AGA RANGEMASTER GROUP LIMITED

(FORMERLY AGA RANGEMASTER GROUP PLC)

Annual Report and Financial Statements

31 December 2016

Co No. 00354715

STRATEGIC REPORT

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

The directors present their strategic report for the year ended 31 December 2016.

Principal activities

The principal activity continues to be an investment holding company of trading and non-trading subsidiary undertakings, see note 17. The company was acquired by The Middleby Corporation on 23 September 2015 and the company was delisted from the London Stock Exchange.

The profit and loss account is set out on page 9. The level of operating costs decreased. The year end financial position was satisfactory. The company's financial position was as follows:

	31 December 2016	2 January 2016
	£m	£m
Operating income / (costs)	**1.1**	(3.0)
Profit / (loss) for year attributable to members of the parent company	**9.9**	(17.7)

The operating loss changed from £3.0m in the previous year to a £1.1m operating profit for the year ended 31 December 2016. The previous year loss included wages and salaries of £4.7m, £3.0m higher than the current year and exchange gains increased from £0.3m in the year to 2 January 2016 to £1.6m in the year to 31 December 2016.

The profit for the financial year attributable to members of the parent company amounted to £9.9m (2 January 2016: loss £17.7m) and included £8.8m of provisions against cost of investments and amounts owed to / from Group undertakings net of exceptional loan waivers. Exceptional costs of £3.2m relating to the acquisition of the company by The Middleby Corporation were incurred in the previous year.

The company's key financial performance indicator is the value of the investments held in the underlying subsidiaries – see note 9.

Principal risks and uncertainties facing the group

The principal business risk and uncertainty facing the company is:

- Impairment of the investments in its subsidiaries

The principal business risks and uncertainties facing the subsidiary undertakings of the company are:

Financial risk management
In order to achieve our business objectives, the group must respond effectively to the associated risks. The group has established risk management procedures, involving the identification and monitoring of operational, regulatory, financial and market driven factors, at various levels throughout the business. The group takes a proactive approach to managing risks.

In current economic conditions with major financial imbalances the impact on the group can be sudden and material. This makes awareness and flexibility key to mitigating risks in rapidly changing conditions and important in identifying relevant business opportunities.

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

STRATEGIC REPORT (continued)

To mitigate these risks:

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

General economic conditions

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

Health, safety and environmental

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

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

To mitigate these risks:

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

Legal and regulatory

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

To mitigate these risks:

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

People

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

To mitigate these risks:

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

Supply chain

The group's manufacturing operations require the timely supply of quality parts and materials.

STRATEGIC REPORT (continued)
Supply chain disruptions can adversely impact the group. Such disruptions include the failure of key suppliers and environmental or industrial accidents. Quality issues in the supply chain can also adversely impact the group as faulty or substandard parts are unacceptable.

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

Foreign currency risk
The group's main transaction exposures are in respect of products manufactured in one currency region and sold in another currency and exposure through the movement in exchange rates on purchases of raw materials and other goods that are not denominated in sterling. These are mainly imports from Asia and the United States of America ('US') which are denominated in US Dollars and imports of component parts from Europe which are denominated in Euros. To mitigate this, the currency outflows are partly offset by inflows of US Dollars relating to UK exports to US markets and inflows of Euros in respect of UK exports to the eurozone respectively. Forward currency contracts may also be used to reduce exposure to variability of foreign exchange rates.

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

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

Credit and price risk
The group monitors closely the availability of trade finance to its customers and suppliers. The ability for the group and its principal operations to maintain trade credit insurance on our customers is monitored on an ongoing basis. Where insurers inform us it is their intention to withdraw or reduce trade credit insurance cover on our customers we undertake detailed analysis on commercial and financial information available and actively manage the terms of trade with any such customers as appropriate. In addition, the ability of our suppliers to maintain credit insurance on the group and its principal operations is an important issue. We have excellent relationships with our suppliers and we continue to work closely with them on a normal commercial basis. There are no significant concentrations of credit risk within the group. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date.

