No. 354715

FOODSERVICE GROUP

Annual Report & Accounts 2005

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Report of the directors

Report of the directors

The directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 31st December 2005.

Principal activities and business overview

Aga Foodservice Group plc is the holding company of the Group and its principal trading subsidiaries are shown on page 63. An overview of the activities and a business review including likely future developments of the Group and its principal businesses is shown on pages 4 to 13.

Acquisitions and disposals

The acquisitions made and increased interests during the year were:
June 2005 – acquisition of Waterford Stanley, an Irish range cooker and stove manufacturer.
July 2005 – increased share ownership of Grange, a French furniture manufacturer, from 40.7% to 75.0%.
August 2005 – acquisition of Divertimenti Retail, a UK kitchenware retailer.
November 2005 – acquisition of Heartland Appliances, a Canadian range cooker manufacturer.

There were no disposals during the year. Significant post balance sheet events are detailed in note 33 to the financial statements, with details of the acquisition of Eloma, the German foodservice products manufacturer specialising in combi-ovens.

Financial results and dividends

The profit attributable to shareholders for the year ended 31st December 2005 was £34.0m (2004: £29.1m). The directors recommend that a final dividend of 6.2p per ordinary share be paid on 2nd June 2006 to members on the register at the close of business on 28th April 2006, which together with the interim dividend of 3.0p paid on 7th December 2005, makes a total of 9.2p per ordinary share for the year (2004: 8.3p).

Share capital

Details of the shares allotted during the year are set out in note 23 on page 56. At the Annual General Meeting ('AGM') of the Company held on 5th May 2005, the shareholders approved a resolution for the company to make purchases of its own shares up to a maximum number of 12,616,611 ordinary shares of 25 pence each. The resolution remains valid until the conclusion of this year's AGM. No shares were bought back under this authority during the year and at present the Company does not hold any shares in treasury.

Resolution 10 will be proposed as an ordinary resolution, to authorise the directors (pursuant to section 80 of the Companies Act 1985) to allot ordinary shares in the capital of the Company up to a maximum of £10,707,807 being one-third of the nominal value of the ordinary shares in issue. The directors will exercise such authority to allot shares only when satisfied that it is in the interests of the Company to do so. The directors have no present intention of exercising this authority.

Resolution 11 will be proposed as a special resolution, to permit the directors (pursuant to section 95 of the Companies Act 1985) to allot ordinary shares for cash without offering them pro-rata to existing shareholders as otherwise required by section 89 of the Companies Act 1985. The authority sought is limited to issues of ordinary shares in the capital of the Company for cash up to a maximum aggregate nominal amount of £1,606,171 representing 5% of the nominal value of the ordinary shares in issue.

Resolution 12 will be proposed as a special resolution, to seek authority from shareholders to permit the Company to purchase up to 12,849,369 of its own shares representing 10% of the ordinary shares of the Company currently in issue (pursuant to section 166 of the Companies Act 1985). The board will consider, if justified by the market conditions, a share repurchase programme. The authority will only be exercised if the directors believe that to do so would result in an increase in the earnings per share and benefits shareholders generally. The maximum price payable for any shares purchased will be 105% of the average of the middle-market quotation of the Company's shares as derived from the London Stock Exchange Daily Official List preceding the day on which the ordinary shares are purchased (exclusive of transactional costs).

As at 17th March 2006, there were outstanding options over 2,303,246 ordinary shares, representing 1.79% of the Company's issued ordinary share capital. If the authority under Resolution 12 were to be exercised in full and the repurchased shares cancelled, this would increase to 1.99%.

Substantial shareholdings

In accordance with sections 198-208 of the Companies Act 1985, the Company has been advised of the interests, shown in the table opposite, representing 3% or more of the share capital of the Company as at 17th March 2006.

Directors and re-election

Details of the current directors of the Company are shown on pages 14 to 15. In addition John Lovering

Report of the directors

Shareholder	Ordinary shares of 25p each	% of issued share capital
Aviva plc	8,161,429	6.35
M&G Investment Management Ltd	5,629,084	4.38
Legal & General Investment Management Ltd	4,261,786	3.31
Deutsche Bank AG	4,216,892	3.28

resigned as a non-executive director on 21st July 2005 and Judy George resigned as an executive director on 14th December 2005.

In accordance with the Company's Articles of Association, Shaun Smith, William McGrath and Vic Cocker retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election. Paul Jackson who was appointed as a non-executive director on 14th December 2005 retires at the AGM and, being eligible, offers himself for re-election.

Directors' interests

Details of the directors' remuneration, service contracts, interests in the shares of the Company are set out in the remuneration report on pages 23 to 29. Other than service contracts, no director had any material interest in any contract with any Group company at any time in the year.

Political and charitable donations

During the year, the Group donated £18,637 to charitable organisations (2004: £26,422). The principal beneficiaries were organisations concerned with medical research, palliative care, children and local community initiatives. There were no political donations made in the year (2004: nil).

Research & development

Research and development plays an important role in the development of the Group with product innovation a key feature of the Group's strategy. Each operating 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 £2.7m (2004: £2.8m).

Creditor payment policy

The Group agrees terms and conditions with suppliers and has a policy of paying agreed invoices in accordance with the terms of payment providing that the goods and services are supplied in accordance with the terms and conditions. Individual operating businesses within the Group are responsible for establishing appropriate policies with regard to the payment of their suppliers. Trade creditors at the year end equated to 80 days of related purchases (2004: 81 days).

Employees

The Group is committed to a policy of equal opportunity with the objective of promoting a workplace which is free from discrimination, harassment and victimisation. The policy requires that full and fair consideration is given to disabled applicants in terms of employment. Furthermore, career development opportunities and training for disabled persons is available as appropriate, with particular attention paid to the needs of individuals who become disabled in employment.

The Group has a policy of actively communicating information to employees concerning the development of the Group and how this may affect their interests and of ensuring their appropriate involvement. Further details of the Group's human resources policies are provided in the Corporate social responsibility report on pages 29 to 32.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. Resolution 8 set out in the notice of AGM proposes that PricewaterhouseCoopers LLP should be reappointed as the Company's auditors and Resolution 9 authorises the directors to determine their remuneration.

