Company Registration Number: 354715

300

YEARS OF INNOVATION

AGA RANGEmaster
Group plc

Annual Report & Accounts 2008

AGA RANGEmaster
Group plc

Introduction

A perspective on 2008

Our strength is based upon the renowned and well loved brands led by Aga and Rangemaster, our British and North American manufacturing bases and our global distribution. Taken together with our sound finances this means we are well placed to deal with the current economic environment.

The Group completed the £265 million foodservice disposal in December 2007 and the related £140 million capital return in May 2008. As part of this process we reached a long-term deal with the Pension Scheme Trustees covering the Scheme's finances until 2020.

The Group adjusted rapidly to changed market conditions, cutting costs and focusing on cash.

Outlook for 2009

In 2009 the Group celebrates the 300 years of innovation that runs through Aga and Rangemaster's history. The Group remains in touch with the times with its onus on providing products for the heart of the home that meet the needs of modern living and are environmentally appropriate.

Following the sustained high levels of capital expenditure and product development in recent years we look forward to benefiting from this in 2009 and beyond.

The Group expects to strengthen its market position market share and emerge stronger from the current economic downturn.

2008 at a glance

- A return of cash of 121 pence per share was paid following the sale of the foodservice operations.
- The Group delivered sound profits and had net cash at the end of 2008 leaving us with a strong balance sheet to help us withstand current challenging market conditions.
- Overall cooker sales were lower in the year but Rayburn cookers and wood burning Aga stoves performed well.
- No final dividend is recommended leaving the dividend for the year at 4.0 pence.
- The underlying order intake is currently down 20% compared with a year ago.
- Cost cuts, reduced capital expenditure and lower working capital will further strengthen the cash position in 2009.

Full year to 31st December continuing operations:

	2008	Restated 2007
Revenue	£279.4m	£291.8m
Operating profit	£11.1m	£24.4m
Profit before tax	£14.4m	£27.0m
Basic earnings per share	14.4p	18.9p
Dividend per share	4.0p	11.5p
Shareholders' equity	£214.7m	£355.0mm
Net cash	£5.8m*	£169.1m
EBITDA (before non-recurring costs)	£24.6m	£39.2m

* During the year the Group returned £151.2 million to shareholders including a capital return of £139.7 million.

"300 years on from
innovation, the

Chairman's statement

I was delighted to become Chairman in May last year of your Group as I was familiar with its outstanding consumer brands that provide the Group with its intrinsic strengths. These have been much needed in the current difficult economic times.

In my first Annual Statement to you I should like to explain how we have adjusted to these rapidly changing economic circumstances seen in a cyclical downturn which accelerated as consumer confidence fell in the second half of the year against the backcloth of implosions in the financial sector and now of increasing unemployment.

The year started relatively well. We had completed the sale of our foodservice operations before market values declined and returned over £150 million to shareholders, paid down

Abraham Darby's world changing Group remains an innovator"

our bank debt and kept the Group in a net cash position. We also reached an agreement with the trustees on the approach to the financing of the pension scheme through to 2020. For the continuing operations we had set performance targets to grow revenue and raise returns. The first half year showed our resilience and operating profits (excluding property profits) rose in the half year even though markets were distinctly tightening. From September onwards we saw marked, sustained declines in activity and order levels were down by around 15% in the last third of the year. This had an appreciable impact on profitability and led us to take further action to cut costs and adjust production levels to re-align them with demand. Having taken these steps, the outlook is now tied to the assessment of when the markets in which we operate first stabilise and then start to recover.

Performance in the year

Total revenues for the Group were ahead at the half year by 1.9%, but for the full year revenues were down 4.2% at £279.4 million (7.6% lower at constant exchange rates) as sales of our core products slowed. Of total revenues 37% was generated outside the UK.

Operating profit before non-recurring costs was £16.5 million (2007: £30.4 million restated for £0.6 million of reallocated costs) including a net pension credit of £5.4 million (2007: £6.0 million). The first half performance was resilient but as consumer confidence weakened the second half revenues were down by 10% year on year and profits fell.

At this point in the cycle the board feels it important to pay a dividend in line with our long run policy of full year dividends close to 2.5 times fully taxed earnings. With the interim dividend paid of 4.0 pence this means the board has decided not to recommend the payment of a final dividend for 2008. The 2009 dividend will then best reflect the actual performance we achieve in the full year.

Group strategy

Last year we set demanding performance and growth targets that are not readily achievable in current difficult market conditions. We will retain our target of a 12% return on sales in the longer term whilst recognising that sales and margin conservation together with a tight focus on cash flow will be the immediate priorities of the Group.

We have made progress

Chairman's statement

over 2008 in Customer Relationship Management and our objective of making better use of the Group's customer database. Having a central commercial hub with call centre and marketing resources at the head office is proving successful. Recent responses to campaigns, notably by Aga, have been encouraging and such customer contact will contribute substantially to enabling us to realise the long-term potential of the Group and our brands.

Our objective is to ensure that we can emerge stronger from the current downturn with improved market positions and to show we have the product platform and targeted customer base on which to build.

In these difficult trading conditions we are especially grateful for the commitment and embedded knowledge of all our employees. It is their enthusiasm that provides me with particular confidence that we will meet our objectives for the Group.

I should like to record my gratitude and that of my fellow directors to my predecessor Vic Cocker who led the Group for four years. Vic enthusiastically supported the development of the Group and our environmental agenda.

Current trading and outlook

Economic conditions are difficult but they continue to evolve rapidly. A key task is to ensure that we are able to respond quickly to changing circumstances. The decline in sterling is an advantage when we export to Europe and the USA whilst at the same time handicaps European producers selling into the UK. With interest rates on savings at historical lows, we are likely to see people invest in refurbishing their current homes – even if they are not moving home. In addition, we have some particularly strong brands and products to take to customers and our 300 years of innovation; the new product lines stylishly addressing the economic and environmental needs of the day.

The upgrade options for Aga products underpin our work to re-invigorate sales from both existing as well as new customers to Aga. At Rangemaster the complete kitchen appliance solution we have is winning support with dealers and consumers alike.

Order intake is currently approximately 20% down on the same time last year and we are assuming that the order intake will continue to be weak. The operational gearing of the Group should enable us to respond well as soon as market conditions ease. The Group is well positioned with a strong balance sheet; outstanding brands; deeply rooted manufacturing skills; product initiatives and a focus on cash management.

The current markets are the least encouraging for many years but we are ready to take on these challenges and expect to become stronger with improved market shares.

We are 300 years on from Abraham Darby's world changing innovation at the Aga foundry in Coalbrookdale, but through those 300 years we have remained an innovator.

John Coleman
Chairman
Leamington Spa
13th March 2009

"300 years of innovation: our manufacturing tradition"

Chief executive's review

Two emblematic projects for us in 2008 were making the gas Aga programmable and taking induction technology into mainstream cooking products. Both of these initiatives fit well into a pattern stretching back to the origins of the Group three hundred years ago in which the Group has been a great product innovator using its core strengths and experiences in manufacturing.

The significance of the foundry's 2009 anniversary is internationally recognised. Before looking at our current position we should start by putting it into the context of 300 years of innovation.

In 1709 our foundry in Coalbrookdale – where the Aga and the Rayburn cookers are made – became the birthplace of industry. Then Abraham Darby was looking to raise cooking pot production levels with his new sand moulds first smelting iron ore with coke - not charcoal - in his blast furnace. The curves of the cooking pots made the techniques difficult but when mastered they could be used more widely and more dependably, notably in the casings for steam engine pistons. The momentum for industrialisation was underway. Subsequently the foundry became a World Heritage Site and one of which we are very proud. And as in 1709 cast iron cooking pots are a core product.

The Coalbrookdale foundry was where the Ironbridge across the Severn was built in 1779 and from there ever more elaborate cast iron railings and models were produced for sale into international markets.

A business was sustained in heating stoves and from the mid 19th

1709

Abraham Darby first smelted iron ore with coke at the Coalbrookdale foundry.

1779

At the height of its international powers as a foundry, Coalbrookdale built the first iron bridge over the Severn.

1830

Rangemaster's founding family, the Flavels, invented a domestic multi-oven stove with a single heat source.

1908

La Cornue launched, in Paris, its breakthrough vaulted oven.

1922

Aga, invented by the Swedish physicist, Gustav Dalén.

1985

The first electric Aga introduced.

1986

First dual fuel gas and electric cooker introduced.

century cast iron range cookers were made there – direct ancestors of the Rayburn (first built in 1946). After the Second World War production of Aga cookers was also moved to Coalbrookdale by the Group – then called Allied Ironfounders.

The Coalbrookdale foundry was modernised in the 1990s and today production and environmental standards are very high. An example is air quality in Coalbrookdale. On a wall in the foundry is a list of all 32 foundry managers dating back to Abraham Darby himself who have run the foundry with a record of the achievements of generations of foundry workers.

The thread of innovation runs widely throughout the Group. Rangemaster's manufacturing base in Leamington Spa is where the modern range cooker was invented in 1830 – with a single heat source being used to heat a number of separate ovens. No longer did food or cooking pots come into direct contact with the heat source - creating a cleaner working environment and better quality food.

The 'Kitchener' won a Gold Medal from Queen Victoria at the Great Exhibition of 1851 and was to be found in the kitchens of the homes and palaces of the European elite in the second half of the 19th century. The business continued to lead in cooking and introduced the first separate grill, dual fuel cooker and the modern range cooker itself.

La Cornue's vaulted oven still used to produce the best French food from a myriad of starred French chefs, was invented in 1908 by the Dupuy family. All of these cooking traditions were re-interpreted by Gustaf Dalén, the Swedish Nobel prize-winning physicist, as a heat storage cooker, the Aga, in 1922.

The Group has long been involved in commercial and domestic oven manufacture. The Falcon cooker operation in Scotland was the heart of the commercial business sold in 2007 and Stanley, our Irish business, was originally an offshoot of it in the 1920s.

Engineering and manufacturing skills are deeply embedded in the Group. They have been sharpened in recent years as the Group has invested heavily in its manufacturing facilities, in engineering and in research and development. £50 million has been invested in the last five years alone – as we have accelerated our development programmes.

These initiatives are made possible because the Group is open to ideas and interested in production processes. The

Chief executive's review

Group has invested in a succession of projects across our businesses to introduce lean manufacturing into the culture and to find the best sources of components or – where appropriate – sub assemblies for the Group.

We have been alive to the progress of industries and technologies around us – most notably motor manufacturing which has set efficiency and effectiveness standards for many years. Lean manufacturing, notably production flows, use of robotics and flexibility in assembly, have all been features of our progress. We have also been watchful in our approach to procurement. We have a sourcing team in Shanghai that provides access to Far East markets. We have not, however, sought to off-shore core manufacturing competencies leaving us vulnerable to shifts in economic patterns.

The Group has deliberately decided to keep core skills, which set its products apart, close to its core markets and in-house. Hence, we remain manufacturers in the UK of the major product lines while in France we continue to manufacture the classic La Cornue products and in Canada the classic Heartland products. In the USA we decided to keep manufacturing close to Marvel's core US customers while at the same time looking for expansion into European markets.

We have a long track record of innovation. Adjusting our product to changing consumer and market needs is central to our business approach. This is clearly seen with our Aga and Rayburn products. Over the last six years we have introduced a new generation of electric products; we have added a third oven into the standard Aga footprint and we have made electric and now the gas Aga programmable. We will in the second half of this year be able to offer nearly all existing owners opportunities to either trade up or to have their existing products made programmable.

A manufacturing area where Britain leads the world is in range cooking – Great British cookers – which we are taking not only to a home market but with determination to export markets.

So after 300 years of innovation, the Group can see clear outlines of where the development story goes next. And this review now provides a commentary on where we have reached today.

The review of 2008

We saw 2008 become more difficult as the year progressed. Hence the marked deterioration in performance which saw second half results appreciably below those achieved in the first half.

For Aga, Rayburn and Stanley, our cast iron cooker brands, volumes were down 21.5% in the year. Average selling prices, however, particularly for the Aga, were higher as some customers moved to larger models. Volumes of lower value models sold to Irish local authorities fell sharply. 40% of sales were outside the UK.

The electric Aga represented 60% of sales and the 3-oven Aga 40% of sales - both all time highs. During the course of the year we introduced the programmable gas Aga – alongside the electric version – cutting running costs in use by around 25%. We are also aligning electric products to link in with a resurgence of interest in cheap rate overnight electricity as major producers seek to find markets in heat storage products for their otherwise wasted production from power stations that cannot be turned off overnight. Similarly, we are working with a number of micro generators of electricity who see the Aga as providing an appropriate conduit into the consumer market. These developments are 'Aganomics' and 'Rayburnomics' in action emphasising the economic and environmental case for cast iron cooking.

At Rayburn, sales were flat but within the numbers solid fuel burning models rose from 36% to 54% of the total - largely at the expense of oil models. A strong product line for Aga and Stanley was the solid fuel – primarily wood burning – stoves where record volumes were achieved of over 15,000 units in Ireland and over 4,500 units in the UK. The introduction of a new, energy efficient generation of wood burning Rayburn cookers and Aga and Stanley stoves were in response to the revival of interest in wood as a carbon neutral fuel which is more cost efficient compared to oil. Cookware continued to do well and we aim to develop this business further in 2009.

For Rangemaster six years of sustained growth ended in the second half. The swift decline of the new build housing market and subsequently the decline in housing transactions reduced demand, first for the trade-led sink operations and then for the cooker business. Within the product mix the good underlying trend lines continued. The Group had over 40% by volume and over 50% by value of the UK range cooker market. 90cm width models were again particularly strong. The breadth of the range with cooker hoods, splash backs, fridges and sinks all provided greater opportunities for customers to buy Rangemaster branded products – notably we performed particularly well in the rapidly growing Rangemaster centres in dealer stores. During the year induction technology – bringing the responsiveness of electric cooking up to the level of a gas hob – was introduced first into the Falcon range and then into the best selling Rangemaster line up. A single cavity cooker with divider designed to save energy and costs for the consumer when preparing smaller meals was also introduced.

In France and Belgium we again grew rapidly and offset weak sales in Ireland. After four years of investment, France and Belgium are now a £6 million market for us. We have around 1,500 displays and with range cooking now a firmly established part of the market we are looking for further significant growth.

For Fired Earth a good first half gave way to a difficult second half in which it was again loss making. The fundamentals of the business – the product mix led by tiles and paint backed by bathrooms and with kitchen furniture increasingly prominent – sourcing, distribution and the retail presentation are all in good shape. Using these strengths and the links with the Group's customer base and the 25th anniversary celebrations all suggest Fired Earth is capable of improved results in 2009.

In North America trading proved tough all year with consumer confidence remaining low and appliance sales across all regions and markets sharply lower. With Marvel we took the major step of consolidating our two US refrigeration plants and moving to a newly built factory where we expect the lower unit cost of production and strong product mix we have developed to generate good profit levels in due course. The state-of the-art facility features a new paint plant bringing the highest quality finishing to the product range. Volumes are currently running at 25% below last year. Cooker sales in 2008 in North America similarly fell 5% in a market down 14%.

Head office move

During 2008 the Group moved the head office to be part of the Group's warehousing complex in Leamington Spa. With the move the Group also centralised the UK consumer contact and marketing functions. The aim was to have better co-ordination between the brands and to stimulate new leads in a more methodical way. The 'Aga Wanted', 'Good Homes Wanted' and 'Great British Cookers' campaigns have all been successfully developed and implemented by the team and have provided, for the core cooker brands, a material rise in the level of consumer contact in recent weeks. Nineteen thousand existing owners of Aga cookers have registered, primarily online, in the last eight weeks.

Financial performance

Total revenues for the Group were down 4.2% at £279.4 million (7.6% lower at constant exchange rates) as sales of our core products slowed. Of total revenues 37% was generated outside the UK.

Operating profit before non-recurring costs was £16.5 million (2007: £30.4 million – restated for £0.6 million of reallocated costs). In response to the deteriorating trading conditions the Group implemented a series of reorganisation measures at a full year cost of £5.3 million. These mainly related to the reorganisations and headcount reductions at Waterford Stanley (cost £1.4 million), Rangemaster (cost £0.9 million) and Marvel in the USA (cost £1.9 million). Full year cost savings of over £6 million have been targeted through these plans. We have also reached a number of agreements with the workforce and Unions on working shorter hours while demand remains exceptionally low. This is in the interest of both employees and the Group as it provides us with the ability to respond when the upturn in consumer confidence materialises. The total number of employees has fallen in the year from 3,169 at the start of 2008 and is now under 2,700.

Following the £265 million sale of the foodservice operations the Group successfully completed a £139.7 million capital return to shareholders in May which makes the total amount returned to shareholders since 2001, £616 million.

Total net finance income for the year was £3.2 million. In the first half net finance income was £3.4 million whilst in the second half it was a net cost of £0.2 million. The high level of interest income in the first half was a result of the substantial cash balance the Group held following the foodservice disposal pending the £139.7 million capital return.

The Group continues to take a careful approach to financial planning and that coupled with the structural changes in the Group over a period of time has been the reason behind our lower than standard rate tax charge. In 2008 the tax charge was £2.7 million, a rate of 18.8% on pre-tax profits. We expect the rate in 2009 to be close to 20%.

Cash inflow from continuing operations decreased by £0.9 million to £4.5 million. Inventories were higher as customers destocked in the final quarter of the year and trade payables fell as purchases decreased as a result of lower activity levels in the business. The net disposal cash outflow, following the foodservice disposal, totalled £2.4 million as fees and expenses of £7.2 million were settled.

Net cash flow on capital expenditure during the year, including intangibles, was £13.0 million. In the year we invested an initial £4 million in a new factory for Marvel in the USA. The final £2.8 million was paid in January 2009. We expect that capital expenditure in 2009 will be below the depreciation charge in 2008 of £6.8 million.

The cash tax paid was £2.7 million (2007: £4.9 million). Dividends paid in the year including the capital return totalled £151.2 million (2007: £69.1 million).

Basic earnings per share, after taking account of the special capital repayment and the reduced number of shares in issue, were 14.4 pence. This compares with 18.9 pence per share in the prior year. The Group ended the year with net cash of £5.8 million compared with net cash of £169.1 million at the end of 2007 and £16.9 million at the half year. Since the half year we have invested £4 million in the new Marvel factory, spent £2.8 million in cash on the reorganisation programme and currency movements have increased the value of currency loans held for hedging purposes by £3.2 million. Currency movements account for £19.4 million of the £22.7 million movement in net assets in the year excluding net cash balances.