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

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

MM Lindsay
Director
12 September 2017

DIRECTORS' REPORT – COMPANY NO. 00354715

The directors present their report for the year ended 31 December 2016 together with the audited accounts of AGA Rangemaster Group Limited. The company changed its name on 21 March 2016 from AGA Rangemaster Group Plc to AGA Rangemaster Group Limited and re-registered as a private company.

1. Results for the year

The profit and loss account is shown on page 9 of this report. The profit for the year after taxation amounted to £9.9m (2 January 2016: loss £17.7m). During the year the group has carried out an exercise to streamline the group structure. The first stage of this is to eliminate historic inter group balances between various group entities. This has resulted in gains and losses in different businesses as the loans are waived, overall there is no impact on the UK group.

2. Dividends

The directors do not recommend payment of a dividend (2 January 2016: £nil).

3. Future developments

AGA Rangemaster Group Limited is part of the Residential Kitchen Equipment Group within The Middleby Corporation and benefits from the financial support of The Middleby Corporation. It is the intention of the directors that the company will continue to operate as an investment holding company for the foreseeable future. The directors view the results as satisfactory, as are the future prospects of the company.

4. Going concern

Given the ongoing financial support of The Middleby Corporation the directors believe it is appropriate to prepare the accounts on a going concern basis. The companies within The Middleby Corporation group structure will continue to benefit from the ability to draw up to $100m USD of funding from the new Middleby Corporation five-year $2.5 USD billion multi-currency senior revolving credit facility announced on 3 August 2016.

5. Directors

The directors of the company during the year were:-
TJ FitzGerald
MM Lindsay
A Zufia

6. Creditor payment policy

The company is responsible for establishing appropriate policies with regard to the payment of their suppliers. It agrees terms and conditions under which business transactions with suppliers are conducted. It is company policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with agreed terms. It is company policy to ensure that suppliers know the terms on which payment will take place when business is agreed.

The company had no trade creditors as at 31 December 2016 and 2 January 2016.

7. Directors' qualifying third party indemnity provisions

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

DIRECTORS' REPORT (continued)

8. Auditors

Statement of disclosure to the auditors
The directors who are a member of the Board at the time of approving the Directors' Report are listed above. The directors confirm that:

- To the best of the directors' knowledge and belief, there is no relevant audit information of which the company's auditors are unaware, and
- The directors have taken all the steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

9. Risks and uncertainties

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

By order of the Board

MM Lindsay
Director
12 September 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AGA RANGEMASTER GROUP LIMITED

We have audited the financial statements of AGA Rangemaster Group Limited for the year ended 31 December 2016, which comprise the Profit and Loss Account, Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young

Steven Bagworth (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor,
Birmingham
13 September 2017

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016:

	Note	31 December 2016 £m	2 January 2016 £m
Operating income / (costs)	3	**1.1**	(3.0)
Profit / (loss) on ordinary activities before exceptional items		**1.1**	(3.0)
Exceptional costs	4	**-**	(3.2)
Loan waivers / provisions against amounts owed to Group undertakings and against cost of investments	4	**8.8**	(11.8)
Profit / (loss) on ordinary activities before interest and taxation		**9.9**	(18.0)
Bank interest receivable and similar income	6	**1.4**	1.0
Interest payable and similar charges	7	**(1.4)**	(1.5)
Profit / (loss) for the year before taxation on ordinary activities		**9.9**	(18.5)
Tax credit on loss on ordinary activities	8	**-**	0.8
Profit / (loss) for the financial year attributable to members of the parent company		**9.9**	(17.7)

All activities are continuing.