In the case of each of the persons who are directors of the Company at the date when this report was approved: so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and each of the directors has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The AGM of the Company will be held at the Compton Suite, The National Motorcycle Museum, Coventry Road, Bickenhill, Solihull B92 0EJ on Thursday 4th May 2006 at 12 noon. The notice convening the AGM is set out on pages 76 to 77 along with full details of the business to be considered at the meeting.

By order of the board
P M Sissons, Secretary
Solihull, 17th March 2006

P.M. Sissons

P.M. Sissons

Corporate governance

Statement of compliance with the Combined Code

Throughout the year the Company has applied all of the principles set out in section 1 of the July 2003 edition of the Combined Code on Corporate Governance ('the Code') relating to the structure and composition of the board, the remuneration of the directors, relations with shareholders and procedures for financial reporting, internal control and audit. The Group was in compliance with the provisions of the Code at the year end. During the period July - December 2005, as detailed in the 'Board balance and independence' section below, the number of executive directors exceeded the number of independent non-executive directors not including the chairman.

Directors

The board

The board is collectively responsible to the Company's shareholders for the success of the Company, the Group's system of corporate governance, its strategic objectives and the stewardship of the Company's resources. The board is satisfied that it meets the Code's requirements for effective operation. The board takes full responsibility for social, environmental and ethical matters which are also included in the risk management process. The board has considered and implemented, where appropriate, the guidelines on Corporate Social Responsibility ('CSR') issued by the Association of British Insurers.

The board promotes the success of the Group and provides leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. The board ensures that adequate financial and human resources are made available to ensure these objectives are met. The board delegates specific responsibilities to board committees as described below.

The board held nine meetings during the year to discharge its duties, including a review of the key activities of the business and it received papers and presentations from management and external advisers. The board has a formal schedule of matters reserved for its decision, which was reviewed during the year.

During the year, a number of changes were made to the board. On 21st July, John Lovering resigned as a non-executive director. On 14th December, Judy George resigned as an executive director to enable her to concentrate on her role as chief executive of Aga Home and to lead the Group's retail initiatives in North America. Also on 14th December, Paul Jackson was appointed as an independent non-executive director. Following the resignation of John Lovering, Paul Dermody became chairman of the audit & risk committee and Peter Tom was appointed as the senior non-executive director.

The directors' biographies are shown on pages 14 to 15 and in accordance with the Company's Articles of Association, all directors are submitted for re-election at least every three years, subject to their continued satisfactory performance and taking into account the need for the progressive refreshing of the board. As noted below, the board also undertook a formal performance evaluation during the year.

Attendance at board and board committee meetings is set out in the table opposite.

During the year, the non-executive directors, including the chairman, met without the executive directors being present and led by the senior independent director, the non-executive directors met without the chairman present to appraise his performance.

The Company indemnifies directors for claims made against them in relation to their duties, with the exception of losses incurred as a result of their wilful negligence. The Company maintains appropriate directors' and officers' liability insurance.

Board balance and independence

The board currently comprises a non-executive chairman, three executive directors and a further four independent non-executive directors and thus complies with the Code requirement that there should be a balance of executive and non-executive directors. As noted above, during the period following the resignation of John Lovering as a non-executive director in July 2005, and prior to the appointment of Paul Jackson and the resignation of Judy George in December 2005, the number of executive directors exceeded the number of independent non-executive directors, excluding the chairman.

Chairman and chief executive

The roles of the chairman and chief executive are separate and the division of responsibilities between them is set out in writing and regularly reviewed by the board. The chairman is primarily responsible for the

Corporate governance

leadership and effective functioning of the board, including the provision of accurate, timely and adequate information; for ensuring that there is appropriate communication with shareholders and ensuring both executive and non-executive directors contribute effectively. The chief executive maintains day-to-day management responsibility for the Company's operations, implementing Group strategy and policies agreed by the board.

Appointments to the board

As is further detailed in the nomination committee report, below, there is a formal, rigorous and transparent procedure for board appointments. The board is satisfied that there are succession plans in place for appointments to the board and for senior management.

Board information and professional development

With the assistance of the company secretary, the chairman is responsible for ensuring the information distributed to the board is accurate, timely and clear, and is appropriate to enable the board to discharge its duties.

The nomination committee ensures that all directors receive a full induction on joining the board. 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. The non-executive directors are encouraged to undertake site visits, and in addition at least one board meeting is held at an operating site during the year. All directors are suitably qualified, trained and experienced so as to be able to participate fully in the work of the board.

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

Board performance evaluation

During the year, the board undertook a formal evaluation of its performance and the performance of its committees and the individual directors. A questionnaire, prepared by the chairman with the assistance of the company secretary, was completed by all directors. A summary of the responses was prepared by the company secretary and discussed at a meeting of the non-executive directors and subsequently with the board as a whole. In addition, the chairman communicates frequently with the non-executive and executive directors. Directors are also encouraged to discuss any issues or concerns with the chairman at any time throughout the year. Directors are encouraged to ensure that any unresolved issues are formally minuted.

Internal control and risk management

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

	Board		Audit & risk committee		Nomination committee		Remuneration committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
W B McGrath	9	9	-	-	-	-	-	-
S Rennie	9	9	-	-	-	-	-	-
S M Smith	9	9	-	-	-	-	-	-
J A George*	9	8	-	-	-	-	-	-
V Cocker	9	9	-	-	2	2	-	-
H M Mahy	9	9	3	3	2	2	4	4
P W G Tom	9	8	3	3	2	2	4	4
P B Dermody	9	9	3	3	2	2	4	4
P E Jackson**	0	0	0	0	0	0	0	0
J D Lovering***	5	3	1	1	0	0	2	2

* resigned 14th December 2005; ** appointed 14th December 2005; *** resigned 21st July 2005

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

Meetings of the board and the audit & risk committee ensure that risk management and internal control are considered on a regular basis throughout the year, and are subject to continuous review and development. This includes consideration of corporate social responsibility matters as outlined in the report on pages 29 to 32. At business unit level, there are regular management and board meetings to review all aspects of the Group's business, including those where there are potential risks to the Group. All operating businesses have quarterly reviews with the executive directors to discuss strategy, business performance and significant operational and financial risks. Key procedures include planning, budgeting and investment appraisal. Feedback is provided to the board.

The board has reserved, for its own approval, those major decisions significant to the strategy and operation of the Group as a whole. These include the short and medium-term strategy, major capital investments and restructuring costs, acquisitions and divestments, post-investment performance review and treasury policy.

