8
Acquisitions (note 26)	-	(0 3)
Actuarial gain (note 24)	**27.4**	33 3
Surplus of the schemes at 31st December	**79.6**	24 4

The cumulative amount recognised in the statement of recognised income and expense since 1st January 2004 is £61 4m (2006 £34 0m) and the amount recognised in the year was £27 4m (2006 £33 3m)

Changes in the present value of defined benefit obligation are as follows:	**2007 £m**	2006 £m
Present value of obligation at 1st January	**760.2**	768 8
Interest costs	**38.5**	36 0
Current service cost	**6.5**	6 9
Member contributions	**1.2**	1 1
Benefit payments	**(35 0)**	(32 4)
Curtailments	**(1 6)**	(1 3)
Settlements	**(13.9)**	(1 0)
Acquisitions	–	0 8
Reduction on change of actuarial assumptions	**(58.7)**	(16 3)
Other adjustments	**0.1**	(2 4)
Present value of obligations at 31st December	**697.3**	760 2

5. Pensions (continued)

Changes in the fair value of the schemes' assets are as follows:	**2007 £m**	2006 £m
Fair value of schemes' assets at 1st January	**784 6**	750 6
Benefit payments	**(35.0)**	(32 4)
Company contributions	**20.3**	5 8
Member contributions	**1.2**	1 1
Expected return on schemes' assets	**48.1**	44 4
Experience (loss) / gain	**(31.2)**	14 6
Settlements	**(11 1)**	–
Acquisitions	–	0 5
Fair value of schemes' assets at 31st December	**776.9**	784 6

The actual return on scheme assets was £16 9m (2006 £59 0m)

The Group will assess the implications of the implementation of IFRIC 14 which may arise from the funding agreement with the Trustee

6. Finance costs – net

	2007 £m	2006 £m
Bank interest	**(1 6)**	(1 2)
Interest on repayment of tax	**(0 4)**	–
Total finance income	**(2 0)**	(1 2)
Finance costs	**£m**	£m
Bank borrowings	**5.1**	1 8
Other borrowings	**0.3**	0 2
Total finance costs	**5.4**	2 0
Net finance costs	**3 4**	0 8

Notes to the accounts

7. Income tax

United Kingdom corporation tax based on a rate of 30% (2006 30%)	**2007 £m**	2006 £m
Current tax on income for year	**2 1**	2 4
Adjustments in respect of prior years	**(0.3)**	0 7
United Kingdom corporation tax	**1.8**	3 1
Overseas current tax on income for year	**3 6**	4 3
Total current tax	**5 4**	7 4
United Kingdom deferred tax charge in year	**2.6**	2 2
Overseas deferred tax credit in year	**(1.7)**	(0 6)
Total deferred tax	**0 9**	1 6
Total United Kingdom tax	**4 4**	5 3
Total overseas tax	**1 9**	3 7
Total income tax	**6 3**	9 0

Deferred tax on items taken direct to reserves was £10 8m (2006 £9 9m)

Income tax charge	**2007 £m**	2006 £m
Continuing operations	**4 2**	6 2
Discontinued operations	**2 1**	2 8
Total income tax	**6.3**	9 0

The total tax assessed for the year is lower than the standard rate of corporation tax in the UK as explained below

	2007 £m	2006 £m
Profit from continuing operations before taxation	**27.6**	27 5
Profit from discontinued operations before taxation	**42.2**	12 6
Profit before income tax	**69.8**	40 1
Profit multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	**20.9**	12 0
Effects of		
- non-taxable gain on disposal	**(9.0)**	–
- non-taxable income	**-**	(0 9)
- non-deductible expenses	**0.2**	1 1
- adjustment to tax charge in respect of prior years	**(0.3)**	0 7
- lower rates of tax on overseas earnings	**(5.0)**	(3 9)
- restatement of deferred tax to lower rate*	**(0.5)**	–
Total tax charge for the year	**6.3**	9 0

* The Chancellor of the Exchequer has announced that the standard rate of corporation tax in the UK will decrease from 30% to 28% As deferred tax is calculated on the rate 'substantively enacted' at the balance sheet date the impact of the rate change on the 2007 deferred tax charge is £0 5m

8. Discontinued operations

The operations of Domain Inc, which operated in the soft furnishings market in the US, was sold on 21st June 2007 for a consideration of £4 1m of which £2 0m was received in cash and a further £2 1m in the form of loan notes Since that date the purchaser has filed under Chapter 11 As a result the remaining loan notes have been impaired in the books

The Foodservice operations of the Group, which included Williams, Falcon, Eloma, Amana, Belshaw, Victory, Bongard, Pavailler, Adamatic, Millers, Serviceline and Mono Equipment were sold on 18th December 2007 for an initial consideration of £260m all of which was paid in cash In addition a further £5 5m is receivable in respect of a net asset adjustment

The results are presented below

	Domain to 21st June 2007 £m	Foodservice to 18th December 2007 £m	Total 2007 £m	Domain 2006 £m	Foodservice 2006 £m	Total 2006 £m
Revenue	**12.7**	**267.2**	**279.9**	38 8	250 3	289 1
Net operating costs	**(15.0)**	**(252.6)**	**(267.6)**	(44 5)	(231 9)	(276 4)
Operating profit / (loss)	**(2.3)**	**14.6**	**12.3**	(5 7)	18 4	12 7
Finance income / (costs)	-	**0.4**	**0.4**	(0 2)	0 1	(0 1)
Profit / (loss) before income tax	**(2.3)**	**15.0**	**12.7**	(5 9)	18 5	12 6
Income tax expense	-	**(2.1)**	**(2 1)**	-	(2 8)	(2 8)
Profit / (loss) for period	**(2.3)**	**12.9**	**10.6**	(5 9)	15 7	9 8
Profit / (loss) on disposal	**(1.2)**	**30.7**	**29.5**	-	-	-
Post tax profit / (loss) from discontinued operations	**(3.5)**	**43.6**	**40 1**	(5 9)	15 7	9 8

The major classes of assets and liabilities disposed of / held for sale were as follows

Assets	Assets disposed of 21st June 2007 £m	Assets disposed of 18th December 2007 £m	Total Assets 2007 £m	Held for sale 2006 £m
Intangibles	-	**12 9**	**12.9**	-
Property, plant and equipment	**0.3**	**37.3**	**37.6**	0 6
Inventories	**6.5**	**56.3**	**62.8**	6 6
Receivables	**1.2**	**58.7**	**59.9**	0 9
Deferred tax asset	-	**2.4**	**2.4**	-
Assets disposed of / held for sale	**8.0**	**167.6**	**175 6**	8 1

Liabilities	Liabilities disposed of 21st June 2007 £m	Liabilities disposed of 18th December 2007 £m	Total Liabilities 2007 £m	Held for sale 2006 £m
Payables	**6.2**	**55.7**	**61 9**	8 1
Income tax	-	**0.6**	**0.6**	-
Pension	-	**1.2**	**1.2**	-
Provision	-	**6.3**	**6.3**	-
Liabilities disposed of / held for sale	**6.2**	**63 8**	**70.0**	8 1
Net assets disposed of / held for sale	**1.8**	**103 8**	**105 6**	-

Notes to the accounts

8. Discontinued operations (continued)

Profit / (loss) on disposal	Domain 21st June 2007 £m	Foodservice 18th December 2007 £m	Total 2007 £m
Proceeds received	2 0	260 0	**262 0**
Less costs paid	(0 7)	(1 5)	**(2.2)**
Cash inflow in the year	1 3	258 5	**259.8**
Proceeds receivable	2 1	5 5	**7.6**
Less loan notes impaired	(2 1)	–	**(2.1)**
Less costs payable	(0 3)	(11 3)	**(11.6)**
	1 0	252 7	**253.7**
Less net assets disposed of	(1 8)	(103 8)	**(105.6)**
Goodwill written off on disposal (note 11)	(0 6)	(112 5)	**(113.1)**
Cumulative exchange previously taken to reserves (note 25)	0 2	(5 7)	**(5.5)**
Profit / (loss) on disposal	**(1.2)**	**30.7**	**29.5**