Dividend payments

We have a long standing dividend cover target of 2.5 times fully taxed earnings. Given the outturn for 2008, the

4.0 pence interim dividend already paid, the capital return of 121.0 pence and the high degree of uncertainty about prospects for 2009, the board has decided not to recommend the payment of a final dividend this year.

Pensions

At 31st December 2008 the IAS 19 net retirement benefit surplus was £57.5 million compared with a £31.3 million surplus at the half year and a 2007 year end surplus of £79.6 million. The year end discount rate of 6.4% (2007: 5.8%) reflects higher corporate bond rates and has led to a significant reduction in the IAS 19 pension liability to £597.5 million (2007: £697.3 million). Scheme assets totalled £655.0 million (2007: £776.9 million) as the fall in equity, property and bond markets all hit market values of assets held.

The net pension credit in the year was £5.4 million (2007: £6.0 million) and is expected to fall to approximately £1.0 million in 2009 based on the directors' view of the expected return on scheme assets based on current yield curves. Cash contributions into the scheme were £1.3 million in the year. A similar level is expected in 2009.

Objectives for 2009

We retain our longer term objectives set out last year for returns for the business – although current market conditions make them not readily achievable. The ground work continues:

- For Aga we will have made nearly all Aga cookers programmable and all existing products retrofittable by the end of the year. This ensures that on running costs and environmental counts the product is firmly in the mainstream – with exciting potential putting it at the cutting edge with links to electricity generation because the Aga is a heat storage product. The 300th anniversary celebrations bring new ranges of cookware which should bolster that business.
- We expect the revival of wood burning Rayburn and Stanley cookers to continue alongside further progress for our wood burning stove operations.
- Fired Earth is celebrating its 25th anniversary and will be emphasising its pre-eminence in tiles and its expansion in kitchens. Margin focus should help in 2009. After a

phase of rapid new product introductions the focus should be on margins.

- For Rangemaster the fundamentals of the strategy are well established and remain valid. New product, using the outstanding cooker product platform at Leamington Spa help give strength through a variety of UK and increasingly international channels. These channels provide opportunities to add products like hoods, splash backs, fridges, dishwashers and sinks. The new single oven and the induction lines should see growth this year.
- In the USA we have been focusing on how best to respond to the sustained market downturn we have seen. We have rationalised our Marvel operations into the new Greenville Michigan facility and have streamlined distribution for our cooker operations.
- The US operation at all levels are most closely aligned to their European counterparts and we can see good opportunities, for example, with the exchange rate making our products more competitive in the USA.

In 2009 more than ever it is necessary to focus in on cash generation. After a long growth phase in which we have invested in product, production and routes to market we will focus on immediacy of return. We can also look to reduce working capital.

While long-term returns, given the cash return to shareholders are good, the precipitate fall in returns in 2008 was a setback, however explicable given market conditions. The recession will show where companies have good fundamental positions and it will generate some new business opportunities. We have confidence that the intrinsic strengths of the business will be reflected in the response to the current tough environment and that it will see the Group prosper when a recovery emerges.

Legal and other matters

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

Risks and uncertainties

In order to achieve our business objectives, the Group must respond effectively to the associated risks. The Group has established risk management procedures, involving the identification and monitoring of operational, regulatory, financial and market driven factors, at various levels throughout the business. The Group takes a proactive approach to managing risk and our risk management processes are further described on pages 29 and 30. These processes also help to identify business, product and performance opportunities. The board and the executive management committee regularly review material risks identified. However, it is not possible to mitigate fully all risks that the Group encounters.

This section highlights a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance and achievement of its strategy. Risks listed do not compose all risks faced by the Group and are not in any order of priority.

In current economic conditions with major financial imbalances and large commercial organisations seeing unprecedented difficulties, the impact on the Group can be sudden and material. This makes awareness and flexibility key to mitigating risks in rapidly changing conditions and important in identifying relevant business opportunities.

Economic and market conditions

The Group derives most of its revenues from sales of consumer appliances and other household products. Financial and operating performance depends, on factors which affect the level of consumer and retail spending. The economic environment, unemployment levels, interest rates, consumer debt levels, the availability of credit and many other factors including changes in consumer preferences and trends can influence consumer spending decisions.

The board recognises the need to monitor economic changes and market conditions in order to react in the best interest of the Group.

Competitive environment

The markets in which the Group competes are fragmented and many of the Group's competitors are larger than ourselves with potentially more resources. The Group is subject to their competitive actions and, although the Group believes that the performance and price characteristics of its products provide competitive solutions for its customers' needs, there can be no assurance that existing customers will continue to choose its products over products offered by competitors. The Group continues to monitor developments in the markets in which it operates, its key competitors and their strategies and it develops its strategy to mitigate these risks.

Suppliers and supply chain management

The Group is dependent on its supply base for raw materials, utilities and some components. Volatility and changes in the pricing and availability of these could have a significant impact on the Group's results. In particular, the prices of steel and utilities have been extremely volatile in recent years. However, there can be no assurance that the Group will continue to secure supply of these commodities on the same pricing and other terms as currently supplied. In the current market conditions this can be difficult. The Group continually reviews its supply chain and where possible has identified multiple sources of supply and/or contingency plans. The procurement teams continue to monitor suppliers to ensure they have the ability to meet demand; they remain price competitive and provide assurance on the quality of goods being supplied.

Dividend payments

The dividend policy is kept under review as performance levels change. The ability of the Company to pay dividends on the ordinary shares in the normal course is dependent on its profitability, trading performance, actual and potential liabilities and the extent to which, as a matter of law, it has available to it sufficient distributable reserves out of which any proposed dividend may be paid. The Company's ability to pay dividends is also dependent upon receipt by it of dividends and other distributions from subsidiaries. Further returns of cash other than in the ordinary course are subject to agreement with the Trustee of the Group's main United Kingdom pension scheme.

Pension scheme funding

The value of the assets and liabilities of the Aga Rangemaster Group's defined benefit pension schemes is significant compared to the market capitalisation of the Company. As at 31st December 2008, the schemes were in overall surplus on an IAS 19 basis. Further details are set out in note 5 to the accounts. The next full actuarial valuation of the Group's main United Kingdom scheme is being carried out by the Trustee of the scheme as at 31st December 2008, and the results of this valuation are expected to be known, by no later than the end of June 2010. Pension scheme valuations can be impacted from time to time by a number of factors, including falls in the market value of scheme assets, the expectation of lower returns on investments or of higher rates of inflation and further improvements in life expectancies. The level of risk associated with market movements is significant even though the scheme has matched assets and liabilities to a greater extent than many schemes. The Company works closely with the scheme trustees and specialist advisers in managing the inherent risks of such schemes, and the Company and the Trustee of the Group's main United Kingdom scheme have put in place a long-term funding and investment strategy agreement which aims to move the scheme systematically to a self-sufficiency funding position by 2020. There is a risk that the Company may need to add to the level of bank guarantees provided in the period up to 2020 or to make further substantial contributions to the defined benefit pension schemes in the future.

Effect of legislation or other regulatory action

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

Divestments

Following the sale of the pipe systems and the foodservice businesses and Domain home furnishing business, along with some smaller divestments, there remains some potential for legacy claims. The sale and purchase agreements governing the sales of these businesses contain certain warranties and indemnities in favour of the purchasers and suitable provisions have been made. Indemnities cover the potential costs of litigation relating to the price at which certain minority shareholders in Friatec, a business acquired in 1998, were purchased.

Intellectual property

The Group relies on confidential know-how, patents, trademarks, copyrights and design rights to protect proprietary technology and other rights relating to our renowned brands and trading styles. We monitor market developments closely to identify potential violations of our proprietary rights without authorisation and take appropriate legal action where this option is available.

Treasury policy

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

The objective of the treasury policy is to manage the Group's financial risk and to ensure that adequate financial resources are available for the development of the business. The Group's treasury strategy, policy and controls are approved by the board. Further details of the main financial risks are set out in note 19 to the accounts.

Currency

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 exchanges 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 rate. Further details relating to financial instruments are set out in note 19 to the accounts.

The treasury policy sets out a framework through which the majority of the Group's forecast foreign currency transactions are hedged.

Liquidity and funding 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. An analysis of the Group's facilities is detailed in note 19 to the accounts.

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 surpluses, provide adequate funding for the Group's operations. In the ordinary course, no committed facilities are due for renewal until 2010. New facilities, if required are expected to be available from existing lenders although this cannot be assured in light of the current market conditions.

Trade credit

Trade credit is less readily available following the deterioration in the financial sector. 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 operating businesses 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 to us to establish whether we are able to continue to trade.

In addition, the ability of our suppliers to maintain credit insurance on the Group and its principal operating businesses is an important issue. We have excellent relationships with our suppliers and we continue to work closely with them on a normal commercial basis. A reduction in the level of cover available to suppliers may impact on our trading relationship with them and may have a significant effect on cash flows.

Possible volatility of the price of shares in the Company

The market price of the ordinary shares may be affected by a variety of factors including, but not limited to, all of the factors set out above. Shareholders should be aware that the value of the ordinary shares can decrease as well as increase and may not always reflect the underlying asset value or prospects of the Group.

Corporate social responsibility

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 and safety and environmental programmes and our engagement with employees, customers and other stakeholders. As a supplier of premium consumer appliances, the Group sees product stewardship as a key part of its CSR programme. We work to design our products to be more energy efficient in use, to have a high degree of recycleability and to utilise eco-friendly and sustainable energy solutions.

In addition to this report, the Group provides CSR-related information on its website and its 2008 CSR Report will be published online in May 2009. This report will include further details of our policies and performance with case study examples describing implementation and their 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 executive management committee. The managing director of each business has operational responsibility for CSR and is accountable to the chief executive on all CSR matters. Environmental, health and safety policies are included in the schedule of matters reserved for board approval and CSR is included in the ongoing risk management process.

In 2008 the Group broadened the scope of its rolling programme of internal CSR audits to include an extended range of compliance issues. These audits are undertaken by functional specialists reporting to the Group HR director with support from external advisers, where appropriate. During the year all business operations were covered by the new CSR/compliance audit process. The objective for the coming year is to follow-up with all sites to monitor progress against the agreed action plans and to agree new Group benchmark standards of good practice. Going forward the objective will be to audit each production site at least once every two years and have a systematic programme of retail visits.

The Aga Rangemaster Group is a member of the FTSE4Good index and uses this index in conjunction with stakeholder consultations and other benchmarks to help identify key priorities and to drive progress.

Employee and stakeholder engagement

The Group engages in pro-active 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.

Business unit 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 the Group online newsletter, 'The Aga Times'. A number of Group companies have their own newsletters and employees are encouraged to access the Group's websites and the local intranet, where available. A Group-wide intranet newsletter is to be introduced in 2009.

Human resources

We recognise that our people are key to the Group's ongoing success. In view of the significant change in the structure and size of the Group over the past two years, the HR framework was reviewed during the year and a Group-wide HR role created. The Group HR director now takes an active role in developing best practice and procedure benchmarking around the Group.

During the year the Group employed an average of 2,773 people in six countries. Some 70% of our staff are located in the UK, 18% elsewhere in Europe and 12% in North America. 97% are permanent employees and 72% are male and 28% are female. Of those in management roles 72% are male and 28% are female.

Voluntary staff turnover during the year was on average 13% across the Group. Due to the increasingly challenging market environment in 2008, the Group has found it necessary to make some redundancies.

The Group has introduced short time working in some areas as part of its policy to avoid compulsory redundancies, where possible. It has also accepted selected voluntary redundancies whilst ensuring key skills and capabilities are retained. The Group regularly reviews resourcing levels and has on-going dialogue with employees, union representatives and other employee representatives in this regard.

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 businesses and customers. The Group's Code of Conduct for employees outlines the standards of integrity and honest conduct expected, and explains that breaches of Company policy may result in disciplinary action and dismissal. The Code of Conduct is published on the Group's website and includes the whistleblowing policy which enables employees and others to report in confidence and without fear of retribution any breaches of the Code of Conduct, fraud or any other criminal acts. 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 the units within the Aga and Rangemaster operating segments to comply with its equal opportunities policy and it does not tolerate harassment or discrimination in any form. Each unit 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 fully involved in their development and training. Over 1,700 days of 'off-the-job' training were recorded during the year. This is in addition to on-the-job and tool-box training. In 2008 the Group leadership development programme was launched to help identify leadership talent and to support succession planning across the Group.

The Aga apprenticeship recruitment programme in partnership with Hadley Learning Centre in Telford, UK is ongoing. A number of senior personnel from the Aga business are actively involved and provide voluntary support to the centre. Aga sees this relationship as a significant part of its skills development programme helping them identify potential apprentices and graduates for the future. The centre provides education in the three phases (nursery, primary and secondary) and has places for children with severe and profound disabilities. It also provides extensive community facilities for sport, the arts and lifelong learning.

Health, safety and environmental

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 2008 CSR Report.

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

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

Health and safety targets and performance

The Group uses a number of key performance indicators ('KPI's'), to monitor accident frequencies, accident causes and the amount of time lost at all operating units and sets annual improvement targets. All KPI's are for continuing businesses only and 2006 and 2007 data has been restated accordingly.

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 ('LTA's') per 100,000 hours was down by 20%, ahead of our target of 5%. In 2008 there were 1.1 LTA's per 100,000 hours worked (2007: 1.4 LTA's/100,000 hours and 2006: 1.6 LTA's/100,000 hours). LTA's are accidents resulting in lost time of one or more days excluding the day of the accident. The time lost due to accidents was reduced by 18% to 0.20% against a target of a 15% decrease (2007: 0.25% and 2006 : 0.16%). However, the average lost time per LTA was up by 3% against a targeted 10% reduction with 22.2 days lost per LTA (2007: 21.6 days and 2006: 12.9 days). This was in part due to improved reporting with health and safety related lost time having previously been categorised as general sickness in some instances. In the coming year, increased emphasis will be given to risk management and 'return to work' initiatives, targeting specific sites with below average performance and continuing to ensure there is consistency in recording lost time data.

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

All main sites have health and safety management systems in place. The Group is working to implement BS OHSAS 18001: 2007, the occupational health and safety standard, at its four UK manufacturing sites. The objective is to achieve accreditation in the coming year.

Environmental targets and performance

We work to minimise the environmental impact of our business on the environment and to enhance the sustainability of the products we make and sell. The Group's environmental impacts include energy use and transport and the resultant climate change related emissions, water consumption and the waste and recycling arising from our manufacturing processes and general business operations. The environmental data in this report covers 100% of manufacturing sites and the retail sites for which the data is available, in total some 95% of Group sales.

During the year our environmental performance was affected by the challenging economic situation. Whilst in absolute terms our environmental impacts were reduced during the year, when indexed to sales, performance was mixed. Further details of our performance will be included in the 2008 CSR report. All KPI's are for the continuing businesses only with 2006 and 2007 restated accordingly and all intensity KPI's are at constant currency.

As a result of efficiency and reduction programmes across the business our CO^2 emissions intensity over the two years 2007-8 was reduced by 14%. This was ahead of our combined two year target of a 5% reduction. Total 2008 CO^2 emissions due to energy use and in-house transport were some 31,900 tonnes, down from 34,700 tonnes in 2007. However, CO^2 intensity in 2008 was unchanged from the prior year and was thus not on track to achieve our target of a 5% reduction over the period 2008-9. The CO^2 emissions intensity was 116 tonnes per £million sales in 2008 (2007: 115 tonnes/£million and 2006: 134 tonnes/£million).

Water use was down from 93,500m^3 in 2007 to 90,600m^3 in 2008 and our water intensity was down 11% over the two years 2007-8. This reflects the impact of site based reduction programmes and the increased focus that reporting has given to the use of this resource. Our combined two year target was for a 5% reduction. Having made considerable progress in 2007, water intensity in the year was up 5% due to the decline in sales which is not on track to achieve our target for a 5% reduction over the period 2008-9. In 2008 we used 325m^3 of water per £million sales (2007: 311m^3/£million and 2006: 365m^3 /£million).

Reported waste intensity was reduced by 19% over the period 2007-8 ahead of our combined two year reduction target of 5%. Total waste was down from 12,500 tonnes in 2007 to 9,300 tonnes in 2008. The proportion of total waste which was recycled increased by 12% from 56% in 2007 to 63% in 2008. During the year, waste intensity fell by 20%, putting us ahead of our 2008-9 target of a 5% reduction. The waste intensity in 2008 was 33 tonnes per £million sales (2007: 42 tonnes/£million and 2006: 41tonnes/£million).

The Group supports the adoption and implementation of environmental management systems at its operating businesses. Some eleven sites have environmental management systems in place covering over 80% of production, including the two Rangemaster sites which are accredited to ISO 14001.

Construction of the new Marvel site in Greenville, Michigan, USA was completed during 2008 and the site will be fully operational in 2009. The new 174,000 square foot facility incorporates a number of design features which will reduce its environmental footprint. For example, the lighting system is movement sensitive and only activates when natural light levels are low. The lights use T5 fluorescent tubes which are estimated to be three to four times more efficient than standard fluorescent bulbs of a similar wattage. The windows have been designed to minimise thermal transfer. When the interior of the building needs to be cooled, rather than starting the air-conditioning, outside air will be used if it is cooler than the interior temperature. The new plant uses a powder coating system to replace the old wet paint process. This reduces VOC emissions and gives a better finish. Finally reverse osmosis systems will help reduce water consumption.

Waste management

During 2008, Aga reinforced the three R's in their business to Reduce, Reuse and Recycle waste. Aga worked in partnership with waste management specialists to find alternative uses for waste. In the initial three month period Aga has prevented 157 tonnes of bagged extracted process waste going to landfill and it is now used by a third party as a process additive for the manufacture of bricks and blocks.

Working in conjunction with a local biofuel supplier, Aga has also commenced a trial programme using biofuel in its HGV fleet. Initial indications show using a 50% biofuel and 50% diesel mix can reduce emissions and improve the miles per gallon covered and this may result in a cost reduction of up to 10%. During 2009 we will consider moving more of the fleet onto the biofuel programme.

Compliance

There were no new environmental or health and safety related fines, penalties or prosecutions by any other regulatory body during the year. However, during 2007 Aga Consumer Products Ltd was prosecuted under the Provision and Use of Work Equipment Regulations (PUWER 1998) in respect of an accident which took place at our Coalbrookdale site in May 2006. Judgement was made in early 2008 and the company was fined £25,000 and paid costs of £7,000. This was the Group's first prosecution by the HSE. The employee involved in the accident returned to work in July 2006 and continues in his former role.

Product stewardship

The Group has placed great emphasis on consumer and environmental issues in recent years. We are committed to minimising the environmental impact of our products through manufacture, use and at end of life. We aim to offer our customers well designed quality products which have been sustainably sourced, are energy efficient and have a high degree of recycleability. We work to ensure that the products we make and sell are compliant with the REACH (Registration, Evaluation and Authorisation of Chemicals); the RoHS (Restriction of the use of certain Hazardous Substances) and WEEE (Waste, Electrical and Electronic Equipment) Directives.

