Company Registered Number 354715

AGA RANGEmaster

Group plc

ANNUAL REPORT & ACCOUNTS **2010**

INTRODUCTION

AGA Rangemaster is a specialist in range cooking and kitchen living The Group is known for its longstanding heritage and technical excellence and innovation Its primary production facilities are in the UK and in Michigan, USA and it has, through its renowned brands, a strong international platform for expansion

William McGrath, Chief Executive commented on the 2010 full year results "Our two core brands, Rangemaster and the classic AGA, put in strong performances and were key to the near 6% revenue increase we saw during 2010 We expect similar trend lines in 2011 in spite of the clouds over consumer markets Strong finances, good operational gearing and investment in new products were the themes of 2010 which will bring clear cut progress in 2011"

Contents:

Strategic and operational highlights

- Revenues rose nearly 6% to £2591 million in the year, operating profit before amortisation increased to £6 9 million (2009 £01 million) and profit before tax including pension curtailment gains was £19 9 million (2009 £0 5 million)
- Net cash rose to £34 6 million from £28 0 million at the end of 2009 and £5 8 million at the end of 2008 reflecting continuing tight cost and cash flow management
- Dividends were restored for the year at a total of 1 7 pence per share (2009 nil) - a sign of the Group's confidence in its prospects
- Product development programmes of recent years are now providing traction in existing and new markets We expect this to support the trend for range cookers to take share from equivalent built-in formats

Year to 31st December	2010 £m	2009 £m
Revenue	**2591**	245 0
EBITDA (before non-recurring costs)	**29 8**	12 6
Operating profit before amortisation	**6.9**	01
Operating profit/(loss)	**51**	(1 5)
Profit before tax	**19 9**	0 5
Basic earnings per share	**21 7p**	2 5p
Total equity	**1671**	134 3
Total dividend	**1 7p**	-
Net cash	**34 6**	28 0

CHAIRMAN'S STATEMENT

Overview

2010 saw good progress by the Group as we focused on range cookers and kitchen living despite the exacting conditions and our core consumer markets remaining subdued Particular features of the year were

- The restoration of revenue growth - up nearly 6% at £2591 million - with positive trend lines continuing through the year
- The appreciable improvement in operating profits before amortisation to £6 9 million (2009 £0 1 million) and £5 1 million (2009 £1 5 million loss) after amortisation
- The further strengthening of our net cash position to £34 6 million from £28 0 million a year ago meaning we have seen the Group's net cash balances increase by nearly £29 million in the last two years
- The further integration and streamlining of our operations boosting operational gearing as we use our Rangemaster developed business processes across the Group This was seen with AGA and Rangemaster in the UK and Heartland and Marvel in North America
- There is now a net surplus in the pension schemes on an accounting basis and the indications are that the deficit has fallen appreciably on an actuarial basis
- The product development work of recent years is now bringing substantial benefits seen, for example, with induction ranges and with the new Rangemaster 100cm lines We expect new products to make a substantial impact in 2011

These factors taken together underpin the confidence of the board in both the resilience and the prospects for the Group which is reflected in the restoration of dividend payments

Trading performance in 2010

2010 saw a steady pick up in the level of sales with revenues of £2591 million, up nearly 6% at the full year having been up 4 8% at the half year Of sales in 2010, 63% were in the UK and 37% internationally as we look to progress towards our 50% KPI target for international sales

Profits increased as the operational gearing benefits of higher revenues showed through In the year there was also a significant curtailment gain arising from the freezing of final salaries in the pension scheme which amounted to £16 3 million Taking this and other non-recurring items into account profit before tax was £19 9 million compared with £0 5 million in the prior year

Given the strengthened financial and cash positions, the board is proposing a final dividend per share of 1 0 pence for the year bringing the total for the year to 1 7 pence per share

Strategic progress

The board's first objective since the market turned down sharply in the second half of 2008 has been to secure the position of the Group through tight financial management – the importance of the task heightened by the relative size of the operations and the pension scheme

The cost cutting actions made early in the recession have been followed up with a series of steps to integrate our operations more closely in order to achieve efficiency improvements These have worked well The cost base is now significantly lower than it was heading into the recession and we have 20% fewer employees than three years ago We expect over 40% of incremental revenue to feed into operating profits We have also kept our focus on the well-established positions and the continuing potential of our brands to see how they can continue to generate the growth necessary to create the value increases expected by our shareholders

Cara insert stove

AGA Rayburn solar panels

Our plans to develop the business are then reflected in the progress made at Rangemaster Since the repositioning in 2002 the brand and operation has moved from breakeven to delivering the Group's KPI target of 10% return on sales We have a factory in Leamington Spa which uses modern robotics to ensure our cooking cavities are the best in the sector We are the first range cooker manufacturer to receive Energy Saving Trust certification across all its dual fuel and induction cookers Progress continues to come from product innovation We have succeeded in making induction a mainstream rather than a specialist technology due to the price points we have and it now accounts for almost 10% of Rangemaster cooker volumes Progress comes from closely working with our dealers - over 200 of which have Rangemaster Design Centres - and we have expanded the brand offering so that for every pound spent on Rangemaster cookers in the UK a further 30 pence is spent on other Rangemaster appliances Growth also comes from international expansion with almost a quarter of cooker sales volumes being outside Britain We are now looking to raise that proportion to over 30%

We believe that our cast iron cooker portfolio will see sales growth as our product development programmes align our products with changing consumer needs Research shows that it is the combination of a 'warm welcome home' alongside cooking quality that has attracted generations of households to AGA, Rayburn and Stanley With the modern programmable AGA in particular, the AGA is more flexible operationally and will, in future, become still more so The electric AGA can play a part in helping make use of renewable energy generated locally - a key way to avoid the transmission losses suffered by the electricity grid With Rayburn and Stanley we have added condensing boilers and more adaptable fluing as we drive the idea harder of having a single appliance at the heart of the home providing cooking, hot water and central heating Here again our engineers have worked out how to make our products part of a system incorporating renewables - through our Eco-Connect packages We also have in place an installation arrangement with the Mark Group for solar hot water and solar electric panels

We believe that customers want to buy a wider range of complementary products for their home and in particular, kitchen needs - hence our ownership of Fired Earth and Grange Fired Earth has struggled for some years to be profitable in spite of being widely appreciated for its product leadership and brand We have now narrowed the product focus of Fired Earth keeping tiles as the dominant range and have supplemented our offering through the 'Tile Basics' range which widens the pricing spectrum Our KPI remains to return Fired Earth and Grange to overall profitability and progress has been made during the year

We also took the further step to help ensure Fired Earth achieves its KPI target by bringing in the experienced retailer and venture capitalist, Andrew Manders, to run Fired Earth on an interim basis and to assess a long-term operational framework for the business Fired Earth now operates off a lower fixed cost base with higher net margins reducing the run rate of losses - although sales revenues are flat

Kitchens are also a key part of the Grange and Fired Earth's product portfolio and Charlie Smallbone has also developed three new kitchen ranges for them - made by Grange in France They are helping to attract a wider and energetic range of dealers internationally to the Grange brand The idea of showing a complete kitchen including appliances may prove to be the model for the future for AGA, La Cornue and Grange in international markets as well as for Fired Earth in the UK

CHAIRMAN'S STATEMENT CONTINUED

People

The enthusiasm and energy of our employees has been a particular feature of the year We have adapted well to new ideas and processes that will ensure we are competitive and have the quality and innovative products required by our customers

Peter Tom left the board after six years in which he made a major contribution to the Group's strategic development, latterly as senior non-executive director He was replaced by Paul Dermody as senior non-executive director, and Jon Carling whose career has been in design and engineering within the premium car industry - notably Jaguar and Aston Martin - and who has recently joined Rolls-Royce aero-engine operations

Current trading

The reduced cost base and increased efficiencies made over the past three years means that the Group's operational gearing should, with revenue growth, bring good progress We have planned for continuing growth in revenue However, as the factors affecting trading (the UK housing market and consumer confidence) remain fragile, we are ready to respond to difficult market conditions Our new product launches will, we expect, have a positive impact The focus on cash management and costs in recent years will be sustained

AGA and Rayburn started 2011 encouragingly, with strong marketing and product launch programmes in place, already reflected in lead generation and home survey numbers We expect the 2010 bounce-back in sales to be sustained For Fired Earth the stronger end to 2010 has given way to a more volatile start in 2011 Our upgraded transactional website is performing encouragingly Rangemaster has had a sound start to 2011, with UK orders satisfactory so far this year and more progress being achieved on the continent The North American markets continue to be quiet

We have confidence in the strategic direction we have taken in recent years - even though our consumer markets have been buffeted by challenging economic conditions The systematic work to improve our operations and the focus on niches in our market places where we can expand our market positions with relevant and exciting products does provide expectations for strengthened financial performance We, therefore, expect 2011 to be a year of clear cut progress

John Coleman
Chairman
11th March 2011

Induction cooking is becoming mainstream in the UK, and is available across the Rangemaster, Falcon and Mercury brands demonstrating our ability to develop and apply patentable technology

Renowned for its energy efficiency, induction cooking offers consumers a safe, cool cooking option that is feature rich, incredibly flexible and more responsive than other options All Rangemaster induction models are the first and only ovens and hobs to date to receive Energy Saving Trust certification

The efficiency of an induction hob depends on a number of factors and the choice of cookware is key Cookware sold by AGA and Divertimenti is a significant part of our product offering With sales growing rapidly online, 2010 was a strong year The high recognition of Divertimenti as London's premier cookware outlet is underpinned by our successful cookery schools which attract many top chefs to lead classes each term

CHIEF EXECUTIVE'S REVIEW

Grange has developed a highly functional coffee table for contemporary lifestyles which has four or six sections which can be repositioned to provide sofa tables - ideal for TV dinners and for watching or using laptop computers

Business and finance review

2010 saw improved results due to operational process efficiencies, our strengthening product portfolio, and our continued focus on leveraging our market leading brands This all helped improve results, despite our markets remaining quiet A good lead indicator has been mortgage approvals in the UK which picked up in late 2009 and then remained largely flat during 2010 at levels under half the market peak of 2007 Mortgage approval levels have started slowly in 2011 The UK appliance markets were marginally ahead with our core sub-sector of range cookers performing better than the wider cooker market The North American appliance markets were up 3 3% with the premium end weaker, most notably in the second half of the year

Against this background, we worked methodically to raise efficiencies The integration of AGA, Rangemaster and Stanley into one structure has worked well and there are now closely identified projects within the manufacturing, distribution and service support areas of the business that will bring further benefits Similarly, in North America AGA Marvel is now operating as a single operation using methodologies created in the UK for AGA Rangemaster In November 2010 the transfer of hot side production from Kitchener near Toronto to our manufacturing and distribution hub in Greenville, Michigan took place Such efficiency improvements are critical given renewed cost pressures as commodity and component prices rise We have an Asian Sourcing Office based in Hong Kong which ensures we have a flexible approach to international sourcing The team is also part of the push to sell our products into emerging markets In all our markets we keep close control of key inputs like steel, electricity and gas taking hedged positions where economical and practical whilst also looking to mitigate inflationary pressures through selling price increases Our two-year electricity and gas deal entered into at the end of 2009 has, for example, proved worthwhile as prices have subsequently risen sharply We feel that we have fundamentally reduced the cost base and that there is deliverable operational gearing available to the Group

Cast iron cookers : AGA, Rayburn and Stanley

2008 and 2009 saw sharp falls in demand for cast iron cookers, most notably in Ireland In 2010 AGA sales partially recovered but Rayburn and Stanley sales did not Overall with sales of 11,650 units we moved further away from our 2007 sales level and our KPI of 19,600 units The improved AGA sales reflected the return of some confidence to our customer base Our good lead generation was helped by our 'Official Guide' to purchasing an AGA which summarises the key features of why so many people love and cherish their AGA and how easy to buy and how flexible the modern products are We are now looking to have AGA cookers in more kitchen specialist stores showing the AGA in modern kitchen formats where built-in lines are typically found We have also segmented our market by focusing inter alia, on 'entry level' prices, notably with the two-oven oil AGA at £4,995 and the emerging markets for home energy management with the new Kidderminster centre Trade up programmes and burner upgrades to add programmability to existing models have become a well-developed and a noteworthy adjunct to the business We are also expanding our 'grass roots' contact with consumers through our 2010/2011 sponsorship of the AGA Ladies' Point-to-Point races, which will culminate in the final at Cheltenham on 4th May

Rayburn has seen a complete product line overhaul in the last four years The 600 Series is steadily building a position in the oil and gas market given its 'A' rated condensing boiler and its larger ovens We are adding a conventional flue model to a power flue option which materially expands the target market for Rayburn by simplifying many installations In 2010 demand was lower for wood burning models - a

Rangemaster DxD fridge freezer

Fired Earth Jura washstand

Rayburn 600 Heatranger

Marvel Premium dual zone wine centre

trend we expect to see reverse as the oil price moves back up We have looked again at our routes to market and are working to establish closer links in the heating and plumbing specialist sector to emphasise that the Rayburn or Stanley can be the hub of a domestic heating system - potentially incorporating renewables such as solar collectors where systems need to be integrated Our expanded presence in the stove market supports this trend Indeed, success in stoves was central to sustaining our position in what were exceptionally difficult markets in Ireland The Cara insert stove - which makes a solid fuel fire up to three times more efficient than an open fire - helped stove volumes in Ireland rise 30%

Rangemaster cookers and other appliances

2010 was another successful year for the Rangemaster operations Cooker volumes were up by nearly 5% to 63,900 - still well short of the 76,000 units established as the base level KPI in 2007 The capacity of the Leamington Spa factory is 100,000 units The product manufacturing efficiency programme continues to be strong - seen, for example, in the expanded use of robotics and specifically the new internally designed and patented single piece base frame providing solidity to the products

The range cooker market outperformed the overall cooker market in the UK We are determined to underline the virtues of having a range at the heart of the kitchen moving the centre of gravity of a household from the sitting room to the kitchen and how it brings greater flexibility than built-in equivalent products and can often be less costly We now have a strong overall portfolio of products with refrigeration lines including side-by-side and integrated models We continue to expand our continental operations, building up

CHIEF EXECUTIVE'S REVIEW CONTINUED

This new La Cornue premium kitchen incorporates a La Cornue range, a rotisserie, refrigeration and wine conservation units and elegant cabinetry

design centres equivalent to those in the UK With induction sales growing rapidly and with the 100cm models starting to impact in a sub sector of the range cooker market in which we previously did not have a product offering, and with new designs being prepared for launch, volumes are expected to rise further this year

Our Nottingham plant makes specialised parts for our cookers and is also the last significant domestic stainless steel sink manufacturing facility in the UK We have been investing to enhance our design capabilities expanding our Rangemaster sink brand alongside our trade brand, Leisure

In North America, AGA Marvel had a tough second half as the housing market remained slow and higher end appliances struggled as a sub sector Our hot-side operation, encompassing sales of Heartland and AGA branded cookers, was quiet We have integrated our dealer structures to have the strongest offering possible - acting as distributor ourselves in Canada Our product portfolio has been strengthened with new Energy Star rated products, a new forced air platform for beverage centres and a clear door refrigerator All these new lines made in our factory in Michigan will enable us to benefit quickly when market conditions improve

Cookware - sold by AGA and Divertimenti - is a significant part of our product offering 2010 was a strong year and online sales grew rapidly The great reputation of Divertimenti and its two flagship London stores was underpinned by our successful cookery schools which attract top chefs to lead termly classes and by suppliers looking to Divertimenti as a natural partner when launching new products At AGA we are launching complete new ranges of cast iron and stainless steel saucepans this spring in order to tap into the considerable growth opportunities in the cookware business

Fired Earth made a loss as revenues were flat Larger bathroom and kitchen installations were slow but the tile business, backed by the launch last spring of the 'Tile Basics' range saw revenues up 3% with orders up 5%

Grange was close to breakeven in Europe with rationalisation in France now producing a good balance with our Romanian factory established in 2004 Our modular lines, typified by bespoke wall-to-ceiling bookcases, represent 20% of sales and continue to gain recognition Our dealers see Grange's heritage supplemented by modern design as making Grange a growing force in their market places Our innovative multi-functional coffee table epitomises the new vibrancy of Grange

It is in North America, where Grange has a fixed cost rental structure and with revenues flat at $7 million, that it continues to make losses New products increased sales to key specialist customers and the benefits of systematic marketing initiatives provide a basis to expect continuing progress in 2011 Working more closely with the Group's customer database is key to improving performance We continue to develop our approach to customer relationship management

Customer relationship management

By focusing on the first 60 days after initial enquiry and tailoring our responses to each enquirer, we have increased the conversion ratio from enquiry to order across our brands, most notably within our own AGA Shops in the UK Leveraging the Group's customer database remains one of our key KPIs Our database of over 1 3 million households continues to grow, enabling us to contact prospects and customers about news and events

We have increased our contact with the people on our database through various channels, including online, where we have developed our website, email and social media interaction As a result of this, we are pleased that central brochure requests have increased by 30% while online sales have increased by 40% in the past year

Pension funding

The Group's main pension scheme is large relative to the size of the Group On an IAS 19 accounting basis at 31st December 2010 the Group's pension schemes had a net surplus of £71 million on assets of £759 5 million compared to a deficit of £40 5 million in 2009 This will give rise to a net pension credit of circa £3 0 million in 2011 (2010 £0 1 million)

The main pension scheme's last formal triennial actuarial valuation was as at 31st December 2008 The current recovery plan put in place on completion of that valuation requires payments or guarantees of £2 million in 2011, £10 million a year from 2012 to 2020 inclusive, and a bullet payment of £48 million on 31st December 2020 The indications are that the actuarial position has improved appreciably

Three years ago the Company reached a long-term funding agreement with the trustee of the scheme to make the scheme fully funded on a self-sufficiency basis by 31st December 2020 This agreement is intended to provide a new recovery plan from the 2011 triennial actuarial valuation The Company continues to provide £50 million of guarantees in support of the Group's potential obligation to the scheme in 2020 under the agreement

In the meantime the Company and trustee continue to look to take steps to reduce the risks and minimise the volatility of the scheme and to take measures such as the freezing of current member pensionable salaries which will manage down the potential exposure of the Group in the long run

Finance strategy

The Group seeks to maintain a strong balance sheet to fund its development opportunities whilst also being mindful of the scale of the main pension scheme

The Group has continued with a rigorous and disciplined approach to cost and cash management The result is both improved profitability and an increase in net cash from £28 0 million at the start of the year to £34 6 million at the end of 2010 We therefore have the financial resource to assist the Group to pursue its development plans

Revenue

Group revenues increased by 5 8% to £259 1 million from the £245 0 million reported in 2009 Second half revenues of £135 7 million were up 6 7%, an increase over the growth experienced in the first half when revenues were £123 4 million, up 4 8% on the £117 8 million reported in the first half of 2009 Of total revenues 37% were outside the UK (2009 36%)

Operating profit

The operating profit for the year was £5 1 million, much improved from the loss of £1 5 million reported in 2009 The second half profit of £4 3 million followed on from a first half profit of £0 8 million as the Group benefitted more fully from the operational efficiencies implemented in 2008 and 2009

Non-recurring costs

Non-recurring costs in the year totalled £1 4 million The cost of transferring our hot-side business from Canada to Greenville was $1 0 million (£0 7 million) and is expected to deliver cost savings of $0 9 million in 2011 Integrating the sales distribution structure for the Group in Ireland cost £0 3 million Stanley is now the Irish local distributor for our appliance brands in Ireland In addition, there were headcount reductions at AGA and Fired Earth

Finance costs

Net finance costs for the year were £0 2 million (2009 £0 2 million finance income) During the year the average interest rate on cash deposits was 0 3% and over 1% on borrowings, which was primarily the cost of currency loans held for hedging purposes

CHIEF EXECUTIVE'S REVIEW CONTINUED

Le Bain de Bateau from Fired Earth's bathroom collection

Stanley Supreme

Profit before tax
Profit before tax in the year was £19 9 million (2009 £0 5 million) and included a pension curtailment gain of £16 3 million as we froze the pensionable salary for all scheme members whose salaries were not frozen in 2009

Taxation
The Group's tax charge was £5 0 million (2009 £nil) on profits before tax of £19 9 million The Group tax rate was 25 1%

Moving forward the Group expects to pay tax at around the UK standard rate of 27% once the benefit of the tax losses arising during the economic slow down have been utilised

Earnings per share
Basic earnings per share were 21 7 pence (2009 2 5 pence) based on an average number of shares in issue of 69 2 million (2009 69 2 million)

Dividends
The board is proposing a final dividend of 1 0 pence per share making the full year dividend 1 7 pence (2009 nil pence) The cash cost of the total dividend for the full year will be £1 2 million The final dividend will be paid on 3rd June 2011

Cashflow
The Group has continued with its disciplined approach to cash management The outcome was cash flow generated from operating activities of £15 7 million in the year which followed on from the £25 3 million generated in 2009 and resulted from a determined effort to destock further and manage working capital down in the face of difficult economic conditions

The net inflow from working capital in the year was £8 7 million (2009 £22 9 million)

Capital expenditure including intangibles in the year totalled £5 7 million compared to £8 1 million in 2009 (which included a £2 8 million payment on the AGA Marvel facility in the US) The depreciation and amortisation of intangibles charge in 2010 was £8 3 million (2009 £8 7 million)