STATEMENT OF COMPREHENSIVE INCOME / (LOSSES)

	Note	31 December 2016 £m	2 January 2016 £m
Profit / (loss) for the financial year attributable to members of the parent company		**9.9**	(17.7)
Actuarial (losses) / gains	13	**(2.5)**	0.3
Return on scheme assets in excess of / (below) interest income	13	**1.6**	(0.2)
Movement on tax relating to pension scheme liability	8	**0.2**	-
Total other comprehensive (loss) / income		**(0.7)**	0.1
Total comprehensive income / (loss)		**9.2**	(17.6)

STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total equity £m
At 1 January 2015	32.5	29.6	75.0	266.3	**403.4**
Loss for the year	-	-	-	(17.7)	**(17.7)**
Other comprehensive income	-	-	-	0.1	**0.1**
Total comprehensive loss for the year	-	-	-	(17.6)	**(17.6)**
New shares issued	-	10.0	-	-	**10.0**
Share based payments	0.2	-	-	-	**0.2**
At 2 January 2016	32.7	39.6	75.0	248.7	**396.0**
Profit for the year	-	-	-	9.9	**9.9**
Other comprehensive loss	-	-	-	(0.7)	**(0.7)**
Total comprehensive income for the year	-	-	-	9.2	**9.2**
New shares issued	-	9.9	-	-	**9.9**
At 31 December 2016	**32.7**	**49.5**	**75.0**	**257.9**	**415.1**

BALANCE SHEET
AS AT 31 December 2016

	Notes	31 December 2016 £m	2 January 2016 £m
Fixed assets			
Investments	9	**356.1**	379.3
Total fixed assets		**356.1**	379.3
Current assets			
Debtors – amounts falling due within one year	10	**222.0**	614.0
Cash at bank and in hand	11a	**0.8**	1.5
Total current assets		**222.8**	615.5
Creditors – amounts falling due within one year			
Creditors	12	**(142.4)**	(582.0)
Borrowings	11b	**(20.0)**	(16.0)
Total amounts falling due within one year		**(162.4)**	(598.0)
Net current assets		**60.4**	17.5
Net assets excluding pension liability		**416.5**	396.8
Defined benefit pension liability	13	**(1.4)**	(0.8)
Net assets		**415.1**	396.0
Capital and reserves			
Called up share capital	15	**32.7**	32.7
Share premium account	16	**49.5**	39.6
Capital redemption reserve	16	**75.0**	75.0
Profit and loss account		**257.9**	248.7
Equity attributable to owners of the parent company		**415.1**	396.0

The financial statements on pages 9 to 23 were approved by the Board of Directors on 12 September 2017 and were signed on its behalf by:

MM Lindsay
Director

NOTES TO THE ACCOUNTS

1. Accounting policies

Statement of compliance
AGA Rangemaster Group Limited is a limited liability company incorporated in England and Wales. The registered office changed to Meadow Lane, Long Eaton, Nottingham, NG10 2GD on 22 March 2017. Until 23 September 2015 the company was listed on the London Stock Exchange when it was acquired by The Middleby Corporation.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2016.

Basis of preparation and change in accounting policy
The financial statements of AGA Rangemaster Group Limited were authorised for issue by the Board of Directors on 12 September 2017. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency and rounded to the nearest tenth of a million pounds, except where otherwise stated. The company has changed its reporting date to 31 December 2016 so it is in line with its' parent company's reporting period end which is the Saturday closest to the year end. Therefore comparative amounts presented in the financial statements are not entirely comparable.

Basis of exemption from preparing consolidated financial statements
The exemption from preparing consolidated financial statements in section 401(1)(a) and section 401(1)(b) of the Companies Act 2006 has been applied as the following conditions have been met:

- The company and all of its subsidiary undertakings are included in the consolidated financial statements of a larger group drawn up to the same date by a parent undertaking. [CA06 Sec 401(2)(a)].
- The reporting parent's consolidated financial statements and annual report is drawn up in accordance with the provisions of the EC 7th or otherwise 'in a manner equivalent' to consolidated accounts and annual reports so drawn up. [CA06 Sec 401(2)(b)].
- The financial statements are audited by one or more persons authorised to audit accounts under the law under which the parent undertaking which draws them up is established. [CA06 Sec 401(2)(c)].
- It is noted in the company's individual financial statements that it is exempt from preparing consolidated financial statements.
- The name of the reporting parent is noted in the company's individual financial statements stating:
    - The reporting parent's country of incorporation, if it is incorporated outside the United Kingdom.
    - The address of the reporting parent's principal place of business, where it is unincorporated.