Net cash flow from discontinued operations	2007 £m	2006 £m
Cashflow from operating activities	**5.8**	4 3
Cashflow from investing activities	**(10.1)**	(32 7)
Total cash outflow from discontinued operations	**(4.3)**	(28 4)

9. Dividends

	2007 £m	2006 £m
Final paid of 7 0p per share for the year ended 31st December 2006 (2005 6 2p)	**9.1**	8 0
Interim paid of 3 85p per share (2006 3 5p)	**4.4**	4 5
Special dividend paid of 43 0p per share (2006 nil)	**55.6**	-
Amounts recognised as distributions to equity shareholders in the year	**69.1**	12 5

The directors are proposing a final dividend in respect of the financial year ended 31st December 2007 of 7 65p (2006 7 0p) which will represent a £8 8m reduction to shareholders' equity This has not been included as a liability as it has not been approved by the shareholders It will be paid on 30th May 2008 to shareholders who are on the register of members on 25th April 2008

The actual dividend (ordinary and special) paid in the year amounted to 53 85p per share (2006 9 7p per share)

10 Earnings per share

The basic earnings per share for total operations is calculated by dividing the earnings attributable to equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares The Group has two classes of dilutive potential shares – the share options granted to employees and the Long-Term Incentive Plan

The earnings and weighted average number of shares are set out below

Earnings for the purpose of the basic and diluted EPS	**2007 £m**	2006 £m
Profit after tax from continuing operations	**23.4**	21 3
Minority interests	**(0.1)**	–
Earnings from continuing operations – for basic and diluted EPS	**23.3**	21 3
Profit from discontinued operations	**40.1**	9 8
Profit attributable to equity shareholders	**63.4**	31 1
Weighted average number of shares in issue	**million**	million
For basic EPS calculation	**120 3**	128 9
Dilutive effect of share options and Long-Term Incentive Plans	**1 1**	1 1
For diluted EPS calculation	**121 4**	130 0
Earnings per share		
Continuing operations	**p**	p
Basic	**19 4**	16 5
Diluted	**19.2**	16 4
Discontinued operations	**p**	p
Basic	**33.3**	7 6
Diluted	**33.0**	7 5
Total operations	**p**	p
Basic	**52.7**	24 1
Diluted	**52.2**	23 9

11. Goodwill

Cost	**2007 £m**	Restated 2006 £m
At 1st January	**171.5**	157 2
Exchange adjustment	**1.7**	(6 2)
Disposals in the year	**(113.1)**	-
Arising from acquisitions (note 26)	**-**	20 5
At 31st December	**60 1**	171 5

Goodwill at 31st December 2007 is allocated over the two cash generating units as follows Aga £34 9m, Rangemaster £25 2m

Notes to the accounts

12. Intangible assets

	Computer software £m	Brands £m	Development costs £m	Other £m	Total £m
Cost					
At 1st January 2007	5 4	19 5	11 7	0 5	**37 1**
Exchange adjustment	0 1	0 6	0 2	(0 1)	**0.8**
Additions	0 7	–	3 1	0 1	**3.9**
Disposals	(2 4)	(8 9)	(6 3)	(0 1)	**(17.7)**
At 31st December 2007	3 8	11 2	8 7	0 4	**24.1**
Amortisation					
At 1st January 2007	3 9	(0 2)	4 1	0 2	**8.0**
Exchange adjustment	0 2	–	–	(0 1)	**0.1**
Disposals	(1 6)	–	(2 5)	(0 1)	**(4.2)**
Reclassification	–	0 2	(0 2)	–	–
Charge for the year	0 4	–	1 7	0 1	**2.2**
At 31st December 2007	2 9	–	3 1	0 1	**6.1**
Net book value at 31st December 2007	**0.9**	**11.2**	**5.6**	**0.3**	**18 0**

	Computer software £m	Brands £m	Development costs £m	Other £m	Total £m
Cost					
At 1st January 2006	4 4	10 5	9 2	0 4	24 5
Exchange adjustment	(0 1)	(0 4)	(0 2)	–	(0 7)
Additions	0 7	0 6	2 8	–	4 1
Arising from acquisitions in the year (note 26)	0 2	9 2	–	0 1	9 5
Reclassification	0 2	(0 2)	–	–	–
Disposals	–	(0 2)	(0 1)	–	(0 3)
At 31st December 2006	5 4	19 5	11 7	0 5	37 1
Amortisation					
At 1st January 2006	3 0	–	2 4	–	5 4
Exchange adjustment	(0 1)	–	–	–	(0 1)
Arising from acquisitions in the year (note 26)	0 1	–	–	0 1	0 2
Disposals	–	–	(0 1)	–	(0 1)
Reclassification	0 2	(0 2)	–	–	–
Charge for the year	0 6	–	1 8	0 1	2 5
Impairment	0 1	–	–	–	0 1
At 31st December 2006	3 9	(0 2)	4 1	0 2	8 0
Net book value at 31st December 2006	1 5	19 7	7 6	0 3	29 1

Amortisation charges have been charged directly to the income statement

Brands acquired in 2006 relate to Eloma and brand additions relate to fair value adjustments in that year Other items include patents and customer lists acquired Brands have an indefinite life

13. Property, plant and equipment

	Freehold and long leasehold land and buildings £m	Plant, machinery and equipment £m	Assets in course of construction £m	Total £m
Cost				
At 1st January 2007	60 5	119 7	2 0	**182.2**
Exchange adjustment	0 8	2 6	–	**3.4**
Capital expenditure	2 5	10 1	4 5	**17.1**
Disposals	(35 6)	(50 8)	(4 0)	**(90.4)**
Reclassification	0 3	1 2	(1 5)	**–**
At 31st December 2007	28 5	82 8	1 0	**112.3**
Depreciation				
At 1st January 2007	18 4	77 9	0 2	**96.5**
Exchange adjustment	0 3	2 0	–	**2.3**
Charge for the year	2 3	8 7	0 2	**11.2**
Disposals	(12 7)	(36 3)	(0 4)	**(49.4)**
Reclassification	(0 1)	0 1	–	**–**
At 31st December 2007	8 2	52 4	–	**60.6**
Net book value at 31st December 2007	**20.3**	**30.4**	**1 0**	**51.7**

The cost of property, plant and equipment includes £nil (2006 £1 3m) of assets held under finance leases The net book value of these assets was £nil (2006 £0 2m) All leases have been reviewed throughout the year and are capitalised where appropriate

	Freehold and long leasehold land and buildings £m	Plant, machinery and equipment £m	Assets in course of construction £m	Total £m
Cost				
At 1st January 2006	53 5	112 3	1 9	167 7
Exchange adjustment	(1 0)	(2 3)	–	(3 3)
Arising from acquisitions in the year (note 26)	3 9	5 0	–	8 9
Capital expenditure	4 4	8 6	1 5	14 5
Disposals	(2 4)	(3 1)	–	(5 5)
Reclassification	2 1	(0 8)	(1 4)	(0 1)
At 31st December 2006	60 5	119 7	2 0	182 2
Depreciation				
At 1st January 2006	13 8	68 6	–	82 4
Exchange adjustment	(0 5)	(1 4)	–	(1 9)
Arising from acquisitions in the year (note 26)	1 6	3 4	–	5 0
Impairment of assets	2 4	0 3	0 2	2 9
Transfer to assets held for sale (note 8)	–	0 6	–	0 6
Charge for the year	2 0	9 1	–	11 1
Disposals	(0 8)	(2 7)	–	(3 5)
Reclassification	(0 1)	–	–	(0 1)
At 31st December 2006	18 4	77 9	0 2	96 5
Net book value at 31st December 2006	42 1	41 8	1 8	85 7