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

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

There is an ongoing process for identifying, evaluating and managing significant risks across the Group. Risk reviews are carried out at each business unit, taking into account the likelihood of occurrence and the degree of impact. Risks considered include operational and financial contingencies, legal and regulatory compliance and social, environmental and ethical issues. The process identifies both short and long-term risks.

The directors confirm that they have conducted a specific annual review of the effectiveness of the Group's systems of internal control and risk management in respect of the financial period and up to the date of this report. Systems of internal control are designed to provide reasonable, but not absolute assurance, to safeguard shareholders' investments, the Group's assets and ensure that financial information and accounting records are reliable. Grange is not currently dealt with as part of these internal control procedures - but following the Group's increased shareholding, will be in 2006.

Risk factors

The system for monitoring risks is continuous and an ongoing process throughout the year. Risk is a formal agenda item at the October meeting of the audit & risk committee. Key risks include brand/reputation, changes to the market, new technology, pension funding, human resources management, health, safety and environmental issues, the availability and pricing of key raw materials and utilities, and investor relations including shareholder expectations.

This process has identified a number of risks where action plans have been developed to eliminate, minimise or mitigate these risks (including insurance, where appropriate) but the board considers that there are no specific risks which might have a material impact on the business.

Performance monitoring

Business performance is a standing agenda item at board meetings. A comparison of forecast and actual results is considered, with comparisons against budgets and the prior year. The executive directors also undertake frequent visits to business units to monitor business performance, day-to-day management and operational issues and report regularly to the board.

Committees of the board

The terms of reference of the committees were reviewed by the board during the year and are available on the Group's website (www.agafoodservice.com). Certain matters have been delegated to the chief executive's committee (which comprises the executive directors) and meets as required to conduct business within defined limits out-with the schedule of matters reserved for the board.

Audit & risk committee

The audit & risk committee assists the board in the

Corporate governance

effective discharge of its responsibilities for financial reporting, internal control and risk management processes. It also reviews the whistle-blowing processes, as further described on page 30.

The current members of the committee are Helen Mahy, Peter Tom, Paul Jackson and it was chaired by John Lovering until July 2005 and since then it has been chaired by Paul Dermody. The board considers Paul Dermody to have significant, recent and relevant financial experience. The chairman, executive directors and the external and internal auditors attend meetings by invitation.

The committee provides support to the board by monitoring the integrity of the interim and annual financial statements, including the review of significant financial reporting judgements contained in them. The committee ensures financial statements and announcements comply fully with the relevant statutes and accounting standards and present a balanced and understandable assessment of the Company's position and prospects.

The committee reviews the effectiveness of internal financial controls and risk management systems. The head of internal audit reports to the finance director and has direct access to the chairman of the committee. The committee monitors and reviews the effectiveness of the Company's internal audit function and ensures that it is adequately resourced. The committee receives regular reports from the internal auditors detailing their findings and recommendations. The committee has reviewed the risk based approach to internal audit procedures introduced in 2004 and being satisfied with the procedures will continue to monitor progress and effectiveness on an ongoing basis.

External auditors

The external auditors are invited to attend all audit & risk committee meetings. The committee members, all other directors and senior management have direct access to the external auditors throughout the year, to seek advice or raise any issues or concerns. The external auditors consider the systems of internal financial control, to the extent necessary to express their audit opinion.

The committee recognises that there are occasions when it is advantageous to use the external auditors to undertake additional non-audit services, when they are best placed to do so. The committee has developed a formal policy to help ensure the independence and objectivity of the external auditors is not compromised. The policy states that non-audit fees paid to the principal auditors should not exceed 250% of the audit fee, except in the case of a significant event. The chairman of the audit & risk committee is required to authorise non-audit work above a pre-agreed threshold. Note 3 to the Group accounts provides a breakdown of 2005 audit and non-audit fees and prior year data.

The audit & risk committee keeps the potential re-tendering of the external audit function under review, and the committee confirms that it is satisfied with the level of fees, independence, objectivity and effectiveness of the external auditors.

Nomination committee

The nomination committee is responsible for advising the board and making recommendations on the appointments of new directors. The committee currently comprises Helen Mahy, Peter Tom, Paul Dermody and Paul Jackson and is chaired by Vic Cocker.

The committee is responsible for ensuring there is a formal and transparent procedure for the nomination of directors and committee members. It makes recommendations to the board on the appointment and reappointment of directors to ensure that the board is of an appropriate size and composition and provides a balance of skills, knowledge and experience. Prior to any nomination, the committee prepares a description of the role, desired skills and capabilities required for a particular appointment. Candidates from a wide variety of backgrounds are considered and the committee has used external search consultants and taken into account the recommendations of other independent external advisers to identify candidates.

Following the resignation of John Lovering in July 2005, the procedures referred to above were used by the committee in the appointment of Paul Jackson as an independent non-executive director on 14th December 2005.

The committee encourages candidates to carry out due diligence on the Company and informs individuals of the anticipated time and commitment necessary to successfully fulfil the role.

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

During the year the committee in conjunction with the board reviewed succession planning for the board and senior management positions within the Group and the framework is continually being developed to ensure issues are managed promptly and effectively. The Company also conducts succession planning reviews at appropriate management levels to identify development potential, training needs, resource and skill shortages.

Changes to directors' commitments are reported to the board as they arise and are considered on their individual merits. There have been no significant changes to the chairman's external commitments during the year.

Remuneration committee
The remuneration committee determines on behalf of the board the remuneration of the executive directors and the chairman. The committee is chaired by Peter Tom and comprises all the independent non-executive directors. The chairman and chief executive attend meetings by invitation, but do not participate in discussions relating to their own remuneration. Details of the committee's activities, remuneration policies and the remuneration of directors are set out in the Remuneration report on pages 23 to 29.

Relations with shareholders
The board as a whole is responsible for ensuring that there is effective dialogue with shareholders, including institutional investors, private and employee shareholders. The Company reports formally to shareholders twice a year when its preliminary and interim results are announced and reports are issued to shareholders. The executive directors also make presentations to institutional investors, analysts and the media. Copies of the main reports and presentations are posted on the Company's website.

The chairman, senior independent director and other non-executive directors make themselves available to meet with shareholders and attend meetings if requested. The chairman and other non-executive directors hosted events enabling communication with a number of major shareholders during the year. No other specific meetings were requested with the senior independent director or the other non-executive directors.