  [CA06 Sec 401(2)(e)].
- The company will deliver to the Registrar of Companies within the period allowed for delivering its individual financial statements a copy of the parent's consolidated financial statements and a copy of the parent's annual report together with the audit report thereon. [CA06 Sec 401(2)(f)].
- The company does not have any securities listed on a regulated market in an EEA member state. [CA06 Sec 401(4)]. For this purpose, 'securities' include shares and stocks, debentures (including debenture stock, loan stock, bonds, certificates of deposit and other similar instruments), warrants and similar instruments and certain certificates and other instruments that confer rights in respect of securities. [CA06 Sec 401(6)].

The company is also exempt from delivering to the Registrar of Companies consolidated financial statements. [CA06 Sec 401(2)(d)].

Exemptions taken
A consolidated group cash flow statement has been included in The Middleby Corporation consolidated accounts; the company has therefore taken advantage of the exemption under FRS 102 not to produce a cash flow statement.

The company has taken advantage of the exemption permitted by FRS 102 not to disclose any transactions or balances with entities that are wholly owned by The Middleby Corporation.

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

Critical accounting estimates and judgements
The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions and conditions. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Impairment – the company determines whether it's investments are impaired on an annual basis or more frequently if there are indicators of impairment. Other non-current assets are tested for impairment if there are indicators of impairment. Impairment testing requires an estimate of future cash flows and the choice of a suitable discount rate. Growth rates are based on current GDP forecasts for 2016 and the terminal growth rate is based on 2017 GDP forecasts by country. The Middleby discount rate of 10.2% for the AGA Rangemaster Group has been used for the discount rate.

Retirement benefits and other post-employment benefits – the valuation of the defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. In determining the appropriate discount rate, the directors consider the interest rates of corporate bonds with an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty.

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

Cash
Cash and cash equivalents 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 rate method. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest receivable and payable.

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

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

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

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

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

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

Provisions
A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain.

Employee share options
Equity-settled transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) and non vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non vesting condition, which are treated as vesting irrespective of whether or not the market or non vesting condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the profit and loss account.

The financial effect of awards by the parent company of options over its equity shares to the employees of subsidiary undertakings are recognised by the parent company in its individual financial statements. In particular the parent company records an increase in its investment in subsidiaries with a credit to equity equivalent to the cost in the subsidiary undertakings.

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in profit or loss for the period.

Pensions and other post-retirement benefits
The company operates the Amari plc Pension and Life Assurance Plan, a defined benefit pension scheme, which requires contributions to be made to separately administered funds.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), 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. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

The company also participates in the AGA Rangemaster Group Pension Scheme, the disclosures for which are shown in the accounts of ARG Corporate Services Limited for the same period.

NOTES TO THE ACCOUNTS

2. Directors' remuneration

Directors' remuneration	31 December 2016 £m	2 January 2016 £m
Aggregate remuneration in respect of qualifying services	-	1.9

TJ Fitzgerald, MM Lindsay and A Zufia are paid by The Middleby Corporation. These directors neither received nor waived any emoluments in respect of their services to the company during the year (2 January 2016: £nil). The directors of the company are also, or have been, directors of one or more of the companies in the Group. The directors do not believe that it is practicable to apportion their emoluments between their services as directors of this company and their services as directors of other companies in the Group.

No directors exercised share options in the year (2 January 2016: gain £0.8m). In the previous year £1.2m was paid to two directors as compensation for loss of office. There were no short term employee benefits owed at 31 December 2016.

In respect of the highest paid director:	31 December 2016 £m	2 January 2016 £m
Aggregate remuneration in respect of qualifying services	-	1.1
Gain on exercise of share options	-	0.5
Compensation for loss of office	-	0.7

The accrued pension of the highest paid director as at 31 December 2016 was £nil (2 January 2016: £71,283). There was no accrued lump sum at 31 December 2016 (2 January 2016: £nil).