The resulting net cash position at 31st December 2010 was £34 6 million (2009 £28 0 million)

Other items
The Group received cash of £7 6 million on 7th January 2011 on the exercise of an option held by Niagara Corporation to acquire the freeholds of certain properties used by operations it acquired from the Group in 1999 Net income in 2010 from these properties was £0 8 million following a rent review in 2009, and the sale will give rise to a book profit in 2011 of over £0 6 million

The Group expects a judgment from a German court this year relating to the valuation of a minority shareholding in a business which the Group acquired in 1998 and sold in 2001 A provision to meet possible costs arising has been maintained for some years

Key risks and uncertainties facing the Group
The board regularly reviews the risks faced by the Group, including social, environmental and ethical issues The directors consider the major risks to delivering the Group's strategy are those set out on pages 12 to 13 The board recognises the profile of the risks changes constantly and additional risks not presently known, or that are deemed immaterial, may also impact on delivery of the Group's strategy Details of our systems of internal control and risk management are set out on pages 30 to 32 of the corporate governance report and this describes the processes through which risks are assessed, managed and mitigated

Our range of Grange made kitchens - designed by Charlie Smallbone - is sold under the Fired Earth brand in the UK and as part of the Grange Cuisine collection internationally Aesthetic styling runs from the much-loved traditional Bastide through classic Moderne and on to the on-trend and stunning Night & Day shown above

KEY RISKS & UNCERTAINTIES

RISK	POTENTIAL IMPACT	STRATEGY TO MITIGATE
Competition Competitors introduce upgraded products and add to marketing programmes Downward pressure on pricing if sector accepts lower margins	Market share could be lost to competitors without continuing product innovation and strong marketing support Reduced demand for our products and negative operational gearing if we were to become less price competitive	• Introduce new products that are well researched and market tested • Investment in new product development and design capabilities • Monitor our market position and competitor strategies • Constant value engineering programmes to be price competitive
Customer/supplier relationships Some key relationships are central to trading performance	Loss of critical suppliers/customers could have a material impact on individual company volumes Interruption to supply can stop production and impact profitability	• Sales teams meet regularly with senior management of key customers • Regular monitoring of customer service • The supply chain team holds regular review meetings with suppliers • Where possible we maintain multiple supply sources • Group seeks to avoid one sales account or supplier being material to overall performance
Dividend policy Weak markets and pension scheme volatility could impact the Group's ability to be progressive with dividend payments	Low dividend levels restrict the investment case	• The Group maintains a medium-term dividend cover policy of it being covered 2 5 times out of fully taxed earnings
Economic conditions The economic environment may impact consumer spending plans The global economic recovery could increase raw material prices further	A lack of consumer confidence may reduce Group sales, primarily of consumer appliances and household products impacting production levels and profitability Reduced profitability, availability and quality of components	• The Group monitors economic conditions in particular housing market trends in the UK and the US • The Group seeks to diversify sales away from the UK to reduce individual market dependency • Internal processes continually monitor prices and the availability of raw materials • Use of our Asian Sourcing Office
Environment Manufacturing our product impacts the environment Energy to run our products is excessive	Failure to manage our environmental impacts could damage our brand, lead to government/ regulatory actions resulting in fines or enforcement notices	• We invest to improve environmental performance • We have environmental impact targets as part of our ISO 14001 2004 and Environmental Management System programmes • We undertake to be a responsible manufacturer and ensure compliance with all new production regulations • We treat effective energy management in the home as a priority • The results are monitored at board level

RISK	POTENTIAL IMPACT	STRATEGY TO MITIGATE
Financial Foreign exchange and interest rates as we manufacture and sell across the world	Significant movements can impact both profitability and cash flow of the Group	• The Group offsets currency flows within the Group wherever possible • Forward foreign exchange contracts are entered into where necessary • Treasury policy sets the framework for hedging currency and interest rate risks
The Group uses bank facilities that require renewal from time to time See note 19 to the accounts for further details	Underperformance could lead to breaches in bank covenants, a lack of finance availability and increased costs	• Covenants are maintained against forecasts • Consistent dialogue held with banking group
Intellectual property Failure to identify the violation of our rights could lead to unfair competition	Others may imitate our products breaching our patents, trademarks and copyrights damaging our brands and profitability	• Monitor the market to identify breaches of our proprietary rights • Take legal action wherever appropriate
Legal and regulatory The Group fails to comply with regulations in the markets in which it operates	The Group could be held liable with both a reputational and a financial cost	• The Group is committed to good practice and risk compliance
Manufacturing External events, fires or workforce action could disrupt production	Disruption to manufacturing for a sustained period can impact profits	• Disaster recovery plans are in place at all operations • Manufacturing technology is shared so that best practice levels are maintained • Maintain regular communication with workforce/unions
Manufacturing techniques and processes can become outdated	Product lines age or become obsolete or uneconomic	• Investment in new technologies and equipment is prioritised • Ensure business operating standards are high as seen in ISO 9001 2008 and ISO 14001 2004 accreditations
Pensions The funding requirement of the Group's pension scheme could increase significantly	The finances of the Group could be significantly constrained by required pension contributions	• The Group and the trustee have agreed a long-term funding structure and manage closely both assets and liabilities
People Health and safety	Failure to meet the appropriate standards can have a significant impact on our people, damage the brand and lead to significant financial and operational costs	• We are committed to the highest standards and conduct regular audits as seen in our BS OHSAS 18001 2007 accreditation • Health and safety is a key agenda item at operational and board meetings
Failure to attract, retain and motivate employees	Loss of key people could damage the future prospects of the Group	• Incentive and remuneration packages are designed to attract, retain and motivate key staff • Succession planning is in place and reviewed regularly by the board

CORPORATE SOCIAL RESPONSIBILITY

The AGA Ladies' Open Championship Series of twenty nine races at Point-to-Point events around the country, culminates in a final at Cheltenham on 4th May

Introduction
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, safety and environmental programmes and our engagement with employees, customers and other stakeholders As a manufacturer and supplier of range cookers, kitchen and related home fashions product, 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 recyclability and to utilise eco-friendly and sustainable energy solutions

In addition to this report, the Group provides CSR related information on its website and its 2010 CSR report will be published online in May 2011 The CSR report will include further details of our policies and performance with case study examples describing policy implementation and effectiveness

Management of CSR
The chief executive is accountable to the board for the Group's CSR policies and procedures He is supported by the Group HR director and by the senior management team The management of each operation has responsibility for CSR and is accountable to the chief executive in respect of all CSR matters Environmental, health and safety policies are included in the schedule of matters reserved for board approval and CSR is included in the ongoing risk management process

In 2010, the Group continued with its programme of internal CSR audits which complement the implementation of ISO 9001 2008, ISO 14001 2004 and BS OHSAS 18001 2007 The internal audits cover a range of compliance matters and are undertaken by functional specialists reporting to the Group HR director with support from external advisers, where appropriate

During the year, six operations were covered by the CSR/ compliance audit process which assists with the development of benchmark standards of best practice across the Group To support this we implemented an online improvement notice system to streamline the issue resolution process across the Group In addition to audit related and general health and safety and environmental opportunities, the system is also used to monitor and implement other commercial, supplier and delivery related issues and improvements

The AGA Rangemaster Group participates in the Carbon Disclosure Project and 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

Employment and stakeholder engagement
The Group engages in proactive two way 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 reviews of the impact of our operations on local communities

Management hold face-to-face briefing sessions to keep employees informed of developments across the Group and to receive feedback Employee communications are supported by local newsletters The Group-wide intranet is regularly updated with information from all Group companies and is used as a communications medium and to reinforce policies and common themes, including in relation to health and safety, environmental, core values and employee benefits We continue to develop content and comments from employees are welcomed Employees are encouraged to access the Group's websites and intranet During 2010, we extended awareness to include employees who do not have access to computers as part of their duties

Some 73% of our employees are located at operations which have official union recognition and local management hold regular meetings through either trade union or works council forums

Human resources
We recognise that our people are key to the Group's ongoing success and the Group HR director takes an active role in developing and embedding best practice and procedure benchmarking around the Group

During the year, the Group employed an average of 2,580 people in seven countries Some 71% of our staff are located in the UK, 19% elsewhere in Europe and 10% in North America 99% are permanent employees, 71% are male and 29% are female Of those in management roles, including retail managers, 59% are male and 41% are female

Voluntary staff turnover during the year was on average 9% across the Group Total staff turnover was 12%

As trading conditions improved through 2010 each of our operations worked closely with employee representatives to transition back to full time working and to ensure the appropriate deployment of employees to meet the growing demands of the organisation

Human resources policies
The Group's policy is to invest in its people and to encourage them to develop to their maximum potential according to the needs of our operations and our 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 and others to report any breaches of the Code of Conduct, fraud or any other criminal acts in confidence and without fear of retribution All employees worldwide may use the internal whistleblowing 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 investigations and action undertaken

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 that its operations comply with its equal opportunities policy and it does not tolerate harassment or discrimination in any form Each operation must ensure 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

Training and development
The Group invests in the capabilities of its employees and encourages them to be involved fully in their development and training Some 1,215 days of 'off-the-job' training were recorded during the year This is in addition to 'on-the-job' and 'tool-box training'

- A total of 66 employees in the UK recently completed the in-house management programme This was launched in 2009 with the Institute of Leadership and Management and focuses on leadership, management and supervisory skills
- A total of 160 manufacturing, warehouse based and customer service employees completed National Vocational Qualifications ('NVQs') in the UK
- At the AGA Rangemaster sites in the UK, a number of apprentices have been recruited, including technicians to take up positions in the maintenance and prototype teams and production apprenticeships destined for the shop floor Alongside this intake of new recruits a pilot development programme has been initiated for a group of existing employees who will complete relevant NVQs in manufacturing

CORPORATE SOCIAL RESPONSIBILITY

The AGA Marvel workforce at Greenville, Michigan celebrate achieving ISO 9001 2008 and ISO 14001 2004 accreditation

Environmental, health and safety
The Group 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 well-being of others The Group is committed to the continuous improvement of its environmental, 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 included in our 2010 CSR report

The Group's EHS policies are underpinned by detailed procedures within each of the Group's operations Management 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 objectives and targets are set for improvement and for the benchmarking, leveraging and the promotion of best practice As noted above, the system of CSR/compliance audits supports this work and external consultants are utilised when specific needs arise Performance is regularly reviewed by the board

Health and safety targets and performance
It is important for 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

The Group uses a number of key performance indicators ('KPIs'), to monitor accident frequencies, accident causes and the amount of time lost at all operations and sets annual improvement targets

All our locations have health and safety management systems in place and the Group's four UK manufacturing sites are accredited to BS OHSAS 18001 2007, the occupational health and safety standard During 2011, our objective is to achieve accreditation at four further locations, including our two sites in North America

Our long-term aim is to have no accidents, and we made progress towards this goal during the year Across the Group the frequency of lost time accidents ('LTAs') per 100,000 hours was down by 25% to 0 69 LTAs per 100,000 hours worked This was ahead of our improvement target of 5% The lost time due to accidents as a proportion of working time was down by 45% to 0 13% against our 15% improvement target This was due to the reduced accident frequency and a 26% reduction in the average lost time per LTA to 23 days which was ahead of the targeted 10% reduction The improvements are due to our embedded risk management practices and 'return to work' initiatives which apply universally but specifically target locations with below average performance

We monitor accident causes on a consistent global basis, with the most common cause of accidents across the Group being cuts and abrasions We will continue to focus on reducing accidents in this area, particularly at locations with below average performance

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

Birchfield Harriers has had four Commonwealth heptathlon champions since the Group started sponsoring the club in 1984 Judy Simpson, Denise Lewis, Kelly Sotherton and Louise Hazel are shown here at an AGA fundraiser for the Birchfield athletes for London 2012

PELLIER NOIR

report covers 100% of Group revenue Further details of our performance will be included in the 2010 CSR report

The Group's CO_2 emissions intensity during 2010 was up 2% on the prior year at 105 tonnes per £million of sales which is not on track to achieve our target of a 5% reduction over the two year period 2010-11 Total 2010 CO_2 emissions due to energy use and in-house transport were some 28,630 tonnes, up from 25,963 tonnes in 2009 but less than the 32,525 tonnes emitted in 2008

Waste intensity increased by 6% in the year to 32 tonnes per £million sales Our target is for a 5% reduction in waste intensity over the two year period 2010-11 Total waste was 8,739 tonnes which is up from 7,652 tonnes in 2009 but was lower than the 9,276 tonnes reported in 2008 The proportion of total waste which was recycled was 71% during the year which was lower than the 74% achieved in 2009 but above the 62% reported in 2008

The small increase in CO_2 emissions and waste intensity during 2010 was the result of manufacturing transitioning back to full time working during the year

Achieving reductions in water use was a major focus during the year As a result, water use was down 28% to 51,616m^3 (2009 restated 71,990m^3) and water intensity was down 34% during the year to 189m^3 per £million sales which is ahead of the target for a 5% reduction in water intensity over the two year period 2010-11

The Group supports the adoption and implementation of environmental management systems across its operations Ten locations have environmental management systems in place covering over 90% of sales from manufacturing sites AGA Marvel in Greenville, Michigan achieved accreditation to ISO 14001 2004 during the year, bringing the total number of accredited sites to four and the proportion of manufacturing site sales covered by ISO 14001 2004 to 49% During 2011 our objective is to achieve accreditation at a further five sites world-wide to increase the proportion of manufacturing sites accredited to ISO 14001 2004 to over 80% of sales

Environmental improvement initiatives

As the Group extends its accreditation to ISO 14001 2004 across its operations, we use accreditation as a platform for continuous improvement and harmonising best practice techniques through formal energy improvement working parties Where appropriate, successful energy improvement initiatives are disseminated across our operations For example

The AGA Marvel facility in Greenville reduced heating costs by utilising radiant heat from the powder paint plant to heat the factory during the colder months We are reviewing the feasibility of introducing similar schemes at our other plants

The AGA Rangemaster site in Leamington Spa successfully implemented rainwater harvesting techniques to reduce water use and we are now reviewing the potential to extend this to other locations

AGA Marvel undertook a project to reduce the amount of waste foam created in the refrigeration foaming process A process redesign encapsulating the foam within the cabinet will save approximately 45,000 lbs of foam annually, which would previously have been disposed of to landfill This new process has also created higher insulation values which has successfully aided our goal to create refrigeration units that require less energy and offer a smaller carbon footprint

Compliance

There were no environmental or health and safety related fines, penalties or prosecutions reported during the year

CORPORATE SOCIAL RESPONSIBILITY

OFTEC AWARDS FOR EXCELLENCE 2010

The AGA Rayburn Eco-Connect Panel was the overall winner of the Innovative Product of the Year at the OFTEC Awards for Excellence 2010, and the Rayburn 680 KCD was one of the runners up in the same category

Product stewardship
The Group continues to place great emphasis on consumer and environmental issues We are committed to minimising the environmental impact of our products during manufacture, in use and at the 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 recyclability During 2010, we set up a Group-wide forum to discuss product legislation and best practice on a global basis and to focus on new developments in this area and how these changes can be linked to support commercial business opportunities

We are also pursuing eco-friendly and sustainable energy solutions to help ensure that our products address increasing concerns over the use of energy and the related CO_2 emissions All Rangemaster branded induction and dual fuel cookers have been certificated by the Energy Saving Trust Only the most energy efficient products carry the Energy Saving Trust recommended logo, making it quick and easy for customers to find products that will cost less to run, contribute to savings on energy bills and help reduce environmental impacts (see www energysavingtrust org uk for further details)

The AGA Rayburn Eco-Connect Panel won the Innovative Product of the Year award at the OFTEC Awards for Excellence 2010 With the Rayburn cooker at its heart, the Eco-Connect Panel links a wide range of products which can include any or all of the following items - domestic hot water system, central heating system, wood burning stove, underfloor heating, solar hot water panels - ensuring that energy is intelligently drawn from the greenest source at all times without having to adjust buttons or switches (see www aga-rayburn co uk for further details)

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 first introduced an ethical trading policy in 2002 This 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 monitors the quality, design and availability of all sourced components and products, to ensure high standards are maintained 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

All print and paper sourced by the Group is accredited to Forest Stewardship Council ('FSC') and the Program for the Endorsement of Forest Certification ('PEFC') standards

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 90% of the Group's manufacturing capacity accredited to ISO 9001 2008

In the coming year we will further engage with our customers to reinforce our product stewardship and other customer related initiatives Our customer relationship management team keeps owners and potential owners of our products up to date on our new product and sales initiatives

Communications
Evolving technology makes it now far easier for customers - actual and potential - to communicate with the Group and with each other In addition, to working systematically to keep its web sites up to date, AGA Cookshop, Divertimenti and Fired Earth, in particular, have established and upgraded their transactional websites In addition, social media is an exciting and current development to which the Group is responding actively This can be seen with the AGA and Rangemaster brands' presence on Facebook and the Group's presence on Twitter

Community involvement
Each of our operations and their 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 operations also organise events and allow charities to hold meetings in their outlets

AGA Rangemaster employees at the Ketley site proudly sporting their NVQ certificates

Charitable initiatives include financial and product donations, equipment maintenance and employee involvement

During the year, the Group extended its links with educational establishments and supported a number of educational and developmental causes Examples include

- The Group continued to raise funds and awareness for The Place2Be - a national children's charity which works at a local level in schools across the UK providing emotional and therapeutic support to children, their families, teachers and other school staff The charity offers one-to-one counselling, group sessions, and lunchtime sessions at 'The Place2Talk' Our retail shops have hosted a number of fundraising events for The Place2Be throughout the country Many sold specially designed cupcakes, while others held cookery demonstrations During the year, the Group participated in the 'Place at the Table' campaign, which ran for a week in November 2010 It was designed to encourage people to mix and match fundraising ideas in ways that concentrated on social eating The campaign raised more than £7,500 for The Place2Be
- The Group is working in partnership with Knowledge Transfer Partnership ('KTP') and the Birmingham Institute Of Art and Design ('BIAD') The focus of the KTP is on renewable technology, undertaken by a recently qualified person, recruited to specifically work on a dedicated project The KTP will run for two years and enables new capabilities to be embedded into the business and has benefited and continues to benefit a wide range of businesses across many sectors
- AGA Rangemaster partnered with North Leamington Community School and Arts College as part of the CBI 'Business in the Classroom' initiative The aims of the initiative are to create long-standing partnerships between schools and local businesses with the ultimate objective to enhance students' employability by setting pupils the challenge to develop solutions to real-life business problems - in this case a three month project to develop a new induction training tool for new starters and visitors to AGA Rangemaster in Leamington Spa

In addition, the Group and its employees supported a number of other initiatives, including

- AGA Rangemaster employees in Leamington Spa continue to support Myton Hospice in Warwick as their chosen charity and, through payroll giving and fundraising events have to date raised a total of £24,000
- The Group continues to support Birchfield Harriers and its members as they target selection for the Great Britain team for London 2012 The Birchfield Harriers have been represented at every Olympic Games since 1908, bar one
- A number of employees supported cancer charities, including a sponsored 72 hole golf marathon to raise money for Macmillian Cancer Support, by running the 3 Peaks Challenge for Ovarian Cancer Action and in the Race for Life to support Cancer Research UK
- AGA Marvel in Greenville, Michigan worked with a local organisation to 'adopt' five less fortunate families in their local community Employees donated a wide range of gifts including, clothes, food, gift cards and childrens toys A number of employees volunteered their time to wrap presents and to deliver them to each of the families
- AGA Rangemaster in the UK is supporting the Ladies' Open Championship Series of races and will be hosting a race at each of 29 Point-to-Point race meetings throughout the UK, and culminates with a final at the Hunter Chase Evening at Cheltenham Racecourse on 4th May 2011

Details of other initiatives to support local charities and community events will be included in the Group's 2010 CSR report

Verification

In addition to our internal CSR audit programme, those operations certified to ISO 14001 2004 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 required the Group utilises external specialists as necessary The information in this CSR report is not subject to audit by Ernst & Young LLP

THE BOARD

John Coleman (B*,A,N*,R)
Chairman (independent)

John Coleman was appointed an independent non-executive director in March 2008 and became chairman of the board in May 2008 John chairs the nomination committee and became a member of the audit and risk and remuneration committees in January 2010 John is currently non-executive chairman of Holidaybreak plc and a non-executive director of Travis Perkins plc He was chief executive of House of Fraser plc from 1996 to 2006 He is a chartered management accountant

William McGrath (B)
Chief executive

William McGrath was appointed chief executive in March 2001 William joined the Group as finance director in October 1997 from Aggregate Industries plc 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

Shaun Smith (B)
Finance director

Shaun Smith 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 co-opted member of the audit committee of Birmingham City University He is a qualified treasurer and economics graduate

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

Jon Carling (B,A,N,R)
Non-executive director (independent)

Jon Carling was appointed an independent non-executive director in October 2010 Jon was appointed an executive vice president at Rolls Royce in February 2011 Prior to that he was chief operating officer at Aston Martin Lagonda and held a number of senior engineering positions with Jaguar Cars He is a graduate in mechanical engineering

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

Paul Dermody joined the board in March 2004 and chairs the audit and risk committee Paul became the Company's senior independent director in November 2010 Paul is a non-executive director of Majestic Wine PLC and Chairman of the trustees of The National Football Museum He was formerly chief executive of De Vere Group Plc He is a chartered management accountant