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. During the year the Group looked carefully at the economic and environmental performance of its cast iron cookers and the resulting conclusions are set out in the 'Aganomics' and 'Rayburnomics' papers. These emphasised the multi-functional nature of the products, their recycleability and their long lives. Increased flexibility, burner upgrades, energy management systems and the potential to link with alternative sources of energy confirms the relevance of cast iron cooking to contemporary needs. Further details are available on our website and will be included in the 2008 CSR Report.

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 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.

Following an extensive review of our print and paper sourcing procedures the Group is now 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 continuously improve product availability, quality and value. Our quality management systems help ensure that our products meet or exceed customer requirements with over 70% of the Group's manufacturing capacity accredited to ISO 9001.

In the coming year we plan to further engage with our customers to reinforce our product stewardship and other customer-related initiatives. Our customer relationship management team are establishing a database of owners and potential owners to keep them up to date on our new product and sales initiatives.

Community involvement

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

A key initiative in 2008 was the Group leadership development programme the 'playground challenge'. This brought together members of the Aga and Rangemaster management teams who worked together to create a playground area at the Queensway School in Telford's Ketley Bank.

The Group has agreed to extend it twenty year old sponsorship of the Birchfield Harriers - the UK's premier athletic club - through to 2012. We will be supporting twelve of the clubs athletes who have hopes of participating in the London 2012 games. We are working with the club to find more Midlands based businesses ready to participate in the sponsorship scheme.

Details of other initiatives to support local charities and community events will be included in the Group's 2008 CSR report.

Verification

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

W. McGrath

1 John Coleman

Chairman (independent) (B*, N*)

John Coleman (age 56) was appointed an independent non-executive director in March 2008 and became chairman of the board in May 2008. John is a non-executive director of Travis Perkins plc. He was chief executive of House of Fraser plc from 1996 to 2006 and prior to that was chief executive of Texas Homecare and held a number of senior management positions within the Burton Group PLC. He is a chartered management accountant.

2 William McGrath

Chief executive (B)

William McGrath (age 50) 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.

3 Shaun Smith

Finance director (B)

Shaun Smith (age 48) was appointed to the board as finance director in March 2001. Shaun joined the Group from Marks and Spencer plc in 1989 and worked in treasury becoming the group treasurer in 1999. He is a qualified treasurer and economics graduate.

4 Paul Jackson

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

Paul Jackson (age 55) joined the board in December 2005. Paul was a director at Ogilvy Advertising Limited, part of the WPP Group, until 2007. He has wide experience in brand and international product development.

5 Pam Sissons

Company secretary

Pam Sissons (age 46) 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.

6 Peter Tom CBE

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

Peter Tom (age 68) joined the board in February 2004 and chairs the remuneration committee. Peter was previously the chief executive of Aggregate Industries plc. He is the chairman of Leicester Football Club plc (Leicester Tigers), Leaf Clean Energy Company and Marwyn Materials Limited.

7 Helen Mahy

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

Helen Mahy (age 48) joined the board in March 2003. Helen is group company secretary and general counsel of National Grid plc and a member of its executive committee. Previously she was group general counsel and company secretary at Babcock International Group PLC. She is a barrister and an Associate of the Chartered Insurance Institute.

8 Paul Dermody OBE

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

Paul Dermody (age 63) joined the board in March 2004 and chairs the audit and risk committee. 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, having spent his career with its predecessor Greenalls. He is a chartered management accountant.

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

Directors' report

The directors present their report on the affairs of the Company and the Group, together with the financial statements and independent auditors' report, for the year ended 31st December 2008. These will be laid before shareholders at the Annual General Meeting ('AGM') to be held at 11.00 a.m. on 8th May 2009. Details of the business to be considered at the AGM, together with an explanation of all the resolutions are set out in the Notice of Meeting which is a separate document.

Principal activities and business review

Aga Rangemaster Group plc is the holding company of the Group. Detailed information on the Group's principal activities, its performance during the past year and its prospect for future development are reported in the chief executive's review on pages 7 to 21; risks and uncertainties on pages 16 to 18 and corporate social responsibility on pages 18 to 21. The statements and reviews are incorporated into this report by reference. The principal trading subsidiaries and the countries in which they operate are shown on page 68.

Results and dividends

The profit attributable to equity shareholders for the period was £12.4m (2007: £63.4m) and is shown in the consolidated income statement. Shareholders were paid the interim dividend of 4.0p per share (2007: 3.85p per share) on 3rd December 2008. No final dividend is recommended for the financial year ended 31st December 2008 (2007: 7.65p per share).

Directors

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 22 to 23. In addition, Vic Cocker served as chairman until 9th May 2008.

Under the Company's Articles of Association all directors' are subject to election by shareholders at the first AGM after their appointment. In addition, directors' will also seek re-election at the third AGM following the AGM at which they were elected or last re-elected. Two directors will seek re-election at the AGM. Paul Jackson and Paul Dermody will retire in accordance with article 76 (ii) of the Company's Articles of Association and, being eligible, will offer themselves for re-election. It is proposed that Paul Jackson who has served on the board since 2005 and Paul Dermody who has served on the board since 2004, will be appointed until conclusion of the 2012 AGM, subject to the board reviewing their letters of appointment at the end of each three year period in accordance with the provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006.

The board considers that the performance of those directors proposed for re-election continues to be effective, that they remain independent in judgement and that they demonstrate a strong commitment to their role.

Directors and officers of the Company and its subsidiaries benefit from directors' and officers' liability insurance cover in respect of legal actions brought against them. This provision which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006 ('CA2006'), was in force throughout the financial year and remains in force. In addition, directors of the Company are indemnified in accordance with the Company's Articles of Association and to the maximum extent permitted by law. All directors have deeds of indemnity that are in force as at the date of this report. These indemnities are available for inspection by shareholders at the Company's registered office during normal business hours and will be available for inspection at the AGM. Neither the insurance nor the indemnities provide cover where the relevant director or officer has acted fraudulently or dishonestly.

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.

The board of directors may exercise all the powers of the Company, subject to the provisions of relevant legislation, the Company's Articles of Association and any directions given by a special resolution of the shareholders. Specific powers are detailed in the Company's Articles of Association, including the power to issue and buy-back shares, along with the rules for the appointment and removal of directors.

Directors' interests in the Company are described in the directors' remuneration report in the table on page 34.

Political and charitable donations

Charitable donations made during the year were £22,952 (2007: £6,337). These donations were made across the businesses principally to local charities serving the communities in which the Group operates or charities working in areas relevant to the Group's activities. The Group intends to continue its focus on local charities in the next financial year. No political donations were made during the year (2007: nil).

Employees

The average number of employees within the Group is shown in note 4 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. Employee involvement in the Group's performance continues to be encouraged through share ownership. In the UK, employees are given the opportunity to become shareholders through the Company's Sharesave Plan. Approximately 10% of UK employees participated in the initial launch of the Sharesave Plan in 2008. Further details of the Group's human resources policies are provided in the CSR section on page 19.

Health, safety and environmental

It is important to the Group to provide and maintain a safe environment for all employees, customers and other visitors to its premises and the wider workplace. The Group complies with the relevant health and safety legislation in the jurisdictions in which it operates. The Group's health and safety policy and performance is regularly reviewed by the board.

The Group also recognises that it is part of the wider community and that it has a responsibility to act in a way that respects the environment and the social wellbeing of others. The Group's environmental policy and performance against objectives and targets is regularly reviewed by the board.

Further details are included on pages 18 to 21 of the CSR section of the chief executive's review.

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. Each manufacturing business has its own development department close to its production facility to encourage rapid response times. The Group capitalises certain development spend under IAS 38. During the year, the Group capitalised expenditure on development of £2.5m (2007: £3.1m).

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 these terms and conditions, subject to the supplier performing to its obligations.

Trade payables at the year end equated to 63 days of related purchases (2007: 66 days).

Share capital

Full details of the movements in the issued share capital of the Company are provided in note 22 to the accounts. On 1st January 2008 the Company had 115,222,899 ordinary shares of 28⅛p in issue. Following the sale of the foodservice businesses in December 2007, at the Extraordinary General Meeting ('EGM') held on 9th May 2008 shareholders approved a proposal to return £140m to shareholders by way of a B and C share scheme ('return of cash'). This resulted in the issue of 32,249,771 B shares and 83,091,629 C shares on 12th May 2008. Concurrently with the return of cash, the ordinary shares of 28⅛p each were consolidated on a 3 for 5 basis into shares of 46⅞p each being equivalent in all material respects to the ordinary shares in issue immediately before the consolidation. The consolidation was effected with the intention of making the market price of each consolidated ordinary share approximately equal to the market price of each ordinary share immediately before the consolidation.

At 16th May 2008, the 32,249,771 B shares were redeemed at 121 pence per share and following the redemption no B shares remained in issue. On the same date, a single dividend of 121 pence was declared on the C shares. Following payment of the dividend alternative to holders of C shares on 29th May 2008, all the C shares in issue were automatically reclassified as deferred shares. The Company repurchased and cancelled all deferred shares for 1.0p in the aggregate. As at 31st December 2008, 69,236,074 ordinary shares of 46⅞p were in issue.

At the 2008 EGM, shareholders approved a resolution to permit directors to undertake market purchases of its own shares up to a maximum number of 6,919,643 ordinary shares of 46⅞p each. This authority will expire at the forthcoming AGM and, in accordance with current best practice, the Company will seek to renew it. No shares were bought back under this authority during the year and at present the Company does not hold any shares in treasury.

The rights and obligations attaching to the Company's ordinary shares are contained in the Company's Articles of Association, a copy of which can be obtained on request from the company secretary. The Articles of Association can only be changed by a special resolution passed in a general meeting of shareholders.

Each ordinary share carries the right to one vote on a poll at a general meeting of the Company. There are no restrictions on transfer or limitations on the holding of the Company's ordinary shares and no requirements for prior approval of any transfers. Under the Company's Articles of Association, 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.

Shares acquired through the Group's employee share schemes rank equally with all other ordinary shares in issue and have no special rights. Details of share-based payments can be found in note 23 to the accounts.

The Company is not aware of any agreements between shareholders that might result in the restriction of transfer or voting rights in relation to the shares held by such shareholders.

Change of control

All of the Company's share schemes contain provisions relating to a change of control of the Company following a takeover bid. Under the provisions of the Long-Term Incentive Plan, a change of control of the Company would normally be a vesting event (subject to the relevant performance condition being satisfied). Under the Senior Executive Share Option Scheme and the Sharesave Plan, option holders would be entitled to exercise options within a set period following an acquiring Company taking control or alternatively an acquiring company may by agreement offer new options of equivalent value to the option holders.

The Company's bank facility agreements include a change of control clause.

The Company is not a party to any other significant agreements that take effect, alter or terminate on the change of control following a takeover bid. The Company does not have agreements with any directors or employees that specifically provide for compensation for loss of office or employment that occurs as a result of a takeover bid.

Substantial shareholders

As at the date of this report, the Company had been notified under the Disclosure and Transparency Rules of significant holdings of voting rights in shares as set out in the table on page 26.

Notifying person(s)	Date of notification	Ordinary shares of 46⅞p each	% of share capital directly owned	% of share capital indirectly owned
Boston Holdings LP Inc	17.04.08	17,369,436*	25.09	-
Aviva plc	13.05.08	5,282,903	7.31	0.33
J P Morgan Chase & Co	16.09.08	3,439,953	-	4.97
Deutsche Bank AG	11.08.08	2,800,764	4.05	-
Legal & General Group plc	12.01.09	2,728,734	3.94	-
Prudential plc	29.09.08	2,694,715	3.89	-
Principle Capital Investment Trust plc	13.07.07	2,177,487*	3.10	-

* updated to reflect share consolidation which took place on 12th May 2008.

Going concern

The directors have assessed 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 chief executive's review on pages 7 to 21. The directors also considered what mitigating actions the Group could take to limit any adverse consequences.

Having undertaken this work, 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 2008 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 auditors are unaware; and each of the directors has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act ('CA1985').

Auditors

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

Cautionary statement

Under the CA2006, a company's directors' report is required, among other matters, to contain a fair review by the directors of the Group's business through a balanced and comprehensive analysis of the development and performance of the business of the Group and the position of the Group at the year-end, consistent with the size and complexity of the business.

The directors' report set out above, including the chief executive's review; the principal risks and uncertainties and corporate social responsibility incorporated into it by reference (together, the directors' report), has been prepared solely to provide additional information to 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.

The directors' report (as defined) contains certain forward looking statements. These statements are 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 both economic and business risk factors, underlying any such forward-looking information.

Approved by the board and signed on its behalf by:

P M Sissons
Company Secretary
Leamington Spa
13th March 2009

P.M. Sissons

Corporate governance

The directors of the Company remain committed to the highest standards of corporate governance. The directors consider that the Company has applied the principles and complied with the provisions of the Combined Code on Corporate Governance adopted by the Financial Reporting Council in June 2006 ('the Code') throughout the year ended 31st December 2008. This statement explains our governance policies and practices and describes how the Company has applied each referenced section of the Code plus current and emerging best practice.

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 and 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 normal operational management to the chief executive, William McGrath, but it has agreed a formal schedule of matters reserved solely for its decision. 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 including social, environmental and ethical matters. Delegated authorities are also clearly defined.

The board has a schedule of regular meetings and holds additional meetings as required. 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 2008.

Each board committee has terms of reference which are reviewed annually by the board. Copies are available on request from the company secretary or on the Group's corporate website (www.agarangemaster.com). 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 22 to 23. John Coleman was appointed a non-executive director in March 2008 and was appointed chairman of the board following Vic Cocker's retirement in May 2008. There are four independent non-executive directors serving on the board - Paul Dermody, Paul Jackson, Helen Mahy and Peter Tom. The senior independent director throughout the year was Peter Tom. The chairman and non-executive directors met during the year without the executive directors present.

Directors submit themselves for re-election by shareholders at the first AGM following their appointment and for re-election at least once every three years.

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, divided 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 and changes to these commitments are disclosed to the board. The board considers that these commitments do not hinder the chairman's ability to discharge his responsibilities to the Company effectively. John Coleman was appointed chairman during the year and in the board's opinion met the independence criteria defined in the Code.

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 through the executive management committee which meets regulary during the year. Its members currently comprise the Group finance director, Shaun Smith and senior operational

Table 1 Director	Board	Audit and risk committee	Remuneration committee	Nomination committee
W B McGrath	10/10	-	-	-
S M Smith	10/10	-	-	-
V Cocker (resigned 9th May 2008)	5/5	-	-	2/2
J Coleman (appointed 6th March 2008)	7/7	-	-	1/1
P B Dermody	10/10	3/3	4/4	3/3
P E Jackson	10/10	3/3	4/4	3/3
H M Mahy (note 1)	9/10	2/3	3/4	3/3
P W G Tom	10/10	3/3	4/4	3/3

Attendance is expressed as the number of meetings attended/number eligible to attend.
note 1 - Helen Mahy was unable to attend meetings on one day due to prior commitments.

Corporate governance

management - Mike Bufton, Gerald O'Brien, Gary Green and Richard Eagleton. Those members of the executive management committee who are not directors of the Company are invited to attend and present at board meetings each year. In addition, there is regular dialogue and meetings with units within the Aga and Rangemaster operating segments. The respective roles of the board, executive management committee and operational management are discussed further under internal control.

A.3 Board balance and independence

Each of the non-executive directors has been determined by the board to be independent of management 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 and is based on the criteria suggested in the Code. Each non-executive director possesses a wide range of skills and experience.

The senior independent director is Peter Tom and he is available to meet shareholders as required.

Directors' conflicts of interest

From 1st October 2008, a director has had a statutory duty to avoid a situation in which he has, or can 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 of Association by the other directors. The Company's Articles of Association were amended to include the relevant authorisation for directors to approve such conflicts by resolution of shareholders at the EGM held on 9th May 2008.

The board has conducted a review of actual or possible conflicts of interest in respect of each director. At its meeting on 2nd October 2008, the board agreed a set of guiding principles on managing conflicts; considered the process adopted for identifying current conflicts; authorised conflicts that had been identified and stipulated conditions in accordance with the guiding principles and agreed a process to identify and authorise future conflicts. In practice, directors are asked to consider and disclose actual or potential conflicts at the beginning of each meeting and as and when a matter arises. The process will be reviewed by the nomination committee as part of the annual performance review and more frequently if any potential conflict situation materialises.

A.4 Appointments to the board

During the year the nomination committee ('the committee') comprised Vic Cocker (chairman), Paul Dermody, Paul Jackson, Helen Mahy and Peter Tom. Following Vic Cocker's retirement in May 2008, John Coleman was appointed as chairman of the board and also became chairman of the committee. The chief executive is invited to attend meetings at the request of the committee. The committee met three times during the year and attendance is set out in table 1 on page 27.

The main responsibilities of the committee are to keep under review the size, structure and composition of the board and its committees; to ensure that adequate succession planning is in place; and when necessary identify and nominate individuals for appointment to the board and its committees.

Following the announcement that Vic Cocker intended to retire from the board after the 2008 AGM, the committee nominated Peter Tom to act as chairman of the committee and to lead the process to find a successor for the role of chairman of the board. The committee reviewed the balance of skills, knowledge and experience of the existing board members and prepared a description of the role and capabilities required for the new appointment. The review also included an assessment of the time commitment expected from the new chairman. External search consultants were used to identify suitable candidates and to advise the committee regarding the appointment. The committee recommended to the board that John Coleman be appointed and he was elected by shareholders at the 2008 AGM. John Coleman has undertaken to meet the expected time commitment for the role and has disclosed to the board his other significant commitments. Changes to directors' commitments are reported to the committee as they arise and are considered on their individual merits. Vic Cocker was not involved in the formal process to select his own successor.

The committee's terms of reference are available for review on the Company's website and comply with the Code. All non-executive directors are appointed for an initial three-year term pursuant to a standard letter of appointment, which are available for viewing at the Company's registered office during normal business hours and at the AGM.

During the year, the committee reviewed the re-election of directors under the provisions in the Company's Articles of Association; and the board, committee and individual director performance evaluation process to enable it to discharge its duties in accordance with its terms of reference. The committee, in conjunction with the board, receives updates from the chief executive and other advisers on succession and development planning for senior positions within the Group.