Property has been valued using previously revalued amounts as deemed cost, no adjustment to the carrying amount as previously recorded has been made

Notes to the accounts

14. Inventories

	2007 £m	2006 £m
Raw materials and consumables	**12 0**	21 0
Work in progress	**6 8**	13 4
Finished goods and goods for resale	**36 1**	60 4
Total inventories	**54 9**	94 8

The Group consumed £231 0m of inventories during the year (2006 £216 1m) The Group charged £0 9m to inventory provisions in the year (2006 £1 8m) The Group reversed £0 7m of the inventory provision in the year that was subsequently not required (2006 £0 5m) The Group held £nil of inventories pledged as security for liabilities (2006 £0 5m)

15. Trade and other receivables

	2007 £m	2006 £m
Amounts falling due within one year		
Trade receivables	**32 3**	82 4
Less provision for impairment of receivables	**(0 8)**	(3 4)
Trade receivables – net	**31 5**	79 0
Other receivables	**8 6**	6 0
Prepayments and accrued income	**5 4**	7 0
Total receivables falling due within one year	**45 5**	92 0
Amounts falling due after one year		
Other receivables	**0 9**	1 3
Total receivables	**46.4**	93 3

Trade and other receivables are recorded at fair value The effective interest rate used for fair valuing non-current receivables was 5 8% (2006 7%)

The Group provides for trade receivables on estimated irrecoverable amounts from the sale of goods based on the age of debt, past default experience and any other information which comes to light which suggests that the recoverable amount may be impaired The main operating units in the UK participate in a credit insurance policy This covers 90% of individual debts in these units up to specific insured limits

The Group uses external agencies to credit score new customers where appropriate to assess their credit quality and define an initial credit limit Limits and credit scoring are reviewed as necessary Aged debt reports are reviewed by local management on a regular basis with 'debt at risk' forms being formally submitted to Group on a monthly basis

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date the Group first traded with that company Credit risk is mitigated by the relatively large customer base

Included in trade receivables (continuing businesses only) are balances of £8 8m (2006 £8 8m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable

Ageing of past due but not impaired receivables (continuing)	2007 £m	2006 £m
30-60 days	**5.6**	5 7
60-90 days	**2.0**	1 7
90-120 days	**0.7**	0 5
120+ days	**0.5**	0 9
Total receivables	**8.8**	8 8

15. Trade and other receivables (continued)

Movement in the provision for impairment of receivables (continuing)	**2007 £m**	2006 £m
Balance at 1st January	**0.6**	0 6
Impairment losses recognised	**0.2**	0 1
Amounts previously impaired recovered	**-**	(0 1)
Balance at 31st December	**0 8**	0 6

£0 3m (2006 £nil) of trade receivables were impaired in the year which had not been previously provided for

Ageing of impaired trade receivables (continuing)	**2007 £m**	2006 £m
60-90 days	**0 1**	0 1
90-120 days	**-**	0 1
120+ days	**0 7**	0 4
Balance at 31st December	**0.8**	0 6

16. Trade and other payables

	2007 £m	2006 £m
Current trade and other payables		
Trade payables	**45.1**	74 0
Payments on account	**0.8**	0 4
Social security	**3.4**	5 9
Accruals and deferred income	**19.6**	20 4
Other payables	**7.5**	14 5
Total current operating payables	**76.4**	115 2
Non-current trade and other payables		
Accruals and deferred income	**-**	1 0
Total non-current operating payables	**-**	1 0

17. Current tax assets / (liabilities)

	2007 £m	2006 £m
Current tax assets	**1.5**	7 2
Current tax liabilities	**(8.7)**	(14 4)

Notes to the accounts

18. Cash and borrowings

a) Cash and cash equivalents

	2007 £m	2006 £m
Cash at bank and in hand	0 1	0 1
Short term bank deposits	181.4	43 1
Cash and cash equivalents	**181.5**	43 2

Included in cash and cash equivalents was cash held for unclaimed dividends of £0 5m (2006 £0 2m)

The Group cash balance of £181 5m includes £22 5m, which is collateralised against a bank guarantee facility, in respect of a guarantee given for the benefit of the Aga Foodservice Group Pension Scheme

The short-term bank deposits have a weighted average maturity of one month with an effective interest rate of 5 9% (2006 3 5%)

The fair value of cash and short term deposits was £181 5m (2006 £43 2m)

b) Financial liabilities – borrowings

Current	2007 £m	2006 £m
Fixed rate loan notes	–	0 1
Current obligations under finance leases	–	0 2
Bank borrowings	4 3	2 1
Current borrowings	**4.3**	2 4

Non-current	2007 £m	2006 £m
Non-current obligations under finance leases	–	0 3
Bank borrowings	8.1	51 4
Non-current borrowings	**8.1**	51 7

The Group's bank borrowings are primarily loan advances denominated in a number of currencies and interest is based on LIBOR or foreign equivalents Bank borrowings have been classified as current and non-current liabilities with reference to the final maturity date of the facility agreements

The carrying amount of the Group's financial liabilities are equivalent to their fair value at the balance sheet date The financial liabilities are measured at amortised cost

Bank borrowings comprise the following

	Interest rate basis	2007 £m	2006 £m
Unsecured bank loans 2008	Floating	4.3	0 7
Unsecured bank loans	Floating	7.7	49 3
Secured bank loan 2008	Floating	–	2 0
Other secured loans 2012	Fixed	–	1 1
Other secured loans 2018	Floating	0.4	0 4
Total bank borrowings		**12.4**	53 5

Included in the £7 7m unsecured bank loans are currency denominated loan advances from committed revolving credit facilities, which bear interest rates based on LIBOR and margins ranging between 0 375% and 0 75%

c) Obligations under finance leases and hire purchase contracts

The Group relinquished its obligations under finance leases and hire purchase contracts following the disposal of its Foodservice operations

Future minimum payments due:	2007 £m	2006 £m
Not later than one year	–	0 2
After one year but not more than five years	–	0 3
Present value of minimum lease payments	–	0 5

19. Financial instruments

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the discussion of treasury policies on pages 14 to 15 in the chief executive's review

Maturity profile of financial assets and liabilities

In respect of financial assets and liabilities, the following table indicates their interest rate basis and the periods in which they mature Floating rate borrowings are re-priced within six months from the balance sheet date

2007

	Interest rate basis	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	5 years and over £m	Total £m
Cash and cash equivalents	Floating	181 5	–	–	–	–	–	**181.5**
Borrowings	Floating	(4 3)	–	(7 7)	–	–	(0 4)	**(12.4)**
Total		**177.2**	**–**	**(7.7)**	**–**	**–**	**(0 4)**	**169.1**

2006

	Interest rate basis	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	5 years and over £m	Total £m
Cash and cash equivalents	Floating	43 2	–	–	–	–	–	43 2
Loan note	Fixed	(0 1)	–	–	–	–	–	(0 1)
Finance leases	Fixed	(0 2)	(0 2)	(0 1)	–	–	–	(0 5)
Borrowings	Fixed	–	–	–	–	–	(1 1)	(1 1)
Borrowings	Floating	(2 1)	(29 2)	(20 6)	(0 2)	(0 1)	(0 2)	(52 4)
Total		40 8	(29 4)	(20 7)	(0 2)	(0 1)	(1 3)	(10 9)

Interest rate risk

The following table demonstrates the sensitivity to a possible change in interest rates, with all other variables held constant, on the Group's profit before tax There were no interest rate swap agreements in place throughout 2007 (2006 nil)