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

Paul Jackson joined the board in December 2005 and chairs the remuneration committee Paul has spent his career in advertising He started his career with Saatchi & Saatchi and later became executive managing partner and vice chairman of Ammirati Puris Lintas He joined Ogilvy & Mather, part of the WPP Group in 1999 He was a director at Ogilvy Group and Chief Executive of Ogilvy & Mather until 2007

Pam Sissons
Company secretary

Pam Sissons 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

DIRECTORS' REPORT

Directors' report
The directors present their report on the affairs of the Company and the Group, together with the financial statements and the independent auditor's reports for the year ended 31st December 2010

Principal activities
AGA Rangemaster Group plc is a public limited company incorporated in England, registered number 00354715, with its registered office at Juno Drive, Leamington Spa, Warwickshire CV31 3RG

The principal activities of the Group are the manufacture and sale of range cookers, kitchen and related home fashions product The principal activity of the Company is that of a holding company The principal trading subsidiaries and the countries in which they operate are shown on page 79

Business review
The Company is required under the Companies Act 2006 ('CA2006') to set out in this report, among other matters, a fair review of the business of the Group through a balanced and comprehensive analysis of the development and performance during the financial year and the position of the Group at the year-end, consistent with the size and complexity of the business

The chairman's statement on pages 2 to 4 and the chief executive's business review on pages 6 to 10 provide detailed information relating to the Group, its principal activities and strategy, its performance during the year and its prospects for future development opportunities Details of the principal risks and uncertainties facing the Group are set out on pages 10 to 13 Information relating to the environment, employees and stakeholders are set out in the corporate social responsibility report on pages 14 to 19 The corporate governance report is set out on pages 27 to 33 The statements and reports are incorporated into this directors' report by reference

This information is prepared solely to assist shareholders to assess the Company's strategies and the potential for those strategies to succeed The directors' report should not be relied upon by any other party or for any other purpose Forward looking statements have been made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including economic and business risk factors

Results and dividends
The profit attributable to equity shareholders for the period was £15 0 million (2009 £1 7 million) and is shown in the consolidated income statement An interim dividend of 0 7 pence per share was paid on 1st December 2010 The directors recommend a final dividend of 1 0 pence per share be paid on 3rd June 2011 to those shareholders on the register at 26th April 2011 This would bring the total dividend for the year ended 31st December 2010 to 1 7 pence per share (2009 nil) The payment of the final dividend is subject to shareholder approval at the Annual General Meeting ('AGM')

Post balance sheet event
On 7th January 2011, the Group received cash of £7 6 million on the exercise of an option held by Niagara Corporation to acquire the freeholds in certain properties used by the metals processing operations it acquired from the Group in 1999 Net income in 2010 from these properties was £0 8 million following a rent review in 2009, and the sale will give rise to a book profit in 2011 of over £0 6 million

Directors and their interests
The names and biographical details of those persons serving as directors of the Company as at the date of this report are shown on pages 20 and 21 Details of changes to the board during the year and of the directors offering themselves for election or re-election at the AGM are set out in the corporate governance report on pages 27 and 30 Details of directors' service agreements or letters of appointment are set out in the directors' remuneration report on pages 38 and 39

The interests of the directors in shares of the company and share options are set out in the directors' remuneration report in the tables on pages 37 and 41

Directors' indemnities
In accordance with the Company's articles of association, the Company has provided an indemnity to each of its directors in respect of liability incurred as a result of their office, to the maximum extent permitted by the law This provision, which is a qualifying third party indemnity provision as defined by section 234 of the CA2006, was in force throughout the financial year and remains in force The Company has also purchased and maintained throughout the same period appropriate directors' and officers' liability insurance coverage in respect of the Company, its subsidiaries, its directors and officers Neither the insurance nor the indemnities provide cover where the relevant director or officer has acted fraudulently or intentionally breached the law

The Trust Deeds to the Company's principal UK pension scheme includes the provision of an indemnity from the Company to the scheme trustee's directors, save in the case of gross negligence or conscious bad faith and only to the extent that the provision of the indemnity to such directors would not infringe applicable legal requirements

Articles of association

The board of directors may exercise all the powers of the Company, subject to the provisions of relevant statutes, the Company's articles of association (the 'Articles') and any directions given by a special resolution of the shareholders

The Articles, for instance, contain certain specific provisions and restrictions regarding the Company's power to borrow money Powers relating to the issuing and buying back of shares are included in the Articles and are subject to such authorities being approved annually by shareholders at the AGM, should the directors recommend that it remains appropriate to retain such flexibility The rules for the election and re-election of directors are set out in the Articles and are detailed in the corporate governance report on page 30 The Articles can only be changed by a special resolution passed in a general meeting of shareholders

Share capital

As at the date of this report, the issued share capital of the company is £32,467,604 divided into 69,264,223 ordinary shares of $46\frac{7}{8}$ pence each The Company does not have an authorised share capital following shareholder approval at the 2010 AGM of the deregulating provisions under the CA2006 Details of the Company's share capital are provided in note 22 to the accounts

All of the ordinary shares rank equally with respect to voting rights and rights to receive dividends On a show of hands at a general meeting every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote On a poll each share carries the right to one vote Deadlines on exercising voting rights are set out in the Notice of AGM and in the Form of Proxy

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation The directors are not aware of any agreements between holders of the Company's shares that might result in restrictions on the transfer of securities or on voting rights Under the Articles, the directors have the power to suspend voting rights where the holder of shares fails to comply with a notice issued under section 793 of the CA2006

Details of share-based payments can be found in note 23 to the accounts Participants in employee share schemes have no voting rights in respect of the shares subject to those awards until the allocations are exercised, at which time the shares rank equally with all other ordinary shares in issue No such schemes have any rights with regard to control of the Company

Under the Articles, the directors have authority to issue ordinary shares up to an aggregate nominal value of £10,818,136 (being approximately one third of the nominal value of the Company's issued ordinary share capital) as set at the 2010 AGM

Change of control

There are a number of agreements that take effect after, or terminate upon, a change of control of the Company, such as commercial contracts, bank facility agreements, guarantees, property agreements and employee share plans None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole Furthermore, the directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid

Substantial shareholdings

As at the date of this report, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, or through other disclosures, of substantial interests in the share capital of the Company as set out in the table on page 24

Employees

The average number of employees within the Group is shown in note 5 to the accounts The Group is committed to the fair and equitable treatment of all its employees, irrespective of sex, race, age, religion, disability or sexual orientation To this end, policies have been implemented to ensure this is practised at recruitment and then continues throughout an individual's employment with the Group The Group encourages recruitment, training, career development and promotion on the basis of aptitude and ability, without regard to disability It is also committed to retaining and retraining as necessary employees who become disabled during the course of their 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 The Group has a global intranet which employees can access which provides

DIRECTORS' REPORT CONTINUED

Notifying person(s)	% of voting rights and issued share capital	Ordinary shares of 46⁷⁄₈p each	Nature of holding
Pension Insurance Corporation Ltd	19 00	13,155,000	direct
J O Hambro Capital Management Group Ltd	11 03	7,639,309	direct
J P Morgan Chase & Co	6 15	4,256,476	indirect
Pension Corporation GP Ltd and others	5 34	3,698,229	direct
Prudential plc group of companies	3 89	2,694,715	direct
Legal & General Group Plc	3 81	2,644,302	direct

up to date information on developments around the Group Employee involvement in the Group's performance continues to be encouraged through share ownership Further details of the Group's human resources policies are provided on page 15 of the corporate social responsibility report

Charitable and political donations
Charitable donations made during the year were £36,386 (2009 £4,801) These donations were made across the operations principally to local charities serving the communities in which the Group operates No political donations or political expenditure were made during the year (2009 nil)

Research and development
Research and development plays an important role in the development of the Group Product innovation has been a key feature of the Group's strategy Development departments across the Group are increasingly working together to develop products for our international customer base The Group capitalises certain development spend under IAS 38 During the year, the Group capitalised expenditure on development of £1 7 million (2009 £1 7 million) The aggregate expenditure in the last five years has been £11 8 million

Supplier payment policy
The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment and to endeavour to abide by those terms and conditions, subject to the supplier performing to its obligations

Group trade payables at the year end equated to 76 days of related purchases (2009 77 days) The Company is a holding company and does not have trade creditors

Treasury management
The Group's policy on the use of financial instruments and the management of financial risks is set out in note 19 to the accounts

Going concern
The directors have assessed the financial position and the future funding requirements of the Group and the Company and compared them to the level of available committed borrowing facilities Details of cash and borrowing facilities are set out in note 19 to the accounts The Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk are set out in note 19 to the accounts

The directors' assessment included a review of the Group's financial forecasts, financial instruments and hedging arrangements for the 15 months from the balance sheet date The directors considered a range of potential scenarios within the key markets the Group serves and how these may impact on cash flow, facility headroom and banking covenants

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the chairman's statement on pages 2 to 4 and the chief executive's business review on pages 6 to 10 The directors also considered what mitigating actions the Group could take to limit any adverse consequences

Having undertaken this assessment, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and so determine that it is appropriate for the 2010 Company and Group financial statements to be prepared on a going concern basis

Disclosure of audit information

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information

Relevant audit information means information needed by the Company's auditor in connection with preparing his report This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the CA2006

Auditor

Ernst & Young LLP have expressed their willingness to continue in office as independent auditor and resolutions to re-appoint them and to authorise the directors to determine their remuneration will be proposed at the forthcoming AGM

Annual General Meeting

The AGM of the Company will be held at Mallory Court Hotel, Leamington Spa, Warwickshire at 11 00 a m on 5th May 2011 The notice convening the meeting, together with the special business to be considered and explanatory notes for each resolution, is distributed separately to shareholders It is also available on the Company's website www agarangemaster com, where a copy can be viewed or downloaded in 'PDF' format by following the link to Investor Relations and then AGM or Report & Accounts

By order of the board,

P M Sissons
Company Secretary
11th March 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of directors' responsibilities
The directors are responsible for preparing the annual report, the remuneration report and the Group 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 ('EU') and the remuneration report in accordance with the applicable law The Group financial statements are required by law to give a true and fair view of the state of affairs of the Group 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 EU, subject to any material departures disclosed and explained in 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 to enable them to ensure that the Group financial statements and the remuneration report comply with the CA2006 They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the Company website The work carried out by the auditor does not involve consideration of these matters and, accordingly the auditor accepts 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

Responsibility statement
Each of the directors confirm that to the best of their knowledge

- the Group financial statements, prepared in accordance with IFRS as adopted by the EU and the Company financial statements prepared under UK GAAP, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole, and
- the chairman's statement and chief executive's business review, which are incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties they face

By order of the board,

W B McGrath

Shaun Smith

W B McGrath
Chief Executive
11th March 2011

S M Smith
Finance Director

CORPORATE GOVERNANCE

Corporate governance
The directors of the Company are committed to the highest standards of corporate governance in the management of the Company and the Group The directors consider that the Company has applied the principles and complied, with the provisions of section 1 of the Combined Code on Corporate Governance (the 'Code') adopted by the Financial Reporting Council ('FRC') in June 2008, throughout the year ended 31st December 2010 This report, together with the directors' report set out on pages 22 to 25 and the remuneration report set out on pages 34 to 41 explains our governance policies and practices and describes how the Company has applied each referenced section of the Code Further information on the Code can be found on the FRC website (www frc org uk) This statement has also been prepared in compliance with the Disclosure and Transparency Rules ('DTR') made by the Financial Services Authority ('FSA'), specifically DTR 7 2 - Corporate governance statements

A Directors
A.1 The board
The board of directors is responsible to the Company's shareholders for the success of the Company, the Group's system of corporate governance, setting broad strategic objectives, monitoring business and financial performance and for the stewardship of the Company's resources The board is satisfied that it meets the Code's requirements for effective operation

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 In pursuance of the Group's strategy, the board has delegated the day-to-day operational management to the chief executive but it has agreed a formal schedule of matters reserved solely for its decision The reserved powers ensure that certain transactions, significant in terms of size or type are undertaken only after board review and approval Matters specifically reserved for board approval cover a range of key issues including the development of corporate strategy, long-term objectives and the approval of annual budgets, financial reporting and internal controls, treasury policy, major changes to the rules and funding of the Company's pension schemes, corporate governance matters, risk management and social, environmental and ethical matters The matters reserved for the board are regularly reviewed and updated as necessary Delegated authorities are also clearly defined

The board has a schedule of regular meetings and may hold additional meetings as necessary Table 1 below sets out the names of each board director, their attendance at meetings and those board committees of which they were a member during the year ended 31st December 2010

The terms of reference of each board committee are reviewed annually by the board Following formal consideration the board may, on occasion, delegate authority to a standing committee consisting of at least two directors to facilitate final sign-off for an agreed course of action within pre-defined parameters

The biographical details of the directors serving on the board at the date of this report are set out on pages 20 and 21 During the year the board comprised two executive directors, with three non-executive directors serving throughout the year and one non-executive director changing during the year The two executive directors are William McGrath, chief executive and Shaun Smith, finance director John Coleman was appointed to the board in March 2008 and he became chairman of the board in May 2008 He met the independence criteria defined in the Code at the time of his appointment The independent non-executive directors serving on the board during the year were Paul Dermody, Paul Jackson, Peter Tom and Jon Carling Peter Tom resigned as a director with effect from 31st October 2010 having served six years as a non-executive director Jon Carling was appointed from 26th October 2010

Table 1 Director	**Board**	**Audit and risk committee**	**Remuneration committee**	**Nomination committee**
W B McGrath	8/8	-	-	-
S M Smith	8/8	-	-	-
J D Carling (note 1)	1/2	0/0	0/1	0/0
J Coleman	8/8	3/3	3/3	2/2
P B Dermody	8/8	3/3	3/3	2/2
P E Jackson	8/8	3/3	3/3	2/2
P W G Tom (note 2)	5/7	2/3	2/2	2/2

Attendance is expressed as the number of meetings attended/number eligible to attend
note 1 - Jon Carling was appointed on the 26th October 2010 He was unable to attend meetings on one date due to prior commitments, which were notified in advance of his appointment
note 2 Peter Tom resigned on the 31st October 2010

A.2 Chairman and chief executive
It is the Company's policy that the roles of chairman and chief executive are separate, with their roles and responsibilities clearly defined and recorded

The chairman is responsible for the effective running of the board and its governance The chairman's other significant commitments are disclosed in his biography Any changes to these commitments are disclosed to the board on an ongoing basis The board considers that these commitments do not hinder the chairman's ability to discharge his responsibilities to the Company effectively

The chief executive is responsible for the leadership and day-to-day management of the Group This includes formulating and recommending the Group's strategy for board approval in addition to executing the approved strategy

The chief executive has chosen to discharge his responsibilities for the operational management of the business with the chief operating decision maker being a senior management team comprising the executive directors, William McGrath and Shaun Smith, and senior operational management - Mike Bufton, Gary Green and Richard Eagleton The senior management team regularly reviews results and makes assessments of performance together with decisions about resource allocations within the AGA and Rangemaster operating segments (see note 3 to the accounts) and there is regular dialogue and meetings with the operations Those members of the senior management team and other managers who are not directors of the Company are regularly invited to attend and present at board meetings The respective roles of the board, senior management team and operational management are discussed further under internal control Due to the further integration of the operations, the structure of the senior management team and its operation will be further reviewed in 2011

A.3 Board balance and independence

The Code recommends that at least half of the board excluding the chairman should comprise non-executive directors, determined by the board to be independent Each of the non-executive directors has been determined by the board to be independent according to the criteria set out in the Code and to have no business or other relationship that could interfere materially with the exercise of their judgement The independence of the non-executive directors is considered at least annually Each non-executive director possesses a wide range of skills and experience Peter Tom was the senior independent director up to the date of his resignation, when Paul Dermody was nominated and assumed this position The senior independent director is available to shareholders if they have any concerns which have not been resolved through the normal channels or in circumstances where the normal channels are inappropriate

Directors' conflicts of interest

Directors' have a statutory duty to avoid a situation in which they have, or could have, an interest that conflicts or possibly may conflict with the interests of the Company A director will not breach that duty if the relevant matter has been authorised in accordance with the Articles by the other directors In line with the CA2006, the Articles were amended in 2008 to allow the board to authorise potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit The decision to authorise a conflict can only be made by those directors who have no interest in the matter being considered and in making such decision, the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success

The Company has established a procedure whereby actual or potential conflicts of interest are regularly reviewed by the board and updated as appropriate This procedure has operated satisfactorily throughout the year Appropriate authorisation would be considered prior to the appointment of any new director

Board committees

The terms of reference of the audit and risk, remuneration and nomination committees comply with the provisions of the Code and are available for inspection on the Company's website (www agarangemaster com) Copies are available on written request from the company secretary at the registered office

A.4 Appointments to the board/nomination committee

The nomination committee ('the committee') is appointed by the board and during the year comprised John Coleman (chairman), Paul Dermody, Paul Jackson and Peter Tom Following his resignation, Peter Tom stood down from the committee and Jon Carling became a member following his appointment The chief executive, senior management and external advisers may be invited to attend meetings at the request of the committee

The committee's principal duties include considering the size, structure and composition of the board, retirements and appointments of additional or replacement directors, succession planning and for recommending potential candidates who will maintain an appropriate balance of skills and experience on the board The committee, in conjunction with the board, receives updates from the chief executive, the Group HR director and other advisers, as appropriate, on succession and development planning for senior positions within the Group

The committee met twice during the year and attendance is set out in table 1 on page 27 During the year, the committee reviewed the size, structure and composition of the board and the membership of the committees As part of the board's ongoing succession planning, the committee decided to search for an independent non-executive director The committee appointed an executive search consultant to identify a broad pool of candidates from diverse backgrounds and to advise the committee regarding the appointment The committee considered the balance of skills, knowledge and experience of the existing board members to establish the most relevant skills and experience desired of potential candidates The remit was to identify candidates with a strong manufacturing and process control background The chairman and chief executive met with the shortlisted candidates and other directors were also able to meet with candidates before the committee recommended the appointment of Jon Carling Biographical details for Jon Carling can be found on page 21 and his appointment is subject to election by shareholders at the 2011 AGM

The committee maintains an overview of the performance evaluation process, considers the re-election of directors as set out in the Articles and the renewal of terms of office for non-executive directors

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

A.5 Information and professional development

The company secretary, under the chairman's direction, is responsible for ensuring that information flows within and between the board and its committees, the non-executive directors and senior management The company secretary is also responsible for advising the board, through the chairman, on governance matters

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 and performance of the business and receives papers and presentations from the senior management team, other senior managers and external advisers to enable it to discharge its duties effectively

On joining the board all directors receive appropriate induction training which is tailored to the director's specific needs Major shareholders are offered the opportunity to meet any new non-executive directors, following their appointment 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 Training needs are discussed with each director as part of the annual board performance evaluation

To assist with the independent conduct of their function, non-executive directors are able to obtain professional advice at the Company's expense, if required, in connection with their duties A process is in place to facilitate this In addition, all directors have access to the advice and services of the company secretary The appointment or removal of the company secretary is a matter reserved for board decision

A.6 Performance evaluation

The board, as part of its commitment to ensure its effectiveness, carried out a formal evaluation of its performance and processes during the year and it also reviewed the performance of its committees and the individual directors Each director completed a confidential questionnaire which considered a number of areas including the performance of the chairman, executive and non-executive directors, the operation and performance of the board, its committees and the committee chairmen, governance matters and evaluation methods

The questionnaire was supplemented with a private meeting with the chairman, which covered a broad range of topics including discussions on specific projects and performance, areas for improvement, as well as a review of individual performance, knowledge gaps and training requirements The expected time commitments and independence criteria were reviewed for each non-executive director

Following the review, the results and observations were summarised by the chairman in a report to the board It concluded that the board and its committees were operating effectively and agreed actions in respect of certain processes and procedures identified for improvement The aim of the action plan is to improve continually processes, procedures and performance The chairman confirmed that each director was contributing effectively to the Group's performance and demonstrated commitment to his duties

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 and these are updated as appropriate

The chairman communicates frequently with the non-executive and executive directors Directors are encouraged to discuss any issues or concerns with the chairman at any time throughout the year and to ensure that any unresolved issues are formally minuted The chairman and non-executive directors met during the year without the executive directors present

CORPORATE GOVERNANCE CONTINUED

The chairman's performance was reviewed by the non-executive directors, led by the senior independent director and the review also took into account the views of the executive directors

A.7 Election and re-election
In accordance with the Articles, any director appointed during the year will stand for election at the next general meeting and all directors will stand for re-election at least every three years

These requirements ensure that each board member is subject to re-election at regular intervals Non-executive directors are initially appointed for a term of three years subject to election and re-election as set out above, and subject to satisfactory performance, their three year term of appointment may be renewed Should a non-executive director serve for more than six years their re-election would be subject to particularly rigorous review Should any non-executive director serve for longer than nine years they would then be subject to annual re-election

Following the appointment of Jon Carling in October 2010, he will be standing for election at the 2011 AGM When reviewing the recommendation of the nomination committee to appoint him, the board anticipated that he would make an effective and valuable contribution to the board and concluded that he is independent in character and judgement