Notice of the AGM and related papers are sent to shareholders at least twenty working days before the meeting, and separate resolutions are proposed on each substantial issue. The AGM is considered by the board to be an important opportunity for direct communication with the Company's private shareholders. The directors are available for questions, formally during the AGM and shareholders may meet the directors informally after proceedings have ended. At the meeting, the Company makes the details of the proxy votes cast on each resolution available. Details of the 2005 AGM are set out in the notice of meeting on pages 76 to 77, along with details of the facilities available for proxy votes to be cast electronically.

In the annual and interim reports, AGM statements, results presentations and Stock Exchange announcements, the Company seeks to present an accurate and objective view in a manner appropriate for the intended audience. As detailed on page 78, shareholders may contact our investor relations' personnel at the corporate office or by email to ir@agafoodservice.com with any questions, issues or concerns. The non-executive directors may be contacted by e-mail (nonexec@agafoodservice.com).

Directors' responsibilities for the financial statements
The directors are responsible for preparing the annual report and the financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ('IFRS') and have elected to prepare financial statements for the Company in accordance with UK GAAP. Company law requires the directors to prepare such financial statements in accordance with applicable accounting standards, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'.

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In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- Properly select and consistently apply suitable accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

After making enquiries, the directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future. In preparing the financial statements on pages 33 to 74 on a going concern basis, the directors consider that the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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

Remuneration report

Remuneration report

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985 and also meets the relevant requirements of the Listing Rules of the Financial Services Authority. The report describes how the board has applied the principles relating to director's remuneration. As required by the Act, Resolution 7 will be proposed at the AGM and invites the members to approve the remuneration report for the financial year ending 31st December 2005.

The Act requires the auditors to report to the Company's members on certain parts of the director's remuneration report and to state whether in their opinion, those parts of the report have been properly prepared in accordance with the Act. Sections of the report that are subject to audit are separately referenced and all other items are unaudited.

Remuneration committee

The remuneration committee is constituted in accordance with the recommendations of the Combined Code. The members of the committee during 2005 were Helen Mahy, Paul Dermody and John Lovering (until his resignation in July 2005) who are all independent, non-executive directors, and the committee is chaired by Peter Tom. Paul Jackson was appointed a member of the committee in December 2005. From time to time the committee consults the chief executive and chairman in relation to the remuneration of other executive directors. No director plays a part in any discussion about his or her own remuneration. The committee makes recommendations to the board on remuneration policy and maintains a dialogue with shareholder representatives to ensure remuneration arrangements are designed to align remuneration more closely with shareholder interests.

The committee is authorised to take advice from independent remuneration consultants and other advisers. During 2005, the committee appointed Eversheds LLP to provide advice on structuring directors remuneration packages. Eversheds LLP did not provide any other services to the company during the year.

Remuneration policy for the executive directors

Executive remuneration packages are prudently

Remuneration report

designed to attract, motivate and retain directors of the calibre required 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. There are five main elements to the remuneration package for executive directors:

- Basic annual salary
- Benefits in kind
- Annual bonus payments
- Long-term share option incentives
- Pension arrangements

The Company's policy is that a substantial proportion of the executive directors remuneration should be performance related. As described below, executive directors may earn annual incentive payments of up to 75% of their basic salary together with the benefits of participation in long-term share option incentives.

In certain circumstances, the board believes that it may be beneficial to the Company for executives to hold appointments outside the Group. Any such appointments are subject to board approval and directors are restricted to a maximum of two appointments each for which they may retain the fees.

During the year, Judy George served as a director of Daffy's Clothing and as a member of the Sodexho US Business Advisory Board and received fees of £38,000. None of the other executive directors presently hold any outside directorships.

Basic salary

An executive director's basic salary is ordinarily reviewed by the committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding the appropriate level, the committee considers salary paid in the Group as a whole and relies on objective research, which gives up to date information on a comparator group of companies. Basic salaries were reviewed in December 2004 with increases of 6% taking effect from 1st January 2005. During the year, on the basis of advice received from Eversheds LLP, the committee recommended increases of 8% with effect from 1st July 2005. Thereafter, the committee recommended future salary increases in line with inflation until fresh independent external advice is taken.

Benefits in kind

The executive directors received 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 objective research on a comparator group of companies. The committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders. On the recommendation of Eversheds LLP, the bonus scheme was simplified with the performance measure based on improvement in earnings per share on the prior year to budget alone. The maximum performance related bonus that can be paid is 75% of basic annual salary. Judy George participates in the annual bonus scheme with Domain Inc, where subject to achieving performance against set objectives, a maximum bonus of up to 30% of salary may be awarded. Judy George is entitled to a maximum bonus of 45% under the executive annual bonus scheme. Incentive payments for the year ended 31st December 2005 were 54%. This reflects the improvement in earnings per share against the demanding budget target. Judy George did not receive any bonus under the Domain scheme and received 32.4% from the executive annual bonus scheme.

Long-term incentive plan ('LTIP') (audited)

The committee continues to view the LTIP, introduced in 1999, as an appropriate method to incentivise executive directors and senior managers and to enable them to benefit from the increased market capitalisation of the Company.

The committee has responsibility for supervising the scheme and the grant of options under its terms, subject to a maximum annual value of 100% of salary.

The LTIP consists of a right to acquire shares at a nominal value of £1, which will be exercisable after a period of three years from the date the option was granted (subject to performance criteria). The performance criteria which must be met, is based on a

Remuneration report

Audited	Salary £000	Fees £000	Salary in lieu of pension above earnings cap £000	Benefits in kind + cash benefits £000	Annual bonus £000	2005 Total £000	2004 Total £000
W B McGrath	411	-	67	25	222	**725**	573
S Rennie	293	-	-	24	158	**475**	369
S M Smith	236	-	29	22	127	**414**	327
J A George (resigned December 2005)	191	-	-	12	62	**265**	220
V Cocker	-	82	-	-	-	**82**	73
H M Mahy	-	30	-	-	-	**30**	27
P W G Tom (appointed February 2004)	-	30	-	-	-	**30**	25
P B Dermody (appointed March 2004)	-	30	-	-	-	**30**	22
P E Jackson (appointed December 2005)	-	1	-	-	-	**1**	-
J D Lovering (resigned July 2005)	-	17	-	-	-	**17**	27
C J Farrow (retired January 2004)	-	-	-	-	-	**-**	6
A J Wilson (retired May 2004)	-	-	-	-	-	**-**	9
Total	**1,131**	**190**	**96**	**83**	**569**	**2,069**	1,678