The 2007 analysis below reflects a larger possible change in interest rates than in 2006, due to increased volatility in the financial markets

		Increase / (decrease) in basis points	Increase / (decrease) in profit before tax £m
2007	Cash	+50 / (50)	0 9 / (0 9)
	Borrowings	+50 / (50)	(0 1) / 0 1
2006	Cash	+25 / (25)	0 1 / (0 1)
	Borrowings	+25 / (25)	(0 1) / 0 1

Credit risk

There are no significant concentrations of credit risk within the Group The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date Group policy on minimising credit risk with respect to its trade and other receivables is stated in note 15 on page 58

Notes to the accounts

19. Financial instruments (continued)

Foreign currency risk

a) Forward foreign exchange contracts

As a result of the Group's geographical presence and operations, forward foreign currency contracts put in place are primarily denominated in US Dollars, Euros and Sterling

There were no forward foreign exchange contracts designated as cash flow hedges at the balance sheet date (2006 nil)

As at 31st December 2007, the notional amounts of outstanding forward foreign exchange contracts that the Group was committed to were AUD 0 5m (2006 AUD nil), GBP nil (2006 GBP 3 9m), CHF nil (2006 CHF 1 9m), EUR 1 5m (2006 EUR 1 4m) and USD 1 0m (2006 USD 5 6m) The fair value of these open forward foreign exchange contracts approximate to their carrying amount The contracts have been put in place to mitigate the foreign currency risk of anticipated future sales and purchase commitments and mature over the next twelve months

Hedge of net investment in foreign entities

The Group has Euro and US Dollar denominated borrowings, which it has designated as a hedge of a proportion of its investment in its subsidiaries in Europe and the US The fair value of such Euro borrowings at 31st December 2007 was £5 5m (2006 £29 7m) and the fair value of the US Dollar borrowings was £1 8m (2006 £17 2m) The exchange difference on the translation of the borrowings into sterling has been recognised in translation reserves

b) Liquidity risk

The Group maintains a mixture of short-term, uncommitted and medium-term, committed facilities to ensure a sufficient level of funds are available for its business operations The £110m committed facilities have been arranged to help finance the expansion of the Group's activities These facilities incur commitment fees at market rates

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

	2007 £m	2006 £m
Expiring within 1 year	**20.0**	20 0
Expiring between 1 and 2 years	**10.0**	11 1
Expiring between 2 and 5 years	**72.6**	9 6
Total undrawn committed facilities	**102 6**	40 7

In addition to the committed facilities detailed above, the Group also has uncommitted facilities totaling £61 0m (2006 £51 0m)

Interest rate maturity profile of financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities at 31st December 2007 and 2006 based on contractual undiscounted payments Floating rate borrowings are re-priced within six months from the balance sheet date

2007

	Interest rate basis	**Within 1 year £m**	**1-2 years £m**	**2-3 years £m**	**3-4 years £m**	**4-5 years £m**	**5 years and over £m**	**Total £m**
Borrowings	Floating	(4 7)	(0 4)	(7 8)	(0 1)	–	(0 5)	**(13.5)**
Trade payables		(45 1)	–	–	–	–	–	**(45 1)**
Total		**(49.8)**	**(0.4)**	**(7.8)**	**(0.1)**	–	**(0.5)**	**(58.6)**

2006

	Interest rate basis	**Within 1 year £m**	**1-2 years £m**	**2-3 years £m**	**3-4 years £m**	**4-5 years £m**	**5 years and over £m**	**Total £m**
Loan note	Fixed	(0 1)	–	–	–	–	–	(0 1)
Finance leases	Fixed	(0 2)	(0 2)	(0 1)	–	–	–	(0 5)
Borrowings	Fixed	(1 1)	–	–	–	–	–	(1 1)
Borrowings	Floating	(2 1)	(31 3)	(23 3)	(0 2)	(0 2)	(0 4)	(57 5)
Trade payables		(74 0)	–	–	–	–	–	(74 0)
Total		(77 5)	(31 5)	(23 4)	(0 2)	(0 2)	(0 4)	(133 2)

20. Provisions

	Product warranties £m	Property & reorganisation £m	Other £m	Total £m
At 1st January	6 4	0 5	8 6	**15.5**
Exchange adjustment	0 2	–	0 1	**0.3**
Disposals	(4 2)	–	(2 1)	**(6.3)**
Charge in the year	4 4	–	2 8	**7.2**
Utilised in year	(4 2)	(0 2)	(0 4)	**(4.8)**
At 31st December	**2.6**	**0.3**	**9 0**	**11.9**

Provisions have been allocated between current and non-current as follows

	2007 £m	2006 £m
Current	**2.6**	5 4
Non-current	**9.3**	10 1
At 31st December	**11.9**	15 5

Product warranties

Provision is made for the estimated liability on all products still under warranty Product warranties of between one and three 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 remain 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 on vacant properties is £0 1m repayable in less than one year and £0 2m greater than one year The reorganisation provision includes costs associated with announced reorganisations within the Group which occurred during the year

Other

The Group's other provisions relate to the remaining costs in respect of the disposal of Pipe Systems in 2001 and Foodservice in 2007, including possible warranty and indemnity claims, other claims and other costs from third parties in relation to divested businesses Although the majority of these provisions may be realised in the next accounting period, the exact timing is unclear

21. Deferred tax

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 28% (2006 30%) The movement on the deferred tax account is shown below

Deferred tax – net	2007 £m	Restated 2006 £m
At 1st January	**13.6**	(0 7)
Exchange adjustment	**(0.5)**	–
Acquisitions (note 26)	–	2 6
Taken to equity – tax on actuarial gains (note 24)	**10.8**	9 9
Charge	**0.9**	1 6
Utilised in year	–	0 2
Disposals (note 8)	**2.4**	–
At 31st December	**27.2**	13 6

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered

Notes to the accounts

21. Deferred tax (continued)

The movement in deferred tax assets and liabilities, prior to offsetting the balances, during the year is shown below

Deferred tax liabilities

	Accelerated tax depreciation £m	Other £m	Pensions £m	Total £m
At 1st January (restated)	4.2	9.4	6.5	**20.1**
(Credited) / charged to income statement	(0.2)	–	3.0	**2.8**
Taken to equity – tax on actuarial gain	–	–	10.8	**10.8**
Other	(0.6)	(3.2)	–	**(3.8)**
At 31st December	**3.4**	**6.2**	**20.3**	**29.9**

Deferred tax assets

	Provisions £m	Tax losses £m	Total £m
At 1st January	2.3	4.2	**6.5**
(Charged) / credited to income statement	(1.1)	3.0	**1.9**
Other	–	(5.7)	**(5.7)**
At 31st December	**1.2**	**1.5**	**2.7**

The utilisation of the deferred tax asset is dependent on future taxable profits being in excess of the profits arising from the reversal of existing taxable temporary differences

22. Share capital

Authorised and issued share capital	2007		2006	
	m	£m	m	£m
Authorised				
Ordinary shares of 25p each	–	–	327.0	81.8
Ordinary shares of 28⅛p each	**290.7**	**81.8**	–	–
Allotted, called up and fully paid				
At 1st January	**129.1**	**32.3**	128.3	32.1
Share consolidation	**(14.4)**	–	–	–
Issued on exercise of share options	**0.5**	**0.1**	0.8	0.2
At 31st December	**115.2**	**32.4**	129.1	32.3

On 11th May 2007, shareholders approved a share capital consolidation on the basis of 8 new ordinary shares for every existing 9 ordinary shares This provided for all of the authorised ordinary shares of 25p each (whether issued or unissued) to be consolidated into new ordinary shares of 28⅛p each, which became effective on 14th May 2007