This year, two directors will be standing for re-election at the 2011 AGM, namely, John Coleman and Shaun Smith

John Coleman was appointed as a non-executive director in 2008 for an initial three year term In 2011, following a rigorous review in accordance with the Code, the nomination committee recommended the renewal of John Coleman's appointment for a further three year term, subject to shareholders approving his re-election in accordance with the Articles

Shaun Smith is the Group finance director and treasurer and details of his rolling service agreement are set out on page 39 The board considers that the performance of the directors proposed for re-election continues to be effective and they make a valuable contribution and demonstrate a strong commitment to their respective roles The directors were subject to performance evaluation during the year

The board unanimously recommends the election and re-election of each of these directors Biographical details of each of the directors standing for election and re-election are given on pages 20 and 21

B Remuneration
Details of the directors' remuneration and the work of the remuneration committee, as required by the Code and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts & Reports) Regulations 2008, is included in the remuneration report on pages 34 to 41

C. Accountability and audit
C.1 Financial reporting
All communications with shareholders, regulators and other stakeholders are designed to present a balanced and understandable view of the Group's position and prospects We report to our shareholders on a half-yearly basis, supplemented by interim management statements and other market announcements, as appropriate The statement of the responsibility of directors for the preparation of the annual report, remuneration report and the financial statements under IFRS and UK GAAP is set out on page 26 The Group going concern statement is on page 24

C.2 Internal control and risk management
The board confirms that it has complied with the Code in respect of the revised guidance on internal control published in October 2005 (the 'Turnbull Guidance') and is reporting in accordance with that guidance

The board of directors has overall responsibility for reviewing and approving the Group's system of internal controls and its adequacy and effectiveness at both operational and Group level This established system of internal controls includes financial, operational and compliance controls and risk management systems The audit and risk committee assists the board in discharging its review responsibilities and considers reports from the Group's independent auditor and internal auditors on the effectiveness of the operation of internal control procedures It is the role of management to implement the agreed policies on risk and control and to monitor continually risk and control systems

Our systems of internal financial and operational control are designed to facilitate effective and efficient operations, to safeguard assets, to ensure proper accounting records are maintained to enable us to provide reliable, and where appropriate consolidated, financial information for use in the business and in external publications, to identify and manage business risks, to maintain compliance with legislation and adopt best practice Our risk management process identifies the key risks facing each operation within the AGA and Rangemaster operating segments and the Group as a whole Management reports to the audit and risk committee and the board on how those risks are being managed

Such a system of internal control can only manage rather than eliminate risk of failure to achieve business objectives and can provide reasonable, but not absolute assurance, against material misstatement or loss It is necessary to take commercial risks in the course of the management of the Group's operations and those risks are evaluated as part of the decision making process 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

The audit and risk committee formally reviews the operation and effectiveness of the Group's systems of internal controls on an annual basis The latest review covered the financial year to 31st December 2010 and included the period up to the approval of this report and financial statements

The Group's risk management framework requires all operations to record formally the significant risks they face and a Group overview is also undertaken The process identifies both short and long-term risks and factors in the likelihood of occurrence and potential impact Risks considered include operational and financial contingencies, legal and regulatory compliance and social, environmental and ethical issues Management is required to identify key internal controls for each of the risks they are responsible for and to identify control owners

The main features of the internal control and risk management systems include

- an established internal organisational structure with clearly defined lines of responsibility, authority and accountability including the segregation of certain duties and functions and a schedule of matters reserved for the board,

- well established and clearly documented control structures including documented accounting policies and procedures with which all the Group's operations are required to comply or obtain express dispensation from, with an agreed mitigating action plan,

- comprehensive business planning, risk assessment and financial reporting procedures, including the annual approval of a strategic plan and budget by the board and preparation of detailed operational budgets for the following year,

- specific procedures for the appraisal and authorisation of capital expenditure and other major projects,

- detailed financial reporting with monthly consolidated management accounts reviewed by the senior management team and circulated to all board directors These compare actual performance to the annual budget, forecasts and the prior year The accounts are used to update forecasts and other information to enable the board to assess the prospects of the Group,

- regular meetings of the board and the senior management team,

- certain of the Group's key functions (including company secretarial, insurance, internal audit, pensions, taxation (compliance and planning) treasury and financial accounting) are performed centrally under the control of executive directors and the board receives regular updates on the work undertaken by these functions,

- an ongoing risk management process designed to identify and mitigate or manage any material risks identified at all operations and at Group level This process is further described in this section and in the key risks and uncertainties on pages 10 to 13 This includes self assessment by management teams and a bi-annual Group overview being undertaken and reviewed by the audit and risk committee

At operational level, there are regular management meetings to review all aspects of the Group's business, including potential and actual risks to the Group Executive directors undertake frequent visits to the operations within the AGA and Rangemaster operating segments 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

Local management are responsible for the implementation and continual monitoring of the systems of internal financial and operational controls and risk management and they are supported by suitably qualified and experienced personnel They report back to internal audit annually by way of the controls self assessment questionnaire Further detailed work has been undertaken during the year as the finance functions at AGA and Rangemaster have continued to be consolidated and a similar project is ongoing within the finance functions at Marvel and Heartland in North America

The internal audit function undertakes a rolling programme of visits to review internal control and risk management processes with particular reference to the Turnbull

Guidance Copies of the internal auditors' reports and any recommendations made in them are communicated to the relevant level of management The internal auditors report directly to the audit and risk committee on a regular basis Follow up visits are arranged if considered necessary and the implementation of recommendations is monitored

C.3 Audit and risk committee

The audit and risk committee ('the committee') is appointed by the board and during the year comprised Paul Dermody (chairman), John Coleman, Paul Jackson and Peter Tom The board has determined that Paul Dermody has recent and relevant financial experience John Coleman became a committee member from 1st January 2010 and complies with Code Provision C 3 1 in that he was considered to be independent at the time of his appointment as chairman of the board and he does not chair the committee Following his resignation, Peter Tom stood down from the committee and Jon Carling became a member of the committee following his appointment All members of the committee are considered by the board to be independent

The chief executive, finance director, head of internal audit and the external auditor 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 auditor throughout the year, to seek advice or raise any issues or concerns During the year, the committee members met with the external auditor without the executive management being present

Role of the committee

The committee's terms of reference are available for review on the Group's website and comply with the Code The committee's principal responsibilities cover corporate reporting, risk management, internal controls and the relationship with the external auditor It makes an annual assessment of the cost effectiveness, objectivity and independence of the external auditor, Ernst & Young LLP

Activities of the committee

The committee met three times during the year and attendance is set out in table 1 on page 27 Items considered by the committee during the year to enable it to discharge its duties included

- monitoring the integrity of and reviewing the Company's financial statements focusing on the key judgemental areas and accounting policies,

- reviewing the effectiveness of the Group's systems of internal financial control, operational control and compliance control, including a detailed review of the control environment during the consolidation of the finance functions at AGA and Rangemaster and at Marvel and Heartland,

- reviewing the effectiveness of the Group's systems of risk management and its whistleblowing arrangements,

- monitoring and reviewing the effectiveness of the internal audit function, resourcing levels, agreeing the programme of work and receiving reports arising from the work of internal audit,

- monitoring the performance of the external auditor and the effectiveness of the audit process, their findings in relation to the half year and full year financial statements and the consolidation process, including their review of the effectiveness of controls across the Group and the other matters which the auditor is required to report upon,

- considering and recommending for board approval the annual report and accounts, the half year and full year results and other financial announcements,

- reviewing various financial and technical updates during the course of the year, including the guidance notes issued by the FRC

Review of the external auditor

The committee has delegated responsibility for making recommendations to the board on the appointment and removal of the external auditor The auditor is subject to annual re-appointment by shareholders at the AGM The committee conducts a continuous review of the relationship between the Group and the auditor, including the nature and scope of the external audit, consideration of the auditor's independence and objectivity and advance approval of any fees for non-audit services above a pre-agreed threshold as set out in the policy agreed by the committee A breakdown of the audit and non-audit fees is set out in note 4 to the accounts The committee discussed the level of fees and considered them to be appropriate The committee only endorses the use of the audit firm for taxation compliance work and some specific tax advisory work when the committee believes they are best placed to carry out the work During the year, non-audit work undertaken by the audit firm principally related to these services The committee is satisfied that the level and scope of the non-audit services does not impair the independence and objectivity of the auditor In 2010, the ratio of fees in respect of non-audit services to audit fees paid to the auditor was 141% (2009 262%), which was below the 250% limit set out in the Group's policy The Group does use a number of other advisers and takes into account which firm is in the best position to undertake the work effectively During the year, other advisers undertook non-audit services which accounted for £0 3 million

Ernst & Young LLP were appointed auditor following a formal tender exercise overseen by the committee in June 2006 The auditor confirms bi-annually that their policies ensure audit independence and provides the committee with a report of their own audit quality procedures During the year, the committee has considered the plans for rotation of the audit partner in line with Auditing Practices Board guidelines and changes to the external auditor's team

The committee keeps the potential re-tendering of the external audit services under review and the committee believes that alternative advisers could be appointed in the event of the auditor withdrawing from the market The committee made a recommendation to the board with respect to the level of audit fees paid to the external auditor and their re-appointment as independent auditor

The board accepted all of the recommendations made by the audit and risk committee during the year

D. Relations with shareholders

D.1 Dialogue with institutional 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 Relations with shareholders are managed mainly by the chief executive and finance director There are regular institutional, analyst and media presentations which cover a range of relevant issues including strategy, performance, management and governance within the constraints of information already made publicly available

The chairman ensures that the views of shareholders are communicated to the board as a whole The board receives feedback from broker and shareholder meetings During the year, the chairman, chief executive and finance director met with a number of institutional investors and informal events and opportunities were set up where the other non-executive directors and senior management had the opportunity to meet with institutional investors and shareholders

The chairman is available to shareholders to discuss governance and strategy Following such meetings a briefing note is circulated to the board as a whole and the key topics raised by shareholders are discussed No formal meetings were requested with the senior independent director or the other non-executive directors during the year, but they remain available to attend meetings on request

The Company has taken advantage of the provisions within the CA2006 allowing communication to be made electronically to shareholders where they have not requested hard copy documentation As a result, the Company's website has become the primary method of communication for the majority of shareholders Copies of the major presentations including the half year and full year results presentations, all market announcements and share price information are made available on the Group's corporate website

D.2 Constructive use of the AGM

The AGM is attended by all members of the board and this provides a valuable opportunity to communicate with shareholders and for private investors to meet with the directors, senior managers and the Company's advisers and to ask questions

The Notice of AGM and related papers are sent to shareholders at least twenty working days before the meeting, and separate resolutions are proposed on each substantial issue Usually at an AGM each resolution is dealt with on a show of hands, with details of the results of proxy voting announced thereafter Immediately after the AGM the Company issues a market announcement setting out the results of the AGM and details of all votes cast are made available on the Group's corporate website

Details of the 2011 AGM are set out in the Notice of AGM 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

By order of the board,

P M Sissons

P M Sissons
Company Secretary
11th March 2011

REMUNERATION REPORT

This report has been prepared by the remuneration committee ('the committee') and has been approved by the board The report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts & Reports) Regulations 2008 (the 'Accounting Regulations') under the CA2006 The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the committee has applied the principles relating to directors' remuneration in the Combined Code on Corporate Governance 2008 ('the Code')

The CA2006 requires the auditor to report to the Company's members on certain parts of the directors' remuneration report and state whether in their opinion those parts of the report have been properly prepared in accordance with the Accounting Regulations The report has therefore been divided into separate sections for audited and unaudited information

A resolution will be proposed at the AGM which invites members to approve the remuneration report for the financial year ended 31st December 2010

Unaudited information

Remuneration committee

The committee is appointed by the board and during the year comprised Peter Tom (chairman), John Coleman, Paul Dermody and Paul Jackson John Coleman became a committee member from 1st January 2010 and complies with Code Provision B 2 1 in that he was considered to be independent at the time of his appointment as chairman of the board and he does not chair the committee Following Peter Tom retiring as a director on 31st October 2010, the nomination committee recommended Paul Jackson be appointed chairman of the committee Jon Carling became a member of the committee following his appointment on 26th October 2010 All members of the committee are considered by the board to be independent No committee member has any personal financial interest, other than as a shareholder, or other conflicts of interest in relation to matters to be decided by the committee

Role of the committee

The committee's terms of reference are available for review on the Group's website and comply with the Code The committee's principal duties include

- determining and agreeing with the board the framework and broad policy for the remuneration of the executive directors and senior management, which it reviews annually for appropriateness and relevance, taking into account the pertinent legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance,
- determining the fixed and variable components of the executive directors' and senior management's remuneration, their contractual terms and compensation arrangements,
- approving the design of and determining targets for any performance related pay schemes operated by the Company and approving the total annual payments made to executive directors and senior management under such schemes,
- determining the policy for and scope of, pension arrangements for executive directors and senior management,
- overseeing any major changes in employee benefit structures throughout the Group

Activities of the committee

The committee met three times during the year and details of attendance at committee meetings can be found in table 1 on page 27 Items discussed by the committee during the year to enable it to discharge its duties included

- a review of executive directors' and senior managers' salaries and performance related incentive arrangements taking into account market trends and publicly available benchmarked data,
- a review of the share schemes and remuneration policy elsewhere in the Group, which led to the proposal to introduce a Company Share Option Plan ('CSOP'),
- a review of performance in relation to the awards granted under the Long-Term Incentive Plan ('LTIP') and the vesting status at the end of the performance period,
- a review of its terms of reference,
- a review of the disclosures in the remuneration report

Neither the chairman of the board nor any executive director participates in any discussion relating to his own remuneration The remuneration of the non-executive directors is decided by the board as a whole on the advice of executive directors, supported by externally benchmarked data and the independent remuneration advisers to the committee

The board accepted all of the recommendations made by the committee during the year The chairman of the committee is available to discuss remuneration arrangements with shareholder representatives as required

Advisers

The committee keeps itself fully informed of all relevant developments and best practice in the field of remuneration and seeks advice from external advisers when it considers it is appropriate The committee appointed KPMG LLP ('KPMG') in 2007 as its independent remuneration and benefits adviser KPMG has assisted the committee to establish a framework on remuneration within which it continues to operate During the year KPMG has provided actuarial advice to the Company, guidance on developments and best practice in the field of remuneration and has assisted the Company with the drafting of and taxation advice in relation to the new CSOP which was approved by shareholders at the 2010 AGM KPMG was also independently appointed by the Company to provide some advice on VAT and taxation During the year the committee also received advice from Alithos Limited in relation to performance monitoring under the LTIP Alithos has no other relationship with the Group The chief executive, the Group HR director and external advisers provided papers for the committee's consideration and are invited to attend meetings as required The committee will review whether an update of the remuneration framework is required in 2011

Remuneration policy

The Group's remuneration policy is designed to ensure that the remuneration of executive directors and senior management 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 determination of their annual remuneration packages is undertaken by the committee, taking into account the level and structure of remuneration 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 profile, complexity, size by turnover 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 demanding performance targets, which are aligned to shareholder interests, are met,
- to align management incentives with the creation of shareholder value over both the short and longer term

The main elements of 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 incentives related to the Group's performance and strategic objectives	Up to 75%
• Annual award of share options under the CSOP, with vesting after three years subject to performance conditions being met	Up to 100%

Salaries

Salaries for the executive directors are reviewed annually and are targeted broadly at the median position in the relevant pay peer group with independent research, which gives up to date information on a comparator group of companies, taken into account The committee takes into consideration the size, complexity and responsibilities of the individual's role and experience and the balance between fixed and variable rewards and the total compensation achievable In setting the remuneration of the directors and senior management, the committee takes into account the economic environment and the financial performance of the Group, along with pay and employment terms and conditions of employees elsewhere in the Group

Basic salaries were reviewed by the committee in January 2010 and it was agreed that a 2% increase would be awarded effective from 1st January 2010 In December 2010, the committee received an update from the Group HR director on employment terms and conditions elsewhere in the Group and the committee noted the level of the pay increases being awarded in 2011 The basic salaries of the executive directors were reviewed again by the committee and it was agreed that a 2% increase would be awarded effective from 1st January 2011

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

REMUNERATION REPORT CONTINUED

Annual incentive

The committee establishes the objectives that must be met each financial year if an annual incentive award is to be made In setting appropriate incentive parameters, the committee reviewed independent research on a comparator group of companies compiled by the remuneration adviser In 2010, the committee maintained the maximum annual incentive potential at 75% of basic salary, as it had been in the prior year The key performance indicators were aligned with the Group's stated strategic objectives The performance targets set measured the improvement in profit and delivery of cash targets set in the budget and aligned with market expectations, with a maximum award of 37 5% of basic salary being paid for each of the targets achieved The committee reviewed performance against the first half and second half targets set, during and at the end of the year The directors were entitled to a partial award in respect of the profit target and the full award in respect of the cash targets where superior performance was achieved In total, the annual incentive entitlement earned based on the results achieved was 57% of basic salary The committee considered all the relevant facts, taking into account the underlying performance of the business, current investor guidelines and the fact that the directors had agreed to waive part of their annual incentive, as they had done in the prior two years The committee exercised its discretion and recommended that an incentive award of 33% of basic salary be made to the directors for the financial year ended 31st December 2010 At present, incentive payments are made in cash The executive annual incentive plan for 2011 is currently under review by the committee

Share option schemes

All equity based awards granted under the Company's share plans are subject to qualifying services Commitments to issue new shares or reissue treasury shares, when aggregated with awards under all the Company's other share schemes, may not exceed 10% of the issued share capital in any ten year period, limited to 5% of the issued share capital in any rolling ten year period in respect of discretionary schemes, and this limit may only be exceeded if vesting is dependent on significantly more stretching performance conditions

Long-Term Incentive Plan ('LTIP')

Historically the LTIP was utilised to motivate and retain executive directors and other senior executives, to enable them potentially to benefit from improved total shareholder return ('TSR') and the earnings per share ('EPS') performance of the Company The maximum annual nil cost option awards that could be made to an individual was equivalent to 100% of basic salary The options granted only become exercisable (vest) if the performance conditions are met No options have been granted since 2008

The authority to grant options under the LTIP expired in May 2009 The committee deals with the remaining administration of the plan A full summary of the performance conditions attaching to remaining outstanding awards can be found in note 23 to the accounts To the extent that these performance conditions are not met at the end of the three year period, the options will lapse At the end of the performance period, the percentage of the options which have vested may be exercised during the remainder of a ten year period from the date of the grant of the option The committee believes the performance conditions remain appropriate The committee regularly receives reports on actual Company performance against the relevant conditions from Alithos Limited The LTIP options granted in 2007 were tested during the year at the end of the three year performance period and were lapsed as the performance conditions had not been met

The committee does not plan to introduce another LTIP at present and therefore it does not have any authority to grant any further options under an LTIP

Sharesave Plan

The Group also operates an HMRC approved Sharesave Plan which is open to eligible employees, including the executive directors, who have completed a minimum period of service at the time of invitation The committee considers whether to offer invitations annually, but did not proceed with an invitation in 2010 Savings contracts are of three or five year terms and subject to a maximum monthly savings limit of £250 per employee The committee has the discretion to grant options at a discount of up to 20% of the market value at the date of grant The 2008 options were granted at market value Their exercise is not subject to performance conditions

Company Share Option Plan ('CSOP')

In 2010, the committee recommended that a new HMRC approved CSOP be introduced and the CSOP was approved by shareholders at the 2010 AGM This CSOP will enable the committee to make grants of approved and unapproved share options to employees (subject to headroom limitations) Approved options are granted at the prevailing market price at the date of grant This will enable participants to benefit, subject to performance conditions, from an improvement in the Company's share price The committee is responsible for supervising the plan and the grant of options under its terms The committee will review the appropriateness of performance criteria each year and where necessary make changes to ensure the performance condition remains relevant and stretching for any new grants made A sliding scale operates in steps from minimum to maximum vesting Upon vesting, the option may be exercised for the rest of its ten year life without further test

The Company's policy is to grant options to the executive directors at the discretion of the committee taking into account individual performance The committee will be able to make awards of up to 100% of basic salaries in exceptional circumstances However, it is anticipated that grants will be limited to a maximum of 50% of basic salary and they are subject to the available headroom It is the Company's policy to phase the granting of share options rather than award them in a single large block to any individual

No options were granted under the CSOP in 2010 The committee will consider making awards under the CSOP in 2011

Directors' interests

The beneficial interests of the directors serving at the year ended 31st December 2010 in the ordinary shares of AGA Rangemaster Group plc are shown in the table below Directors' interests include the interests of their spouses, civil partners and infant children or step children as required by section 822 of the CA2006

	At 11th March 2011	At 31st December 2010	At 31st December 2009
W B McGrath	145,781	117,632	102,632
S M Smith	111,147	101,147	85,278
J D Carling (appointed October 2010)	-	-	n/a
J Coleman	5,000	5,000	5,000
P B Dermody	25,591	25,591	13,166
P E Jackson	2,032	2,032	2,032
P W G Tom (resigned October 2010)	n/a	n/a	15,000

The executive directors are required to build a significant holding in the Company Directors will be expected to retain 50% of the shares vesting under share plans In practice, the executive directors have retained 100% of options exercised over the last five years and neither of the executive directors has sold any shares during the last five years