- Judy George's remuneration is paid by Domain Inc. a subsidiary company in the US. Exchange rate £1 = $1.83.
- Benefits in kind comprise car or car benefit, fuel or cash allowance, private health care and life assurance.
- The benefits in kind figures for S Rennie and S M Smith include a cash allowance in place of company car and fuel.
- There were no taxable expenses in 2004 & 2005 for any directors.

comparison of the Company's total shareholder return ('TSR') with the TSR of companies in the engineering-general sector of the FTSE All Share Index. If the Company's TSR places it in the top 25% (upper quartile) of the comparator companies, the participant can acquire all the shares granted. If the Company's TSR is at the mid-point, 25% of the shares can be acquired. There is a sliding scale – on a straight line basis, if the Company's TSR is between the upper quartile position and the mid-point. The TSR performance measure has been applied on the basis of best practice advice received from independent advisers, Alithos Ltd.

None of the shares can be acquired unless the committee determines that there was a sustained improvement in the underlying financial performance of the Company during the period. Once an option has vested, the percentage of shares to be awarded may be exercised during the remainder of the ten year period from the initial award, without further test.

It is the Company's policy to phase in the granting of options rather than to award them in a single large block to an individual. The committee granted LTIP options equivalent to 30% of the executive salary in April 2005. Awards of LTIP options were also made to senior management. The interests of the directors at the beginning and end of the 2005 financial year in share options are as stated in the table on page 26. The LTIP options awarded in April 2002 were tested during 2005 and as the Company's TSR was below the mid-point compared to the comparator group, the options were lapsed.

Share option schemes (audited)

The Company's senior executive and savings related share option schemes were allowed to lapse in 2004 and the Company is not seeking shareholder approval for new schemes at the present time.

Pension arrangements

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

William McGrath, Stephen Rennie and Shaun Smith are members of a defined benefit pension scheme. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. Pension arrangements provide for a pension on retirement of two-thirds of final

Remuneration report

Audited	Options under the 1994 Senior Executive Share Option Scheme approved in 1994			Long-Term Incentive Plan approved in 1999 Price shown is at date of award		
	at 288pps	at 321pps	at 225pps	at 268pps	at 235pps	at 307pps
W B McGrath						
At 1st January 2005	-	175,000	-	111,940	57,021	-
lapsed 25th April 2005	-	-	-	111,940	-	-
granted 27th April 2005	-	-	-	-	-	38,549
exercised 7th July 2005	-	4,000	-	-	-	-
At 31st December 2005	-	171,000	-	-	57,021	38,549
exercised 16th January 2006	-	5,000	-	-	-	-
S Rennie						
At 1st January 2005	75,000	-	-	76,492	40,000	-
lapsed 25th April 2005	-	-	-	76,492	-	-
granted 27th April 2005	-	-	-	-	-	27,521
At 31st December 2005	75,000	-	-	-	40,000	27,521
exercised 16th January 2006	75,000	-	-	-	-	-
S M Smith						
At 1st January 2005	7,500	-	30,000	109,701	31,489	-
exercised 23rd March 2005	-	-	30,000	-	-	-
lapsed 25th April 2005	-	-	-	109,701	-	-
granted 27th April 2005	-	-	-	-	-	22,153
At 31st December 2005	7,500	-	-	-	31,489	22,153
exercised 16th January 2006	5,000	-	-	-	-	-
J A George						
(resigned December 2005)						
At 1st January 2005	-	-	-	-	34,214	-
granted 27th April 2005	-	-	-	-	-	17,799
At 31st December 2005	-	-	-	-	34,214	17,799
Option grant date	**2 Apr 97**	**5 May 98**	**21 Sep 99**	**25 Apr 02**	**13 Oct 03**	**27 Apr 05**
Exercisable period	**2 Apr 00 to 1 Apr 07**	**5 May 01 to 4 May 08**	**21 Sep 02 to 20 Sep 09**	**25 Apr 05 to 24 Apr 12**	**13 Oct 06 to 12 Oct 13**	**27 Apr 08 to 26 Apr 15**

The mid-market price of ordinary shares at the beginning and end of the year was 274.0 pence and 323.8 pence respectively. During the year the market price of ordinary shares ranged from 270.8 pence to 328.0 pence.

Gains and losses on the exercise of options are calculated on the date of exercise. William McGrath exercised options at a quarter up price of 319 pence per share and retained the shares, making a loss on exercise of £76 (2004: £5,933). Shaun Smith exercised options at a quarter up price of 307 pence per share and retained the shares making a gain on exercise of £24,555 (2004: £nil).

As part of the acquisition of Domain Inc. in March 2002, Judy George had an option to receive 383,446 shares in Aga Foodservice Group plc as part of her deferred cash payment of $1.3m detailed in note 23. The option price was £2.37. These options were exercised on 4th April 2005. Judy George subsequently sold 333,446 shares at 306 pence per share and retained 50,000 shares at a quarter up price of 309 pence per share. Total gain on exercise £265,977 (2004: £nil).

Remuneration report

Audited	Companies Act 1985 Schedule 7A					Listing Requirements	
	Accrued pension at 31 Dec 2005 £000pa	Increase in accrued pension over the year £000pa	Transfer value of accrued pension at 31 Dec 2004 £000	Transfer value of accrued pension at 31 Dec 2005 £000	Increase in transfer value over the year, net of director's contributions (note 1) £000	Increase in accrued pension over the year (net of inflation) £000pa	Transfer value of increase in accrued pension over the year, net of director's contributions (note 2) £000
W B McGrath	27	4	208	268	56	3	31
S Rennie	151	10	1,830	2,151	313	6	67
S M Smith	35	3	282	340	54	2	19

Transfer values are calculated on the basis of actuarial advice in accordance with guidance note GN11.

note 1 reflects the comparison of the transfer value of the accrued pensions at the start and end of the period.

note 2 reflects the transfer value of the increase in the accrued pension over the period only.

pensionable remuneration at normal retirement age with 20 or more years of pensionable service. From 2005, any increase in the annual pensionable remuneration of senior executives under the scheme is being limited by price inflation. The pensions of William McGrath and Shaun Smith are already subject to the statutory earnings cap and they receive additional salary in lieu of pension on remuneration above the statutory cap as detailed in the table on page 25.