During the year 0.5m ordinary shares were issued in connection with the Company's share option schemes for an aggregate consideration of £1.1m (2006 0.8m shares, £2.2m consideration)

All of the ordinary shares rank equally with respect to voting rights and rights to receive ordinary and special dividends There are no restrictions on the rights to transfer shares

22. Share capital (continued)

Options

Options outstanding at 31st December 2007 under the following schemes were as follows

Senior Executive Share Option Scheme

Grant date	Number of shares	Exercisable in 7 years to	Option price p per share
May 1998	144,000	May 2008	321
September 1999	40,000	September 2009	225
June 2001	90,000	June 2011	236
March 2002	146,500	March 2012	261
October 2003	264,000	October 2013	235
Total	**684,500**		

Long-Term Incentive Plan

Grant date	Number of Shares	Grant price p per share	Exercisable in 7 years to
October 2003	78,383	235	October 2013
April 2005	227,661	307	April 2015
April 2006	180,851	387	April 2016
May 2007	381,845	386	May 2017
Total	**868,740**		

Under the Long-Term Incentive Plan a nominal price of £1 per award is payable and no further consideration is due Further information is set out in the remuneration report on pages 32 to 37

23. Share based payments

The Senior Executive Share Option Scheme was approved in 1994 Under the scheme the remuneration committee was able to grant options over shares in the Company to senior executives of the Group, although the scheme lapsed in May 2004 Options were granted with a fixed exercise price equal to the market price of the shares under the option at the date of grant The contractual life of an option was ten years Options granted under the scheme will become exercisable on the third anniversary of the date of grant, subject to the Group's earnings per share exceeding, by at least 3% 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 exercise of an option is subject to continued employment or other circumstances in the scheme rules Options granted since November 2002 were valued using Black-Scholes option model

The Long-Term Incentive Plan ('LTIP') was introduced in 1999 as an appropriate method to incentivise executives and senior management The LTIP consists of a right to acquire shares at a nominal price of £1 which will be exercisable after a period of three years at the earliest For options granted before 2007 the actual percentage of shares that can be acquired depends on two performance criteria The first of these is a comparison of the Company's total shareholder return ('TSR') with the TSR of companies in a comparator group approved by the remuneration committee at the date of grant and the second is that the remuneration committee determines that there has been a sustained improvement in the underlying financial performance of the Company (see remuneration report on pages 32 to 37)

In 2007, the remuneration committee revised the performance criteria so that 50% of the award was based on the TSR of companies in a comparator group by the remuneration committee at the date of grant and 50% of the award is monitored against an EPS target, where growth of at least 3% compound in excess of RPI over the three year performance period is required for 25% of the award to vest If growth exceeds 10% compound in excess of RPI then all will vest None of the EPS monitored options will vest if compound growth is less than 3%

The fair value per option of the LTIPs granted and the assumptions used in the calculation are as follows

Grant date	**14th May 2007**	27th April 2006
Share price at grant date	**385.75p**	386 6p
Exercise price	**£1**	£1
Number of employees	**58**	54
Shares under option	**550,492**	246,627
Vesting period (years)	**3**	3
Expected volatility	**35 1%**	34 9%
Option life (years)	**10**	10
Expected life (years)	**3**	3
Correlation of pair of shares in comparator group (not applicable for EPS element)	**21%**	12%
Expected dividend expressed as a dividend yield	**2.5%**	2 7%
Expectations of meeting performance criteria	**90%**	90%
Fair value per option TSR element / EPS element	**£2.28 / £3.75**	£2 30 / NA

The expected volatility is based on historical volatility over ten years The expected life is the average expected to exercise A Monte Carlo model was used to value TSR performance conditions for the LTIP The total charge for the year relating to employee share based payment plans was £0 9m (2006 £0 4m) before tax and £0 6m post tax (2006 £0 3m)

Notes to the accounts

23. Share based payments (continued)

A reconciliation of the movements in the Senior Executive Share Option Scheme is shown below

	2007		2006	
	Number '000	**Weighted average exercise price p**	Number '000	Weighted average exercise price p
Outstanding at 1st January	**1,208**	**251**	2,105	254
Lapsed expired	**-**	**-**	(2)	248
Lapsed forfeited	**(50)**	**242**	(49)	242
Exercised	**(473)**	**241**	(846)	260
Outstanding at 31st December	**685**	**258**	1,208	251
Exercisable at 31st December	**685**	**258**	592	267

2007					2006			
Range of exercise prices	**Weighted average exercise price**	**Number of shares**	**Weighted average remaining life.**		Weighted average exercise price	Number of shares	Weighted average remaining life	
			Expected	**Contractual**			Expected	Contractual
p	**p**	**'000**	**years**	**years**	p	'000	years	years
225-235	**234**	**304**	**2.6**	**5.2**	234	687	0 8	6 5
236-261	**251**	**237**	**2.0**	**4.1**	251	353	2 5	5 0
288-321	**321**	**144**	**0.2**	**0.3**	318	168	0 6	1 2
		685				1,208		

The weighted average share price during the period for options exercised over the year was 241p (2006 260p)

A reconciliation of the movements in the LTIP is shown below

	2007 '000	2006 '000
Outstanding at 1st January	**590**	434
Exercised	**(18)**	(4)
Lapsed expired	**(243)**	(74)
Lapsed forfeited	**(11)**	(13)
Granted	**551**	247
Outstanding at 31st December	**869**	590
Exercisable at 31st December	**78**	96

24. Statement of changes in shareholders' equity

	Share capital £m	Share premium £m	Other reserves (note 25) £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1st January 2007	32 3	67 8	28 5	204 9	**333.5**	1 9	**335.4**
Exchange adjustment	–	–	2 7	–	**2.7**	0 1	**2.8**
Profit for year	–	–	–	63 4	**63.4**	0 1	**63.5**
Dividends	–	–	–	(69 1)	**(69.1)**	–	**(69.1)**
Actuarial gain on pension scheme	–	–	–	27 4	**27.4**	–	**27.4**
Tax on items taken to reserves	–	–	–	(10 8)	**(10.8)**	–	**(10.8)**
Shares issued	0 1	1 0	–	–	**1.1**	–	**1.1**
Exchange on disposals previously taken to reserves	–	–	5 5	–	**5.5**	–	**5 5**
Net investment hedges	–	–	0 4	–	**0.4**	–	**0 4**
Share based payments	–	–	–	0 9	**0.9**	–	**0 9**
At 31st December 2007	**32.4**	**68.8**	**37 1**	**216.7**	**355.0**	**2.1**	**357 1**

	Share capital £m	Share premium £m	Other reserves (note 25) £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1st January 2006	32 1	65 8	38 3	162 5	298 7	2 3	301 0
Exchange adjustment	–	–	(11 0)	–	(11 0)	(0 1)	(11 1)
Profit for year	–	–	–	31 1	31 1	–	31 1
Dividends	–	–	–	(12 5)	(12 5)	–	(12 5)
Acquired in year	–	–	–	–	–	(0 3)	(0 3)
Actuarial gain on pension scheme	–	–	–	33 3	33 3	–	33 3
Tax on items taken to reserves	–	–	–	(9 9)	(9 9)	–	(9 9)
Shares issued	0 2	2 0	–	–	2 2	–	2 2
Net investment hedges	–	–	1 2	–	1 2	–	1 2
Share based payments	–	–	–	0 4	0 4	–	0 4
At 31st December 2006	32 3	67 8	28 5	204 9	333 5	1 9	335 4

The cumulative amount of goodwill taken direct to reserves since 1985 in respect of businesses that were members of the Group at 31st December 2007 is £6 3m (2006 £6 3m)

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 net cash / borrowings of £0 4m (2006 £1 2m) have been taken to reserves