3. Operating income / (costs)

Operating loss for the year is stated after charging / (crediting):

	31 December 2016 £m	2 January 2016 £m
Recharge of remuneration and pension costs	**(1.7)**	(2.4)
Foreign exchange differences	**(1.6)**	(0.3)
Auditors' remuneration		
- Fees payable to auditors for the audit of the financial statements	**0.1**	0.1
- Fees payable by subsidiary companies	**0.2**	0.2

4. Exceptional items

Loan waivers / provisions against amounts owed to Group undertakings and against cost of investments

During the year the group has carried out an exercise to streamline the group structure. The first stage of this is to eliminate historic inter group balances between various group entities. This has resulted in gains and losses in different businesses as the loans are waived, overall there is no impact on the UK group.

Exceptional costs

In the year to 2 January 2016 professional costs amounting to £3.2m were incurred in the year in respect of the acquisition of the company by The Middleby Corporation on 23 September 2015.

5. Employee information

Average number of employees (including directors)	31 December 2016	2 January 2016
Administration	**9**	6

Total staff costs (including directors)	31 December 2016 £m	2 January 2016 £m
Wages and salaries	**1.5**	3.5
Social security	**0.1**	0.3
Share based payments - CSOP (note 15)	-	0.2
Share based payments - Fired Earth (note 15)	-	0.6
Pension contributions	**0.1**	0.1
Total staff costs	**1.7**	4.7

The pension costs related to the defined benefit scheme are shown in note 13. Directors' remuneration is disclosed in note 2.

NOTES TO THE ACCOUNTS

6. Bank interest receivable and similar income

	31 December 2016 £m	2 January 2016 £m
Bank interest receivable	-	0.1
Intra group interest receivable	1.4	0.9
Bank interest receivable and similar income	1.4	1.0

7. Interest payable and similar charges

	31 December 2016 £m	2 January 2016 £m
Bank loan and overdrafts	1.2	1.3
Intra group interest payable	0.2	0.2
Interest payable and similar charges	1.4	1.5

8. Tax

Tax on loss on ordinary activities	31 December 2016 £m	2 January 2016 £m
Current tax:		
UK corporation tax charge / (credit) at 20% (2 January 2016: 20.25%)	0.2	(0.7)
Adjustments in respect of prior years	(0.2)	(0.2)
	-	(0.9)
Deferred tax:		
Origination and reversal of timing differences	-	0.1
	-	0.1
Tax credit on loss on ordinary activities	-	(0.8)

Tax included in other comprehensive income	31 December 2016 £m	2 January 2016 £m
Corporation tax credit	(0.1)	(0.1)
Deferred tax (credit) / charge	(0.1)	0.1
	(0.2)	-

Factors affecting the total tax credit

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% (2 January 2016: 20.25%). The differences are reconciled below:

	31 December 2016 £m	2 January 2016 £m
Profit / (loss) on ordinary activities before tax	9.9	(18.5)
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2 January 2016: 20.25%)	2.0	(3.8)
Non-taxable loan waiver	(72.1)	-
Non-allowable loan waivers and loan impairments	65.8	-
Non-allowable impairment of investments	4.5	-
Expenses not deductible for tax purposes	-	3.2
Adjustments in respect of prior years	(0.2)	(0.2)
Total tax credit	-	(0.8)

Reductions in the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 26 October 2015. A further reduction in the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016. Accordingly, the substantively enacted rates have been applied in the measurement of the deferred tax assets and liabilities as at 31 December 2016.

NOTES TO THE ACCOUNTS

9. Investments

	Cost of shares £m	Provisions £m	Net book value £m
Interest in subsidiaries			
At beginning of year	471.3	(92.0)	**379.3**
Movement in year	(0.6)	(22.6)	**(23.2)**
At end of year	**470.7**	**(114.6)**	**356.1**

The Aga Holland investment of £0.6m was dissolved in the year.

£13.3m of the provision movement related impairments in respect of dormant companies and £10.0m relates to Headland UK Limited.

A list of subsidiaries is shown in note 17.