The introduction of the Inland Revenue's simplified tax regime for pension schemes in April 2006 will not have any material consequences for these arrangements, except in the case of Stephen Rennie. The member intends to register for primary protection under the new regime and any recovery charge will be borne by him. There are no unfunded pension promises or similar arrangements for directors.

The increase in the transfer value of the directors' accrued pensions at 31st December 2005, after deduction of contributions paid by them, is shown in the table right.

The transfer values shown are not payable to the individuals concerned. During the year the Company paid premiums of £982 and £501 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.

Judy George's salary is paid by Domain Inc., a subsidiary company in the US, and retirement benefit arrangements are also arranged in the US. The scheme in place is a money purchase plan and all contributions are made by Judy George personally and there are no Company contributions.

Shareholding requirement

To ensure that directors' interests are aligned with those of shareholders, the board introduced a

	At 17th March 2006	At 31st December 2005 or date of appointment or resignation	At 31st December 2004 or date of appointment
V Cocker	45,000	45,000	40,000
W B McGrath	143,029	138,029	121,979
S Rennie	65,000	60,000	56,000
S M Smith	85,000	80,000	45,000
H M Mahy	3,000	3,000	1,000
P W G Tom	20,000	20,000	10,000
P B Dermody	20,000	20,000	1,000
P E Jackson (appointed December 2005)	1,000	-	n/a
J A George (resigned December 2005)	n/a	67,093	17,093
J D Lovering (resigned July 2005)	n/a	30,000	30,000

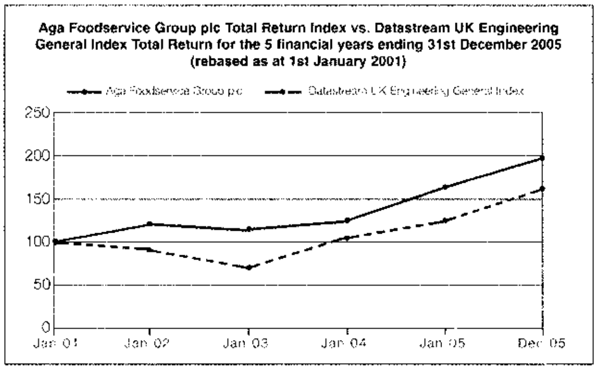
Remuneration report

minimum shareholding requirement for executive directors in December 2004. Executive directors will be expected to build up and maintain a shareholding in the Company with a value of at least one times annual salary, within a period of three years from appointment or introduction of this requirement.

The interests of the directors in shares of the Company shown in the register kept under section 325 of the Companies Act 1985 and all of which are beneficially owned, are shown in the table below.

Performance graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the Datastream UK General Index also measured by total shareholder return. This index was selected as it is a published index with the most similar constituents to the comparator group used by the Company. This will be reviewed following the Company's reclassification to the Household Goods Sector, effective from January 2006.



Directors' contracts

It is the Company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice in line with the best practice provisions set out in the Code.

In the event of early termination, the directors' contracts provide for compensation of up to a maximum of one year's basic salary for the notice period. The committee does not consider it to be in the best interests of shareholders for directors' contracts, to provide explicitly for pre-determined compensation in the event of early termination. However, the principle of mitigation would be applied to reduce any compensation payable to departing directors, with each case being taken on its own merits. Judy George resigned as an executive director in December 2005, to enable her to concentrate on her role as chief executive of Aga Home. There were no additional payments made as a result of this change of role.

Shaun Smith and William McGrath who will be proposed for re-election at the next AGM, have service contracts which provide for a notice period of one year. Vic Cocker and Paul Jackson are also proposed for re-election, and being non-executive directors, do not have service contracts.

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

Executive	Date of contract	Notice period
W B McGrath	September 1998	12 months
S Rennie	January 1999	12 months
S M Smith	March 2001	12 months
J A George (resigned December 2005)	July 2003	12 months

Non-executive	Letter of appointment	End of period of appointment
V Cocker	June 2000	2007 AGM (note 1)
H M Mahy	March 2003	2008 AGM
P W G Tom	February 2004	2007 AGM
P B Dermody	April 2004	2007 AGM
P E Jackson	December 2005	2006 AGM

note 1 - standing for re-election at the 2006 AGM because of rotation requirements.

Non-executive directors

All non-executive directors have specific terms of engagement, set out in their letters of appointment. Their remuneration is determined by the board within the limits set out by the Articles of Association. The advice received from Eversheds LLP during the year covered non-executive remuneration and took into consideration fees paid to non-executive directors of comparator companies. The basic fee paid to each non-executive director in the year was £30,000. No additional fees are paid for attendance, chairing or being a member of board committees. Non-executive directors cannot participate in the Company's option schemes, annual bonus scheme, receive any payment on termination and are not eligible to join the Company's pension scheme.

Remuneration report

The remuneration committee reviews the fees of the chairman. Based on the advice from Eversheds LLP, taking into account the additional responsibilities the chairman has agreed to undertake, the committee made a recommendation to the board to increase the chairman's fee by 10% with effect from 1st October 2005.

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

R W C Tom
Chairman of the remuneration committee
Solihull, 17th March 2006

Corporate social responsibility

Introduction
The board recognises the importance of and takes responsibility for corporate social responsibility ('CSR'), which is reviewed as part of the ongoing risk management process. As a supplier of premium cooking and refrigeration equipment to the consumer and commercial foodservice markets, the Group can contribute to healthier eating, improved food quality and hygiene, and energy efficiency. In addition to embedding CSR within its own operations, the Group therefore sees a key part of its CSR programme as the development of products which address these issues. In order to raise the profile and awareness of CSR across the business, the board has introduced two awards: the chairman's award for environmental improvement, and new for 2005, an award for the business with the most significant CSR initiative or progress during the year.

Statement of core principles
The board is commited to ensuring that all its business activities operate with the highest standards of business ethics and integrity as summarised in its Statement of Core Principles. This was first issued by the chief executive in December 2001 and was updated during the year. It is available on the corporate website. The statement is supported by appropriate policies in each area and translated into the appropriate languages for use in Group facilities worldwide. The board has overall responsibility for these CSR policies and the chief operating officer is responsible for their implementation.