Notes to the accounts

25. Other reserves

	Fair value revaluation reserve £m	Translation reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Total £m
At 1st January 2007	1 5	(11 1)	36 0	2 1	**28.5**
Exchange adjustment	–	2 7	–	–	**2.7**
Exchange adjustment on disposals previously taken to reserves	–	5 5	–	–	**5.5**
Net investment hedges	–	0 4	–	–	**0.4**
At 31st December 2007	**1.5**	**(2.5)**	**36.0**	**2.1**	**37.1**

	Fair value revaluation reserve £m	Translation reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Total £m
At 1st January 2006	1 5	(1 3)	36 0	2 1	38 3
Exchange adjustment	–	(11 0)	–	–	(11 0)
Net investment hedges	–	1 2	–	–	1 2
At 31st December 2006	1 5	(11 1)	36 0	2 1	28 5

The fair value revaluation reserve relates to the Grange step-acquisition in 2005 The translation reserve includes all exchange adjustments The capital redemption reserve has arisen through share buy-backs in previous years The revaluation reserve has arisen through revaluation of property from previous years

26. Acquisitions

No acquisitions were made in 2007 In 2006 the purchases of Eloma GmbH and Amana were made together with a further 20% of the issued share capital of Williams Refrigeration Central Limited The following notes summarise these acquisitions

(a) Acquisitions

Net assets acquired	Note	**Total 2007 £m**	Net assets acquired 2006 £m	Fair value adjustments 2006 £m	Restated Total 2006 £m
Intangible assets	12	–	0 4	8 9	9 3
Property, plant & equipment	13	–	4 1	(0 2)	3 9
Inventories		–	6 9	(0 6)	6 3
Trade and other receivables		–	4 5	(0 1)	4 4
Borrowings		–	(3 0)	–	(3 0)
Trade and other payables		–	(4 3)	0 5	(3 8)
Retirement benefit obligation	5	–	–	(0 3)	(0 3)
Current provisions		–	(1 2)	(1 7)	(2 9)
Deferred tax liability	21	–	–	(2 6)	(2 6)
Net assets acquired		–	7 4	3 9	11 3
Cash paid		–	–	–	31 4
Deferred consideration		–	–	–	0 4
Total consideration		–	–	–	31 8
Total goodwill arising	11	–	–	–	20 5

Goodwill is initially measured at its cost, being the excess of the cost of the business combination over the interest acquired in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised

26 Acquisitions (continued)

Impact of IFRS – Restatement of comparative information

Since transition to IFRS the Group has continued to assess the detailed impact of IFRS on the presentation of the Group's consolidated financial statements It has now been concluded that the deferred taxation liabilities on brands acquired, since the transition date, which are deemed to have an indefinite life should be recognised, and in accordance with IAS 8, the 2006 deferred taxation and goodwill balances have been restated by £3 0m

Under IFRS 3 fair values of the net assets of acquired businesses are finalised within twelve months of the acquisition date All fair value adjustments are recorded with effect from the date of acquisition and as a consequence may result in the restatement of previously reported financial results Fair values of the net assets acquired for Eloma and Amana, both 2006 acquisitions, have now been finalised This has resulted in a restatement of 2006 deferred taxation and goodwill balances, relating to the brands, of £0 5m and £2 0m for Eloma and Amana respectively

The above adjustments do not affect the consolidated income statement, cashflow or retained earnings

(b) Intangible assets acquired

Intangible assets acquired in 2006 consisted of computer software £0 1m, and brand names £9 2m

(c) Net cash flow on acquisitions

	2007 £m	2006 £m
Cash paid for subsidiaries	–	(31 4)
Deferred consideration	–	(0 4)
Repayment of borrowings acquired with acquisitions	–	(3 0)
Net cash outflow	–	(34 8)

27. Commitments

	2007 £m	2006 £m
Capital commitments contracted for by the Group for property, plant and equipment but not provided for in the accounts	**0 7**	2 7

28. Operating lease commitments

	Land & buildings		**Other operating leases**	
Future minimum lease payments under non-cancellable leases:	**2007 £m**	2006 £m	**2007 £m**	2006 £m
- within 1 year	**3 7**	4 5	**1.3**	2 0
- between 1 and 5 years	**12.0**	20 7	**2.6**	2 5
- after more than 5 years	**15 7**	17 9	–	0 2
Total operating lease commitments	**31.4**	43 1	**3.9**	4 7

The operating lease commitments relate to properties, motor vehicles and plant and machinery The leases have various terms, escalation clauses and renewal rights

29. Contingent liabilities

The Group has no other material contingent liabilities arising in the normal course of business at 31st December 2007 (2006 nil) 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

As disclosed in note 18(a) the Group holds £22 5m of cash which is collateralised against a bank guarantee facility in respect of a guarantee given for the benefit of the Aga Foodservice Pension Scheme

Notes to the accounts

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 2007 was £0 2m (2006 £0 2m) The amount outstanding at the year end was £nil (2006 £0 4m)

Directors' compensation

Details of directors' compensation, share options, Long-Term Incentive Plans and pensions are set out in the remuneration report on pages 32 to 37

Key management's compensation

The compensation of the key management team at the balance sheet date is set out below

	2007 £m	2006 £m
Salaries and short-term benefits	**0.5**	0 8
Post employment benefits	–	0 1
Share based payments	**0.2**	0 2
Contributions to defined contribution benefit plans	**0.1**	–
Total emoluments to key management	**0 8**	1 1

31. Trading subsidiaries

The following is a list of the Group's principal trading subsidiaries at 31st December 2007 A brief description of the activities is given in the chief executive's review on pages 5 to 21 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 Aga Foodservice Group plc

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 All subsidiaries included in the consolidation have coterminous year-ends

Aga Consumer Products Limited trades in the UK principally under the trade and business names of:	**Principal overseas businesses**	**Central Services•**
Aga	Grange SA (France) (75%)	AFG Corporate Services Limited •
Divertimenti	Heartland Appliances Inc (Canada)	AFG Properties Limited •
Fired Earth	La Cornue SA (France)	
Leisure Sinks	Northland Corporation (USA)	
Rangemaster	Waterford Stanley Limited (Eire)	

32. Post balance sheet event

The Group announced on 14th March 2008 that it proposed to return £140m to shareholders, a substantial portion of the proceeds from the sale of the Foodservice operations, representing approximately 121 pence per share This will be accompanied by a share consolidation

Independent auditors' report

TO THE MEMBERS OF AGA FOODSERVICE GROUP PLC

We have audited the group financial statements of Aga Foodservice Group plc for the year ended 31st December 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes 1 to 32 These Group financial statements have been prepared under the accounting policies set out therein

We have reported separately on the parent company financial statements of Aga Foodservice Group plc for the year ended 31st December 2007 and on the information in the remuneration report that is described as having been audited

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

The information given in the directors' report includes that specific information that is cross referred to the chief executive's review

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements The other information comprises only the the chief executive's review, the chairman's introduction and the corporate governance statement We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group 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 Group financial statements

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the directors' report is consistent with the Group financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Birmingham

14th March 2008

Five year financial history

Trading results		IFRS 2007 £m	Restated IFRS 2006 £m	IFRS 2005 £m	IFRS 2004 £m	UK GAAP as previously reported 2003 £m
Revenue		**291.8**	278 6	501 8	433 7	392 4
Operating profit before non-recurring cost and goodwill amortisation		**31.0**	29 3	41 5	35 7	33 2
Non-recurring cost		–	(1 0)	–	–	–
Goodwill amortisation		-	–	–	–	(8 0)
Total operating profit		**31.0**	28 3	41 5	35 7	25 2
Net finance (cost) / income		**(3.4)**	(0 8)	1 2	0 6	0 9
Profit before income tax		**27.6**	27 5	42 7	36 3	26 1
Income tax expense		**(4.2)**	(6 2)	(8 6)	(7 1)	(5 6)
Profit before disposal of businesses / discontinued		**23.4**	21 3	34 1	29 2	20 5
Disposal of businesses / discontinued		**40.1**	9 8	0 3	–	1 8
Profit for year		**63.5**	31 1	34 4	29 2	22 3