Pension arrangements

The committee takes into account pension arrangements and associated costs in reviewing remuneration policy Pensions and retirement benefits provided to executive directors are currently considered by the committee to be appropriate but are kept under review in light of changing circumstances including the planned changes to restrict tax relief on pension accruals for higher earners

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 salary William McGrath and Shaun Smith each joined a pre-existing Group UK pension scheme operated for executive directors and other senior employees (subsequently merged into the current Group UK pension scheme in July 2000) at a time when executive directors and other senior employees had an individual normal retirement age under the scheme within the range 60-65, dependent on status or the potential to complete thirty years' service with the Group (compared with the predominant normal retirement age of 65 under the current scheme), and were provided with a pension under the scheme at an accelerated rate of accrual dependent on their potential service to normal retirement age Therefore, William McGrath's pension accrues annually at a rate of around one thirty-first of pensionable remuneration, while Shaun Smith's pension effectively accrues annually at a rate of around one forty-fifth of pensionable remuneration (compared with the predominant accrual rate of one sixtieth of pensionable salary under the current scheme)

William McGrath and Shaun Smith each commenced pensionable service with the Group at a time when higher earners' pensionable remuneration was subject to the statutory earnings cap Therefore only part of their remuneration is pensionable, the equivalent of the statutory cap projected forward to 2009 was £123,600, and as a consequence of an amendment made to the pension scheme at the end of 2009 for higher earners, their pensionable remuneration has now been frozen at this level 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 table 2 on page 40

On death after retirement the spouse's pension payable would be 50% of the member's pre-commutation pension for William McGrath and 62% of the member's pre-commutation pension for Shaun Smith These arrangements are in accordance with the pension scheme's standard provisions, dependent on when the employee joined the scheme

REMUNERATION REPORT CONTINUED

William McGrath's pension will receive annual post retirement increases on pension earned prior to 1st October 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%

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 the discretion to grant pension increases above these rates These arrangements are in accordance with the pension scheme's standard provisions, dependent on when the employee joined the scheme

The transfer values corresponding to the directors' accrued pensions at 31st December 2010 after deduction of contributions paid by them, are shown in table 3 on page 41 Executive directors receive life assurance cover equal to four times their basic salary During the year the Company paid premiums respectively of £2,610 and £1,702 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

In 1998, the Company closed the pre-existing Group UK pension scheme operated for executive directors and other senior employees, and thereafter such employees join the current Group UK pension scheme on the same basis as applies to all other new employees from time to time Subsequently, the Company closed the current Group UK pension scheme to new members on a defined benefit basis of pension provision in 2001 and froze the pensionable salaries of current active defined benefit members of the scheme at the end of 2009 for higher earners and in January 2010 for all other active defined benefit members From 2002, new members of the scheme join on a defined contribution basis of pension provision

Performance graph

The following graph shows the comparative 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 paragraph 5 of Schedule 8 of the Accounting Regulations relative to a base date beginning on 31st December 2005

This requires that when calculating TSR, all cash payments made to the Company's shareholders, including special payments in addition to ordinary dividends, are treated as immediately reinvested in further ordinary shares in the Company at the prevailing market price on the date of receipt by shareholders Therefore the Company's TSR performance as reflected in the graph below reflects the substantial special payment to shareholders by the Company in May 2008 of 121 pence per share

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

AGA Rangemaster Group plc vs the FTSE All Share-Total Shareholder Return Index for the five financial years ending 31st December 2010

Directors' contracts

Non-executive directors

The chairman and the non-executive directors have letters of appointment stating their annual fee and that their appointment is initially for a term of three years subject to satisfactory performance and their re-election at AGMs in accordance with the Articles

The services of Peter Tom were provided by a consultancy agreement dated 15th July 2008 with Rise Rocks Limited The consultancy agreement was terminated on 31st October 2010 Fees for services provided during 2010 were paid to Rise Rocks Limited

The table on page 39 shows the dates of appointment and the most recent re-election dates for the chairman and the non-executive directors

Name of director	Date of appointment	Date of last re-election at an AGM
J D Carling (note 1)	October 2010	n/a
J Coleman (note 1)	March 2008	2008 AGM
P B Dermody	April 2004	2009 AGM
P E Jackson	December 2005	2009 AGM

note 1 Jon Carling will stand for election and John Coleman will stand for re-election at the AGM to be held on 5th May 2011

Copies of the letters of appointment, the consultancy agreement and deeds of indemnity will be available for inspection prior to and during the AGM and are also available for inspection at the Company's registered office during normal business hours

The remuneration of the chairman of the board is determined by the committee The chairman of the board does not participate in any discussion relating to his own remuneration The remuneration of the other non-executive directors is determined by the board on the recommendation of the executive directors within the limits set out in the Articles and on the basis of independent advice or publicly available benchmarked data which takes into consideration the level of fees paid to non-executive directors of comparator companies The Group's policy in respect of non-executive directors is to pay annual fees which reflect the time commitment, responsibilities and duties placed upon them, whilst also having regard to market practice

The chairman and non-executive directors are not eligible to participate in the Company's LTIP, share option schemes, annual incentive scheme, receive any payment on termination and are not eligible to join the Company's pension scheme They are allowed to claim reasonable out of pocket expenses in connection with the performance of their duties

The fees of the non-executive directors were last reviewed in January 2010 and it was determined that they should not be changed The current fee structure is shown in the following table

Role	Last reviewed	Fee
Chairman	January 2010	£125,000
Non-executive director	January 2010	£35,000
Committee chairman	January 2010	£5,000

In addition, a per diem rate has been agreed in the event that the chairman's hours exceed the expected time commitment for the role No additional payments were made during 2010

No additional fees are paid for attendance or being a member of a board committee, but a fee of £5,000 is paid for chairing the audit and risk committee and the remuneration committee

Executive directors

The service agreements of the executive directors are summarised in the table below

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

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

The service agreements will terminate when the director reaches the retirement age as determined by the board, which in normal circumstances is 60, and are otherwise terminable on giving 12 months notice

External appointments

The board recognises the benefit which the Group can obtain if the executive directors serve as non-executive directors of other companies Subject to review in each case, the board's general policy is that each executive director may accept one non-executive directorship with another company from which any fees received may be retained At present neither of the executive directors hold any outside directorships and do not earn fees for any other services outside employment with the Company Shaun Smith has a voluntary role as a co-opted member of the audit committee of Birmingham City University

REMUNERATION REPORT CONTINUED

Audited information

Directors' emoluments

The remuneration of each director, excluding share options, LTIP awards and pensions during the year ended 31st December 2010 is set out in table 2 below There were no taxable expenses in 2009 or 2010 for any of the directors

Pension arrangements

The executive directors are members of the Group's UK pension scheme on a defined benefit basis of pension provision Table 3 on page 41 shows the directors' accrued pensions under the scheme and the corresponding transfer values calculated in a manner consistent with regulations 7 to 7E of the Occupational Pensions Scheme (Transfer Values) Regulations 1996

Directors' share options

Directors' emoluments disclosed in table 2 below do not include any value in relation to the options to acquire ordinary shares in the Company granted to or held by the directors

The interests of directors in options held under the LTIP (under which the authority to grant further awards lapsed in 2009) and the Sharesave Plan at the beginning and end of the financial year are shown in table 4 on page 41

On behalf of the board,

P E Jackson

Chairman of the remuneration committee

11th March 2011

Table 2	Salary/ fees £000	Salary in lieu of pension above earnings cap £000	Benefits in kind and cash benefits £000	Annual incentive £000	2010 Total £000	2009 Total £000
W B McGrath	497	82	27	164	**770**	690
S M Smith	286	36	24	94	**440**	394
J D Carling	6	-	-	-	**6**	-
J Coleman	125	-	-	-	**125**	125
P B Dermody	40	-	-	-	**40**	40
P E Jackson	36	-	-	-	**36**	35
H M Mahy (resigned December 2009)	-	-	-	-	-	35
P W G Tom (resigned October 2010) (note1)	33	-	-	-	**33**	40
Total	**1,023**	**118**	**51**	**258**	**1,450**	1,359

note 1 Relates to consultancy fees in respect of qualifying services to the Company, paid under a consultancy agreement

Table 3

	Accrued pension at 31st Dec 2010 £000 pa	Increase in accrued pension over the year £000 pa	Transfer value of accrued pension at 31st Dec 2009 (note 1) £000	Transfer value of accrued pension at 31st Dec 2010 (note 1) £000	Increase in transfer value over the year, net of director's contributions (note 2) £000	Increase in accrued pension over the year (net of inflation) (note 3) £000 pa	Transfer value of increase in accrued pension over the year, net of director's contributions (note 4) £000
W B McGrath	52	4	651	723	68	5	55
S M Smith	55	3	640	694	50	3	36

The transfer values calculated have been verified by a consulting actuary

note 1 Transfer values at 31st December 2009 and 31st December 2010 were calculated using a revised Trustee's transfer value basis effective from 1st January 2009

note 2 The increase in transfer values over the year (net of director's contributions) reflects the comparison of the transfer value of the accrued pensions at the start and end of the period Transfer values are not cash payments due to the individual concerned but are the present actuarial value of the directors' pension benefits payable in the future They are therefore discounted amounts which take into account market conditions and may change materially from year to year, even though no additional benefits were promised during the year

note 3 In assessing the increase in the accrued pension over the year, the accrued pension at the start of the year has been adjusted in line with inflation over 2010 As inflation was negative (-1 4%) during the year September 2008 to September 2009 (which is the year used statutorily for deriving the rate of revaluation to be applied to deferred pensions during 2010), this negative adjustment reduces the accrued pension calculated at the start of the year for these purposes

note 4 The transfer value of the increase in accrued pensions over the year (net of director's contributions) reflects the transfer value of the increase in the accrued pensions over the year only

Table 4

	Sharesave Plan approved in 2008	Long-Term Incentive Plan approved in 1999		
W B McGrath				
At 1st January 2010	8,014	28,149	121,262	85,391
Lapsed 14th May	-	-	(121,262)	-
At 31st December 2010	**8,014**	**28,149**	**-**	**85,391**
S M Smith				
At 1st January 2010	8,014	-	69,656	49,051
Lapsed 14th May	-	-	(69,656)	-
At 31st December 2010	**8,014**	**-**	**-**	**49,051**
Option grant date	**26 Sep 08**	**13 Oct 03**	**14 May 07**	**12 May 08**
Exercisable period	**01 Dec 13 to 31 May 14**	**13 Oct 06 to 12 Oct 13**	**14 May 10 to 13 May 17**	**12 May 11 to 11 May 18**

The exercise price per share in respect of options granted under the Sharesave Plan in 2008 is 209 pence per share Subject to performance conditions, the LTIP consists of a right to acquire shares under option at an aggregate price of £1 per award

Qualifying performance conditions for the LTIP are shown in note 23 to the accounts

No options were exercised by the directors during the year and therefore no gains were made during 2010 (2009 nil)

The mid-market price of ordinary shares on 31st December 2010 was 101 25 pence and the highest and lowest mid-market prices during the financial year were 141 0 pence and 74 0 pence respectively

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER

	Notes	2010 £m	2009 £m
Revenue	3 & 4	**259 1**	245 0
Net operating costs	4	**(254 0)**	(246 5)
Group operating profit / (loss)	4	**5 1**	(1 5)
Net pension credit	6	**16 4**	5 4
Non-recurring cost	4	**(1 4)**	(3 6)
Profit before net finance costs and income tax		**20 1**	0 3
Finance income	7	**0 2**	1 1
Finance costs	7	**(0 4)**	(0 9)
Profit before income tax		**19 9**	0 5
Income tax expense	8	**(5 0)**	-
Profit for year		**14 9**	0 5
Profit attributable to			
Equity holders of the parent		**15 0**	1 7
Non-controlling interests		**(0 1)**	(1 2)
Profit for year		**14 9**	0 5
Earnings per share attributable to equity holders of the parent	11	**p**	p
Basic		**21 7**	2 5
Diluted		**21 7**	2 5
Dividend per share	10	**p**	p
Interim paid		**0 7**	-
Final proposed		**1 0**	-
Total ordinary dividend		**1 7**	-

All operations are continuing

Notes to the accounts are on pages 48 to 79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSSES)

FOR THE YEAR ENDED 31ST DECEMBER

	Notes	2010 £m	2009 £m
Profit for year		**14.9**	0.5
Exchange adjustments on hedge of net investments		-	1.6
Exchange differences on translation of foreign operations		**(1.1)**	(9.3)
Actuarial gains / (losses) on defined benefit pension schemes	6	**26.6**	(104.5)
Deferred tax on actuarial (gains) / losses	21	**(7.2)**	29.3
Other comprehensive income / (losses) for the year		**18.3**	(82.9)
Total comprehensive income / (losses) for the year		**33.2**	(82.4)

Attributable to		
Equity holders of the parent	**33.3**	(81.1)
Non-controlling interests	**(0.1)**	(1.3)
Total comprehensive income / (losses) for the year	**33.2**	(82.4)

Notes to the accounts are on pages 48 to 79

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER

	Notes	2010 £m	2009 £m
Non-current assets			
Goodwill	12	**66 7**	66 9
Intangible assets	13	**22 9**	23 2
Property, plant and equipment	14	**40 8**	50 8
Retirement benefit surplus	6	**8 6**	-
Deferred tax assets	21	**11 8**	21 7
		150 8	162 6
Current assets			
Inventories	15	**42 8**	46 0
Trade and other receivables	16	**30 6**	31 7
Current tax assets		**1 8**	1 8
Cash and cash equivalents	18a	**51 7**	45 0
		126 9	124 5
Assets held for sale	14	**10 2**	3 1
Total assets		**287 9**	290 2
Current liabilities			
Borrowings	18b	**(1 7)**	(1 3)
Trade and other payables	17	**(67 5)**	(63 2)
Current tax liabilities		**(20 4)**	(18 4)
Current provisions	20	**(2 1)**	(2 4)
		(91 7)	(85 3)
Net current assets		**35 2**	39 2
Non-current liabilities			
Borrowings	18b	**(15 4)**	(15 7)
Retirement benefit obligation	6	**(1 5)**	(40 5)
Deferred tax liabilities	21	**(4 0)**	(6 1)
Provisions	20	**(8 2)**	(8 3)
		(29 1)	(70 6)
Total liabilities		**(120 8)**	(155 9)
Net assets		**167 1**	134 3
Equity			
Share capital	22	**32 5**	32 5
Share premium account		**29 6**	29 6
Other reserves	24	**84 7**	85 8
Retained earnings / (losses)		**19 9**	(14 1)
Equity attributable to equity holders of the parent		**166 7**	133 8
Non-controlling interests		**0 4**	0 5
Total equity		**167 1**	134 3

The accounts on pages 42 to 79 were approved by the board of directors on 11th March 2011 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 48 to 79

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER

	Notes	2010 £m	2009 £m
Operating activities			
Profit before income tax		**19 9**	0 5
Reconciliation of profit before income tax to net cash flows			
Net finance costs / (income)		**0 2**	(0 2)
Depreciation of property, plant and equipment	14	**6 5**	7 1
Impairment of assets held for sale		**-**	0 8
Amortisation of intangible assets	13	**1 8**	1 6
Loss on disposal of property, plant and equipment		**0 1**	0 1
Share based payments expense		**0 1**	0 2
Decrease in inventories		**3 1**	15 3
Decrease in receivables		**0 8**	5 6
Increase in payables		**4 8**	2 0
Decrease in provisions		**(0 4)**	(1 3)
Movement in pensions		**(21 2)**	(6 4)
Cash generated from operating activities		**15 7**	25 3
Finance income		**0 2**	1 1
Finance costs		**(0 4)**	(0 9)
Tax (payment) / receipt		**(2 3)**	4 0
Net cash flows from operating activities		**13 2**	29 5
Investing activities			
Disposal related costs	9	**(0 4)**	(0 4)
Purchase of Mercury	13	**-**	(0 5)
Purchase of property, plant and equipment	14	**(3 7)**	(6 2)
Expenditure on intangibles	13	**(2 0)**	(1 9)
Proceeds from disposal of property, plant and equipment		**0 1**	-
Net cash used in investing activities		**(6 0)**	(9 0)
Financing activities			
Dividends paid	10	**(0 5)**	-
Repayment of borrowings		**(0 2)**	(20 5)
New bank loans raised		**0 3**	2 6
Net cash used in financing activities		**(0 4)**	(17 9)
Effects of exchange rate changes		**(0 1)**	(0 5)
Net increase in cash and cash equivalents		**6 7**	2 1
Cash and cash equivalents at beginning of year		**45 0**	42 9
Cash and cash equivalents at end of year	18a	**51 7**	45 0

Notes to the accounts are on pages 48 to 79

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2010

	Equity attributable to equity holders of the parent						
	Share capital (note 22) £m	Share premium £m	Other reserves (note 24) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1st January 2010	32 5	29 6	85 8	(14 1)	133 8	0 5	134 3
Comprehensive income							
Profit/(loss) for the year	-	-	-	15 0	15 0	(0 1)	14 9
Other comprehensive income/ (losses)							
Exchange differences on translation of foreign operations	-	-	(1 1)	-	(1 1)	-	(1 1)
Actuarial gains on defined benefit pension schemes	-	-	-	26 6	26 6	-	26 6
Deferred tax on actuarial gains	-	-	-	(7 2)	(7 2)	-	(7 2)
Total comprehensive income/ (losses) for the year to 31st December 2010	-	-	(1 1)	34 4	33 3	(0 1)	33 2
Dividends paid	-	-	-	(0 5)	(0 5)	-	(0 5)
Share based payments	-	-	-	0 1	0 1	-	0 1
At 31st December 2010	32 5	29 6	84 7	19 9	166 7	0 4	167 1

The cumulative amount of goodwill taken direct to reserves since 1985 in respect of businesses that were members of the Group at 31st December 2010 is £6 3m (2009 £6 3m)

Notes to the accounts are on pages 48 to 79

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2009

	Equity attributable to equity holders of the parent						
	Share capital (note 22) £m	Share premium £m	Other reserves (note 24) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1st January 2009	32 5	29 6	95 5	57 1	214 7	1 8	216 5
Comprehensive income							
Profit/(loss) for the year	-	-	-	1 7	1 7	(1 2)	0 5
Other comprehensive (losses)/ income							
Exchange adjustments on hedge of net investments	-	-	1 6	-	1 6	-	1 6
Exchange differences on translation of foreign operations	-	-	(9 2)	-	(9 2)	(0 1)	(9 3)
Actuarial losses on defined benefit pension schemes	-	-	-	(104 5)	(104 5)	-	(104 5)
Deferred tax on actuarial losses	-	-	-	29 3	29 3	-	29 3
Total comprehensive losses for the year to 31st December 2009	-	-	(7 6)	(73 5)	(81 1)	(1 3)	(82 4)
Transfer between reserves	-	-	(2 1)	2 1	-	-	-
Share based payments	-	-	-	0 2	0 2	-	0 2
At 31st December 2009	32 5	29 6	85 8	(14 1)	133 8	0 5	134 3

On the 30th December 2009 the non-controlling interest in Grange SA decreased from 25% to 5%

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 adjustments on foreign currency borrowings taken to reserves were nil for 2010 (2009 gains £1 6m)

Notes to the accounts are on pages 48 to 79

NOTES TO THE ACCOUNTS

1. Corporate information

The consolidated financial statements of the Group for the year ended 31st December 2010 were authorised for issue in accordance with a resolution of the directors on the 10th March 2011

The Group is a public limited company incorporated and domiciled in the UK whose shares are publicly traded on the London Stock Exchange

The principal activities of the Group are the manufacture and sale of range cookers, kitchen and related home fashions product

2. 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 International Financial Reporting Interpretations Committee ('IFRIC') 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 2010 and adopted by the European Union The financial statements have also been prepared in accordance with the Companies Act 2006 applicable to companies reporting under IFRS

Critical accounting estimates and judgements

The preparation of the 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 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 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 of defined benefit pension obligations (see note 6) and the provision for taxes, see current and deferred tax accounting policy for further details and goodwill impairment testing (see note 12)

Accounting changes in the year

The following standards, amendments and interpretations to existing standards have been adopted for the first time in the Group's annual report and the adoption of these did not have any material impact on the financial position or performance of the Group

- IAS 27 - Consolidated and Separate Financial Statements (amended)

This amendment reflects changes to the accounting for non-controlling (previously minority) interests It deals primarily with the accounting for changes in ownership interests in subsidiaries after control is obtained, the accounting for the loss of control of subsidiaries and the allocation of profit or loss to controlling and non-controlling interests in a subsidiary

- IAS 38 - Intangible Assets (amended)

This amendment clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangibles as a single asset provided the individual assets have similar useful lives

- IAS 39 - Financial Instruments Recognition and Measurement (amended)

This amendment addresses the designation of a one-sided risk in a hedged item and the designation of inflation as a hedged risk or portion in particular situations

- IFRS 2 - Share based Payments - Group Cash-settled Share based Payment Transactions (amended)

This standard has been amended to clarify the accounting for group cash-settled share based payment transactions, where a subsidiary receives goods or services from employees or suppliers but the parent or another entity in the Group pays for those goods or services The amendment supersedes IFRIC 8 and IFRIC 11

- IFRS 3 - Business Combinations (revised)