CSR reporting and benchmarking
The Group's annual CSR Report is published on the corporate website in April each year. The report includes further details of policies, procedures and performance, with case study examples describing their implementation across the Group. The 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.

Customer and product initiatives
The Group continues to increase its emphasis on the development and marketing of products which help customers to enhance their CSR related performance as well as satisfying their business requirements. These products address increasing concerns over the use of energy and the emissions in commercial kitchens as well as improving working conditions for staff. The emphasis is also on the manufacturing of equipment to produce 'healthy' food for the quick service restaurant sector and other markets such as in-store bakeries.

The Group's high efficiency refrigerators, innovative fryers, steamers, combi-steamers and premium bakery ranges directly address these developments. For example, the Falcon Infinity Fryer, launched in 2004, is steadily gaining recognition from the foodservice industry, winning the prestigious 2005 FCSI Europe Award for Distinguished Development. It was also awarded the Catering Update 'Excellence in Catering Equipment & Supplies Award' – 'Best new item of prime cooking equipment' and 'Overall Catering Excellence' awards.

The fryer's revolutionary technology offers the potential for fried food which has less saturated fat and lower levels of potentially harmful acrylamides. In May 2005, the Group organised the 'Clean Up Frying' summit to raise awareness of these health and performance related issues and to encourage debate on the application of Government regulations on frying and cooking oil usage. Further information on this and other aspects of food standards is available at www.agalinks.com and www.cleanupfrying.com.

With the rapid escalation of energy prices, and

Corporate social responsibility

increasing environmental awareness, saving energy is becoming critical in commercial foodservice operations. Many commercial kitchens contain old and inefficient appliances that produce high levels of carbon dioxide emissions, consume large amounts of energy and are costly to run per unit of output. Investment in new commercial kitchen technology can bring better efficiency by reducing carbon dioxide emissions and by reducing fuel consumption and thus energy bills – further details are included in our booklet 'Improve Energy Efficiency in the Commercial Kitchen' available from the Group's website – www.agafoodservice.com.

In commercial refrigeration, Victory's focus on energy efficiency has been recognised, and it has been awarded 'Energy Star Partner of the Year' for Product Manufacturers under the US Government's energy conservation programme. We continue to press the case that customers should specify Energy Star listed products.

The Group is focusing on leading edge food quality issues – the Infinity Fryer helps to maintain oil and keeps process contamination to a minimum. With bakery ovens based on radiated heat technology – like the Aga – they enable our customers to provide best quality breads. At Eloma we manufacture world leading combi-ovens, which combine convection and steaming, and like our Stellar Steam ovens are boilerless and therefore dramatically reduce water usage.

Further details of the Group's initiatives in these areas are available in the annual CSR Report which is to be published on the Group website in April.

Employees
The Group requires its operating units to comply with its equal opportunities policy and it does not tolerate harassment in any form. The equal opportunities policy stipulates that operating units throughout the Group must ensure that the procedure is implemented and that there is equal opportunity of employment, retention, promotion and training regardless of race, ethnic or national origin, gender, marital status, sexual orientation, religion, trade union membership or disability and that appropriate consideration is given to disabled applicants in terms of employment.

During the year, senior management attended a seminar on diversity in the workplace. One business has since developed training for managers and supervisors and a pilot project has been successfully implemented. This will now be rolled out to all UK operations and consideration is being given to requirements in the rest of Europe and North America. The average number of employees, including directors and staff costs are detailed in note 4 to the Group accounts. Further information on employees will be provided in the annual CSR Report.

Employee Communications
Employees are kept informed of developments across the Group by a variety of means. These include a Group newsletter, 'The Aga Times', which is updated online and is distributed regularly to employees. In addition, a number of the Group companies have their own newsletters. Business unit management also hold briefing sessions and employees are encouraged to access the Group's websites and the local intranet. One North American business has undertaken an employee survey during the year and as a result issued a new employee handbook covering benefits, safety and good conduct policies. One UK business is piloting a similar survey, with its focus on establishing employee feedback on long-term objectives, values, training and rewards.

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 Group's whistle-blowing policy is posted on the Group's website in the Code of Conduct and enables employees to report in confidence any breaches of the Code of Conduct, fraud or any other criminal acts. The external whistle-blowing service provision now covers all UK and North American operations and consideration is being given to extending this provision to operations in other countries. All calls received are logged and monitored by the audit & risk committee and appropriate action taken.

The Group has an established UK Human Resources ('HR') Forum, attended by representatives of the operating businesses and there are equivalent HR structures in our key businesses in the US and other EU countries. The forum monitors absence, staff turnover, diversity in the workplace and flexible working practices. During the year, Paul Tonks was appointed Group HR director, and is responsible for global HR policies and practices in addition to retaining responsibility for health, safety and environmental matters.

Corporate social responsibility

Training and development

The Group encourages its employees to gain appropriate qualifications to enhance their career prospects. The Group particularly encourages young engineers and operates apprenticeship, work experience and placement schemes.

In 2005, the Aga Training and Assessment Centre, which provides courses for some 800 Group employees and external candidates each year, received the OFTEC National Training Centre of the Year Award and Gareth Hunt from Aga's Research & Development department received the inaugural OFTEC Trainee of the Year Award.

Health, safety and environmental

The Group recognises environmental and health and safety matters as being of key importance for its stakeholders and is committed to the continuous improvement of its performance in these areas.

Underpinning the Group environmental and health and safety policies, detailed procedures have been adopted within each of the Group's operations, with business unit managers responsible for their implementation and for keeping all concerned aware 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. A designated senior manager at each business unit is responsible for issues at a local level and reports directly to the chief operating officer on these matters.

To help leverage best practice and to drive progress, the Group has a European health, safety and environmental committee which is chaired by the Group HR director, with a separate co-ordinator responsible for the US business operations. These committees meet regularly to review standards, set targets for improvement and to promote best practice. Further details will be included in the annual CSR Report.

The health, safety and environmental committees have developed a system of internal audits using health and safety specialists to benchmark between operations. External consultants are utilised when specific needs arise.