The results for 2003 to 2005 have not been restated to reflect the results of continuing operations alone

Statistics						
Operating profit before non-recurring cost and goodwill amortisation to revenue	%	**10 6**	10 5	8 3	8 2	8 5
Dividend per ordinary share	p	**11.5**	10 5	9 2	8 3	7 2
Earnings per share – continuing operations						
Basic	p	**19.4**	16 5	26 4	22 9	17 2
Diluted	p	**19.2**	16 4	26 3	22 8	17 1

Balance sheet summary	IFRS 2007 £m	Restated IFRS 2006 £m	IFRS 2005 £m	IFRS 2004 £m	UK GAAP 2003 £m
Net operating assets					
Property, plant and equipment	**51.7**	85 7	85 3	77 2	73 2
Inventories	**54.9**	94 8	89 4	70 2	61 3
Operating receivables less payables and provisions	**(41.9)**	(38 4)	(44 7)	(42 5)	(13 5)
Total net operating assets before intangibles	**64.7**	142 1	130 0	104 9	121 0
Net retirement benefit surplus / (obligation)	**79 6**	24 4	(18 2)	(6 6)	–
Intangibles	**78.1**	200 6	173 3	146 2	140 7
Total net operating assets	**222 4**	367 1	285 1	244 5	261 7
Investments	-	–	0 3	6 5	5 8
Tax and dividends	**(34.4)**	(20 8)	(4 8)	(0 3)	(14 8)
Total net cash / (borrowings)	**169.1**	(10 9)	20 4	25 1	29 6
Total net assets employed	**357.1**	335 4	301 0	275 8	282 3
Financed by					
Ordinary shares	**32.4**	32 3	32 1	31 5	32 4
Reserves	**322.6**	301 2	266 6	244 1	249 5
Total shareholders' funds	**355 0**	333 5	298 7	275 6	281 9
Minority interests	**2.1**	1 9	2 3	0 2	0 4
Total equity	**357.1**	335 4	301 0	275 8	282 3

The main changes from UK GAAP to IFRS relate to pensions, goodwill and taxation

Parent company accounts under UK GAAP

As noted on page 26 the Company has elected to prepare its financial statements under UK GAAP

Company balance sheet

As at 31st December

	Notes	2007 £m	2006 £m
Fixed assets			
Investments	5	**416.6**	494 4
Total fixed assets		**416.6**	494 4
Current assets			
Debtors	6	**593.9**	741 0
Cash at bank and in hand	7	**159.1**	4 1
Total current assets		**753.0**	745 1
Creditors – amounts falling due within one year			
Creditors	8	**(683.8)**	(638 4)
Borrowings	7	**(1.7)**	(0 1)
Total amounts falling due within one year		**(685.5)**	(638 5)
Net current assets		**67.5**	106 6
Total assets less current liabilities		**484.1**	601 0
Creditors – amounts falling due after more than one year			
Borrowings	7	**(7.4)**	(49 3)
Provisions for liabilities and charges	9	**(8.2)**	(5 7)
Total net assets employed		**468.5**	546 0
Shareholders' equity			
Share capital	10	**32.4**	32 3
Share premium account	11	**68 8**	67 8
Capital redemption reserve	11	**36 0**	36 0
Profit and loss account	11	**331 3**	409 9
Total shareholders' funds		**468.5**	546 0

The accounts on pages 73 to 78 were approved by the board of directors on 14th March 2008 and were signed on its behalf by

W B McGrath **Chief Executive** W. McGrath
S M Smith **Finance Director** Shaun Smith

Notes to the accounts are on pages 74 to 78

Notes to the accounts

The directors' report is on pages 24 to 26 of the Annual Report and Accounts

1. Accounting policies

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards and the Companies Act 1985

A consolidated Group cash flow statement has been included in the Aga Foodservice Group plc consolidated accounts, the Company has therefore taken advantage of the exemption under FRS 1 not to produce a cash flow statement

Financial instruments

The Company's objective in using financial instruments is to minimise its exposure to financial risk The Group treasurer co-ordinates banking arrangements, investment of surplus funds, ongoing borrowing requirements and the use of financial instruments, where appropriate The Company manages the financial instrument credit risk and investment risk by entering into transactions with established financial institutions and relationship banks

Funding of major corporate-related transactions is carried out by the Group treasury function which operates as a cost centre

The main risks arising from the Company's financial instruments are interest rate risk and foreign currency risk Policies for managing these risks are governed by board approved policies and procedures

An outline of the Company's financial risk management policy is set out in the chief executive's review on page 14

The Company's borrowing facilities are disclosed in note 19(b) of the Annual Report and Accounts

The financial assets of £159 1m mature within one year and of the financial liabilities of £9 1m, £1 7m matures within one year and £7 4m matures within two to three years

Floating rate borrowings are re-priced within six months from the balance sheet date

The Company is exempt from FRS 29 disclosures

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in finance revenue and finance cost

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability at the balance sheet date

Cash flow hedges

Changes in the fair value of derivative instruments designated as cash flow hedges such as forward currency contracts are recognised in equity, to the extent that the hedges are effective Any ineffective portion is recognised in the profit and loss account Amounts deferred in equity are released when the forecast hedged transaction impacts the profit and loss account

Foreign currencies

The Company's functional currency and the presentation currency is pounds sterling Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date All differences are taken to the profit and loss account, except when hedge accounting is applied These are taken directly to reserves until the hedged transaction affects profit or loss, at which time they are recognised in the profit and loss account

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined

Deferred tax

Deferred tax is provided in respect of all timing differences, using the balance sheet liability method Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

1. Accounting policies (continued)

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 Income tax is provided for, using current rates

Investments

Investments in subsidiaries are held at cost and reviewed for impairment annually and where there are indicators that suggest the amount might not be recoverable

Provisions

The Company's other provisions relate to the remaining costs in respect of the disposal of the Pipe Systems and Foodservice operations, including probable warranty and indemnity claims, other claims and other costs from third parties in relation to divested businesses

2. Company profit and loss account

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 loss after tax was £9 5m (2006 loss of £4 5m)

The profit and loss account includes £47,000 (2006 £45,000) for audit fees

3. Dividends

	2007 £m	2006 £m
Final paid of 7 0p per share for the year ended 31st December 2006 (2005 6 2p)	**9.1**	8 0
Interim paid of 3 85p per share (2006 3 5p)	**4 4**	4 5
Special dividend paid of 43 0p per share	**55.6**	–
Amounts recognised as distributions to equity shareholders in the year	**69 1**	12 5

The directors are proposing a final dividend in respect of the financial year ended 31st December 2007 of 7 65p (2006 7 0p) which will result in a £8 8m reduction to shareholders' equity This has not been included as a liability as it has not been approved by the shareholders It will be paid on 30th May 2008 to shareholders who are on the register of members on 25th April 2008

4. Directors' compensation

The compensation, share options, Long-Term Incentive Plans and pensions of the directors are disclosed in the remuneration report on pages 32 to 37 of the Annual Report and Accounts

5. Investments

	Cost of shares £m	**Provisions £m**	**Net book value £m**
Interest in subsidiaries			
At 1st January	494 8	(0 4)	**494.4**
Disposals	(78 2)	0 4	**(77.8)**
At 31st December	**416.6**	**–**	**416 6**