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, function effectively. The company secretary is also responsible for advising the board on all 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 of the business and receives papers and presentations from the executive management committee members, 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 new non-executive directors. Directors receive regular updates appropriate to the business throughout the year and the Company provides resources for directors to develop and refresh their knowledge and capabilities as required. All directors are suitably qualified, trained and experienced so as to be able to participate fully in the work of the board.

To assist with the independent conduct of their function, the non-executive directors are able to obtain professional advice and additional resources 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, chief executive and non-executive directors, the operation and performance of the board, its committees and the committee chairman, governance matters and evaluation methods.

The 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 chairman's performance was reviewed by the non-executive directors, led by the senior independent director.

The recommendations arising from the evaluation process have been considered by the board and appropriate actions identified and implemented. The aim of the action plan is to continually improve processes, procedures and performance.

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

The chairman communicates frequently with the non-executive and executive directors. Directors are 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.

A.7 Re-election

In accordance with the Company's Articles of Association, 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.

B. Remuneration

Details on the directors' remuneration and the work of the remuneration committee, as required by the Code and Schedule 7A of the CA1985, can be found in the remuneration report on pages 32 to 37.

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. The statement of the responsibility of directors for the preparation of the directors' report and the accounts under IFRS is set out on page 38 (page 76 in respect of UK GAAP). The Group going concern paragraph is on page 26, with the Company paragraph being on page 76.

C.2 Internal control

The board confirms that it has complied with the Code to implement the guidance on internal control issued by the Turnbull Committee; and is reporting in accordance with that guidance.

The board has overall responsibility for reviewing and approving the Group's systems of internal controls and its adequacy and effectiveness. This established system of internal controls includes financial, operational and compliance controls and risk management systems. It is the role of management to implement the agreed policies on risk and control.

Our system of internal financial and operational controls is designed to meet the Group's particular needs and aims to facilitate effective and efficient operations, to safeguard the Group's assets, ensure proper accounting records are maintained and ensure that the financial information used within the business and for publication is reliable. Our risk management process identifies the key risks facing each unit within the Aga and Rangemaster operating segments and the Group as a whole and 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 be designed to manage rather than eliminate risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. 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 board has a process for identifying, evaluating and managing the risks we face which is continual. The process covers all the Group's business operations. 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 2008 and included the period to the approval of this report and financial statements.

The board focuses mainly on strategic issues, financial performance and senior management performance. The chief executive and the executive management committee, focus on operational performance, operational decision-making and the formulation of strategic proposals for the board. The Group's managing directors manage their businesses with the support of senior personnel who are suitably qualified or experienced in the roles in which they are employed. The board determines how the chief executive operates within a framework of delegated authorities and reserved powers which seek to ensure that certain transactions, significant in terms of their size or type, are undertaken only after board review and approval. Business performance is a standing agenda item at board meetings.

Control environment

Our control structure is clearly documented and communicated. It sets the principles on the delegation of authority, states where approval is required and requires the segregation of certain duties and functions. Continual monitoring of systems of internal financial control is the responsibility of all management teams.

At operational level, there are regular management and board meetings to review all aspects of the Group's business, including those where there are potential risks to the Group. Members of the executive management committee undertake frequent visits to the units 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.

Financial reporting

The board approves a strategic plan and annual budgets for the Group. The financial performance of the businesses is reported regularly and compared to annual budgets. Forecasts for the Group are updated and reviewed regularly by the board and the market is updated as necessary.

Risk management

The audit and risk committee assesses risk management throughout the Group, and the process includes detailed reviews of internal controls. The Group risk management framework requires the businesses to record formally all significant risks facing their business. The process identifies both short and long-term risks to business performance and takes into account the likelihood of occurrence and the degree of impact. Risks considered include operational and financial contingencies, legal and regulatory compliance and social, environmental and ethical issues. A summary of the key risks facing the Group are reviewed regularly by the audit and risk committee and by the board and action plans detail the steps being taken to avoid or mitigate those risks.

Internal audit

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. Internal audit 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 committee and auditors

During the year, membership of the audit and risk committee ('the committee') comprised Paul Dermody (chairman), Paul Jackson, Helen Mahy and Peter Tom. All members of the committee are considered by the board to be independent. The board has determined that Paul Dermody has recent and relevant financial experience. Details of attendance at committee meetings can be found in table 1 on page 27.

The chairman, chief executive, finance director, head of internal audit and the external auditors attend the majority of meetings by invitation. Other senior management and advisers are invited to attend meetings as required. The head of internal audit reports to the finance director and has direct access to the chairman of the committee. The committee members, all other directors and senior management have direct access to the external auditors throughout the year, to seek advice or raise any issues or concerns. During the year, the committee members met with the external auditors without the executive management being present.

The committee's terms of reference are available for review on the Group's website and comply with the Code. During the year the committee's activities have included:

- a review of the Company's draft annual report, half-year results, interim management statements and any other announcements focusing on key judgemental areas and accounting policies;
- a review of the work undertaken in relation to the return of cash to shareholders following the sale of the foodservice businesses and on the availability of distributable reserves;
- a review of the effectiveness of the Group's systems of internal financial control; risk management and whistleblowing arrangements;
- a regular examination of reports arising from the work undertaken by the internal audit function;
- monitoring and reviewing the effectiveness of the internal audit function, resourcing levels and agreeing the programme of work for the year ending 31st December 2009;
- making a recommendation to the board with respect to the level of audit fees paid to the external auditors and their reappointment;
- monitoring and reviewing the external auditors independence and objectivity (including their audit and non-audit work), reviewing and agreeing the nature and scope of the audit;
- monitoring the performance of the external auditors and the effectiveness of the audit process; their findings in relation to the annual report and half-year report, including their review of the effectiveness of controls across the Group;
- a review of various financial and technical updates during the course of the year, including the guidance notes issued by the Financial Reporting Council (FRC) in November and December 2008.

Ernst & Young LLP were appointed auditors following a formal tender exercise in June 2006. The committee keeps the potential re-tendering of the external audit services under review.

The committee keeps under review the auditors' independence including any non-audit services that are provided by the external auditors. The external auditors are also requested to confirm their independence at least annually. A formal policy has been developed and implemented which ensures that the nature of the advice to be provided does not impair the objectivity of the external auditors opinion on the Group's financial statements. The policy states that non-audit fees paid to the external auditors should not exceed 250% of the audit fee, except in the case of a significant event. The chairman of the committee is required to authorise non-audit work above a pre-agreed threshold and the committee regularly reviews all fees paid for non-audit work. Note 3 to the Group accounts provides a breakdown of the 2007 and 2008 audit and non-audit fees.

In 2008, the fee for audit work reduced following the sale of the foodservice businesses and the non-audit services provided by the external auditors exceeded the pre-agreed threshold. Non-audit work undertaken by Ernst & Young principally included tax compliance services; and advisory work in relation to the working capital review to enable the Company to proceed with the return of cash to shareholders following the sale of the foodservice businesses and work on the availability of distributable reserves. In authorising work to be undertaken the committee considered Ernst & Young to be in the best position to undertake the work effectively.

Resolution 5 set out in the Notice of Meeting recommends that shareholders reappoint Ernst & Young LLP as the Company's auditors and Resolution 6 authorises the directors to determine their remuneration.

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 strategy, trading and market conditions. Copies of the major presentations including the annual and half-year results presentations and all market announcements are made available on the corporate website (www.agarangemaster.com).

The chairman ensures that the views of shareholders are communicated to the board as a whole. The board receives a summary of the feedback from broker and shareholder meetings. The chairman has met with the Company's brokers during the year to ensure the board is aware of the current views of major shareholders and of any material issues they may have.

The chairman held meetings with shareholders during the year, without the executive directors being present and is available to shareholders to discuss governance and strategy. Following such meetings a briefing note is provided 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. The non-executive directors remain available to attend meetings on request.

D.2 Constructive use of the AGM

The AGM is attended by all members of the board and it is an opportunity for shareholders to meet with the directors, senior managers and the Company's advisers and to ask questions.

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

Details of the 2009 AGM are set out in the Notice of Meeting in a separate circular issued to shareholders, along with details of the facilities available for proxy votes to be cast electronically. The Company offers shareholders the right to withhold their vote, if they so wish, in line with best practice.

Statement of compliance with the Combined Code

Throughout the year ended 31st December 2008 the Company complied with the provisions of Section 1 of the Code.

Approved by the board and signed on its behalf by:

P M Sissons
Company Secretary
Leamington Spa
13th March 2009

P.M. Sissons

Remuneration report

This report has been prepared by the remuneration committee and has been approved by the board. The report has been prepared in accordance with Schedule 7A to the Companies Act 1985 ('CA1985'). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the remuneration committee has applied the principles relating to directors' remuneration in the Combined Code on Corporate Governance 2006 ('the Code').

Part 3 of Schedule 7A requires the auditors 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 CA1985. 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 2008.

Unaudited information

Remuneration committee

The remuneration committee ('the committee') comprises Peter Tom (chairman), Paul Dermody, Paul Jackson and Helen Mahy. Each member of the committee is considered by the board to be independent. There have been no changes to the composition of the committee during the year. Details of attendance at committee meetings can be found in table 1 on page 27. The chairman of the board, chief executive and external advisers are invited to attend meetings as required. Neither the chairman of the board nor any executive director participates in any discussion relating to his own remuneration. No committee member has any personal financial interest, other than as a shareholder, in matters to be decided by the committee. The remuneration of the non-executive directors is decided by the board as a whole on the advice of executive directors, supported by the independent remuneration advisers to the Company.

The committee keeps itself fully informed of all relevant developments and best practice in the field of remuneration and seeks advice from external advisers when it considers it appropriate. The committee appointed, and continued to use KPMG LLP (KPMG) as its independent remuneration advisers. During the year, KPMG has provided actuarial advice to the Company, taxation advice relating to the introduction of the Sharesave Plan and has prepared share scheme valuations. In view of the change in the size and structure of the Group, in 2008 KPMG was asked to update its advice to the committee on directors' remuneration. During the year the committee also received advice from Alithos Limited in relation to performance monitoring under the Long-Term Incentive Plan.

The committee's terms of reference are available for review on the Group's website and comply with the Code. The committee is responsible for setting the framework and policy for remuneration of the chairman, the executive directors and the company secretary. It determines the specific elements of the executive directors' remuneration, their contractual terms and, where necessary, compensation arrangements. It maintains a dialogue with shareholder representatives to ensure remuneration arrangements are designed to align remuneration with shareholder interests. It maintains an overview of the remuneration of senior employees in the Group, pay and incentivisation policy for the Group's employees and of the Company's share plans.

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

- remuneration advice following the change in the size and structure of the business which included a review of market trends and data;
- a review of the overall balance of benefits between the fixed and variable components;
- a review of the executive bonus scheme targets;
- a review of share schemes and remuneration policy elsewhere in the Group, which led to the introduction of the Sharesave Plan in 2008;
- a review of the disclosures in the remuneration report.

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

The committee intends to conduct a thorough review of remuneration during the current financial year to determine what changes, if any, should be made to both the levels and structure of the total reward packages of the executive directors and senior management.

Remuneration policy

The Group's remuneration policy is designed to ensure that the remuneration of executive directors is sufficiently competitive to retain and motivate the existing directors and to attract high calibre candidates to ensure the continued success and development of the business. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the committee, taking into account the level and structure of remuneration of members of senior management and pay and conditions elsewhere in the Group. The current policy is based around the following principles:

- that total compensation should be set at levels that are competitive in comparison to companies of a similar size by turnover 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 to the remuneration package for executive directors and senior management are as follows:

Fixed

Basic annual salary
Benefits in kind and cash benefits
Pension benefits

Variable	% of salary
Annual bonus related to the Group performance and strategic objectives	Up to 75%
Annual award of nil cost options under the Long-Term Incentive Plan, with vesting after three years subject to performance conditions being met	Up to 100%

Basic salary

Salaries for the executive directors are reviewed annually and are targeted broadly at the median position in the relevant pay peer group. The committee takes into consideration the size, complexity and responsibilities of the individual's role, the individual's experience and the overall business performance. In deciding the appropriate level, the committee considers salary practices prevailing in the Group as a whole and relies on independent research, which gives up to date information on a comparator group of companies. It also considers the balance between fixed and variable rewards and the total compensation achievable. Basic salaries were reviewed in December 2007 with an RPI increase of 4.2% taking effect from 1st January 2008. Following receipt of advice from KPMG in 2008 and in view of general market conditions, the committee agreed that there would be no increase in basic salaries for the executive directors effective from 1st January 2009.

Benefits in kind

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

Annual bonus payments

The committee establishes the objectives that must be met each financial year if a cash bonus is to be paid. In setting appropriate bonus parameters, the committee reviewed independent research on a comparator group of companies from independent remuneration consultant sources. After considering the balance between fixed and variable rewards, the changes in the size and structure of the Group and the total compensation achievable, in 2008 the committee reduced the maximum bonus potential to 75% of basic salary, subject to meeting challenging performance conditions. Prior to this the maximum bonus potential was 100% of basic salary. The performance targets set measure the improvement in profit compared to the prior year (subject to a sliding scale operating and the maximum award of 50% of basic salary being paid for superior performance). In addition, the committee set specific conditions relating to the achievement of five key growth and cost saving objectives (subject to a maximum award of 25% of basic salary). The committee approved the targets at the beginning of the year and reviewed performance against these targets and key growth objectives during and at the end of the year. Although the executive directors were entitled to a bonus against the cost saving objective they have chosen to waive their entitlement and therefore no bonus award payments were made to directors in respect of performance for the year ended 31st December 2008.

Long-Term Incentive Plan ('LTIP')

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

The LTIP seeks to motivate and retain executive directors and other senior executives, to enable them to potentially benefit from improved total shareholder return ('TSR') and the earnings per share ('EPS') performance of the Company. The committee administers the LTIP and the grant of nil cost options under the LTIP. The maximum annual nil cost option award that can be made to an individual is equivalent to 100% of basic salary. The options granted during the year will only become exercisable (vest) if the performance conditions are met.

In considering the balance between fixed and variable rewards and the total compensation achievable, in 2008 the committee elected to award options under the LTIP equivalent to 50% of each executive's basic salary. Awards of LTIP options were also made to the members of the executive management committee. In total 204,518 options were granted via the Employee Share Ownership Plan Trust.

A full summary of the performance conditions attaching to 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. Once an option has vested, 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 and option holders are kept advised of performance and the likelihood of vesting. Options granted under the LTIP in 2005 were lapsed during 2008 as the Company's TSR performance compared to the comparator group was below the mid-point and therefore the options did not vest.

The authority to grant options under the LTIP will expire in May 2009. The committee does not plan to renew the authority for the LTIP at present. The committee will take this into account as part of its intended review of remuneration policy during the year.

Share option schemes

The Company introduced a new Sharesave Plan in 2008, which was approved by shareholders at the 2008 AGM. The board believes the Sharesave Plan will encourage employee involvement in the Group's performance. Invitations were issued to all eligible UK employees in September 2008 and options were granted on 26th September 2008 at 209 pence per share. Approximately 10% of employees participated in the initial invitation.

The Senior Executive Share Option Scheme lapsed in 2004. The interests of directors in options under the Senior Executive Share Option Scheme and Sharesave Plan are shown in table 4 on page 37.

Directors' interests

The beneficial interests of the directors serving at the year ended 31st December 2008 in the 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 13th March 2009 (46⅞p ordinary shares)	At 31st December 2008 (46⅞p ordinary shares)	At 31st December 2007 (28⅛p ordinary shares)
W B McGrath	102,632	102,632	146,692
S M Smith	85,278	85,278	105,396
J Coleman (appointed March 2008)	5,000	5,000	-
P B Dermody	13,166	13,166	17,777
P E Jackson	2,032	2,032	888
H M Mahy	5,222	5,222	4,848
P W G Tom	15,000	15,000	17,777

No director sold any shares during the year. Where there has been a reduction in their holding this is due to the share consolidation which took place on 12th May 2008.

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 comparable to those provided by other companies.

The executive directors are members of the Group's UK pension scheme on a defined benefit basis of pension provision. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. On their retirement from service at their normal retirement age of 60, the arrangements provide for a pension of two-thirds of final pensionable remuneration. The pensions of William McGrath and Shaun Smith are subject to the statutory earnings cap. No other payments are pensionable and there are no unfunded pension promises or similar arrangements for directors. William McGrath and Shaun Smith receive additional salary in lieu of pension on remuneration above the statutory cap as detailed in table 2 on page 36.

On death after retirement the spouse's pension payable will be 50% of the member's pre commutation pension for William McGrath and 64% of the member's pre commutation pension for Shaun Smith.

Post retirement pension increases for William McGrath's pension will be in line with statutory requirements. 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.

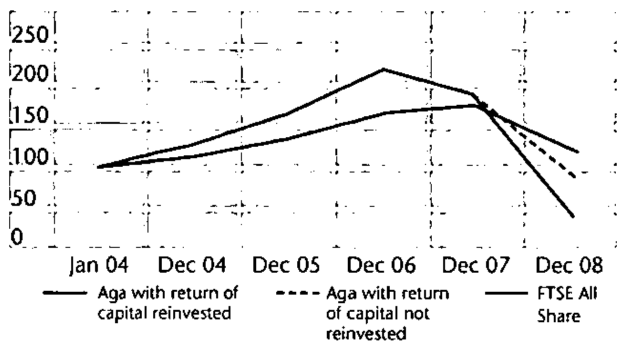
The transfer values corresponding to the directors' accrued pensions at 31st December 2008, after deduction of contributions paid by them, are shown in table 3 on page 36. The transfer values shown are not payable to the individuals concerned. All executive directors receive life assurance cover equal to four times their basic salary. During the year the Company paid premiums respectively of £2,117 and £1,423 to provide life assurance cover on that part of William McGrath's and Shaun Smith's basic salary above the statutory cap for the year.

The Company closed the Group's UK pension scheme to new members on a defined benefit basis of pension provision in 2001, although the scheme currently remains open for future accrual of benefits. 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 Part 2 of Schedule 7A of the CA1985 relative to a base date beginning on 31st December 2003. The Act 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. As the Company's share price fell markedly in the second half of 2008, this special payment exacerbates the deterioration in the Company's TSR as presented in the graph below. If shareholders did not in fact immediately reinvest their special payments into the Company's shares, but retained the payment in cash until 31st December 2008, then their actual return would be better than shown in the graph below. This alternative return is shown by the dotted line below, which assumes no interest has been earned on the retained cash.

Aga Rangemaster Group plc Total Shareholder Return Index vs. FTSE All Share Total Shareholder Return Index for the 5 financial years ending 31st December 2008.



Remuneration report

The FTSE All Share Index has been selected as a comparator because the Group believes it is the most meaningful market index of which the Company is a member and going forward it is possibly the most relevant index. The Group believes it would be less appropriate to use a narrower index such as the Household Goods index or an Engineering index for comparison purposes.