10. Debtors

	31 December 2016	2 January 2016
Amounts falling due within one year	**£m**	£m
Amounts owed by Group undertakings	**221.0**	613.1
Deferred tax asset (note 14)	**0.2**	0.1
Corporation tax recoverable	**0.7**	0.7
Other receivables	**0.1**	0.1
Debtors falling due within one year	**222.0**	614.0

11. Cash and borrowings

a) Cash

	31 December 2016 £m	2 January 2016 £m
Short-term bank deposits	**0.8**	1.5
Cash	**0.8**	1.5

b) Financial liabilities – borrowings

	31 December 2016 £m	2 January 2016 £m
Bank borrowings	**20.0**	16.0
Borrowings falling due within one year	**20.0**	16.0
Short-term bank deposits	**(0.8)**	(1.5)
Total borrowings	**19.2**	14.5

The company's borrowings are primarily loan advances denominated in sterling and interest is based GBP LIBOR. The loans are unsecured. The amounts falling due within one year are due for repayment in 2017.

12. Creditors

	31 December 2016	2 January 2016
Amounts falling due within one year	**£m**	£m
Amounts owed to Group undertakings	**141.6**	581.1
Accruals and deferred income	**0.4**	0.5
Other payables	**0.4**	0.4
Total creditors falling due within one year	**142.4**	582.0

NOTES TO THE ACCOUNTS

13. Pensions

The company participates in the AGA Rangemaster Group Pension Scheme, which covers the majority of UK employees. This scheme includes members on a defined benefit basis of pension provision and members on a defined contribution basis of pension provision and the assets of the schemes are held in funds separate from the Group's assets. The FRS 102 disclosures of the AGA Rangemaster Group Pension Scheme as at 31 December 2016 are shown in the accounts of ARG Corporate Services Limited. The deficit of the AGA Rangemaster Group Pension Scheme as at 31 December 2016 is £244,064,000 (2 January 2016: £125,600,000) as shown in the accounts of ARG Corporate Services Limited.

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

Contributions of £0.1m (2 January 2016: £0.1m) for the company's proportion of the contributions towards defined benefit pension scheme, were made in the year, which form part of the full disclosures shown in the accounts of ARG Corporate Services Limited as at 31 December 2016.

The company operates the Amari plc Pension and Life Assurance Plan ('Amari Plan') which is a defined benefit scheme in nature and provides benefits linked to years of service in the plan. The Amari Plan is frozen and no further benefits accrue to the members of the scheme beyond the date it was frozen. Members will receive or continue to receive payments for the benefits earned on or prior to this date upon reaching retirement age. The assets are held in trust funds separate from the company's assets. The latest full triennial actuarial valuation was carried out by Aon Hewitt Limited, independent consulting actuaries, as at 1 August 2014 using the projected unit credit method and showed an actuarial deficit of £2.2m. The defined benefit obligation at 31 December 2016 has been determined by rolling forward the results of the most recent valuation, allowing for known movements (such as the payment of benefits) and adjusting for the difference in actuarial assumptions.

Under the deficit recovery plan put in place on completion of the last full triennial actuarial valuation of the Amari Plan as at 1 August 2014, the following deficiency contributions have been paid or are payable into the plan: £145,000 in September 2015, £145,000 in January 2016, and £13,708 per month from 1 August 2014 to 31 October 2023 inclusive. The employer contributions in the scheme for the year ending 31 December 2017 are expected to be £0.2m.

The financial assumptions used to calculate the defined benefit schemes' liabilities were:

	31 December 2016	2 January 2016
Rate of increase in pensionable salaries	**0.0**	0.0
Rate of increase of pensions in payment	**2.00**	1.90
Discount rate	**2.50**	3.70
Inflation rate – in payment	**3.30**	3.10
Inflation rate – in deferment	**2.30**	2.10
Mortality table	**101% of S2PXA normal tables**	101% of S2PXA normal tables
Future improvements	**CMI 2013 with 1.5% long term trend**	CMI 2013 with 1.5% long term trend

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the applicable currency with at least an 'AA' rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases and pension increases are based on expected future inflation rates for the applicable country. The mortality rate is based on publicly available mortality tables for the applicable country.