Notes to the accounts

6. Trade and other debtors

Amounts falling due within one year	2007 £m	2006 £m
Amounts owed by Group undertakings	**551.5**	721 0
Prepayments and accrued income	**0.6**	–
Other receivables	**0.8**	0 3
Total debtors falling due within one year	**552.9**	721 3
Corporation tax recoverable	**41.0**	19 7
Total debtors	**593.9**	741 0

7. Cash and borrowings

a) Cash and cash equivalents

	2007 £m	2006 £m
Cash at bank and in hand	**159.1**	4 1
Cash and cash equivalents	**159.1**	4 1

The Company's cash balance of £159 1m includes £22 5m, which is collateralised against a bank guarantee facility, in respect of a guarantee given by the Company for the benefit of the Aga Foodservice Group Pension Scheme

Included in cash and cash equivalents was cash held for unclaimed dividends of £0 5m (2006 £0 2m)

b) Financial liabilities – net borrowings

	2007 £m	2006 £m
Fixed rate loan notes	**–**	0 1
Bank borrowings	**1.7**	–
Amounts falling due within one year	**1.7**	0 1
Bank borrowings	**7.4**	49 3
Amounts falling due after one year	**7.4**	49 3
Total borrowings	**9.1**	49 4
Cash and cash equivalents	**(159.1)**	(4 1)
Total net (cash) / borrowings	**(150 0)**	45 3

The Company's borrowings are primarily loan advances denominated in a number of currencies and interest is based on LIBOR or foreign equivalents The maturity of loan advances range between one and six months

The loans are unsecured and are wholly repayable within five years

8. Creditors

Amounts falling due within one year	2007 £m	2006 £m
Amounts owed to Group undertakings	**674.7**	636 1
Accruals and deferred income	**8.5**	1 8
Other payables	**0.6**	0 5
Total creditors falling due within one year	**683.8**	638 4

9. Provisions

	Deferred tax £m	Other £m	Total £m
At 1st January	0 2	5 5	**5.7**
Charge in the year	–	2 5	**2.5**
At 31st December	**0 2**	**8.0**	**8.2**

The Company's other provisions relate to the remaining costs in respect of the disposal of the Pipe Systems and Foodservice operations, including possible warranty and indemnity claims, other claims and other costs from third parties in relation to divested businesses The timing of settlement of these provisions is unclear

10. Share capital

Authorised and issued share capital	**2007**		2006	
	m	**£m**	m	£m
Authorised				
Ordinary shares of 25p each	–	–	327 0	81 8
Ordinary shares of 28¹/8p each	**290 7**	**81 8**	–	–
Allotted, called up and fully paid				
At 1st January	**129 1**	**32.3**	128 3	32 1
Share consolidation	**(14 4)**	–	–	–
Issued on exercise of share options	**0 5**	**0.1**	0 8	0 2
At 31st December	**115.2**	**32.4**	129 1	32 3

On 11th May 2007, shareholders approved a share capital consolidation on the basis of 8 new ordinary shares for every existing 9 ordinary shares This provided for all of the authorised ordinary shares of 25p each (whether issued or unissued) to be consolidated into new ordinary shares of 28¹/8p each This became effective on 14th May 2007

During the year 0 5m ordinary shares were issued in connection with the company's share option schemes for an aggregate consideration of £1 1m (2006 0 8m shares, £2 2m consideration)

All of the ordinary shares rank equally with respect to voting rights and rights to receive ordinary and special dividends There are no restrictions on the rights to transfer shares

Options

Options outstanding at 31st December 2007 are shown in note 22 of the Annual Report and Accounts

11. Reserves

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total equity £m
At 1st January	32 3	67 8	36 0	409 9	**546.0**
Dividends paid	–	–	–	(69 1)	**(69.1)**
Loss for year	–	–	–	(9 5)	**(9.5)**
Shares issued	0 1	1 0	–	–	**1.1**
At 31st December	**32.4**	**68.8**	**36.0**	**331.3**	**468.5**

The Company's profit and loss account reserves of £331 3m (2006 £409 9m) include £168 7m (2006 £321m) which is unavailable for distribution, leaving £162 6m available for distribution

Notes to the accounts

12. Commitments

The Company had no capital commitments (2006 nil)

13. Contingent liabilities

The Company has no other material contingent liabilities arising in the normal course of business at 31st December 2007 (2006 nil) The Company 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 balance sheet

As disclosed in note 18(a) to the main accounts, the Group holds £22 5m of cash which is collateralised against a bank guarantee facility in respect of a guarantee given for the benefit of the Aga Foodservice Pension Scheme

14. Related party transactions

The Company has taken advantage of the exemption permitted by FRS 8 not to disclose any transactions or balances with entities that are 90% or more controlled by the Aga Foodservice Group plc

15. Trading subsidiaries

The Company's principal trading subsidiaries at 31st December 2007 are listed in note 31 of the Annual Report and Accounts

16. Post balance sheet event

The Group announced on 14th March 2008 that it proposed to return £140m to shareholders, a substantial portion of the proceeds from the sale of the Foodservice operations, representing approximately 121 pence per share This will be accompanied by a share consolidation

Statement of directors' responsibilties

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out below, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the accounts

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 as at the end of the financial year and of the profit or loss for that year

The directors consider that in preparing the financial statements on a going-concern basis, the Company has 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 maintains accounting records which disclose with reasonable accuracy the financial position of the Company 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 Company and to prevent and detect fraud and other irregularities

Independent auditors' report

TO THE MEMBERS OF AGA FOODSERVICE GROUP PLC

We have audited the parent company financial statements of Aga Foodservice Group plc for the year ended 31 December 2007 which comprise the Company balance sheet and the related notes 1 to 16 These parent company financial statements have been prepared under the accounting policies set out therein We have also audited the information in the remuneration report that is described as having been audited

We have reported separately on the Group financial statements of Aga Foodservice Group plc for the year ended 31 December 2007

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the remuneration report and the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

Our responsibility is to audit the parent company financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the parent company directors' report is consistent with the financial statements The information given in the directors' report includes that specific information presented in the operating and financial review that is cross referred from the business review section of the directors' report In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements The other information comprises only the chairman's introduction, the chief executive's review and the corporate governance statement We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the remuneration report to be audited It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company 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 parent company financial statements and the part of the remuneration report to be audited 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 parent company financial statements and the part of the remuneration report to be audited

Opinion

In our opinion

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007,
- the parent company financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the parent company financial statements

Ernst + Young LLP.

Ernst & Young LLP
Registered Auditor
Birmingham

14th March 2008

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Shareholder information

At 31st December 2007, the Company had 7,228 ordinary shareholders (2006 7,646) Their holdings are analysed as follows -

Number of 28¹/₈p ordinary shares	Number of shareholders	% of total shareholders	Number of shares held	% of total shares held
1-5,000	6,576	90 98	6,834,464	6 06
5,001 – 50,000	494	6 83	6,931,065	6 39
50,001 – 500,000	124	1 72	21,305,899	16 06
Over 500,000	34	0 47	80,151,471	71 49
Total	**7,228**	**100.0**	**115,222,899**	**100.00**

Capital gains tax

The official price of Aga Foodservice Group plc ordinary shares on 31st March 1982, adjusted for bonus issues made in 1986 and 1988, was 62 4p

2008 financial calendar

Record date for final ordinary dividend	25th April 2008
Annual General Meeting	9th May 2008
Final ordinary dividend payable	30th May 2008
Record date for interim ordinary dividend	7th November 2008
Interim ordinary dividend payable	3rd December 2008

Return of cash – expected timetable

Record time/date for consolidation of existing ordinary shares and entitlement to 'B' / 'C' shares	9th May 2008 (6pm)
New ordinary shares admitted to Official List and to trading	12th May 2008 (8am)
Fractional entitlement payable	22nd May 2008
'B' / 'C' share capital and dividend alternative payable	29th May 2008