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 Company's Articles of Association.

The services of Peter Tom are provided by a consultancy agreement dated 15th July 2008 with Rise Rocks Limited. The consultancy agreement may be terminated by either party subject to one month's notice. From June 2008 fees for services have been paid to Rise Rocks Limited. Peter Tom will stand for re-election at AGMs in accordance with the Company's Articles of Association.

The table below 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 as a non-executive director	Date of last re-election at an AGM
J Coleman	March 2008	2008 AGM
P B Dermody (note 1)	April 2004	2007 AGM
P E Jackson (note 1)	December 2005	2006 AGM
H M Mahy	March 2003	2008 AGM
P W G Tom	February 2004	2007 AGM

note 1 Paul Jackson and Paul Dermody will stand for re-election at the AGM to be held on 8th May 2009.

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 is determined by the committee. The remuneration of non-executive directors is determined by the board on the recommendation of the executive directors within the limits set out in the Articles of Association and on the basis of independent advice 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 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 bonus 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 current fee structure is shown in the following table:

Role	Last reviewed	Fee
Chairman	March 2008	£125,000
Non-executive director	February 2007	£35,000
Committee chairman	February 2007	£5,000

In addition, the committee set a per diem rate in the event that the chairman's hours exceeded the expected time commitment for the role. No additional payments were made during 2008.

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

Audited information

Directors' emoluments

The remuneration of each director, excluding share options, LTIP awards and pensions during the year ended 31st December 2008 is set out in table 2 below. There were no taxable expenses in 2007 or 2008 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 below shows the directors' accrued pensions under the scheme and the corresponding transfer values calculated in a manner consistent with "Retirement Benefit Schemes – Transfer Values (GN11)" published by the Institute of Actuaries and the Faculty of Actuaries.

Table 2

	Salary/ fees £000	Salary in lieu of pension above earnings cap £000	Benefits in kind and cash benefits £000	Annual bonus £000	2008 Total £000	2007 Total £000
W B McGrath	487	82	26	–	595	881
S M Smith	280	36	23	–	339	504
J Coleman (appointed March 2008)	102	–	–	–	102	–
P B Dermody	40	–	–	–	40	39
P E Jackson	35	–	–	–	35	35
H M Mahy	35	–	–	–	35	35
P W G Tom (note 1)	40	–	–	–	40	39
Continuing board	1,019	118	49	–	1,186	1,533
V Cocker (resigned May 2008)	40	–	–	–	40	108
S Rennie (resigned December 2007) (note 2)	–	–	–	–	–	878
Total	1,059	118	49	–	1,226	2,519

note 1 Includes consultancy fees in respect of services provided to the Company.

note 2 A compromise agreement was reached with Stephen Rennie on leaving the Company and he received a cash payment of £300,100 in December 2007. No additional payments were made in relation to pensions or benefits in kind or cash benefits.

Table 3

	Accrued pension at 31st Dec 2008 £000 pa	Increase in accrued pension over the year £000 pa	Transfer value of accrued pension at 31st Dec 2007 £000	Transfer value of accrued pension at 31st Dec 2008 (note 1) £000	Decrease in transfer value over the year, net of director's contributions (note 2) £000	Increase in accrued pension over the year (net of inflation) £000 pa	Transfer value of increase in accrued pension over the year, net of director's contributions (note 3) £000
W B McGrath	42	5	384	317	(71)	4	25
S M Smith	47	4	439	341	(101)	3	14

note 1 Transfer values at 31st December 2008 were calculated using the Trustee's transfer value basis in force before 1st October 2008 as the basis for transfer values after 1st October 2008 was still under review.

note 2 Reflects the comparison of the transfer value of the accrued pensions at the start and end of the period.

note 3 Reflects the transfer value of the increase in the accrued pension over the period only.

Table 4

	Options under the Senior Executive Share Option Scheme approved in 1994	Options under the Sharesave Plan approved in 2008	Long-Term Incentive Plan approved in 1999 Price shown is at date of award				
	at 321pps	at 209pps	235pps	307pps	387pps	386pps	285pps
W B McGrath							
At 1st January 2008	144,000	–	42,766	38,549	33,922	121,262	–
Lapsed 5th May	(144,000)	–	–	–	–	–	–
Granted 12th May	–	–	–	–	–	–	85,391
Lapsed 14th May	–	–	–	(38,549)	–	–	–
Exercised 29th August (at 193 pps)	–	–	(14,617)	–	–	–	–
Granted 26th September	–	8,014	–	–	–	–	–
At 31st December 2008	**–**	**8,014**	**28,149**	**–**	**33,922**	**121,262**	**85,391**
S M Smith							
At 1st January 2008	–	–	14,617	22,153	19,486	69,656	–
Granted 12th May	–	–	–	–	–	–	49,051
Lapsed 14th May	–	–	–	(22,153)	–	–	–
Exercised 29th August (at 193 pps)	–	–	(14,617)	–	–	–	–
Granted 26th September	–	8,014	–	–	–	–	–
At 31st December 2008	**–**	**8,014**	**–**	**–**	**19,486**	**69,656**	**49,051**
Option grant date	5 May 98	26 Sep 08	13 Oct 03	27 Apr 05	27 Apr 06	14 May 07	12 May 08
Exercisable period	5 May 01 to 4 May 08	01 Dec 13 to 31 May 14	13 Oct 06 to 12 Oct 13	27 Apr 08 to 26 Apr 15	27 Apr 09 to 26 Apr 16	14 May 10 to 13 May 17	12 May 11 to 11 May 18

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

Gains on the exercise of options are calculated on the date of exercise. William McGrath exercised options at a middle market price of 193 pence at the time of exercise and retained the shares making a gain on exercise of £28,211 (2007: £6,960). Shaun Smith exercised options at a middle market price of 193 pence at the time of exercise and retained the shares making a gain on exercise of £28,211 (2007: £35,850). Therefore, the total gain made by directors on exercise of options during 2008 was £56,422 (2007: £78,660 including options exercised by Stephen Rennie who resigned as a director in December 2007).

For each share under option that had not expired at the end of the financial year, the mid-market price of ordinary shares on 31st December 2008 was 72.0 pence and the highest and lowest mid-market prices during the financial year were 356.25 pence and 62.25 pence respectively.

Directors' share options and long-term incentives

Directors' emoluments disclosed in table 2 on page 36 do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors.

The interests of directors in options held under the Long-Term Incentive Plan, the Senior Executive Share Option Plan (which lapsed in 2004), and the Sharesave Plan (introduced in 2008) at the beginning and end of the financial year are shown in table 4 above.

Approval

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

P W G Tom
Chairman of the remuneration committee
Leamington Spa
13th March 2009

Statement of directors' responsibilities

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

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

In preparing those financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the Company website. The work carried out by the auditors does not involve consideration of these matters and, accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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, have been followed and give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company and;
- the chief executive's review, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties they face.

By order of the board

William McGrath
Chief Executive
Leamington Spa
13th March 2009

Shaun Smith
Finance Director

W. McGrath.
Shaun Smith

Consolidated income statement

For the year ended 31st December

	Notes	2008 £m	Restated 2007 £m
Continuing operations			
Revenue	2 & 3	279.4	291.8
Net operating costs	3	(268.3)	(267.4)
Group operating profit	3	11.1	24.4
Net pension credit	5	5.4	6.0
Non-recurring cost	3	(5.3)	–
Profit before net finance income and income tax		11.2	30.4
Finance income	6	4.8	2.0
Finance costs	6	(1.6)	(5.4)
Profit before income tax		14.4	27.0
Income tax expense	7	(2.7)	(4.2)
Profit for year from continuing operations		11.7	22.8
Discontinued operations			
Post tax profit from discontinued operations	8	–	40.7
Profit for year		11.7	63.5
Profit attributable to equity shareholders	24	12.4	63.4
(Loss) / profit attributable to minority shareholders	24	(0.7)	0.1
Profit for year	24	11.7	63.5
Earnings per share – continuing operations	10	p	p
Basic		14.4	18.9
Diluted		14.4	18.7
Earnings per share – total operations	10	p	p
Basic		14.4	52.7
Diluted		14.4	52.2
Dividend per share	9	p	p
Interim paid		4.0	3.85
Final proposed		–	7.65
Total ordinary dividend		4.0	11.5
Cash return / special dividend	9	121.0	43.0

Notes to the accounts are on pages 43 to 68.

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Consolidated balance sheet

As at 31st December

	Notes	2008 £m	2007 £m
Non-current assets			
Goodwill	11	70.9	60.1
Intangible assets	12	24.0	18.0
Property, plant and equipment	13	58.7	51.7
Retirement benefit surplus	5	58.7	80.4
Deferred tax assets	21	5.5	2.7
		217.8	212.9
Current assets			
Inventories	14	63.5	54.9
Trade and other receivables	15	39.9	46.4
Current tax assets	17	2.1	1.5
Cash and cash equivalents	18	42.9	181.5
		148.4	284.3
Assets held for sale	13	1.9	–
Total assets		368.1	497.2
Current liabilities			
Borrowings	18	(9.7)	(4.3)
Trade and other payables	16	(66.8)	(76.4)
Current tax liabilities	17	(11.6)	(8.7)
Current provisions	20	(4.3)	(2.6)
		(92.4)	(92.0)
Net current assets		56.0	192.3
Non-current liabilities			
Borrowings	18	(27.4)	(8.1)
Retirement benefit obligation	5	(1.2)	(0.8)
Deferred tax liabilities	21	(21.9)	(29.9)
Provisions	20	(8.7)	(9.3)
		(59.2)	(48.1)
Total liabilities		(151.6)	(140.1)
Net assets		216.5	357.1
Shareholders' equity			
Share capital	22	32.5	32.4
Share premium account	24	29.6	68.8
Other reserves	24	95.5	37.1
Retained earnings	24	57.1	216.7
Shareholders' equity		214.7	355.0
Minority interest in equity	24	1.8	2.1
Total equity		216.5	357.1

The accounts on pages 39 to 68 were approved by the board of directors on 13th March 2009 and were signed on its behalf by:

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

Notes to the accounts are on pages 43 to 68.

W. McGrath.
Shaun Smith

Consolidated cash flow statement

For the year ended 31st December

	Notes	2008 £m	2007 £m
Cash flows from operating activities			
Cash generated from operations post pensions items		4.5	12.4
Finance income		5.0	1.8
Finance costs		(1.6)	(5.0)
Tax payment		(2.7)	(4.9)
Net cash generated from operating activities		5.2	4.3
Cash flows from investing activities			
Disposal proceeds from sale of subsidiaries less costs	8	(2.4)	259.8
Purchase of property, plant and equipment		(10.2)	(17.1)
Expenditure on intangibles		(3.3)	(3.9)
Proceeds from disposal of property, plant and equipment		0.5	5.3
Net cash (used in) / from investing activities		(15.4)	244.1
Cash flows from financing activities			
Dividends paid and cash returned to shareholders	9	(151.2)	(69.1)
Net proceeds from issue of ordinary share capital and cost of share consolidation	22	(0.1)	1.1
Repayment of borrowings		(1.5)	(43.4)
New bank loans raised		22.7	1.7
Net cash used in financing activities		(130.1)	(109.7)
Effects of exchange rate changes		1.7	(0.4)
Net (decrease) / increase in cash and cash equivalents		(138.6)	138.3
Cash and cash equivalents at beginning of year		181.5	43.2
Cash and cash equivalents at end of year	18a	42.9	181.5

This statement should be read in conjunction with the reconciliation on page 42.

Notes to the accounts are on pages 43 to 68.

Consolidated statement of recognised income and expense

For the year ended 31st December

	Notes	2008 £m	2007 £m
Profit for year		11.7	63.5
Exchange adjustments on net investments	24	19.4	3.1
Actuarial (losses) / gains on defined benefit pension schemes	5	(28.7)	27.4
Deferred tax on items taken directly to reserves	21	7.9	(10.8)
Income and expenses recognised directly in equity		(1.4)	19.7
Transfers to income statement			
Movement on exchange gains as a result of disposals		–	5.5
Total recognised income for year		10.3	88.7
Attributable to:			
Equity shareholders		11.0	88.6
Minority interests		(0.7)	0.1
Total recognised income for year		10.3	88.7

Consolidated cash flow statement – reconciliation

For the year ended 31st December

Cash generated from operations		Continuing		Total
	Notes	2008 £m	Restated 2007 £m	Restated 2007 £m
Profit before income tax – continuing operations		14.4	27.0	27.0
Profit before income tax – discontinued operations		-	–	13.3
Net finance (income) / costs		(3.2)	3.4	3.0
Share based payments expense	24	–	0.5	0.9
Amortisation of intangibles	12	1.3	1.2	2.2
Depreciation	13	6.8	7.6	11.2
Loss / (profit) on disposal of property, plant and equipment		0.3	(1.3)	(1.3)
Increase in inventories		(3.6)	(7.1)	(24.4)
Decrease / (increase) in receivables		5.4	(2.2)	(9.7)
(Decrease) / increase in payables		(10.7)	0.7	17.1
Increase / (decrease) in provisions		0.5	(0.1)	(0.3)
Increase in pensions		(6.7)	(9.8)	(12.1)
Pension scheme additional cash contributions		-	(14.5)	(14.5)
Cash generated from operations post pensions items		4.5	5.4	12.4

Notes to the accounts are on pages 43 to 68.

Notes to the accounts

1. Accounting policies

Basis of accounting

The Group financial statements presented in this document have been prepared on the basis of all International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and interpretations issued by the International Accounting Standards Board ('IASB') and its committees, and as interpreted by any regulatory bodies applicable to the Group published by 31st December 2008 and adopted by the European Union.

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

The following standards, amendments and interpretations to existing standards have been adopted for the first time in the Group's annual report:

- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

  This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The adoption of this new Interpretation did not have any effect on the financial position or performance of the Group.

- IFRS 2 Share-based Payment – Vesting Conditions and Cancellations

  The Group has elected to adopt the amendment to IFRS 2 as of 1st January 2008. This Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a vesting condition is not satisfied. The adoption of this Standard did not have any impact on the financial position or performance of the Group.

- IFRS 8 Operating Segments

  The Group has elected to adopt IFRS 8 as of 1st January 2008. This Standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the reportable segment was the same as the business segment previously identified under IAS 14 Segment Reporting.

The following standards and interpretations are mandatory for accounting periods beginning on or after 1st January 2008 but are not relevant:

- IAS 23 Borrowing Costs (Revised)
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements

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

- IAS 1 Presentation of Financial Statements (revised)
- IFRS 1 (amended) / IAS 27 (amended) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- IFRS 3 (revised 2008) Business Combinations
- IAS 27 (revised 2008) Consolidated Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

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

A summary of the principal Group 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.

Minority 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 parent shareholders' equity.

1. Accounting policies (continued)

Business combinations and goodwill

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 recognised income and expense, where appropriate. On the acquisition of minority interests the difference between cost and the minority interest is taken to goodwill.

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

For goodwill impairment testing, future cash flows are estimated based on board approved, budgeted, risk adjusted trading cash flows (for both of the relevant CGUs) for the next two years and 2% (2007: 2%) growth thereafter. Operating cash flows 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 relevant risk adjusted weighted average cost of capital applicable to that particular CGU. For 2008 testing this was 8.7% (2007: 8.7%) for both CGUs. The Group WACC 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 further risk adjusted the discount rate by utilising a cautious company beta and equity risk premium.

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

Using relative values 58%, £41.1m (2007: £34.9m) of existing goodwill at 31st December 2008 has been allocated to the Aga CGU with the remaining 42%, £29.8m (2007: £25.2m) being allocated to the Rangemaster CGU.

Segmental reporting

An operating segment is defined 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 executive to make decisions about the resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

There are two operating segments which meet the aggregation criteria of IFRS 8 in full, therefore, the directors consider that there is only one reportable aggregated segment, as aggregation is consistent with the core principle that the result is to provide information that enable users to evaluate the nature and financial effects of the business activities in which the Group engages and the economic environments in which it operates. The operating segments have similar economic characteristics, products and services, production processes, types and classes of customer and methods used to distribute products. The directors consider the aggregated reportable segment to be the manufacture and sale of range cookers and related home fashions product.

Revenue recognition

Revenue, which excludes value added tax and intra-group revenue, principally represents the invoiced value of goods sold and also services rendered and short-term maintenance contracts. Appropriate provisions for returns, trade discounts and other allowances are deducted from revenue as appropriate. The Group has no barter transactions. 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 major pension plans are of a defined benefit type. Under IAS 19 'Employee Benefits' the employer's portion of the current service costs, settlement gains and curtailment gains are charged to operating profit for these plans, with the interest cost net of the expected return on assets in the plans also being credited to operating profit. When a settlement or a curtailment occurs the obligation and plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs. Actuarial gains and losses are recognised directly in equity in the statement of recognised income and expenditure, and the balance sheet reflects the schemes' surplus or deficit at the balance sheet date. The determination of the present value of obligations and plan assets is done with sufficient regularity that the amounts do not differ from the amounts determined at the balance sheet date. A full valuation is carried out triennially using the projected unit credit method - the 2008 valuation of the Group's main scheme is currently being undertaken.

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 year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid in the year.

1. Accounting policies (continued)

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

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

Intangible assets

Expenditure relating to clearly defined and identifiable development projects is recognised as an intangible asset only after the following criteria are met: the project's technical feasibility and commercial viability can be demonstrated, the availability of adequate technical and financial resources and an intention to complete the project have been confirmed and the correlation between development costs and future revenues has been established. The development costs are then amortised on a straight line basis over the life of the project limited to a maximum of seven and a half years, following the commencement of its commercial production. This has been changed from five years in the previous year following a reassessment of the lives of the projects. 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.

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

Future cash flows are discounted at the relevant risk adjusted weighted average cost of capital applicable to that particular intangible asset. The Group WACC 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 further risk adjusted the discount rate by utilising a cautious company beta and equity risk premium. For 2008 testing these were in the range 6.8% to 8.7% (2007: 7.5% to 8.7%). Imputed royalty rates used in the cash flow forecasts for brands are in the range 2.9% to 3.5%. These are based on a study by external experts of royalty rates for in-house brands which have come out in the range 2% to 5%.

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

Property, plant and equipment

Under IAS 16 'Property, Plant and Equipment' assets are held at cost less accumulated depreciation. Assets held at 1st January 2004, the date of transition, are held at deemed cost. Depreciation is provided on property, plant and equipment, other than freehold land and assets in the course of construction, at rates calculated to write off the cost of each asset on a straight line basis down to its residual value as follows:

i. Freehold buildings over 50 years.

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

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

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

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 income.