NOTES TO THE ACCOUNTS

13. Pensions (continued)

The assets of the scheme were invested in the following classes of securities (none of which were securities of the company):

	31 December 2016		2 January 2016	
Assets and obligations:	**%**	**£m**	%	£m
UK equities securities	**12**	**1.7**	14	1.7
Overseas equities securities	**21**	**2.9**	19	2.3
Debt securities	**64**	**8.8**	62	7.3
Real estate / property	**1**	**0.1**	1	0.1
Cash and cash equivalents	**1**	**0.1**	2	0.2
Other	**1**	**0.1**	2	0.2
Fair value of schemes' assets	**100**	**13.7**	100	11.8
Present value of funded obligation		**(15.1)**		(12.6)
Net deficit in the schemes		**(1.4)**		(0.8)

	31 December 2016	2 January 2016
The amounts recognised in the profit and loss are as follows:	**£m**	£m
Current service cost – defined benefit	-	-
Administration costs	-	-
Net interest cost on net defined benefit obligation	-	-
Pension charge included in the profit and loss	-	-

	31 December 2016	2 January 2016
Amounts recognised in other comprehensive income:	**£m**	£m
Actuarial losses / (gains)	**2.5**	(0.3)
Return on scheme assets (in excess of) / below interest income	**(1.6)**	0.2
Re-measurement gains and losses recognised in other comprehensive income	**0.9**	(0.1)

	31 December 2016	2 January 2016
Movement in net deficit during the year:	**£m**	£m
Net deficit of the schemes at beginning of year	**(0.8)**	(1.2)
Net pension charge	-	-
Company contributions	**0.3**	0.3
Re-measurement gains and losses recognised in other comprehensive income	**(0.9)**	0.1
Net deficit of the schemes at end of year	**(1.4)**	(0.8)

	31 December 2016	2 January 2016
Changes in the present value of the defined benefit obligation are as follows:	**£m**	£m
Present value of obligation at beginning of year	**12.6**	13.0
Current service cost	-	-
Interest costs on defined benefit obligation	**0.5**	0.4
Actuarial losses / (gains)	**2.5**	(0.3)
Benefit payments from scheme assets	**(0.5)**	(0.5)
Present value of obligation at end of year	**15.1**	12.6

	31 December 2016	2 January 2016
Changes in the fair value of the schemes' assets are as follows:	**£m**	£m
Fair value of schemes' assets at beginning of year	**11.8**	11.8
Interest income on schemes' assets	**0.5**	0.4
Return on scheme assets in excess of interest income	**1.6**	(0.2)
Company contributions	**0.3**	0.3
Benefit payments	**(0.5)**	(0.5)
Fair value of schemes' assets at end of year	**13.7**	11.8

14. Deferred tax

Deferred tax asset	**Pension**
	£m
At beginning of year	**0.1**
Charge in year – profit and loss account	**-**
Credit in year – other comprehensive income	**0.1**
At end of year	**0.2**

	31 December 2016 £m	2 January 2016 £m
Pension	**0.2**	0.1
Deferred tax asset	**0.2**	0.1

At 31 December 2016 the company had no unused tax losses (2 January 2016: £nil).

The company expects to make pensions contributions of £0.2m during 2017 and therefore the deferred tax asset expected to reverse in 2017 is £0.1m.

15. Called up share capital and share based payments

Ordinary shares of 46.875p each	**31 December 2016**		2 January 2016	
Allotted, called up and fully paid	**m**	**£m**	m	£m
At beginning of year	**69.8**	**32.7**	69.3	32.5
Share based payment transactions	**-**	**-**	0.5	0.2
At end of year	**69.8**	**32.7**	69.8	32.7

On 15 September 2015 559,872 ordinary shares were issued in connection with the company's share option schemes for an aggregate consideration of £0.2m (2 January 2016: £nil). On 24 September 2015 and on 13 January 2016 10,000 ordinary shares were issued to Middleby UK Residential Holding Limited at £1,000 per share to fund additional contributions to the AGA Rangemaster Group Pension Scheme.