The revised standard increases the number of transactions to which it must be applied including business combinations of mutual entities and combinations without consideration IFRS 3 (revised) introduces significant changes in the accounting for business combinations such as the valuation of non-controlling interest, business combination achieved in stages, the initial recognition and subsequent measurement of a contingent consideration and accounting for transaction costs These changes will have a significant impact on profit or loss reported in the period of an acquisition, the amount of goodwill recognised in a business combination and profit or loss reported in future periods

2. Accounting policies (continued)

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (amended)

This amendment specifies that if an entity is committed to a plan to sell a subsidiary, then it should classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria are met and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation

- IFRIC 17 - Distributions of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends

Amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Group

- IAS 1 - Presentation of Financial Statements
- IAS 7 - Statement of Cash Flows
- IAS 17 - Leases
- IAS 36 - Impairment of Assets
- IFRS 8 - Operating Segments
- IFRIC 16 - Hedge of a Net Investment in a Foreign Operation
- IFRIC 18 - Transfers of Assets to Customers

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's future accounting periods which the Group has not early adopted The relevant ones effective for the year ended 31st December 2011 are set out below

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters
- IAS 24 Related Party Disclosures (revised)
- IAS 32 Financial Instruments Presentation - Classification of Rights Issue (amendment)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Group has considered the above standards, interpretations and amendments The Group intends to comply with these from the effective date The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements

Principal accounting policies

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

Basis of consolidation

The consolidated income statement and balance sheet include the accounts of the parent Company and all its subsidiaries made up to the end of the financial year and include the results of subsidiaries and businesses acquired and sold during the year from or up to their effective date of acquisition or sale The 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

Non-controlling interests represent the proportion of profit or loss and net assets that are not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent

Business combinations and goodwill

Prior to 1st January 2010 Business combinations are accounted for using the acquisition method Shares issued as consideration for the acquisition of companies have a fair value attributed to them, which are 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 comprehensive income / losses, where appropriate On the acquisition of non-controlling interests the difference between cost and the non-controlling interest is taken to goodwill

After 1st January 2010 Business combinations are accounted for using the acquisition method The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis

NOTES TO THE ACCOUNTS CONTINUED

2. Accounting policies (continued)

Business combinations and goodwill (continued)
Acquisition costs incurred are expensed and included in administrative expenses

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date This includes the separation of embedded derivatives in host contracts by the acquiree

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the net assets acquired and the liabilities assumed in exchange for the business combination Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss

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

Segmental reporting
An operating segment is described in IFRS 8 as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about the resources to be allocated to the segment and assess its performance and for which discrete financial information is available

Revenue recognition
Revenue, which excludes value added tax and intra-group revenue, principally represents the invoiced value of goods sold, 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 Revenue is recognised from the sale of goods when the significant risks and rewards of ownership of the goods have passed to the buyer or can be readily measured This is deemed to be when the goods have been dispatched or are available for delivery

Post retirement benefits
The Group's main pension schemes 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 the income statement for these schemes, with the interest cost net of the expected return on assets in the schemes also being credited to the income statement When a settlement or a curtailment occurs the obligation and scheme assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the year in which the settlement or curtailment occurs Actuarial gains and losses are recognised directly in equity, in the statement of comprehensive income and losses, and the balance sheet reflects the schemes' surplus or deficit at the balance sheet date The determination of the present value of obligations and the fair value of scheme assets is done with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period A full valuation is carried out triennially using the projected unit credit method The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the 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

2. Accounting policies (continued)

year The expected return on scheme 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 scheme 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 scheme 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 scheme 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 an 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 seven and a half 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 Development costs mainly arise from internal development and brands are acquired separately

Impairment of goodwill and intangibles

Goodwill is subject to an impairment review annually or 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 inflows The carrying amount of goodwill allocated to a cash-generating unit ('CGU') 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

Separable intangible assets, such as trademarks, licences and brands, are recognised separately from goodwill on all acquisitions after 1st January 2004, the date of transition to IFRS and they 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 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

Assets held for sale

Assets held for sale are valued at the lower of carrying amount and fair value less costs to sell

Property, plant and equipment

Under IAS 16 'Property, Plant and Equipment' assets are held at cost less accumulated depreciation Assets held at 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

NOTES TO THE ACCOUNTS CONTINUED

2. Accounting policies (continued)

Property, plant and equipment (continued)
The gain or loss arising on the disposal of an asset is determined as the difference between the net sales proceeds and the carrying value of the asset and is recognised in the income statement

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 income 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 banks and in hand and short-term deposits with a maturity of three months or less In certain circumstances cash deposits with a maturity of up to six months may be included 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 when the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement

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 117 (2009 113) and for the US Dollar was 1 57 (2009 1 61) and the average rates were 116 (2009 112) and 1 55 (2009 1 56), respectively The resulting exchange differences are taken directly to a separate component of equity

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, these include loans and receivables, held-to-maturity investments or 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

2. Accounting policies (continued)

Dividends

Final dividends are only recognised at the point when they are declared and approved by the shareholders at the Annual General Meeting Interim dividends are recognised on payment

Derivative financial instruments and hedging

Where appropriate, the Group uses derivative financial instruments such as forward foreign exchange 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 foreign exchange 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 exchange 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 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,
- 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 Changes in the fair value of derivative instruments designated as cash flow hedges such as forward foreign exchange 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
- a hedge of a net investment in a foreign entity 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 relevant tax authorities, based on tax rates and laws that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income

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 substantively 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

NOTES TO THE ACCOUNTS CONTINUED

2. Accounting policies (continued)

Current and deferred tax (continued)
The Group has not provided for deferred tax in relation to temporary differences associated with undistributed earnings of subsidiaries 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

Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities Tax benefits are not recognised unless it is probable that the benefit will be obtained Tax provisions are made if it is expected that a liability will arise The Group reviews each significant tax liability or benefit to assess the appropriate accounting treatment

Employee share options
IFRS 2 'Share based Payments' requires that the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on 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 service or performance conditions (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions) Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied

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 income statement 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 being treated as an expense in the income statement

The measurement of this expense is calculated only on options granted after 7th November 2002 Further details are given in note 23

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 The Group's other provisions relate to the remaining costs in respect of earlier disposals, 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

3. Segmental analysis

Under IFRS 8 an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses The directors consider that there are two operating segments namely AGA (which comprises the brands and operations of AGA Rayburn, Fired Earth, Grange and Waterford Stanley) and Rangemaster (which comprises the brands and operations of AGA Marvel, Divertimenti, Heartland, La Cornue and Rangemaster) Two areas of the business were identified over which the directors allocate resource, plan purchasing and manufacturing, have combined sales targets, incentives and marketing programmes These areas were determined to be the level at which the chief operating decision maker ('CODM') makes decisions and were deemed to be the operating segments of 'AGA' and 'Rangemaster' The strategy as set by the board is for the Group to be seen as a Global Consumer Brand which sells range cookers, kitchen and related home fashions product internationally with cross selling opportunities creating appreciable competitive advantage for all our individual brands This strategy will lead to further integration of the segments in 2011

The operating results of the operating segments, for which discrete information is available, are regularly reviewed by the CODM, which consists of the chief executive and his senior management team, to make decisions about the resources to be allocated to the segments and assess their performance Management's focus is on the cross selling of all consumer products to our customer database - e g AGA Marvel is responsible for distributing product manufactured in the UK at our Leamington Spa (range cookers) and Telford (cast iron cookers) factories, which are then sold in North America under the AGA brand In addition, in 2010 Waterford Stanley became the distributor for Rangemaster products into Ireland as well as Rayburns and Grange has developed products to be sold under its own brand and the Fired Earth brand

Our customers are substantially of the same demographic At the heart of our sales strategy we look to sell packages of products to our customer base which, for example, may include AGA, Fired Earth, Rangemaster or AGA Marvel branded products and, in addition, this is how our senior management are now incentivised against Group targets

The two operating segments are considered to meet the aggregation criteria of IFRS 8 in full and so the directors consider that there is only one aggregated reportable segment The majority of the disclosures as required under IFRS 8 have therefore already been given in these financial statements The two operating segments are considered to meet the aggregation criteria as they have similar economic characteristics, products and services, production processes, types and classes of customer and methods of distribution The directors consider the aggregated reportable segment to be the manufacture and sale of range cookers, kitchen and related home fashions product, from which the Group derives most of its revenue All Group companies are subject to similar economic forces and comparable regulatory environments

Segment assets include property, plant and equipment, intangibles, inventories, retirement benefit surpluses and receivables - cash and taxation are not included Non-current assets exclude deferred tax assets Entity wide disclosures in respect of revenues from external customers, total segment assets and non-current assets are provided below

	2010			2009		
	Revenue	Total segment assets	Non-current assets	Revenue	Total segment assets	Non-current assets
	£m	£m	£m	£m	£m	£m
United Kingdom	163 1	117 9	68 9	156 5	116 3	69 0
North America	29 8	42 0	30 3	30 6	43 2	30 5
Europe	59 9	62 7	39 8	53 8	62 2	41 4
Rest of World	6 3	-	-	4 1	-	-
Total operations	259 1	222 6	139 0	245 0	221 7	140 9
Tax	-	13 6	11 8	-	23 5	21 7
Cash	-	51 7	-	-	45 0	-
Total	259 1	287 9	150 8	245 0	290 2	162 6

NOTES TO THE ACCOUNTS CONTINUED

4. Net operating costs

	2010 £m	2009 £m
Revenue	259 1	245 0
Operating (profit)/loss	(5 1)	1 5
Net operating costs	254 0	246 5

Net operating costs		
Raw materials, consumables and changes in inventories of finished goods and work in progress	104 7	100 9
Staff costs (note 5)	75 9	72 6
Other operating charges	65 4	64 8
Other operating income	(0 3)	(0 5)
Amortisation of intangibles (note 13)	1 8	1 6
Depreciation of property, plant and equipment (note 14)	6 5	7 1
Net operating costs	254 0	246 5

Group operating profit/(loss) for the year is stated after charging/(crediting)

	2010 £m	2009 £m
Loss on disposal of property, plant and equipment	0 1	0 1
Trade receivables impairment (note 16)	(0 1)	-
Reversal of inventory write down made in previous year (note 15)	(0 7)	(1 1)
Inventory provision charged in the year (note 15)	0 4	0 6
Research and development expenditure	1 5	1 5
Depreciation of property, plant and equipment (note 14)	6 5	7 1
Amortisation of intangibles (note 13)	1 8	1 6
Operating lease rentals payable		
- plant and machinery	2 7	2 6
- property	7 7	7 5
Net exchange differences	(0 3)	(1 3)
Auditor's remuneration		
- Group audit fees	0 1	0 1
- Audit of Company's subsidiaries	0 1	0 1
Other fees to auditor		
- Taxation services (including general and VAT advice)	0 3	0 6

Non-recurring cost

The non-recurring cost of £1 4m (2009 £3 6m) relates primarily to integration costs at AGA Marvel and further rationalisation costs at AGA, Fired Earth and Waterford Stanley In 2009 the non-recurring cost of £3 6m related to reorganisation and redundancy programmes across the Group of £2 8m, primarily integration costs at AGA Rangemaster and factory rationalisation programmes at AGA Marvel and Grange and there was also £0 8m of impairment of assets held for sale

5. Employee information

Average number of employees (including directors)	2010	2009
Production	**1,344**	1,364
Selling and distribution	**744**	749
Administration and support services	**492**	543
Total	**2,580**	2,656

Total staff costs (including directors)	2010 £m	2009 £m
Wages and salaries	**66 5**	63 1
Social security costs	**8 4**	8 4
Share based payments	**0 1**	0 2
Other pensions costs	**0 9**	0 9
Staff costs (note 4)	**75 9**	72 6
Pension credit (note 6)	**(16 4)**	(5 4)
Net staff costs	**59 5**	67 2

The increase in staff costs reflects the lower level of short-term working in 2010

The defined benefit pension credit of £16 4m (2009 £5 4m) is included on the face of the income statement

Details of directors' compensation, share options, Long-Term Incentives and pensions are set out in the audited part of the remuneration report on pages 40 to 41

6. Pensions

The Group operates a pension scheme which covers the majority of UK 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 The other defined benefit schemes operating within the Group are the Amari plc Pension and Life Assurance Plan in the UK and the Waterford Stanley Retirement Benefits Plan in Ireland Various defined contribution schemes exist across the Group and the total contributions in the year were £0 9m (2009 £0 9m) which are included under staff costs in note 5

The latest full valuation of the main UK scheme was carried out by Towers Watson Limited, independent consulting actuaries, as at 31st December 2008 using the projected unit credit method Defined benefit scheme contributions of £1 6m (2009 £1 2m) based on pensionable salaries and additional payments of £3 0m were made by the Group during the year ended 31st December 2010 Contributions of £0 1m (2009 £0 1m) were owed to the scheme at 31st December 2010 Contributions for 2011 under the main UK scheme will be 14 9% (2010 5 5% - the rate was reduced due to a prepayment in 2007) for all members accruing benefits on a final salary basis with the exception of six members of the former 1970 scheme who will accrue benefits at 29 5% (2010 27 4%) of capped basic salaries Normal contributions of around £2 5m, a £2 0m additional contribution and other payments of around £1 0m are expected to be paid by the Group during 2011

The full valuation was completed before the Government made its announcement in 2010 of a change in the statutory measure of inflation for the revaluation and indexation of pensions, from RPI to CPI, for and from the reference year ended September 2010 This change only impacts defined benefit schemes where the rules specifically reference the statutory measure of inflation, in the case of the main UK scheme, its rules only reference the statutory measure of inflation in respect of the revaluation of deferred pensions prior to their coming into payment The financial assumptions used to calculate the defined benefit schemes' liabilities under IAS 19 have accordingly been updated at 31st December 2010, and the actuarial gain has been recognised in other comprehensive income The change in the basis for revaluing deferred pensions has resulted in a reduction in the defined benefit obligation for the main UK scheme of £9 3m at 31st December 2010

NOTES TO THE ACCOUNTS CONTINUED

6. Pensions (continued)

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

	UK schemes 2010	Waterford Stanley schemes 2010	UK schemes 2009	Waterford Stanley schemes 2009
Rate of increase in pensionable salaries	0 0%	2 9%	4 0%	3 0%
Rate of increase of pensions in payment	2 3 - 3 6%	1 9%	2 3 - 3 6%	2 0%
Discount rate	5 4%	5 1%	5 7%	5 3%
Inflation rate - in payment	3 4%	1 9%	3 5%	2 0%
Inflation rate - in deferment	2 7%	1 9%	3 5%	2 0%
Expected rate of return on schemes' assets	6 2%	6 0%	6 3%	6 0%

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 19 1 (2009 18 9) years for male members currently aged 65 and of 20 6 (2009 20 4) years from age 65 for male members currently aged 50

Sensitivities

The value of scheme assets is sensitive to market conditions, particularly equity values Changes in assumptions used for determining retirement benefit costs and obligations may have a material impact on the income statement and the balance sheet The main assumptions are the discount rate, the rate of inflation and the assumed mortality rate The following table provides an estimate of the potential impact on the principal pension schemes of changing each of these variables

	Higher/(lower) pension credit		Increase/(decrease) in liabilities	
	2010 £m	2009 £m	2010 £m	2009 £m
Discount rate - 0 1% decrease	0 1	(0 1)	11 8	12 2
- 0 1% increase	-	-	(11 6)	(11 9)
Inflation rate - 0 1% decrease	0 6	0 6	(9 7)	(9 6)
- 0 1% increase	(0 5)	(0 6)	9 8	9 6
Mortality rate - one year increase in life expectancy	(2 3)	(2 3)	40 6	36 8

The assets and obligations of the aggregated schemes

	2010		2009	
	%	£m	%	£m
Equities	34 8%	264 0	34 7%	248 6
Bonds	53 2%	404 1	52 7%	376 9
Property	11 0%	83 5	10 7%	76 6
Other	1 0%	7 9	1 9%	13 9
Fair value of schemes' assets	100 0%	759 5	100 0%	716 0
Present value of funded obligation		(752 4)		(756 5)
Surplus/(deficit) in the schemes		7 1		(40 5)

6. Pensions (continued)

	2010 £m	2009 £m
Balance sheet presentation		
Retirement benefit surplus	**8 6**	-
Retirement benefit obligation	**(1 5)**	(40 5)
Surplus/(deficit) in the schemes	**7 1**	(40 5)

Investments of the defined benefit schemes are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets The largest proportion of assets are invested in bonds, although the schemes also invest in equity, property and cash

Included above are assets with a market value of £5 2m (2009 £5 1m) and a deficit of £1 2m (2009 £1 2m) in respect of overseas schemes The foreign exchange impact on the overseas schemes is £nil

The amounts recognised in the income statement are as follows	2010 £m	2009 £m
Current service cost - defined benefit	**(3 1)**	(2 3)
Curtailment gain	**16 3**	3 8
Expected return on pension schemes' assets	**43 8**	40 8
Interest cost on pension schemes' liabilities	**(40 6)**	(36 9)
Net pension credit included in income statement	**16 4**	5 4

The curtailment gain in 2010 relates to the freezing of pensionable salaries for certain members of the main UK scheme in the year ended 31st December 2010 whose pensionable salaries had not been frozen in the year ended 31st December 2009

History of experience gains and losses

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of schemes' assets	**759 5**	716 0	655 0	776 9	784 6
Present value of funded obligation	**(752 4)**	(756 5)	(597 5)	(697 3)	(760 2)
Surplus/(deficit) in the schemes	**7 1**	(40 5)	57 5	79 6	24 4
Experience gain/(loss) on schemes' liabilities	**3 0**	(5 1)	2 0	15 3	2 4
Experience gain/(loss) on schemes' assets	**33 6**	57 3	(137 0)	(31 2)	14 6

Movement in surplus/(deficit) of the aggregated schemes during the year	2010 £m	2009 £m
(Deficit)/surplus of the schemes at 1st January	**(40 5)**	57 5
Exchange	**-**	(0 1)
Net pension credit	**16 4**	5 4
Company contributions	**4 6**	1 2
Actuarial gain/(loss)	**26 6**	(104 5)
Surplus/(deficit) of the schemes at 31st December	**7 1**	(40 5)

The cumulative amount recognised in the statement of comprehensive income/losses since 1st January 2004 is £45 2m loss (2009 £71 8m loss)

NOTES TO THE ACCOUNTS CONTINUED

6. Pensions (continued)

Changes in the present value of the defined benefit obligation are as follows	2010 £m	2009 £m
Present value of obligation at 1st January	756 5	597 5
Interest costs	40 6	36 9
Current service cost	3 1	2 3
Member contributions	0 6	0 6
Benefit payments (including lump sums on retirement)	(38 8)	(38 8)
Curtailment gain	(16 3)	(3 8)
Increase on change of actuarial assumptions	6 9	161 9
Other adjustments	(0 2)	(0 1)
Present value of obligation at 31st December	**752 4**	756 5

Changes in the fair value of the schemes' assets are as follows	2010 £m	2009 £m
Fair value of schemes' assets at 1st January	716 0	655 0
Benefit payments (including lump sums on retirement)	(38 8)	(38 8)
Company contributions	4 6	1 2
Member contributions	0 6	0 6
Expected return on schemes' assets	43 8	40 8
Experience gain	33 6	57 3
Other adjustments	(0 3)	(0 1)
Fair value of schemes' assets at 31st December	**759 5**	716 0

The actual gain on the schemes' assets was £77 4m (2009 gain £98 1m)

7. Net finance (costs)/income

Finance income	2010 £m	2009 £m
Bank interest	0 1	0 3
Interest on repayment of tax	0 1	0 8
Total finance income	0 2	1 1

Finance costs	£m	£m
Bank borrowings	(0 3)	(0 9)
Other borrowings	(0 1)	-
Total finance costs	(0 4)	(0 9)

Net finance (costs)/income	(0 2)	0 2

8. Income tax

United Kingdom corporation tax based on a rate of 28 0% (2009 28 0%)	2010 £m	2009 £m
Current tax on income for year	0 5	(1 6)
Adjustments in respect of prior years	3 4	3 5
United Kingdom corporation tax	3 9	1 9
Overseas current tax on income for year	0 5	1 1
Total current tax charge	4 4	3 0

United Kingdom deferred tax charge/(credit)		
- change in rate of corporation tax	0 1	-
- current year	3 8	(0 8)
- prior year adjustments	(3 1)	-
Overseas deferred tax credit in year	(0 2)	(2 2)
Total deferred tax charge/(credit)	0 6	(3 0)
Total United Kingdom tax	4 7	1 1
Total overseas tax	0 3	(1 1)
Income tax expense	5 0	-

Deferred tax on actuarial gains, taken direct to reserves, was a charge of £7 2m (2009 credit £29 3m)

During the year, as a result of the change in the UK corporation tax rate from 28% to 27%, that was substantively enacted on 21st July 2010 and will be effective from 1st April 2011, the deferred tax balances have been re-measured Deferred tax expected to reverse in the year to 31st December 2011 has been measured using the effective rate that will apply for the period

Further reductions to the UK corporation tax rate have been announced These changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 24% The full tax impact of these changes is estimated to be £0 1m per annum per 1% movement in the taxation rate The changes have not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements

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

	2010 £m	2009 £m
Profit before income tax	19 9	0 5
Profit multiplied by the standard rate of corporation tax in the UK of 28 0% (2009 28 0%)	5 6	0 1
Effects of		
- lower rate of future tax	0 1	-
- non-taxable income	(1 0)	-
- adjustment to tax charge in respect of prior years	0 3	3 5
- lower rates of tax on overseas earnings	-	(3 6)
Total tax charge for the year	5 0	-

9. Discontinued operations

Disposal costs of £0 4m (2009 £1 3m) were paid during the year and no further proceeds were received in respect of the Foodservice disposal (2009 £0 9m), leaving a net outflow of £0 4m (2009 £0 4m)

NOTES TO THE ACCOUNTS CONTINUED

10. Dividends

	2010 £m	2009 £m
Interim dividend paid of 0 7 pence per share for the year ended 31st December 2010 (2009 nil)	0 5	-
Amounts recognised as distributions to equity shareholders in the year	**0 5**	-

The directors are recommending a final dividend in respect of the financial year ended 31st December 2010 of 1 0 pence per share (2009 nil)

11. Earnings per share

The basic earnings per share ('EPS') 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 EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares The Group has two classes of potential dilutive shares - the share options granted to employees and the Long-Term Incentive Plan Share options, where performance criteria have not been met, have been excluded from the calculation of the diluted EPS and treated as contingently issuable as required by IFRS 2

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

Earnings for the purpose of the basic and diluted EPS	2010 £m	2009 £m
Profit after income tax	14 9	0 5
Non-controlling interests	0 1	1 2
Profit attributable to equity shareholders - for basic and diluted EPS	15 0	1 7

Weighted average number of shares in issue	million	million
For basic EPS calculation	69 2	69 2
Dilutive effect of share options and Long-Term Incentive Plan	-	-
For diluted EPS calculation	69 2	69 2

Earnings per share attributable to equity holders of the parent	p	p
Basic	21 7	2 5
Diluted	21 7	2 5

12. Goodwill

	2010 £m	2009 £m
Cost		
At 1st January	**66 9**	70 9
Exchange adjustment	**(0 2)**	(4 0)
At 31st December	**66 7**	66 9

AGA, Fired Earth, Grange and Waterford Stanley form one Cash Generating Unit ('CGU') with AGA Marvel, Divertimenti, Heartland, La Cornue and Rangemaster 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

Goodwill at 31st December 2010 is allocated over the two CGUs as follows AGA £38 7m (2009 £38 8m) and Rangemaster £28 0m (2009 £28 1m)

For goodwill impairment testing future cash flows are estimated based on the board approved, budgeted, risk adjusted trading cash flows for both of the relevant CGUs for the next year and 2% (2009 2%) growth, thereafter This growth rate is based on the current external inflation forecasts for the medium-term The operating cash flows included within the impairment reviews reflect management's current expectations of future performance incorporating judgements around the current economic climate and reflecting cost savings made as a result of the non-recurring costs incurred during the year The future cash flows are discounted, at the discount rate which is the risk adjusted weighted average cost of capital ('WACC') applicable to that particular CGU The discount rate for both CGUs is 8 4% (2009 8 4%) and this has been adjusted to reflect an independent capital structure which incorporates management's estimate of the incremental cost of further borrowing as required by IAS 36 In addition, the discount rate has been risk adjusted by utilising a cautious company beta and equity risk premium

A reasonable change in key assumptions, on which management has based its determination of the recoverable amount, does not cause the carrying amount to exceed its recoverable amount

13. Intangible assets

	Computer software £m	Brands £m	Development costs £m	Other £m	Total £m
Cost					
At 1st January 2010	4 6	13 6	13 2	0 8	**32 2**
Exchange adjustment	-	(0 5)	-	-	**(0 5)**
Additions - internally generated	0 2	-	1 6	-	**1 8**
Additions - externally acquired	0 1	-	0 1	-	**0 2**
Disposals	-	-	(0 2)	(0 1)	**(0 3)**
At 31st December 2010	4 9	13 1	14 7	0 7	**33 4**
Amortisation					
At 1st January 2010	3 5	-	5 3	0 2	**9 0**
Disposals	-	-	(0 1)	(0 2)	**(0 3)**
Charge for the year	0 3	-	1 4	0 1	**1 8**
At 31st December 2010	3 8	-	6 6	0 1	**10 5**
Net book value at 31st December 2010	**1 1**	**13 1**	**8 1**	**0 6**	**22 9**

NOTES TO THE ACCOUNTS CONTINUED

13. Intangible assets (continued)

	Computer software £m	Brands £m	Development costs £m	Other £m	Total £m
Cost					
At 1st January 2009	4 6	14 6	12 0	0 5	31 7
Exchange adjustment	(0 1)	(1 2)	(0 5)	-	(1 8)
Purchase of Mercury	-	0 2	-	0 3	0 5
Additions - internally generated	-	-	1 5	-	1 5
Additions - externally acquired	0 2	-	0 2	-	0 4
Disposals	(0 1)	-	-	-	(0 1)
At 31st December 2009	4 6	13 6	13 2	0 8	32 2
Amortisation					
At 1st January 2009	3 3	-	4 2	0 2	7 7
Exchange adjustment	(0 1)	-	(0 1)	-	(0 2)
Disposals	(0 1)	-	-	-	(0 1)
Charge for the year	0 4	-	1 2	-	1 6
At 31st December 2009	3 5	-	5 3	0 2	9 0
Net book value at 31st December 2009	1 1	13 6	7 9	0 6	23 2

Items included in the 'other' category include patents and customer lists acquired

Brands and other intangibles are considered to have an indefinite life and are subject to impairment testing Computer software and development costs are amortised and the amortisation is charged directly to the income statement

To test the impairment of brands the Royalty Relief Methodology is used to forecast future cash flows Cash flows are estimated using an imputed royalty rate applied to budgeted, board approved, risk adjusted revenue for the next year and 2% growth, thereafter This growth rate is based on the current external inflation forecasts for the medium-term Future cash flows are discounted at the discount rate, which is the risk adjusted weighted average cost of capital, applicable to that particular brand The appropriate discount rate for each brand has been adjusted to reflect an independent capital structure which incorporates management's estimate of the incremental cost of further borrowing as required by IAS 36 In addition, the Group has risk adjusted the discount rates by utilising a cautious company beta and equity risk premium For 2010 testing these were in the range 7 4% to 8 4% (2009 7 4% to 8 4%) Imputed royalty rates used in the cash flow forecasts for brands are in the range 2 9% to 3 5% Management consider the appropriateness of the royalty rates used on an annual basis

Development costs are tested for impairment annually using future cash flows for each project and an appropriate discount rate

On 25th August 2009 the Group acquired the Mercury and Thermastone cooker brands from Lincat Group plc for a consideration of £0 5m The cost was allocated between brands £0 2m and other intangibles £0 3m

14. 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 2010	31 6	89 5	0 5	121 6
Exchange adjustment	-	(0 2)	-	(0 2)
Capital expenditure	0 1	3 4	0 2	3 7
Transfer to assets held for sale	(9 7)	-	-	(9 7)
Disposals	(0 2)	(3 0)	-	(3 2)
Reclassification	-	0 1	(0 1)	-
At 31st December 2010	21 8	89 8	0 6	112 2
Depreciation				
At 1st January 2010	9 7	61 1	-	70 8
Exchange adjustment	(0 1)	(0 2)	-	(0 3)
Charge for the year	0 8	5 7	-	6 5
Transfer to assets held for sale	(2 6)	-	-	(2 6)
Disposals	(0 1)	(2 9)	-	(3 0)
At 31st December 2010	7 7	63 7	-	71 4
Net book value at 31st December 2010	**14 1**	**26 1**	**0 6**	**40 8**

The cost of property, plant and equipment includes £0 1m (2009 £0 1m) of assets held under finance leases The net book value of these assets was £0 1m (2009 £0 1m) All leases have been reviewed throughout the year and are capitalised where appropriate

Assets held for sale

Following the move of the Group head office the property in Solihull, Birmingham is surplus to requirements and is being actively marketed for sale The property is classified as an asset held for sale at a fair value of £1 7m

The Marvel site in Richmond, Indiana, USA, which is no longer occupied, with a fair value of £1 4m is also classified as an asset held for sale

Both the above assets, which were held for sale in 2009, remained unsold in 2010, due to turbulent market conditions in the local property markets These properties continue to be actively marketed at a reasonable price The directors are committed to arranging a sale and believe a sale, at the fair value, can be agreed in 2011, when the property market is expected to improve

Since the balance sheet date Niagara Corporation has exercised its option to acquire the freeholds of certain properties used by its operations which were acquired from the Group in 1999 These properties were transferred to assets held for sale at their net book value of £6 7m during the year

Following rationalisation of Grange SA, a newly vacated manufacturing property is being actively marketed for sale The property was transferred to assets held for sale at net book value of £0 4m during the year The directors believe a sale at net book value or above can be agreed in 2011

The total assets held for sale amounted to £10 2m (2009 £3 1m)

NOTES TO THE ACCOUNTS CONTINUED

14. Property, plant and equipment (continued)

	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 2009	35 6	90 2	0 5	126 3
Exchange adjustment	(1 7)	(1 8)	(0 1)	(3 6)
Capital expenditure	0 3	2 9	0 2	3 4
Impairment of assets transferred to held for sale	(0 5)	-	-	(0 5)
Transfer to assets held for sale	(1 7)	-	-	(1 7)
Disposals	(0 4)	(1 9)	-	(2 3)
Reclassification	-	0 1	(0 1)	-
At 31st December 2009	31 6	89 5	0 5	121 6
Depreciation				
At 1st January 2009	9 8	57 8	-	67 6
Exchange adjustment	(0 4)	(1 1)	-	(1 5)
Charge for the year	0 9	6 2	-	7 1
Transfer to assets held for sale	(0 2)	-	-	(0 2)
Disposals	(0 4)	(1 8)	-	(2 2)
At 31st December 2009	9 7	61 1	-	70 8
Net book value at 31st December 2009	21 9	28 4	0 5	50 8

Some properties have been valued, under previous GAAP, using previously revalued amounts as the deemed cost, no adjustment to the carrying amount as previously recorded has been made

15. Inventories

	2010 £m	2009 £m
Raw materials and consumables	**8 0**	9 5
Work in progress	**6 1**	7 0
Finished goods	**28 7**	29 5
Total inventories	**42 8**	46 0

The Group expensed £104 7m of inventories during the year (2009 £100 9m) The Group charged £0 4m to inventory provisions in the year (2009 £0 6m) The Group reversed £0 7m of the inventory provision in the year that was subsequently not required (2009 £1 1m) The Group did not hold any inventories pledged as security for liabilities (2009 £nil)

16. Trade and other receivables

Amounts falling due within one year	2010 £m	2009 £m
Trade receivables	**23 3**	23 8
Less provision for impairment of receivables	**(0 4)**	(0 5)
Trade receivables - net	**22 9**	23 3
Other receivables	**2 3**	2 7
Prepayments and accrued income	**4 6**	4 8
Total receivables falling due within one year	**29 8**	30 8
Amounts falling due after one year		
Other receivables	**0 8**	0 9
Total trade and other receivables	**30 6**	31 7

Trade and other receivables are initially recorded at fair value and thereafter amortised at an effective interest rate

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 There is a Group-wide credit insurance policy in the UK 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 are balances of £4 8m (2009 £4 6m) 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	2010 £m	2009 £m
30-60 days	1 9	2 9
60-90 days	1 1	0 7
90-120 days	0 7	0 4
120+ days	1 1	0 6
Total receivables past due but not impaired	**4 8**	4 6

NOTES TO THE ACCOUNTS CONTINUED

16. Trade and other receivables (continued)

Movement in the provision for impairment of receivables	2010 £m	2009 £m
At 1st January	0 5	0 5
Impairment losses recognised	0 1	0 1
Receivables written off during the year as uncollectible	(0 1)	-
Amounts previously impaired recovered	(0 1)	(0 1)
At 31st December	**0 4**	0 5

Ageing of impaired trade receivables	2010 £m	2009 £m
60-90 days	0 2	0 1
90-120 days	-	0 1
120+ days	0 2	0 3
Provision for impaired receivables	**0 4**	0 5

17. Trade and other payables

Current trade and other payables	2010 £m	2009 £m
Trade payables	37 5	35 5
Payments on account	1 0	1 1
Social security	4 2	3 9
Accruals and deferred income	13 9	14 1
Other payables	10 9	8 6
Total current trade and other payables	**67 5**	63 2

18. Cash and borrowings

a) Cash and cash equivalents

	2010 £m	2009 £m
Cash at bank and in hand	0 1	0 1
Short-term bank deposits	51 6	44 9
Cash and cash equivalents	**51 7**	45 0

Included in cash and cash equivalents was cash held for unclaimed dividends of £0 6m (2009 £0 5m)

The Group's cash balance of £51 7m includes £22 5m, which is collateralised against a bank guarantee that the Group has provided to the AGA Rangemaster Group Pension Scheme

The short-term bank deposits have a weighted average maturity of under one month (2009 under one month) with an effective interest rate of 0 2% (2009 0 3%)

The fair value of cash and short-term deposits is £51 7m (2009 £45 0m)

18. Cash and borrowings (continued)

b) Financial liabilities - borrowings

Current	2010 £m	2009 £m
Bank borrowings	1 7	1 3
Current borrowings	1 7	1 3

Non-current	2010 £m	2009 £m
Non-current obligations under finance leases	-	0 1
Bank borrowings	15 4	15 6
Non-current borrowings	15 4	15 7

In 2009, the non-current obligations under finance leases were due for repayment after one year but not more than five years

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

Bank borrowings comprise the following	Interest rate basis	2010 £m	2009 £m
Unsecured bank loans - current	Floating	1 7	1 3
Unsecured bank loans - non-current	Floating	15 1	15 2
Other secured loans 2018	Floating	0 3	0 4
Total bank borrowings		17 1	16 9

Included in the £15 1m non-current 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 6%

19. Financial instruments

Capital management

The Group's capital comprises the equity attributable to the equity holders of the parent The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business The Group monitors the demographic spread of its shareholders and employees are encouraged to hold shares in the Company The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares The Group also has bank facilities in place to fund the business These are discussed in more detail under liquidity risk below

The central treasury function sets out the treasury policy including guidelines for managing interest rate and cash flow risk, credit and price risk, foreign currency risk and liquidity risk as discussed below The objective of the treasury policy is to manage the Group's financial risk and to ensure that adequate financial resources are available for the development of the Group

Interest rate and cash flow risk

The Group is exposed to a number of global interest rates - notably the UK, Eurozone and US rates Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates The Group analyses its interest rate exposure on a regular basis Based on various scenarios the Group calculates the impact on profit and loss for a defined interest rate shift

19. Financial instruments (continued)

The following table demonstrates the sensitivity to a change in interest rates, with all other variables held constant on the Group's profit before tax and equity There were no interest rate swap agreements in place throughout 2010 (2009 nil)

		Increase/(decrease) in basis points	Effect on profit/equity before tax £m
2010	**Cash**	**+50/(50)**	**0 3/(0 3)**
	Borrowings	**+50/(50)**	**(0 1)/0 1**
2009	Cash	+50/(50)	0 2/(0 2)
	Borrowings	+50/(50)	(0 1)/0 1

Credit and price risk

The Group monitors closely the availability of trade finance to its customers and suppliers - given the constraint on the business this can become The ability for the Group and its principal operations to maintain trade credit insurance on our customers is a significant issue for the Group 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 the carrying value as at the balance sheet date The Group's policy on minimising credit risk with respect to its trade and other receivables is stated in note 16, on page 67

The Group is exposed to risk in the price movement of key raw materials and energy The Group manages these risks and is half way through a two year fixed price energy supply contract and a one year partially fixed steel supply contract for its main activities The Group continually reviews its exposure to any remaining commodity risk to ensure that commercial opportunities are fully maximised and risks mitigated wherever possible

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 US which are denominated in US Dollars and imports from Europe which are denominated in Euros These currency outflows are 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 The main translation risk is that the results of non-UK businesses will translate into differing sterling values depending on the exchange rates

a) Forward foreign exchange contracts

As a result of the Group's geographical presence and operations, forward foreign exchange contracts are put in place

As at 31st December 2010, the notional amounts of outstanding forward foreign exchange contracts that the Group was committed to were GBP 0 8m (2009 GBP 0 7m), CHF 0 7m (2009 CHF nil) and USD 0 7m (2009 USD nil) The fair value of these open forward foreign exchange contracts is not material 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

There were no forward foreign exchange contracts designated as cash flow hedges at the balance sheet date (2009 nil)

b) 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 carrying value of such Euro borrowings at 31st December 2010 was £6 4m (2009 £6 6m) and the carrying value of the US Dollar borrowings was £8 7m (2009 £8 5m) The exchange differences on the translation of the borrowings into sterling have been recognised in translation reserves, although in 2010 these netted off to nil (2009 £1 6m)

19. Financial instruments (continued)

Liquidity risk

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 The Group maintains relationships with several large financial institutions The Group's committed loan facilities have two principal financial covenants, interest cover and net debt EBITDA The Group complied with them at the end of the year The Group has sound and long established arrangements in place with its relationship banks who offer committed and uncommitted facilities, which together with cash flow monitoring and cash surpluses, provide adequate funding for the Group's operations The £10m of facilities previously due for renewal on 30th November 2010, having been extended on the same terms until 28th February 2011, will not be renewed further in the light of the increased cash balance The remaining facilities mature in 2012 onwards and their renewal will be subject to the prevailing market conditions at the time

The Group maintains a mixture of short-term uncommitted and medium-term committed facilities to ensure a sufficient level of funds and guarantee facilities are available for its business operations The £85 0m committed facilities have been arranged to help finance the Group's activities These facilities incur commitment fees at market rates

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

	2010 £m	2009 £m
Expiring within 1 year	10 0	10 0
Expiring between 1 and 2 years	12 5	-
Expiring between 2 and 5 years	19 9	32 4
Total undrawn committed facilities	**42 4**	42 4
Hedging loans	15 1	15 1
Guarantees provided	27 5	27 5
Total committed facilities	**85 0**	85 0

In addition to the committed facilities detailed above, the Group also has uncommitted facilities totalling £22 2m (2009 £22 5m)

NOTES TO THE ACCOUNTS CONTINUED

19. Financial instruments (continued)

Maturity profile of financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities at 31st December 2010 and 2009 based on contractual undiscounted payments Floating rate borrowings are re-priced within six months from the balance sheet date

2010	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	1 8	0 2	15 2	0 1	0 1	0 1	**17 5**
Trade payables		37 5	-	-	-	-	-	**37 5**
Other payables		10 9	-	-	-	-	-	**10 9**
Total		50 2	0 2	15 2	0 1	0 1	0 1	65 9

2009	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	1 5	0 2	0 2	15 2	-	0 3	17 4
Trade payables		35 5	-	-	-	-	-	35 5
Other payables		8 6	-	-	-	-	-	8 6
Total		45 6	0 2	0 2	15 2	-	0 3	61 5

Carrying value

The carrying value of the Group's financial assets, including trade and other receivables and cash, and financial liabilities, including trade and other payables and borrowings, as disclosed in the balance sheet, are equivalent to their fair value at the balance sheet date

20. Provisions

	Product warranties £m	Reorganisation £m	Other £m	Total £m
At 1st January 2010	2 8	0 5	7 4	**10 7**
Charge in the year	1 5	0 8	0 1	**2 4**
Utilised in year	(1 4)	(1 1)	(0 3)	**(2 8)**
At 31st December 2010	2 9	0 2	7 2	10 3

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

	2010 £m	2009 £m
Current	**2 1**	2 4
Non-current	**8 2**	8 3
At 31st December	**10 3**	10 7

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 for the Group's main products

20. Provisions (continued)

Reorganisation
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 The Group expects a judgement from a German court in 2011 relating to the valuation of a minority shareholding in a business which the Group acquired in 1998 and sold in 2001 as part of the Pipe Systems disposal

21. Deferred tax
Deferred tax is calculated on temporary differences under the balance sheet liability method using a tax rate of 27% (2009 28%) The movement on the deferred tax account is shown below

Deferred tax - net	2010 £m	2009 £m
At 1st January	15 6	(16 4)
Exchange adjustment	-	(0 2)
Taken to equity - tax on actuarial (gain)/loss	(7 2)	29 3
(Charge)/credit to income statement (note 8)	(0 6)	3 0
Other	-	(0 1)
At 31st December	**7 8**	15 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

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	Total £m
At 1st January 2010	3 0	3 1	6 1
Credited to income statement	(1 8)	(0 3)	(2 1)
At 31st December 2010	1 2	2 8	4 0
Deferred tax assets	**Pensions £m**	**Tax losses £m**	**Total £m**
At 1st January 2010	16 9	4 8	21 7
(Charged)/credited to income statement	(6 4)	3 7	(2 7)
Taken to equity - tax on actuarial gain	(7 2)	-	(7 2)
At 31st December 2010	3 3	8 5	11 8

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

NOTES TO THE ACCOUNTS CONTINUED

22. Share capital

	2010		2009	
	m	£m	m	£m
Allotted, called up and fully paid				
Ordinary shares of 46 7/8p each as at 31st December	69 2	32 5	69 2	32 5

From 1st October 2009, the Companies Act 2006 abolished the requirement for a company to have an authorised share capital

During the year no ordinary shares were issued in connection with the Company's share option schemes (2009 nil)