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.

1. Accounting policies (continued)

Borrowings

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

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

Cash and cash equivalents

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

Foreign currency translation

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

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the average exchange rate for the month in which they arise. The main foreign currencies used are US Dollars and Euros. The year end rate of exchange used for the Euro was 1.03 (2007: 1.36) and for the US Dollar was 1.44 (2007: 1.99) and the average rates were 1.26 (2007: 1.46) and 1.85 (2007: 2.00), respectively. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

Financial assets

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

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

Derivative financial instruments and hedging

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

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

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

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

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

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

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

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

Fair value hedges

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

Cash flow hedges

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

Hedge of net investments in foreign entities

The Group hedges net investments in foreign entities primarily

1. Accounting policies (continued)

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

Current and deferred tax

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

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

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

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

At 31st December 2008, the Group has not provided deferred tax in relation to temporary differences associated with undistributed earnings of subsidiaries. Quantifying the temporary differences is not practical. However, based on current enacted law and on the basis that the Group is in a position to control the timing and realisation of these temporary differences, no material tax consequences are expected to arise.

Employee share options

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

For LTIP options granted in 2008 and 2007 the performance criteria is now 50% based on a TSR pricing model and 50% on EPS growth against RPI.

The Sharesave Plan has been approved during the year.

The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees. Any awards that do not ultimately vest are lapsed.

Where employees exit the Sharesave Plan this is treated as a cancellation with immediate recognition of any expense for the award not previously recognised.

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.

Provisions

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

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

Non-recurring costs

The Group presents as non-recurring costs 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.

Assets held for sale

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

2. Segmental analysis

There are two operating segments which meet the aggregation criteria of IFRS 8 in full. Therefore the directors consider that there is only one reportable aggregated segment, as detailed in the accounting policy note. Therefore the majority of the disclosures required under IFRS 8 have already been given in these financial statements.

Segment assets include property, plant and equipment, intangibles, inventories, retirement benefit surpluses and receivables. Non-current assets exclude the retirement benefit surplus and deferred tax assets. Cash, borrowings and taxation are not included.

Entity wide disclosures in respect of revenues from external customers and non-current assets are provided below:

	2008			2007		
	Revenue £m	**Total segment assets £m**	**Non-current assets £m**	Revenue £m	Total segment assets £m	Non-current assets £m
United Kingdom	**175.3**	**191.0**	**73.6**	182.9	218.1	74.0
North America	**40.0**	**55.0**	**34.4**	42.1	37.4	21.1
Europe	**60.0**	**71.6**	**45.6**	63.2	56.0	34.7
Rest of World	**4.1**	**–**	**–**	3.6	–	–
Total continuing operations	**279.4**	**317.6**	**153.6**	291.8	311.5	129.8
Discontinued operations	**–**	**–**	**–**	279.9	–	–
Tax	**–**	**7.6**	**–**	–	4.2	–
Cash	**–**	**42.9**	**–**	–	181.5	–
Total	**279.4**	**368.1**	**153.6**	571.7	497.2	129.8

3. Net operating costs

	2008 £m	Restated 2007 £m
Continuing operations		
Revenue	**279.4**	291.8
Less operating profit	**(11.1)**	(24.4)
Net continuing operating costs	**268.3**	267.4
Net continuing operating costs		
Raw materials and consumables	**107.5**	113.5
Staff costs	**80.9**	82.6
Other operating charges	**68.6**	62.1
Change in inventories of finished goods and work in progress	**3.7**	2.5
Other operating income	**(0.5)**	(2.1)
Amortisation of intangibles	**1.3**	1.2
Depreciation of property, plant and equipment	**6.8**	7.6
Net continuing operating costs	**268.3**	267.4

Notes to the accounts

3. Net operating costs (continued)

Total profit for the year is stated after charging / (crediting):

	2008 £m	Total Restated 2007 £m
Loss / (profit) on disposal of property, plant and equipment	0.3	(1.3)
Trade receivables impairment (note 15)	(0.3)	0.2
Reversal of inventory write down made in previous year (note 14)	(0.2)	–
Inventory provision charged in the year (note 14)	0.9	0.3
Research and development expenditure and amortisation	1.6	3.5
Depreciation of property, plant and equipment (note 13)	6.8	11.2
Amortisation of intangibles (note 12)	1.3	2.2
Operating lease rentals payable:		
- plant and machinery	2.6	4.0
- property	6.0	10.2
Net exchange differences	(2.0)	(0.4)
Auditors' remuneration		
- statutory audit by primary auditors	0.2	0.4
- other services provided relating to taxation	0.7	0.2
- all other services	0.2	1.2

The £5.3m non-recurring cost relates to redundancy and reorganisation programmes across the Group, primarily at Marvel, Rangemaster and Waterford Stanley.

4. Employee information

Average number of employees (including directors)	2008	2007
Continuing operations	2,773	3,071
Discontinued operations	–	2,845
Total	2,773	5,916

	Continuing		Total
Total staff costs (including directors)	2008 £m	2007 £m	2007 £m
Wages and salaries	72.0	73.6	140.6
Social security costs	8.1	7.9	18.7
Share based payments	–	0.5	0.9
Other pension costs	0.8	0.6	(3.3)
Staff costs – continuing	80.9	82.6	156.9

The defined benefit pension credit of £5.4m (2007: £6.0m) 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 remuneration report on pages 32 to 37.

5. Pensions

The Group operates a pension scheme which covers the majority of United Kingdom employees. Membership on a defined benefit basis was closed in 2001 but the scheme remains open to new entrants on a defined contribution basis. The assets are held in trust funds separate from the Group's assets although they are included in the Group's balance sheet. Following the foodservice disposal the other defined benefit schemes operating within the Group are the Amari plc Pension and Life Assurance Plan in the UK and the Waterford Stanley pension schemes in Ireland. Various defined contribution schemes exist across the Group and the total contributions in the year were £0.8m (2007: £0.6m) which are included under staff costs in note 4.

5. Pensions (continued)

The latest full valuation of the main United Kingdom scheme was carried out by Watson Wyatt Limited, independent consulting actuaries, as at 31st December 2005 using the projected unit credit method. Defined benefit scheme contributions of £1.2m (2007: £4.4m) based on pensionable salaries were made during the year ended 31st December 2008. Contributions of £0.1m (2007: £0.4m) were owed to the scheme at 31st December 2008. Contributions for 2009 under the main UK scheme will be 5.5% (2008: 5.5%) for all members accruing benefits on a final salary basis with the exception of members of the former 1970 scheme who accrue benefits at 27.4% (2008: 27.4%). Company contributions of around £1.2m are expected to be paid to this scheme during 2009.

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

	UK schemes 2008	**Waterford Stanley schemes 2008**	UK schemes 2007	Waterford Stanley schemes 2007
Rate of increase in pensionable salaries	**2.9%**	**3.0%**	4.1%	3.4%
Rate of increase of pensions in payment	**2.0 - 3.2%**	**2.0%**	2.5% - 3.5%	2.4%
Discount rate	**6.4%**	**6.0%**	5.8%	5.5%
Inflation rate	**2.4%**	**2.0%**	3.1%	2.4%
Expected rate of return on schemes' assets	**6.4%**	**5.8%**	6.4%	6.4%

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

The demographic assumptions used include rates for mortality which, for example, generally lead to an average projected life expectancy of 18.1 years for male members currently aged 65 and of 19.2 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 of each of these variables on the principal pension schemes:

		Higher / (lower) pension credit £m	**Increase / (decrease) in liabilities £m**
Discount rate	– 0.1% decrease	**–**	**9.1**
	– 0.1% increase	**0.1**	**(9.0)**
Inflation rate	– 0.1% decrease	**0.6**	**(6.1)**
	– 0.1% increase	**(0.5)**	**6.1**
Mortality	– one year increase in life expectancy	**(2.3)**	**29.9**

The assets and obligations of the aggregated schemes:	**2008 £m**	2007 £m
Equities	**197.7**	256.4
Bonds	**364.4**	372.9
Property	**75.7**	116.5
Other	**17.2**	31.1
Fair value of schemes' assets	**655.0**	776.9
Present value of funded obligation	**(597.5)**	(697.3)
Surplus in the schemes	**57.5**	79.6
Balance sheet presentation:		
Retirement benefit surplus	**58.7**	80.4
Retirement benefit obligation	**(1.2)**	(0.8)
Surplus in the schemes	**57.5**	79.6

Included above are assets with a market value of £4.6m (2007: £3.2m) and a deficit of £1.2m (2007: £0.6m) in respect of overseas schemes. The foreign exchange impact on the overseas schemes is £0.1m.

5. Pensions (continued)

The amounts recognised in the income statement are as follows:	2008 £m	2007 £m
Current service cost	3.5	3.9
Curtailment gain	–	(0.3)
Expected return on pension schemes' assets	(48.3)	(48.1)
Interest cost on pension schemes' liabilities	39.4	38.5
Total credit included in continuing income statement	(5.4)	(6.0)
Current service cost	–	2.6
Curtailment gain	–	(1.3)
Settlement gain	–	(2.8)
Total credit included in discontinued operations	–	(1.5)
Net pension credit	(5.4)	(7.5)

The settlement gain in 2007 related to the disposal of the Mono, Bongard and Eloma liabilities and the curtailment gain related to changes in the basis used to calculate pensionable salary.

History of experience gains and losses:	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Fair value of schemes' assets	655.0	776.9	784.6	750.6	674.0
Present value of funded obligation	(597.5)	(697.3)	(760.2)	(768.8)	(680.6)
Surplus / (deficit) in the schemes	57.5	79.6	24.4	(18.2)	(6.6)
Experience gain / (loss) on schemes' liabilities	2.0	15.3	2.4	(7.8)	14.1
Experience (loss) / gain on schemes' assets	(137.0)	(31.2)	14.6	57.2	21.0

Movement in surplus of the aggregated schemes during the year:	2008 £m	2007 £m
Surplus of the schemes at 1st January	79.6	24.4
Exchange	(0.1)	–
Net pension credit	5.4	7.5
Company contributions	1.3	20.3
Actuarial (loss) / gain (note 24)	(28.7)	27.4
Surplus of the schemes at 31st December	57.5	79.6

The cumulative amount recognised in the statement of recognised income and expense since 1st January 2004 is £32.7m (2007: £61.4m).

Changes in the present value of defined benefit obligation are as follows:	2008 £m	2007 £m
Present value of obligation at 1st January	697.3	760.2
Interest costs	39.4	38.5
Current service cost	3.5	6.5
Member contributions	0.7	1.2
Benefit payments	(36.0)	(35.0)
Curtailments	–	(1.6)
Settlements	–	(13.9)
Actuarial gain on obligation	(108.3)	(58.7)
Other adjustments	0.9	0.1
Present value of obligation at 31st December	597.5	697.3

5. Pensions (continued)

Changes in the fair value of the schemes' assets are as follows:	2008 £m	2007 £m
Fair value of schemes' assets at 1st January	776.9	784.6
Benefit payments	(36.0)	(35.0)
Company contributions	1.3	20.3
Member contributions	0.7	1.2
Expected return on schemes' assets	48.3	48.1
Experience loss	(137.0)	(31.2)
Settlements	–	(11.1)
Other adjustments	0.8	–
Fair value of schemes' assets at 31st December	655.0	776.9

The actual loss on the schemes' assets was £88.7m (2007: gain £16.9m).

6. Net finance income / (costs)

Finance income:	2008 £m	2007 Continuing £m
Bank interest	4.8	1.6
Interest on repayment of tax	–	0.4
Total finance income	4.8	2.0
Finance costs:	£m	£m
Bank borrowings	(1.4)	(5.1)
Other borrowings	(0.2)	(0.3)
Total finance costs	(1.6)	(5.4)
Net finance income / (costs)	3.2	(3.4)

7. Income tax

United Kingdom corporation tax based on a rate of 28.5% (2007: 30%):	2008 £m	2007 £m
Current tax on income for year	1.5	2.1
Adjustments in respect of prior years	2.6	(0.3)
United Kingdom corporation tax	4.1	1.8
Overseas current tax on income for year	1.4	3.6
Total current tax	5.5	5.4
United Kingdom deferred tax (credit) / charge in year	(1.6)	2.6
Overseas deferred tax credit in year	(1.2)	(1.7)
Total deferred tax (credit) / charge	(2.8)	0.9
Total United Kingdom tax	2.5	4.4
Total overseas tax	0.2	1.9
Total income tax	2.7	6.3

Deferred tax on items taken direct to reserves was a credit of £7.9m (2007: charge £10.8m).

Notes to the accounts

7. Income tax (continued)

Income tax charge	2008 £m	2007 £m
Continuing operations	2.7	4.2
Discontinued operations	-	2.1
Total income tax	2.7	6.3

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

	2008 £m	2007 £m
Profit from continuing operations before taxation	14.4	27.0
Profit from discontinued operations before taxation	-	42.8
Profit before income tax	14.4	69.8
Profit multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	4.1	20.9
Effects of:		
- non-taxable gain on disposal	–	(9.0)
- non-deductible expenses	1.1	0.2
- adjustment to tax charge in respect of prior years	2.6	(0.3)
- lower rates of tax on overseas earnings	(5.1)	(5.0)
- restatement of deferred tax to lower rate	-	(0.5)
Total tax charge for the year	2.7	6.3

8. Discontinued operations

The operations of Domain Inc, which operated in the home fashions retail market in the US, were sold on 21st June 2007 for a consideration of £4.1m of which £2.0m was received in cash and a further £2.1m in the form of loan notes which were subsequently impaired.

The foodservice operations of the Group, which included Williams, Falcon, Eloma, Amana, Belshaw, Victory, Bongard, Pavailler, Adamatic, Millers, Serviceline and Mono Equipment were sold on 18th December 2007 for an initial consideration of £260m, all of which was paid in cash.

The profit on disposal and the results of the discontinued operations are presented below:

	Total 2007 £m
Proceeds received	262.0
Less: costs paid	(2.2)
Cash inflow in the year	259.8
Proceeds receivable	7.6
Less: loan notes impaired	(2.1)
Less: costs payable	(11.6)
	253.7
Less: net assets disposed of	(105.6)
Goodwill written off on disposal	(113.1)
Cumulative exchange previously taken to reserves	(5.5)
Profit on disposal	29.5

	Restated Total 2007 £m
Revenue	279.9
Net operating costs	(267.0)
Operating profit	12.9
Finance income	0.4
Profit before income tax	13.3
Income tax expense	(2.1)
Profit for period	11.2
Profit on disposal	29.5
Post tax profit from discontinued operations	40.7

8. Discontinued operations (continued)

The 2007 income statement has been restated to move £0.6m between continued operations and discontinued operations, an adjustment to the allocation of corporate costs.

The major classes of assets and liabilities disposed of were as follows:

Assets	Total Assets 2007 £m	Liabilities	Total Liabilities 2007 £m
Intangibles	12.9	Payables	61.9
Property, plant and equipment	37.6	Income tax	0.6
Inventories	62.8	Pension	1.2
Receivables	59.9	Provision	6.3
Deferred tax asset	2.4		
Assets disposed	175.6	**Liabilities disposed**	70.0
		Net assets disposed	105.6

Further proceeds of £4.8m were received during the year in respect of the foodservice disposal and costs of £7.2m were paid during the year, leaving a net outflow of £2.4m (2007: £259.8m inflow).

In 2007, the cash inflow from operating activities was £5.8m, the outflow from investing activities was £10.1m leaving a net £4.3m outflow from discontinued operations.

9. Dividends and cash return

	2008 £m	2007 £m
Final dividend paid of 7.65p per share for the year ended 31st December 2007 (2006: 7.0p)	8.7	9.1
Interim dividend paid of 4.0p per share (2007: 3.85p)	2.8	4.4
Cash return of £1.21 per share (2007: special dividend of 43.0p per share)	139.7	55.6
Amounts recognised as distributions to equity shareholders in the year	151.2	69.1

The directors are not recommending a final dividend in respect of the financial year ended 31st December 2008 (2007: 7.65p).

The actual dividend (ordinary and special) paid and cash return in the year amounted to 132.65p per share (2007: 53.85p per share).

10. Earnings per share

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

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

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

Earnings for the purpose of the basic and diluted EPS	2008 £m	Restated 2007 £m
Profit after tax from continuing operations	11.7	22.8
Minority interests	0.7	(0.1)
Earnings from continuing operations – for basic and diluted EPS	12.4	22.7
Profit from discontinued operations	-	40.7
Profit attributable to equity shareholders	12.4	63.4

10. Earnings per share (continued)

Weighted average number of shares in issue	million	million
For basic EPS calculation	85.9	120.3
Dilutive effect of share options and Long-Term Incentive Plan	0.2	1.1
For diluted EPS calculation	86.1	121.4

Earnings per share

Continuing operations	p	p
Basic	14.4	18.9
Diluted	14.4	18.7

Discontinued operations	p	p
Basic	–	33.8
Diluted	–	33.5

Total operations	p	p
Basic	14.4	52.7
Diluted	14.4	52.2

11. Goodwill

Cost	2008 £m	2007 £m
At 1st January	60.1	171.5
Exchange adjustment	10.8	1.7
Disposals in the year	–	(113.1)
At 31st December	70.9	60.1

Goodwill at 31st December 2008 is allocated over the two cash generating units as follows: Aga £41.1m (2007: £34.9m) and Rangemaster £29.8m (2007: £25.2m).

12. Intangible assets

	Computer software £m	Brands £m	Development costs £m	Other £m	Total £m
Cost					
At 1st January 2008	3.8	11.2	8.7	0.4	24.1
Exchange adjustment	0.3	3.6	0.8	0.1	4.8
Additions	0.8	–	2.5	–	3.3
Disposals	(0.3)	(0.2)	–	–	(0.5)
At 31st December 2008	4.6	14.6	12.0	0.5	31.7
Amortisation					
At 1st January 2008	2.9	–	3.1	0.1	6.1
Exchange adjustment	0.3	–	0.2	–	0.5
Disposals	(0.3)	–	–	0.1	(0.2)
Charge for the year	0.4	–	0.9	–	1.3
At 31st December 2008	3.3	–	4.2	0.2	7.7
Net book value at 31st December 2008	**1.3**	**14.6**	**7.8**	**0.3**	**24.0**

12. Intangible assets (continued)

	Computer software £m	Brands £m	Development costs £m	Other £m	Total £m
Cost					
At 1st January 2007	5.4	19.5	11.7	0.5	37.1
Exchange adjustment	0.1	0.6	0.2	(0.1)	0.8
Additions	0.7	–	3.1	0.1	3.9
Disposals	(2.4)	(8.9)	(6.3)	(0.1)	(17.7)
At 31st December 2007	3.8	11.2	8.7	0.4	24.1
Amortisation					
At 1st January 2007	3.9	(0.2)	4.1	0.2	8.0
Exchange adjustment	0.2	–	–	(0.1)	0.1
Disposals	(1.6)	–	(2.5)	(0.1)	(4.2)
Reclassification	–	0.2	(0.2)	–	–
Charge for the year	0.4	–	1.7	0.1	2.2
At 31st December 2007	2.9	–	3.1	0.1	6.1
Net book value at 31st December 2007	0.9	11.2	5.6	0.3	18.0

Amortisation charges have been charged directly to the income statement.