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.

Share based payments
The Company Share Option Plan ('CSOP')

Due to the acquisition of the company by The Middleby Corporation on 23 September 2015 336,653 options granted in April 2012 were exercised as performance conditions were partly met and the remaining options lapsed. All of the 223,219 options granted in 2014 were exercised.

The total charge for the year relating to employee share based payment plans was £nil (2 January 2016: £0.2m) before tax and £nil (2 January 2016: £0.2m) post tax.

There were no options outstanding at 31 December 2016 and 2 January 2016.

Fired Earth Incentive Scheme
The management of Fired Earth had an option to acquire 25.5% of the share capital of Fired Earth Limited under an agreement commencing May 2011. The agreement is treated as a cash settled share based payment arrangement due to a put option within the agreement whereby management can put the shares back to the Group for cash representing market value. As at 31 December 2014 management had acquired 19.9% of the shares and the option for the remaining 5.6% share capital had lapsed. The charge for 2014 reflected the movement in the fair value of the cash settled arrangement and was £3.3m based on 18,500 shares at a fair value of £180 each. 5,977 shares were repurchased in January 2015 at the fair value of £180 per share and the remainder in December 2015 at £228.64 per share. There was a £0.6m charge to the profit and loss account in 2015 representing the difference between the initial fair value and settlement price in December 2015.

NOTES TO THE ACCOUNTS

16. Reserves

Share premium account
This reserve records the amount above the nominal value received for shares sold less transaction costs.

Capital redemption reserve
This reserve records the amounts that have arisen through share buy-backs and share consolidations in previous years.

17. Trading subsidiaries

The following is a list of all of the company's trading subsidiaries at 31 December 2016. The share capital in each case consists, unless otherwise stated, wholly of ordinary shares, preference shares or common stock. All companies are held by subsidiary undertakings, except for those marked • in which case it is held directly by AGA Rangemaster Group Limited. The registered office of the UK companies is Meadow Lane, Long Eaton, Nottingham, NG10 2GD. There are other dormant companies which are not listed.

AGA Rangemaster Limited, trading in the UK principally under the trade and business names of:
AGA
AGA Cookshop
Divertimenti (sold 17 March 2016)
Falcon
Leisure Sinks
Mercury
Rangemaster
Rayburn
Redfyre

Overseas trade and business names:
AGA Marvel (USA)
AGA Rangemaster France (branch)
Grange SAS (France)
Heartland Appliances Inc (Canada)
La Cornue SAS (France)
Northland Corporation (USA)
Waterford Stanley Limited (Ireland)

Other UK:
ARG Estates Limited•
AFG Management Limited
AFG Manufacturing Limited
AGA Rangemaster Properties Limited •
AGA Rayburn Limited
ARG Corporate Services Limited •
Astec Holdings Limited
Cranmore Property Limited•
Fired Earth Limited•
Grange London Boutique Limited
Mercury Appliances Limited•
Headland UK Limited•
Rangemaster Classic Limited
Rayburn Cooking and Heating Appliances Limited
The Coalbrookdale Company Limited•

NOTES TO THE ACCOUNTS

18. Contingent liabilities and commitments

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 its subsidiaries and the relevant liabilities are included in the balance sheet.

At 31 December 2016 the company has no outstanding bank guarantees.

The company has no other material contingent liabilities arising in the normal course of business at 31 December 2016 (2 January 2016: £nil). The company had no capital commitments (2 January 2016: £nil).

19. Related party transactions

The company has taken advantage of the exemption permitted by FRS 102 not to disclose any transactions or balances with entities that are wholly owned by The Middleby Corporation.

20. Ultimate holding company

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

The company's ultimate holding company and controlling party is The Middleby Corporation. Copies of the consolidated financial statements of The Middleby Corporation can be obtained from the company at 1400 Toastmaster Drive, Elgin, Illnois 60120, USA.