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 2010 under the schemes were as follows

Senior Executive Share Option Scheme

Grant date	Number of shares	Exercisable in 7 years to	Option price p per share
June 2001	48,000	June 2011	236
March 2002	52,500	March 2012	261
October 2003	109,500	October 2013	235
Total	210,000		

Long-Term Incentive Plan

Grant date	Number of shares	Grant price p per share	Exercisable in 7 years to
October 2003	28,149	235	October 2013
May 2008	196,550	285	May 2018
Total	224,699		

Under the Long-Term Incentive Plan a fee of £1 per award is payable and no further consideration is due Further information is set out in note 23

Under the Sharesave Plan, introduced in 2008, the following options were outstanding

Sharesave Plan

Grant date	Number of Shares	Exercisable to	Option price p per share
September 2008	108,543	May 2012	209
September 2008	236,708	May 2014	209
Total	345,251		

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 became 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 are valued using the Black-Scholes option model

23. Share based payments (continued)

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 per award 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 there has been a sustained improvement in the underlying financial performance of the Company as determined by the remuneration committee

The FTSE 250 Index is used as the comparator group for LTIP options granted in 2007 and 2008

If the Company's TSR places it in the top 25% (upper quartile) of the comparator companies, the participant may acquire all of the TSR linked shares If the Company's TSR is at the mid-point, 25% of the shares may 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 If the Company's TSR is below the mid-point, none of the TSR linked shares may be acquired

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 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 2007 LTIPs were lapsed during the year as the performance criteria were not met

In 2008, the remuneration committee revised the performance criteria to make the EPS performance condition more challenging The EPS target now requires at least 5% compound growth in excess of RPI over the next three year performance period for 25% of the award to vest If growth exceeds 12% in excess of RPI then all the options will vest None of the EPS monitored options will vest if compound growth is less than 5%

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 1m (2009 £0 2m) before tax and £0 1m (2009 £0 1m) post tax

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

	2010		2009	
	Number '000	Weighted average exercise price (p)	Number '000	Weighted average exercise price (p)
Outstanding at 1st January	240	242	280	239
Lapsed expired	(29)	241	(40)	225
Lapsed forfeited	(1)	235	-	-
Outstanding at 31st December	210	242	240	242
Exercisable at 31st December	210	242	240	242

23. Share based payments (continued)

2010				2009			
Exercise price p	Number of shares '000	Expected remaining life years	Contractual remaining life years	Exercise price p	Number of shares '000	Expected remaining life years	Contractual remaining life years
236	48	0 2	0 5	236	58	0 7	1 5
261	53	0 7	1 4	261	59	1 2	2 4
235	109	1 4	2 8	235	123	1 9	3 8
	210				240		

There were no options exercised in the year (2009 nil)

A reconciliation of the movements in the Sharesave Plan and LTIP is shown below

	2010		2009	
	Sharesave '000	LTIP '000	Sharesave '000	LTIP '000
Outstanding at 1st January	403	594	473	778
Lapsed expired	(6)	-	-	-
Lapsed forfeited	(52)	(369)	(70)	(184)
Outstanding at 31st December	345	225	403	594
Exercisable at 31st December	1	28	-	28

Details of the Sharesave Plan are shown in the audited section of the remuneration report on pages 40 to 41

24. Other reserves

	Fair value revaluation reserve £m	Translation reserve £m	Capital redemption reserve £m	Total £m
At 1st January 2010	1 5	9 3	75 0	85 8
Exchange differences on translation of foreign operations	-	(1 1)	-	(1 1)
At 31st December 2010	1 5	8 2	75 0	84 7

24. Other reserves (continued)

	Fair value revaluation reserve £m	Translation reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Total £m
At 1st January 2009	1 5	16 9	75 0	2 1	95 5
Exchange differences on translation of foreign operations	-	(9 2)	-	-	(9 2)
Transfer to retained earnings	-	-	-	(2 1)	(2 1)
Exchange differences on hedge of net investments	-	1 6	-	-	1 6
At 31st December 2009	1 5	9 3	75 0	-	85 8

The fair value revaluation reserve relates to the 2005 acquisition of an additional stake in Grange which gave the Group a controlling interest The translation reserve includes all exchange adjustments in respect of overseas operations The capital redemption reserve has arisen through share buy-backs and share consolidations in previous years The revaluation reserve that had arisen through revaluation of property prior to the adoption of IFRS was transferred to retained earnings

25. Commitments

	2010 £m	2009 £m
Capital commitments contracted for by the Group for property, plant and equipment but not provided for in the accounts	0 1	0 6

26. Operating lease commitments

	Land and buildings		Other operating leases	
Future minimum lease payments under non-cancellable leases	2010 £m	2009 £m	2010 £m	2009 £m
- within 1 year	7 1	6 5	1 6	1 2
- between 1 and 5 years	19 2	17 7	2 8	2 3
- after more than 5 years	14 1	15 9	0 2	0 1
Total operating lease commitments	40 4	40 1	4 6	3 6

The operating lease commitments relate to properties, motor vehicles and plant and machinery The leases have various terms, escalation clauses and renewal rights The 2009 operating lease commitments have been restated following a reappraisal of the value of the Group's overseas leases

27. Contingent liabilities

The Group has contingent liabilities for certain potential claims from third parties in relation to divested businesses On the basis of information presently available to them, the directors believe that no material claims are likely to arise for which provision has not been made in these accounts

The Group has arranged £50 0m of bank guarantees, to guarantee obligations of the Group to the AGA Rangemaster Group Pension Scheme which may arise in the period up to 2020, of which £22 5m is collateral as disclosed in note 18(a)

The Group has no other material contingent liabilities arising in the normal course of business at 31st December 2010 (2009 nil)

NOTES TO THE ACCOUNTS CONTINUED

28. Related party transactions
The Group recharges the Group pension scheme with part of the cost of administration The total amount recharged in the year to 31st December 2010 was £0 1m (2009 £0 2m) The amount outstanding at the year end was £nil (2009 £nil)

The Company paid £33,333 to Rise Rocks Limited, a company wholly owned by Peter Tom, a non-executive director until 31st October 2010 For further details see the remuneration report on page 38

Key management's compensation
The compensation of the key management team, including executive directors, at the balance sheet date is set out below

	2010 £m	2009 £m
Salaries and short-term benefits	**2 0**	1 8
Post employment benefits	**0 1**	0 1
Share based payments	**0 1**	0 1
Termination benefits	**-**	0 2
Total emoluments to key management	**2 2**	2 2

29. Trading subsidiaries

The following is a list of the Group's principal trading subsidiaries at 31st December 2010 A brief description of their activities is given in the chief executive's review on pages 6 to 10 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 plc

Where subsidiaries are not wholly owned the percentage of owned capital is stated 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 Rangemaster Limited trades in the UK principally under the trade and business names of	Website addresses
AGA	www aga-web co uk www agacookshop co uk www rayburn-web co uk
Divertimenti	www divertimenti co uk
Falcon	www falconappliances co uk
Fired Earth	www firedearth com
Leisure Sinks	www leisuresinks co uk
Mercury	www mercury-appliances co uk
Rangemaster	www rangemaster co uk
Principal overseas trade and business names	
AGA Marvel (USA)	www aga-marvel com www lifeluxurymarvel com www aga-ranges com
AGA Rangemaster France (branch)	www falconfrance com
Grange SA (France) 95%	www grange fr
Heartland Appliances Inc (Canada)	www heartlandapp com
La Cornue SA (France)	www lacornue com
Northland Corporation (USA)	www northlandnka com
Waterford Stanley Limited (EIRE)	www waterfordstanley com www stanleystoves com

Central Services
ARG Corporate Services Limited •
AGA Rangemaster Properties Limited •

30. Post balance sheet event

On 7th January 2011 the Group received £7 6m on the exercise of an option held by Niagara Corporation to acquire the freeholds of certain properties used by operations it acquired from the Group in 1999

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AGA RANGEMASTER GROUP PLC
We have audited the Group financial statements of AGA Rangemaster Group plc for the year ended 31st December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income / losses, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes 1 to 30 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union

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

Respective responsibilities of directors and auditor
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Group 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 Group 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 Group'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

Opinion on financial statements
In our opinion the Group financial statements

- Give a true and fair view of the state of the Group's affairs as at 31st December 2010 and of its profit for the year then ended,
- Have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

Opinions on other matter prescribed by the Companies Act 2006
In our opinion, the information given in the directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements

Matter on which we are required to report by exception
We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- 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

Under the Listing Rules we are required to review

- The directors' statement in relation to going concern, and
- The part of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
- Certain elements of the report to shareholders by the board on directors' remuneration

Other matter
We have reported separately on the parent Company financial statements of AGA Rangemaster Group plc for the year ended 31st December 2010 and on the information in the directors' remuneration report that is described as having been audited

Ernst + Young LLP

Bruce Morton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
11th March 2011

FIVE YEAR FINANCIAL HISTORY

Trading results		2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Revenue		**259 1**	245 0	279 4	291 8	278 6
Operating profit before non-recurring cost		**21 5**	3 9	16 5	30 4	29 3
Non-recurring cost		**(1 4)**	(3 6)	(5 3)	-	(1 0)
Total operating profit		**20 1**	0 3	11 2	30 4	28 3
Net finance (cost)/income		**(0 2)**	0 2	3 2	(3 4)	(0 8)
Profit before income tax		**19 9**	0 5	14 4	27 0	27 5
Income tax expense		**(5 0)**	-	(2 7)	(4 2)	(6 2)
Profit before disposal of businesses/discontinued		**14 9**	0 5	11 7	22 8	21 3
Disposal of businesses/discontinued		-	-	-	40 7	9 8
Profit for year		**14 9**	0 5	11 7	63 5	31 1
Statistics						
Operating profit before non-recurring costs to revenue	%	**8 3**	1 6	5 9	10 4	10 5
Dividend per ordinary share	p	**1 7**	-	4 0	11 5	10 5
Earnings per share						
Basic	p	**21 7**	2 5	14 4	18 9	16 5
Diluted	p	**21 7**	2 5	14 4	18 7	16 4

Balance sheet summary	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Net operating assets					
Property, plant and equipment	**40 8**	50 8	58 7	51 7	85 7
Inventories	**42 8**	46 0	63 5	54 9	94 8
Operating receivables less payables and provisions	**(47 2)**	(42 2)	(39 9)	(41 9)	(38 4)
Total net operating assets before intangibles	**36 4**	54 6	82 3	64 7	142 1
Assets held for sale	**10 2**	3 1	1 9	-	-
Net retirement benefit surplus/(obligation)	**7 1**	(40 5)	57 5	79 6	24 4
Intangibles	**89 6**	90 1	94 9	78 1	200 6
Total net operating assets	**143 3**	107 3	236 6	222 4	367 1
Tax	**(10 8)**	(1 0)	(25 9)	(34 4)	(20 8)
Total net cash/(borrowings)	**34 6**	28 0	5 8	169 1	(10 9)
Total net assets employed	**167 1**	134 3	216 5	357 1	335 4
Financed by					
Ordinary shares	**32 5**	32 5	32 5	32 4	32 3
Reserves	**134 2**	101 3	182 2	322 6	301 2
Equity attributable to equity holders of the parent	**166 7**	133 8	214 7	355 0	333 5
Non-controlling interests	**0 4**	0 5	1 8	2 1	1 9
Total equity	**167 1**	134 3	216 5	357 1	335 4

PARENT COMPANY ACCOUNTS UNDER UK GAAP
COMPANY BALANCE SHEET AS AT 31ST DECEMBER

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

	Notes	2010 £m	2009 £m
Fixed assets			
Investments	5	**466 9**	468 0
Total fixed assets		**466 9**	468 0
Current assets			
Debtors - amounts falling due within one year	6	**571 7**	530 8
- amounts falling due after one year	6	**1 5**	37 7
Cash at bank and in hand	7	**32 4**	33 8
Total current assets		**605 6**	602 3
Creditors - amounts falling due within one year			
Creditors	8	**(692 8)**	(683 9)
Borrowings	7	**-**	(1 4)
Total amounts falling due within one year		**(692 8)**	(685 3)
Net current liabilities		**(87 2)**	(83 0)
Total assets less current liabilities		**379 7**	385 0
Creditors - amounts falling due after more than one year			
Borrowings	7	**(15 1)**	(15 1)
Provisions for liabilities and charges	9	**(6 2)**	(6 1)
Total net assets employed		**358 4**	363 8
Shareholders' equity			
Share capital	10	**32 5**	32 5
Share premium account	11	**29 6**	29 6
Capital redemption reserve	11	**75 0**	75 0
Profit and loss account	11	**221 3**	226 7
Total shareholders' funds		**358 4**	363 8

The accounts on pages 82 to 87 were approved by the board of directors on 11th March 2011 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 83 to 87

NOTES TO THE COMPANY ACCOUNTS

The directors' report is on pages 22 to 25 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 2006

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

The Company has taken advantage of the exemption under FRS 29 from financial instrument disclosures

Cash

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 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, 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 a 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 timing differences can be utilised

Deferred tax is measured at the 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 substantively 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 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

1. Accounting policies (continued)

Employee share options

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on 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 service or performance conditions (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions) Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied

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 being treated as an expense in the profit and loss account

The measurement of this expense is calculated only on options granted after 7th November 2002

2. Company profit and loss account

AGA Rangemaster Group plc has taken advantage of section 408(4) of the Companies Act 2006 and has not included its own profit and loss account in these accounts The Company's loss after tax and dividends was £5 5m (2009 loss £7 5m)

The profit and loss account includes £43,100 (2009 £40,500) for audit fees

3. Dividends

	2010 £m	2009 £m
Interim dividend of 0 7 pence per share paid for the year ended 31st December 2010 (2009 nil)	0 5	-
Total dividend paid in year	0 5	-

The directors are recommending a final dividend in respect of the financial year ended 31st December 2010 of 1 0 pence per share (2009 nil)

4. Directors' compensation

The compensation, share options, Long-Term Incentive Plans and pensions of the directors are disclosed in the audited part of the remuneration report on pages 40 to 41 of the Consolidated Annual Report and Accounts

5. Investments

	Cost of shares £m	Provisions £m	Net book value £m
Interest in subsidiaries			
At 1st January 2010	470 9	(2 9)	468 0
Additions	1 3	-	1 3
Written off	(1 8)	-	(1 8)
Provisions movement	-	(0 6)	(0 6)
At 31st December 2010	470 4	(3 5)	466 9

5. Investments (continued)

The additions in the year related to a capital contribution in exchange for the waiver of intercompany loans in various dormant UK companies prior to their strike-off Amounts written off relate to a capital contribution in Furdo Limited which is not recoverable The investment in AGA Rangemaster Properties Limited was provided for in the year

6. Trade and other debtors

Amounts falling due within one year	2010 £m	2009 £m
Amounts owed by Group undertakings	533 6	530 0
Corporation tax recoverable falling due within one year	37 6	-
Prepayments and accrued income	0 4	0 6
Other receivables	0 1	0 2
Debtors falling due within one year	**571 7**	530 8

Deferred tax	1 5	0 5
Corporation tax recoverable falling due after one year	-	37 2
Debtors falling due after one year	**1 5**	37 7

7. Cash and borrowings

a) Cash

	2010 £m	2009 £m
Cash at bank and in hand	32 4	33 8
Cash	**32 4**	33 8

The Company's cash balance of £32 4m includes £22 5m, which is collateralised against a bank guarantee that the Company has provided to the AGA Rangemaster Group Pension Scheme

Included in cash and cash equivalents was cash held for unclaimed dividends of £0 6m (2009 £0 5m)

b) Financial liabilities - net (cash)/borrowings

	2010 £m	2009 £m
Bank borrowings	-	1 4
Amounts falling due within one year	-	1 4
Bank borrowings	15 1	15 1
Amounts falling due after one year	**15 1**	15 1
Total borrowings	15 1	16 5
Cash and cash equivalents	(32 4)	(33 8)
Total net (cash)/borrowings	**(17 3)**	(17 3)

The Company's borrowings are primarily loan advances denominated in a number of currencies and interest is based on LIBOR or foreign equivalents In 2009 the amounts falling due within one year had a maturity of under one month

The loans are unsecured The amounts falling due after one year are due for repayment in 2013

NOTES TO THE COMPANY ACCOUNTS CONTINUED

8. Creditors

Amounts falling due within one year	2010 £m	2009 £m
Amounts owed to Group undertakings	**691 0**	681 8
Accruals and deferred income	**0 8**	1 2
Other payables	**1 0**	0 9
Total creditors falling due within one year	**692 8**	683 9

9. Provisions

	£m
At 1st January 2010	**6 1**
Movement in year	**0 1**
At 31st December 2010	**6 2**

The 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 The Group expects a judgement from a German court in 2011 relating to the valuation of a minority shareholding in a business which the Group acquired in 1998 and sold in 2001 as part of the Pipe Systems disposal

10. Share capital

	2010		2009	
	m	£m	m	£m
Allotted, called up and fully paid				
Ordinary shares of 46 7/8p each as at 31st December	**69 2**	**32 5**	69 2	32 5

During the year no ordinary shares were issued in connection with the Company's share option schemes (2009 nil).

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

Options outstanding at 31st December 2010 and share based payments disclosures are shown in notes 22 and 23 of the Consolidated 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 2010	32 5	29 6	75 0	226 7	**363 8**
Loss for year	-	-	-	(5 5)	**(5 5)**
Share based payments	-	-	-	0 1	**0 1**
At 31st December 2010	**32 5**	**29 6**	**75 0**	**221 3**	**358 4**

The Company's profit and loss account reserves of £221 3m (2009 £226 7m) include £169 0m (2009 £168 9m) which is unavailable for distribution, leaving £52 3m available for distribution

12. Commitments

The Company had no capital commitments (2009 nil)

13. Contingent liabilities

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

The Group has arranged £50 0m of bank guarantees, to guarantee obligations of the Company to the AGA Rangemaster Group Pension Scheme which may arise in the period up to 2020, of which £22 5m of cash is collateral as disclosed in note 7(a)

The Company has no other material contingent liabilities arising in the normal course of business at 31st December 2010 (2009 nil)

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 100% controlled by the AGA Rangemaster Group plc

The Company was owed an amount by it's indirectly owned 95% subsidiary, Grange SA The balance at 31st December 2010 was £1 0m (2009 £1 8m) The maximum balance during the year was £3 4m

The Company paid £33,333 to Rise Rocks Limited, a company wholly owned by Peter Tom, a non-executive director until 31st October 2010 For further details see the remuneration report on page 38

15. Trading subsidiaries

The Company's principal trading subsidiaries at 31st December 2010 are listed in note 29 of the Consolidated Annual Report and Accounts

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AGA RANGEMASTER GROUP PLC
We have audited the parent Company financial statements of AGA Rangemaster Group plc for the year ended 31st December 2010 which comprise the Company balance sheet and the related notes 1 to 15 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)

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

Respective responsibilities of directors and auditor
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the parent Company 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 parent company 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 parent 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

Opinion on financial statements
In our opinion the parent Company financial statements

- Give a true and fair view of the state of the Company's affairs as at 31st December 2010,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

- The part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements

Matters on which we are required to report by exception
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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- The parent Company financial statements and the part of the directors' remuneration report to be audited 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

Other matter
We have reported separately on the Group financial statements of AGA Rangemaster Group plc for the year ended 31st December 2010

Ernst & Young LLP

Bruce Morton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
11th March 2011

SHAREHOLDER INFORMATION

Head office and registered office
Juno Drive
Leamington Spa
Warwickshire
CV31 3RG
Telephone 0044 (0) 1926 455755
Fax 0044 (0) 1926 455749
E-mail info@agarangemaster com
Website www agarangemaster com
Registered in England company registered number 00354715

Auditor
Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

Bankers
HSBC Bank plc
Lloyds Bank plc
The Royal Bank of Scotland Group plc
Svenska Handelsbanken AB

Financial advisers and stockbrokers
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Espirito Santo Investment Bank
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7AL

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone UK 0871 384 2355*
International 0044 121 415 7047

*Calls to this number are charged at 8 pence per minute from a BT landline Other telephony providers costs may vary

Solicitor
Allen & Overy LLP
One Bishops Square
London E1 6AD

Financial public relations
Brunswick Group LLP
16 Lincoln's Inn Fields
London WC2A 3ED

Shareholder information
At 31st December 2010, the Company had 6,052 ordinary shareholders (2009 6,432) Their holdings are analysed as follows

Number of 46 $^{7}/_{9}$p ordinary shares	Number of holders	% of total shareholders	Number of shares held	% of total shares held
Up to 5,000	5,692	94 05	4,009,032	5 79
5,001-50,000	271	4 48	3,890,464	5 62
50,001-500,000	73	1 21	12,196,647	17 62
Over 500,000	16	0 26	49,139,931	70 97
	6,052	**100 0**	**69,236,074**	**100 0**

2011 financial calendar

Record date for final ordinary dividend	26th April 2011
Annual General Meeting	5th May 2011
Final ordinary dividend payable	3rd June 2011
2011 half year close	30th June 2011

AGA RANGEmaster
Group plc

Juno Drive, Leamington Spa,
Warwickshire, CV31 3RG
Tel 01926 455 755
Fax 01926 455 749
e-mail info@agarangemaster com
Website www agarangemaster com