Items included in the other category include patents and customer lists acquired. Brands are considered to have an indefinite life and are subject to impairment tests.

13. Property, plant and equipment

	Freehold and long leasehold land and buildings £m	Plant, machinery and equipment £m	Assets in course of construction £m	Total £m
Cost				
At 1st January 2008	28.5	82.8	1.0	**112.3**
Exchange adjustment	2.5	5.3	0.2	**8.0**
Capital expenditure	6.7	6.0	0.3	**13.0**
Transfer to assets held for sale	(2.0)	–	–	**(2.0)**
Disposals	(0.4)	(4.6)	–	**(5.0)**
Reclassification	0.3	0.7	(1.0)	–
At 31st December 2008	35.6	90.2	0.5	**126.3**
Depreciation				
At 1st January 2008	8.2	52.4	–	**60.6**
Exchange adjustment	1.1	3.7	–	**4.8**
Charge for the year	0.9	5.9	–	**6.8**
Transfer to assets held for sale	(0.1)	–	–	**(0.1)**
Disposals	(0.3)	(4.2)	–	**(4.5)**
At 31st December 2008	9.8	57.8	–	**67.6**
Net book value at 31st December 2008	**25.8**	**32.4**	**0.5**	**58.7**

The cost of property, plant and equipment includes £0.1m (2007: £nil) of assets held under finance leases. The net book value of these assets was £nil (2007: £nil). All leases have been reviewed throughout the year and are capitalised where appropriate.

Following the closure of the Marvel site in Richmond, Indiana, USA, the building is being marketed for sale and is shown as an asset held for sale.

13. 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 2007	60.5	119.7	2.0	182.2
Exchange adjustment	0.8	2.6	–	3.4
Capital expenditure	2.5	10.1	4.5	17.1
Disposals	(35.6)	(50.8)	(4.0)	(90.4)
Reclassification	0.3	1.2	(1.5)	–
At 31st December 2007	28.5	82.8	1.0	112.3
Depreciation				
At 1st January 2007	18.4	77.9	0.2	96.5
Exchange adjustment	0.3	2.0	–	2.3
Charge for the year	2.3	8.7	0.2	11.2
Disposals	(12.7)	(36.3)	(0.4)	(49.4)
Reclassification	(0.1)	0.1	–	–
At 31st December 2007	8.2	52.4	–	60.6
Net book value at 31st December 2007	20.3	30.4	1.0	51.7

Some properties have been valued using previously revalued amounts as the deemed cost; no adjustment to the carrying amount as previously recorded has been made.

14. Inventories

	2008 £m	2007 £m
Raw materials and consumables	**14.0**	12.0
Work in progress	**9.0**	6.8
Finished goods and goods for resale	**40.5**	36.1
Total inventories	**63.5**	54.9

The Group consumed £129.5m of inventories during the year (2007: £231.0m). The Group charged £0.9m to inventory provisions in the year (2007: £0.3m). The Group reversed £0.2m of the inventory provision in the year that was subsequently not required (2007: £nil). The Group did not hold any inventories pledged as security for liabilities (2007: £nil).

15. Trade and other receivables

	2008 £m	2007 £m
Amounts falling due within one year		
Trade receivables	**29.7**	32.3
Less provision for impairment of receivables	**(0.5)**	(0.8)
Trade receivables – net	**29.2**	31.5
Other receivables	**3.5**	8.6
Prepayments and accrued income	**6.0**	5.4
Total receivables falling due within one year	**38.7**	45.5
Amounts falling due after one year		
Other receivables	**1.2**	0.9
Total receivables	**39.9**	46.4

Trade and other receivables are recorded at fair value. The effective interest rate used for calculating the fair value of non-current receivables was 6.4% (2007: 5.8%).

15. Trade and other receivables (continued)

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 which the main operating units in the UK participate. 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 £7.8m (2007: £8.8m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in their credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired receivables	**2008 £m**	2007 £m
30-60 days	**4.9**	5.6
60-90 days	**1.6**	2.0
90-120 days	**0.7**	0.7
120+ days	**0.6**	0.5
Total receivables	**7.8**	8.8

Movement in the provision for impairment of receivables	**2008 £m**	2007 £m
Balance at 1st January	**0.8**	0.6
Impairment losses recognised	**0.1**	0.2
Amounts previously impaired recovered	**(0.4)**	–
Balance at 31st December	**0.5**	0.8

£0.3m (2007: £0.3m) of trade receivables were impaired in the year which had not been previously provided for.

Ageing of impaired trade receivables	**2008 £m**	2007 £m
60-90 days	**0.1**	0.1
90-120 days	**0.1**	–
120+ days	**0.3**	0.7
Balance at 31st December	**0.5**	0.8

16. Trade and other payables

	2008 £m	2007 £m
Current trade and other payables		
Trade payables	**39.7**	45.1
Payments on account	**0.8**	0.8
Social security	**3.9**	3.4
Accruals and deferred income	**15.5**	19.6
Other payables	**6.9**	7.5
Total current operating payables	**66.8**	76.4

17. Current tax assets / (liabilities)

	2008 £m	2007 £m
Current tax assets	**2.1**	1.5
Current tax liabilities	**(11.6)**	(8.7)

18. Cash and borrowings

a) Cash and cash equivalents

	2008 £m	2007 £m
Cash at bank and in hand	**–**	0.1
Short term bank deposits	**42.9**	181.4
Cash and cash equivalents	**42.9**	181.5

Included in cash and cash equivalents was cash held for unclaimed dividends of £0.3m (2007: £0.5m).

The Group cash balance of £42.9m 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 four months with an effective interest rate of 1.8% (2007: 5.9%).

The fair value of cash and short-term deposits is £42.9m (2007: £181.5m).

b) Financial liabilities – borrowings

Current	2008 £m	2007 £m
Bank borrowings	**9.7**	4.3
Current borrowings	**9.7**	4.3

Non-current	2008 £m	2007 £m
Bank borrowings	**27.4**	8.1
Non-current borrowings	**27.4**	8.1

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

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

Bank borrowings comprise the following:	Interest rate basis	2008 £m	2007 £m
Unsecured bank loans current	Floating	**9.7**	4.3
Unsecured bank loans	Floating	**26.9**	7.7
Other secured loans 2018	Floating	**0.5**	0.4
Total bank borrowings		**37.1**	12.4

Included in the £26.9m 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 0.60%.

Notes to the accounts

19. Financial instruments

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the discussion of treasury policies on page 17 in the chief executive's review.

Interest rate risk

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. There were no interest rate swap agreements in place throughout 2008 (2007: nil).

		Increase / (decrease) in basis points	Effect on profit before tax £m
2008	Cash	**+50 / (50)**	**0.2 / (0.2)**
	Borrowings	**+50 / (50)**	**(0.2) / 0.2**
2007	Cash	+50 / (50)	0.9 / (0.9)
	Borrowings	+50 / (50)	(0.1) / 0.1

Credit risk

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

Foreign currency risk

a) Forward foreign exchange contracts

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

As at 31st December 2008, the notional amounts of outstanding forward foreign exchange contracts that the Group was committed to were AUD 1.1m (2007: AUD 0.5m), GBP 0.4m (2007: GBP nil), CHF 0.9m (2007: CHF nil), EUR nil (2007: EUR 1.5m) and USD 1.1m (2007: USD 1.0m). The fair value of these open forward foreign exchange contracts approximate to their carrying amount. The contracts have been put in place to mitigate the foreign currency risk of anticipated future sales and purchase commitments and mature over the next twelve months.

There were no forward foreign exchange contracts designated as cash flow hedges at the balance sheet date (2007: 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 fair value of such Euro borrowings at 31st December 2008 was £7.3m (2007: £5.5m) and the fair value of the US Dollar borrowings was £6.8m (2007: £1.8m). The exchange difference on the translation of the borrowings into sterling has been recognised in translation reserves.

Liquidity risk

The Group maintains a mixture of short-term uncommitted and medium-term committed facilities to ensure a sufficient level of funds and guarantee facilties are available for its business operations. The £85.0m committed facilities have been arranged to help finance the expansion of the Group's activities. These facilities incur commitment fees at market rates.

The following table analyses the Group's principal undrawn committed facilities at the year-end excluding cash drawings and a guarantee of contingent liabilities.

	2008 £m	2007 £m
Expiring within 1 year	–	20.0
Expiring between 1 and 2 years	5.0	10.0
Expiring between 2 and 5 years	25.9	72.6
Total undrawn committed facilities	30.9	102.6

In addition to the committed facilities detailed above, the Group also has uncommitted facilities totalling £31.5m (2007: £61.0m).

Notes to the accounts

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 2008 and 2007 based on contractual undiscounted payments. Floating rate borrowings are re-priced within six months from the balance sheet date.

2008	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	10.9	6.1	0.8	0.7	21.8	0.3	**40.6**
Trade payables		39.7	–	–	–	–	–	**39.7**
Other payables		6.9	–	–	–	–	–	**6.9**
Total		**57.5**	**6.1**	**0.8**	**0.7**	**21.8**	**0.3**	**87.2**

2007	Interest rate basis	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	5 years and over £m	Total £m
Borrowings	Floating	4.7	0.4	7.8	0.1	–	0.5	13.5
Trade payables		45.1	–	–	–	–	–	45.1
Other payables		7.5	–	–	–	–	–	7.5
Total		57.3	0.4	7.8	0.1	–	0.5	66.1

20. Provisions

	Product warranties £m	Property & reorganisation £m	Other £m	Total £m
At 1st January	2.6	0.3	9.0	**11.9**
Exchange adjustment	0.5	–	0.6	1.1
Charge in the year	2.0	4.8	0.1	**6.9**
Utilised in the year	(1.8)	(3.8)	(1.3)	**(6.9)**
At 31st December	**3.3**	**1.3**	**8.4**	**13.0**

Provisions have been allocated between current and non-current as follows:	**2008 £m**	2007 £m
Current	**4.3**	2.6
Non-current	**8.7**	9.3
At 31st December	**13.0**	11.9

Product warranties

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

Property and reorganisation

Following the disposal programme of previous years certain vacant property located in the UK remain with the Group. Full provision has been made for the residual lease commitments, together with other outgoings, for the remaining period of the leases. The timing of payments on vacant properties is £0.1m repayable over greater than one year. The reorganisation provision includes costs associated with announced reorganisations within the Group which occurred during the year.

Other

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

21. Deferred tax

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 28% (2007: 28%). The movement on the deferred tax account is shown below:

Deferred tax – net	**2008 £m**	2007 £m
At 1st January	**27.2**	13.6
Exchange adjustment	**(0.1)**	(0.5)
Taken to equity – tax on actuarial (loss) / gain (note 24)	**(7.9)**	10.8
(Credit) / charge	**(2.8)**	0.9
Disposals	**–**	2.4
At 31st December	**16.4**	27.2

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**	**Pensions £m**	**Total £m**
At 1st January	3.4	6.2	20.3	**29.9**
(Credited) / charged to income statement	(0.2)	(1.5)	1.5	**(0.2)**
Taken to equity – tax on actuarial loss	–	–	(7.9)	**(7.9)**
Other	–	0.1	–	**0.1**
At 31st December	**3.2**	**4.8**	13.9	**21.9**

Deferred tax assets	**Provisions £m**	**Tax losses £m**	**Total £m**
At 1st January	1.2	1.5	**2.7**
Exchange adjustment	–	0.2	**0.2**
(Charged) / credited to income statement	(1.1)	3.7	**2.6**
At 31st December	**0.1**	5.4	**5.5**

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

22. Share capital

Authorised and issued share capital	2008		2007	
	m	£m	m	£m
Authorised				
Ordinary shares of 46⅞p each	174.4	81.8	–	–
Ordinary shares of 28⅛p each	–	–	290.7	81.8
Allotted, called up and fully paid				
At 1st January	115.2	32.4	129.1	32.3
Share consolidation	(46.1)	–	(14.4)	–
Issued on exercise of share options	0.1	0.1	0.5	0.1
At 31st December	69.2	32.5	115.2	32.4

On 9th May 2008, shareholders approved a share capital consolidation on the basis of 3 ordinary shares for every 5 existing ordinary shares. This provided for all of the authorised ordinary shares of 28⅛p each (whether issued or unissued) to be consolidated into new ordinary shares of 46⅞p each, which became effective on 12th May 2008.

During the year 0.1m ordinary shares were issued in connection with the Company's share option schemes for an aggregate consideration of £0.3m (2007: 0.5m shares, £1.1m consideration). Costs of £0.4m were also paid in connection with the share consolidation during the year.

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 2008 under the following schemes were as follows:

Senior Executive Share Option Scheme

Grant date	Number of shares	Exercisable in 7 years to	Option price p per share
September 1999	40,000	September 2009	225
June 2001	58,000	June 2011	236
March 2002	58,500	March 2012	261
October 2003	123,500	October 2013	235
Total	**280,000**		

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
April 2006	173,859	387	April 2016
May 2007	371,134	386	May 2017
May 2008	204,518	285	May 2018
Total	**777,660**		

Under the Long-Term Incentive Plan a fee of £1 per award is payable and no further consideration is due.

Under the Sharesave Plan, introduced during the year, the following options were outstanding:

Sharesave Plan

Grant date	Number of shares	Exercisable to	Option price p per share
September 2008	158,722	May 2012	209
September 2008	314,270	May 2014	209
Total	**472,992**		

Notes to the accounts

23. Share based payments

The Senior Executive Share Option Scheme was approved in 1994. Under the scheme the remuneration committee was able to grant options over shares in the Company to senior executives of the Group, although the scheme lapsed in May 2004. Options were granted with a fixed exercise price equal to the market price of the shares under the option at the date of grant. The contractual life of an option was ten years. Options granted under the scheme will become exercisable on the third anniversary of the date of grant, subject to the Group's earnings per share exceeding, by at least 3% per annum, the increase in the UK's retail price index over a period of three years beginning not earlier than the Company's last financial year before the date of an option grant. The exercise of an option is subject to continued employment or other circumstances in the scheme rules. Options granted since November 2002 were valued using Black-Scholes option model.

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

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%.

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 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%.

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

Grant date	Sharesave Plan 26th September 2008	Sharesave Plan 26th September 2008	LTIP 12th May 2008	LTIP 14th May 2007
Share price at grant date	209.0p	209.0p	285.4p	387.85p
Exercise price	£2.09	£2.09	£1.00	£1.00
Number of employees	122	100	6	58
Shares under option	164,232	331,900	204,518	550,492
Vesting period (years)	3	5	3	3
Expected volatility	29.2%	35.1%	29.2%	35.1%
Option life (years)	3	5	10	10
Expected life (years)	3	5	3	3
Expected dividend expressed as a dividend yield	6.0%	6.0%	5.0%	2.5%
Expectations of meeting performance criteria	90%	90%	20%	20%
Fair value per option TSR element / EPS element	21p	22p	£0.89 / £2.45	£2.28 / £3.75

The expected volatility is based on historical volatility over ten years. The expected life is the average number of years expected to exercise. A Monte-Carlo model was used to value TSR performance conditions for the LTIP.

The total charge for the year relating to employee share based payment plans was £nil (2007: £0.9m) before tax and £nil (2007: £0.6m) post tax.

Notes to the accounts

23. Share based payments (continued)

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

	2008		2007	
	Number '000	Weighted average exercise price p	Number '000	Weighted average exercise price p
Outstanding at 1st January	**685**	**258**	1,208	251
Lapsed forfeited	**(306)**	**282**	(50)	242
Exercised	**(99)**	**239**	(473)	241
Outstanding at 31st December	**280**	**239**	685	258
Exercisable at 31st December	**280**	**239**	685	258

	2008				2007			
Range of exercise prices	Weighted average exercise price	Number of shares	Weighted average remaining life:		Weighted average exercise price	Number of shares	Weighted average remaining life:	
			Expected	Contractual			Expected	Contractual
p	p	'000	years	years	p	'000	years	years
225-235	**233**	**163**	**1.9**	**3.8**	234	304	2.6	5.2
236-261	**249**	**117**	**1.5**	**2.9**	251	237	2.0	4.1
288-321	**–**	**–**	**–**	**–**	321	144	0.2	0.3
		280				685		

The weighted average share price at the date of exercise for share options exercised during the period was 317p (2007: 406p).

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

	Sharesave 2008 '000	LTIP 2008 '000	LTIP 2007 '000
Outstanding at 1st January	**–**	**869**	590
Exercised	**–**	**(50)**	(18)
Lapsed expired	**–**	**(242)**	(243)
Lapsed forfeited	**(23)**	**(4)**	(11)
Granted	**496**	**205**	551
Outstanding at 31st December	**473**	**778**	869
Exercisable at 31st December	**–**	**28**	78

Details of the Sharesave Plan are shown in the remuneration report on pages 32 to 37.

Notes to the accounts

24. Statement of changes in shareholders' equity

	Share capital £m	Share premium £m	Other reserves (note 25) £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1st January 2008	32.4	68.8	37.1	216.7	355.0	2.1	357.1
Exchange adjustment	–	–	22.6	–	**22.6**	0.4	**23.0**
Profit / (loss) for year	–	–	–	12.4	**12.4**	(0.7)	**11.7**
Dividends and cash return	–	–	–	(151.2)	**(151.2)**	–	**(151.2)**
Actuarial loss on pension schemes	–	–	–	(28.7)	**(28.7)**	–	**(28.7)**
Tax on items taken to reserves	–	–	–	7.9	**7.9**	–	**7.9**
Shares issued	0.1	0.2	–	–	**0.3**	–	**0.3**
Costs associated with share consolidation	–	(0.4)	–	–	**(0.4)**	–	**(0.4)**
Transfer between reserves	–	(39.0)	39.0	–	–	–	–
Net investment hedges	–	–	(3.2)	–	**(3.2)**	–	**(3.2)**
At 31st December 2008	**32.5**	**29.6**	**95.5**	**57.1**	**214.7**	**1.8**	**216.5**

As part of the return of cash to shareholders, during the year, B and C shares were issued for every existing ordinary share and subsequently redeemed and cancelled on completion of the return to shareholders and as a consequence £39.0m was transferred from the share premium account to the capital redemption reserve.

	Share capital £m	Share premium £m	Other reserves (note 25) £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1st January 2007	32.3	67.8	28.5	204.9	333.5	1.9	335.4
Exchange adjustment	–	–	2.7	–	2.7	0.1	2.8
Profit for year	–	–	–	63.4	63.4	0.1	63.5
Dividends	–	–	–	(69.1)	(69.1)	–	(69.1)
Actuarial gain on pension schemes	–	–	–	27.4	27.4	–	27.4
Tax on items taken to reserves	–	–	–	(10.8)	(10.8)	–	(10.8)
Shares issued	0.1	1.0	–	–	1.1	–	1.1
Exchange on disposals previously taken to reserves	–	–	5.5	–	5.5	–	5.5
Net investment hedges	–	–	0.4	–	0.4	–	0.4
Share based payments	–	–	–	0.9	0.9	–	0.9
At 31st December 2007	32.4	68.8	37.1	216.7	355.0	2.1	357.1

The cumulative amount of goodwill taken direct to reserves since 1985 in respect of businesses that were members of the Group at 31st December 2008 is £6.3m (2007: £6.3m).

For each currency, exchange differences arising from the translation of foreign currency borrowings used to finance foreign currency investments have been offset as reserves movements against exchange differences arising on the retranslation of the net investment in that currency. In total, net exchange losses on foreign currency borrowings of £3.2m (2007: gains £0.4m) have been taken to reserves.

25. Other reserves

	Fair value revaluation reserve £m	Translation reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Total £m
At 1st January 2008	1.5	(2.5)	36.0	2.1	**37.1**
Exchange adjustment	–	22.6	–	–	**22.6**
Transfer between reserves (note 24)	–	–	39.0	–	**39.0**
Net investment hedges	–	(3.2)	–	–	**(3.2)**
At 31st December 2008	**1.5**	**16.9**	**75.0**	**2.1**	**95.5**

	Fair value revaluation reserve £m	Translation reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Total £m
At 1st January 2007	1.5	(11.1)	36.0	2.1	28.5
Exchange adjustment	–	2.7	–	–	2.7
Exchange adjustment on disposals previously taken to reserves	–	5.5	–	–	5.5
Net investment hedges	–	0.4	–	–	0.4
At 31st December 2007	1.5	(2.5)	36.0	2.1	37.1

The fair value revaluation reserve relates to the acquistion of an additional stake in Grange which gave the Group control of Grange in 2005 and the translation reserve includes all exchange adjustments in respect of overseas operations. The capital redemption reserve has arisen through share buy-backs in previous years and the share consolidation during the year. The revaluation reserve has arisen through revaluation of property in earlier years.

26. Commitments

	2008 £m	2007 £m
Capital commitments contracted for by the Group for property, plant and equipment but not provided for in the accounts	**0.7**	0.7

27. Operating lease commitments

	Land & buildings		Other operating leases	
Future minimum lease payments under non-cancellable leases	**2008 £m**	2007 £m	**2008 £m**	2007 £m
- within 1 year	**5.5**	3.7	**1.1**	1.3
- between 1 and 5 years	**15.0**	12.0	**1.9**	2.6
- after more than 5 years	**13.1**	15.7	**–**	–
Total operating lease commitments	**33.6**	31.4	**3.0**	3.9

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

28. Contingent liabilities

The Group has no other material contingent liabilities arising in the normal course of business at 31st December 2008 (2007: £nil). The Group has contingent liabilities for certain potential claims from third parties in relation to divested businesses. On the basis of information presently available to them, the directors believe that no material claims are likely to arise for which provision has not been made in these accounts.

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 of cash is collateral as disclosed in note 18(a).

29. Related party transactions

The Group recharges the Group pension scheme with the cost of administration and independent advisers paid by the Group. The total amount recharged in the year to 31st December 2008 was £0.2m (2007: £0.2m). The amount outstanding at the year end was £nil (2007: £nil).

Directors' compensation

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

Key management's compensation

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

	2008 £m	2007 £m
Salaries and short-term benefits	**0.7**	0.5
Post employment benefits	**0.1**	–
Share based payments	**–**	0.2
Contributions to defined contribution benefit plans	**–**	0.1
Total emoluments to key management	**0.8**	0.8

30. Trading subsidiaries

The following is a list of the Group's principal trading subsidiaries at 31st December 2008. A brief description of their activities is given in the chief executive's review on pages 7 to 21. The share capital in each case consists, unless otherwise stated, wholly of ordinary shares or common stock. All companies are held by subsidiary undertakings, except for those marked • in which case it is held directly by Aga Rangemaster Group plc.

Where subsidiaries are not wholly owned the percentage of owned capital is stated in brackets. Unless otherwise stated the companies are registered in England and operate in the United Kingdom. All subsidiaries included in the consolidation have coterminous year-ends.

Aga Consumer Products Limited trades in the UK principally under the trade and business names of:	**Website addresses:**
Aga	www.aga-web.co.uk
Fired Earth	www.firedearth.com
Leisure Sinks	www.leisuresinks.co.uk
Rangemaster	www.rangemaster.co.uk
Divertimenti	www.divertimenti.co.uk

Principal overseas businesses:

Grange SA (France) (75%)	www.grange.fr
Aga Heartland Appliances Inc (Canada)	www.heartlandapp.com
La Cornue SA (France)	www.lacornue.com
Northland Corporation (USA)	www.northlandnka.com www.lifeluxurymarvel.com
Waterford Stanley Limited (Eire)	www.waterfordstanley.com

Central Services:

ARG Corporate Services Limited •

Aga Rangemaster Properties Limited •

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 2008 which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow, the consolidated statement of recognised income and expense and the related notes 1 to 30. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Aga Rangemaster Group plc for the year ended 31st December 2008 and on the information in the directors' remuneration report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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

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

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

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

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

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the 2008 performance at a glance, chairman's statement, chief executive's review, corporate governance statements and the five year history. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31st December 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the Group financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Birmingham
13th March 2009

Five year financial history

Trading results		2008 £m	Restated 2007 £m	2006 £m	2005 £m	2004 £m
Revenue		**279.4**	291.8	278.6	501.8	433.7
Operating profit before non-recurring cost		**16.5**	30.4	29.3	41.5	35.7
Non-recurring cost		**(5.3)**	-	(1.0)	-	-
Total operating profit		**11.2**	30.4	28.3	41.5	35.7
Net finance income / (cost)		**3.2**	(3.4)	(0.8)	1.2	0.6
Profit before income tax		**14.4**	27.0	27.5	42.7	36.3
Income tax expense		**(2.7)**	(4.2)	(6.2)	(8.6)	(7.1)
Profit before disposal of businesses / discontinued		**11.7**	22.8	21.3	34.1	29.2
Disposal of businesses / discontinued		**-**	40.7	9.8	0.3	-
Profit for year		**11.7**	63.5	31.1	34.4	29.2
Statistics						
Operating profit before non-recurring cost to revenue	%	**5.9**	10.4	10.5	8.3	8.2
Dividend per ordinary share	p	**4.0**	11.5	10.5	9.2	8.3
Earnings per share – continuing operations						
Basic	p	**14.4**	18.9	16.5	26.4	22.9
Diluted	p	**14.4**	18.7	16.4	26.3	22.8

Balance sheet summary	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Net operating assets					
Property, plant and equipment	**58.7**	51.7	85.7	85.3	77.2
Inventories	**63.5**	54.9	94.8	89.4	70.2
Operating receivables less payables and provisions	**(39.9)**	(41.9)	(38.4)	(44.7)	(42.5)
Total net operating assets before intangibles	**82.3**	64.7	142.1	130.0	104.9
Assets held for sale	**1.9**	-	-	-	-
Net retirement benefit surplus / (obligation)	**57.5**	79.6	24.4	(18.2)	(6.6)
Intangibles	**94.9**	78.1	200.6	173.3	146.2
Total net operating assets	**236.6**	222.4	367.1	285.1	244.5
Investments	**-**	-	-	0.3	6.5
Tax	**(25.9)**	(34.4)	(20.8)	(4.8)	(0.3)
Total net cash / (borrowings)	**5.8**	169.1	(10.9)	20.4	25.1
Total net assets employed	**216.5**	357.1	335.4	301.0	275.8
Financed by					
Ordinary shares	**32.5**	32.4	32.3	32.1	31.5
Reserves	**182.2**	322.6	301.2	266.6	244.1
Total shareholders' funds	**214.7**	355.0	333.5	298.7	275.6
Minority interests	**1.8**	2.1	1.9	2.3	0.2
Total equity	**216.5**	357.1	335.4	301.0	275.8

The figures for 2005 and 2004 are not directly comparable as these have not been restated to reflect the operations discontinued in 2007.

Parent company accounts under UK GAAP

As noted on page 38 the Company has elected to prepare its financial statements under UK GAAP.

Company balance sheet

As at 31st December

	Notes	2008 £m	2007 £m
Fixed assets			
Investments	5	**457.2**	416.6
Total fixed assets		**457.2**	416.6
Current assets			
Debtors	6	**626.7**	593.9
Cash at bank and in hand	7	**31.4**	159.1
Total current assets		**658.1**	753.0
Creditors – amounts falling due within one year			
Creditors	8	**(704.3)**	(683.8)
Borrowings	7	**(6.1)**	(1.7)
Total amounts falling due within one year		**(710.4)**	(685.5)
Net current (liabilities) / assets		**(52.3)**	67.5
Total assets less current liabilities		**404.9**	484.1
Creditors – amounts falling due after more than one year			
Borrowings	7	**(26.6)**	(7.4)
Provisions for liabilities and charges	9	**(7.2)**	(8.2)
Total net assets employed		**371.1**	468.5
Shareholders' equity			
Share capital	10	**32.5**	32.4
Share premium account	11	**29.6**	68.8
Capital redemption reserve	11	**75.0**	36.0
Profit and loss account	11	**234.0**	331.3
Total shareholders' funds		**371.1**	468.5

The accounts on pages 71 to 76 were approved by the board of directors on 13th March 2009 and were signed on its behalf by:

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

Notes to the company accounts are on pages 72 to 76.

W. McGrath

Shaun Smith

Company balance sheet

Notes to the company accounts

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

1 Accounting policies

Basis of accounting

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

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

Cash and cash equivalents

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

Interest bearing loans and borrowings

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

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

Cash flow hedges

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

Foreign currencies

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

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

Deferred tax

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Income tax is provided for using current rates.

Investments

Investments in subsidiaries are held at cost and reviewed for impairment annually 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 expense for equity instruments granted is recognised in the financial statements based on their fair value at the date of grant. This expense, which is primarily in relation to employee share options and Executive LTIP schemes, is recognised over the vesting period of the schemes - the Company has principally adopted the Black Scholes model and a TSR pricing model, respectively, for the purposes of computing fair value. The measurement of this expense is only calculated on options granted after 7th November 2002.

For LTIP options granted in 2008 and 2007, the performance criteria is now 50% based on a TSR pricing model and 50% on EPS growth against RPI.

The Sharesave Plan has been approved during the year.

The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees. Any awards that do not ultimately vest are lapsed. Where employees exit the Sharesave Plan this is treated as a cancellation with immediate recognition of any expense for the award not previously recognised.

2. Company profit and loss account

Aga Rangemaster Group plc has taken advantage of section 230(3) of the Companies Act 1985 and has not included its own profit and loss account in these accounts. The Company's profit after tax was £53.9m (2007: loss of £9.5m).

The profit and loss account includes £39,000 (2007: £47,000) for audit fees.

3. Dividends and cash return

	2008 £m	2007 £m
Final dividend paid of 7.65p per share for the year ended 31st December 2007 (2006: 7.0p)	**8.7**	9.1
Interim dividend paid of 4.0p per share (2007: 3.85p)	**2.8**	4.4
Cash return of £1.21 per share (2007: special dividend of 43.0p per share)	**139.7**	55.6
Amounts recognised as distributions to equity shareholders in the year	**151.2**	69.1

The directors are not recommending a final dividend in respect of the financial year ended 31st December 2008 (2007: 7.65p).

4. Directors' compensation

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

5. Investments

Interest in subsidiaries	**Cost of shares £m**	**Provisions £m**	**Net book value £m**
At 1st January 2008	416.6	–	**416.6**
Additions	40.6	–	**40.6**
At 31st December 2008	**457.2**	–	**457.2**

6. Trade and other debtors

Amounts falling due within one year	2008 £m	2007 £m
Amounts owed by Group undertakings	**581.1**	551.5
Prepayments and accrued income	**0.5**	0.6
Other receivables	**1.4**	0.8
Total debtors falling due within one year	**583.0**	552.9
Corporation tax recoverable falling due after one year	**43.7**	41.0
Total debtors	**626.7**	593.9

7. Cash and borrowings

a) Cash and cash equivalents

	2008 £m	2007 £m
Cash at bank and in hand	**31.4**	159.1
Cash and cash equivalents	**31.4**	159.1

The Company's cash balance of £31.4m 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 is cash held for unclaimed dividends of £0.3m (2007: £0.5m).

b) Financial liabilities – net borrowings

	2008 £m	2007 £m
Bank borrowings	**6.1**	1.7
Amounts falling due within one year	**6.1**	1.7
Bank borrowings	**26.6**	7.4
Amounts falling due after one year	**26.6**	7.4
Total borrowings	**32.7**	9.1
Cash and cash equivalents	**(31.4)**	(159.1)
Total net borrowings / (cash)	**1.3**	(150.0)

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

The loans are unsecured. Of the amounts falling due after one year, £5.0m is repayable in 2010 and £21.6m in 2013.

8. Creditors

Amounts falling due within one year	2008 £m	2007 £m
Amounts owed to Group undertakings	**702.2**	674.7
Accruals and deferred income	**1.8**	8.5
Other payables	**0.3**	0.6
Total creditors falling due within one year	**704.3**	683.8

9. Provisions

	Deferred tax £m	Other £m	Total £m
At 1st January 2008	0.2	8.0	**8.2**
Utilised in year	–	(1.2)	**(1.2)**
Credit in the year	0.2	–	**0.2**
At 31st December 2008	**0.4**	**6.8**	**7.2**

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

10. Share capital

Authorised and issued share capital	2008		2007	
	m	£m	m	£m
Authorised				
Ordinary shares of 46⅞p each	**174.4**	**81.8**	–	–
Ordinary shares of 28⅛p each	–	–	290.7	81.8
Allotted, called up and fully paid				
At 1st January	**115.2**	**32.4**	129.1	32.3
Share consolidation	**(46.1)**	–	(14.4)	–
Issued on exercise of share options	**0.1**	**0.1**	0.5	0.1
At 31st December	**69.2**	**32.5**	115.2	32.4

On 9th May 2008, shareholders approved a share capital consolidation on the basis of 3 ordinary shares for every 5 existing ordinary shares. This provided for all of the authorised ordinary shares of 28⅛p each (whether issued or unissued) to be consolidated into new ordinary shares of 46⅞p each, which became effective on 12th May 2008.

During the year 0.1m ordinary shares were issued in connection with the Company's share option schemes for an aggregate consideration of £0.3m (2007: 0.5m shares, £1.1m consideration). Costs of £0.4m were also paid in connection with the share consolidation during the year.

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 2008 are shown in notes 22 and 23 of the Annual Report and Accounts.

11. Reserves

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total equity £m
At 1st January 2008	32.4	68.8	36.0	331.3	**468.5**
Dividends paid	–	–	–	(151.2)	**(151.2)**
Transfer between reserves	–	(39.0)	39.0	–	–
Costs associated with share consolidation	–	(0.4)	–	–	**(0.4)**
Profit for year	–	–	–	53.9	**53.9**
Shares issued	0.1	0.2	–	–	**0.3**
At 31st December 2008	**32.5**	**29.6**	**75.0**	**234.0**	**371.1**

The Company's profit and loss account reserves of £234.0m (2007: £331.3m) include approximately £168.7m (2007: £168.7m) which is unavailable for distribution, leaving £65.3m available for distribution.

12. Commitments

The Company had no capital commitments (2007: £nil).

13. Contingent liabilities

The Company has no material contingent liabilities arising in the normal course of business at 31st December 2008 (2007: £nil). The Company has contingent liabilities for certain potential claims from third parties in relation to divested businesses. On the basis of information presently available to them, the directors believe that no material claims are likely to arise for which provision has not been made in these accounts.

The Company has given a number of financial and performance guarantees on behalf of subsidiaries, the relevant liabilities are included in the balance sheet.

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).

14. Related party transactions

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

15. Trading subsidiaries

The Company's principal trading subsidiaries at 31st December 2008 are listed in note 30 of the Annual Report and Accounts.

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out on page 77, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the accounts.

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

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

The directors are responsible for ensuring that the Company maintains accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

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

Independent 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 2008 which comprise the company balance sheet and the related notes 1 to 15. These parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the Group financial statements of Aga Rangemaster Group plc for the year ended 31st December 2008.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the parent Company directors' report is consistent with the financial statements. The information given in the directors' report includes that specific information presented in the operating and financial review that is cross referred from the business review section of the directors' report. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent Company financial statements. The other information comprises only the 2008 performance at a glance, chairman's statement, chief executive's review, corporate governance statements and the five year history. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st December 2008;
- the parent Company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the parent Company financial statements.

Ernst + Young LLP.

Ernst & Young LLP
Registered Auditor
Birmingham
13th March 2009

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Registered in England No 354715

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Ernst & Young LLP

Financial advisers and stockbrokers

Dresdner Kleinwort Limited
Citigroup Global Markets Limited

Registrars

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International (Helpline): 00 44 121 415 7046

2009 financial calendar

Annual General Meeting
8th May 2009

2009 half year
30th June 2009

Interim results announcement
28th August 2009

2009 year end
31st December 2009

Shareholder information

At 31st December 2008, the Company had 6,814 ordinary shareholders (2007: 7,228). Their holdings are analysed as follows:

Number of 46⅞p ordinary shares	Number of shareholders	% of total shareholders	Number of shares held	% of total shares held
1 – 5,000	6,419	94.20	4,626,356	6.68
5,001 – 50,000	288	4.23	4,510,167	6.51
50,001 – 500,000	88	1.29	12,681,930	18.32
Over 500,000	19	0.28	47,417,621	68.49
Total	**6,814**	**100.0**	**69,236,074**	**100.00**

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

Warning to shareholders

The following guidance has been issued by the Financial Services Authority:

Over the last year many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports into the company.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register.
- The FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at:
  www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml
- If the calls persist, hang up.

Details of any sharedealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FSA website www.fsa.gov.uk/consumer/

“Innovating:
for our future”

300

A worldwide range

Mixed Sources

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