Health and safety targets and performance

The Group monitors reportable and non-reportable accidents at all operating units and sets annual improvement targets. All UK businesses are now members of the British Safety Council and the Group benchmarks its UK accident statistics against industry standards. In 2005, the Group targeted a 10% reduction in accidents. Reportable accidents involving three or more days lost time were down by 5%; total accident numbers were down by 21% and lost time due to accidents reduced by 2% per 1000 employees taking into account acquired businesses. Further details regarding accident and lost time statistics will be available in the annual CSR Report. The Group continues to target a reduction in all types of accidents in the workplace. During 2006 the Group will focus on manual handling related incidents and on reducing absence from work, to ensure the momentum in improving accident and absence statistics is maintained.

Environmental targets and performance

The Group's environmental policy sets out the principles for enhancing environmental performance, minimising impact and for maximising efficiency. This framework forms the basis of detailed policies that are adopted by and are appropriate to the activities of individual businesses.

The Group's environmental impacts cover a range of areas, such as energy use, water consumption, transport, waste and recycling arising from our manufacturing processes and general business operations.

The Group monitors key environmental indicators and specific improvement targets are being developed to help minimise the environmental impact of the Group's operations. The focus in 2005 was to ensure efficient consumption of utilities and raw materials in view of cost increases. The Group had targeted a 9% reduction in all areas over a three year period. These targets and the progress in meeting them will be reported in the annual CSR Report.

The Group supports the adoption and implementation of environmental management systems at its operating businesses where this is considered to provide added value. The Rangemaster sites at Leamington Spa and Long Eaton were accredited to ISO 14001 in 2003 and during the year were audited against the new ISO 14001/2004 standard and achieved formal accreditation. Employees at Falcon Foodservice are receiving appropriate training to enable them to work towards accreditation.

Corporate social responsibility

During the year, to partially mitigate the effects of the increasing cost of utilities and to monitor usage, the Group has undertaken a review of its raw materials and utilities procurement policies. All UK manufacturing operations and some of the other businesses are now participating in a Group deal to procure utilities centrally and there are worldwide initiatives for sourcing raw materials and some components. The review is on-going and likely to include the retail shops and other service businesses.

In addition to its efforts to reduce the environmental impact of its day-to-day activities, the Group also seeks to minimise the risk of environmental pollution incidents. If such incidents occur, the Group has in place a policy for prompt corrective action to be taken, and where appropriate provides notification to the regulatory authorities.

During the year, there were no fines or prosecutions as a result of health and safety or environmental incidents.

The 2005 chairman's environmental award and the Group CSR award

Following the success of the chairman's environmental award to encourage employees to suggest environmental improvements, in 2005 the Group introduced a CSR award for the business unit making the most progress in the year. The 2005 CSR award was presented to Millers Vanguard for overall improvement across the spectrum of health, safety and environmental issues, policy development, employee and local community initiatives. The chairman's 2005 environmental award was presented jointly to Northland Marvel and Williams Refrigeration for the development of systems to eliminate methylene chloride from their manufacturing processes.

Supply chain – ethical trading policy

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

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 may be via donations, fundraising or personal time and commitment. Our retail businesses have organised events and allowed charities to hold meetings in the Group's outlets. Charitable initiatives can include financial and product donations, equipment maintenance and employee involvement. During 2005, Aga and its retail operations supported the CLIC-Sargent Appeal with the Chocolate Aga Campaign. AFE Divertimenti and Fired Earth worked with CRISIS supplying catering equipment to the Skylight Café project and with CRASH providing catering equipment and paint which was distributed to homelessness charities around the UK. Liaison on community issues is encouraged and comments are logged, responded to and reviewed at Group level.

Verification

The Group has instituted a regular review of its CSR policies, and since March 2002 has been advised by CSR Consulting Ltd, who assist the Company in evaluating its current policies and procedures and reinforce the Group's commitment to corporate social responsibility. At present the board does not believe that an overall external CSR audit would be appropriate but where significant issues are identified utilises external specialists as necessary.

Consolidated income statement

For the year ended 31st December

	Notes	2005 £m	2004 £m
Revenue	2 & 3	**501.8**	433.7
Group operating profit	3	**41.7**	35.2
Share of post tax result from associate		**0.1**	0.5
Profit before net finance income and income tax		**41.8**	35.7
Finance income	6	**2.3**	1.4
Finance costs	6	**(1.1)**	(0.8)
Profit before income tax		**43.0**	36.3
Income tax expense	7	**(8.6)**	(7.1)
Profit for year		**34.4**	29.2
Profit attributable to equity shareholders	25	**34.0**	29.1
Profit attributable to minority shareholders	25	**0.4**	0.1
Profit for year	25	**34.4**	29.2
Earnings per share	10	**p**	p
Basic		**26.6**	22.9
Diluted		**26.5**	22.8
		p	p
Dividend per share paid	9	**8.8**	7.5
Dividend per share proposed	9	**9.2**	8.3

The above results relate to continuing operations.

Notes to the accounts are on pages 37 to 66.

Consolidated balance sheet

As at 31st December

	Notes	2005 £m	2004 £m
Non-current assets			
Goodwill	11	**154.2**	137.4
Intangible assets	12	**19.1**	8.8
Property, plant and equipment	13	**85.3**	77.2
Investments	14	**0.3**	6.5
Retirement benefit asset	5	**-**	1.2
Deferred tax assets	22	**11.3**	5.6
		270.2	236.7
Current assets			
Inventories	15	**89.4**	70.2
Trade and other receivables	16	**90.5**	78.6
Cash and cash equivalents	19	**55.4**	49.8
		235.3	198.6
Total assets		**505.5**	435.3
Current liabilities			
Borrowings	19	**(2.1)**	(23.1)
Trade and other payables	17	**(117.5)**	(102.6)
Current tax liabilities	18	**(8.6)**	(2.1)
Current provisions	21	**(5.1)**	(4.3)
		(133.3)	(132.1)
Net current assets		**102.0**	66.5
Non-current liabilities			
Borrowings	19	**(32.9)**	(1.6)
Other payables	17	**(0.8)**	(0.1)
Retirement benefit obligation	5	**(18.2)**	(7.8)
Deferred tax liabilities	22	**(7.6)**	(5.0)
Provisions	21	**(11.7)**	(12.9)
		(71.2)	(27.4)
Total liabilities		**(204.5)**	(159.5)
Net assets		**301.0**	275.8
Shareholders' equity			
Share capital	23	**32.1**	31.5
Share premium account	25	**65.8**	60.9
Other reserves	25	**38.3**	31.5
Retained earnings	25	**162.5**	151.7
Total shareholders' funds		**298.7**	275.6
Minority interest in equity	25	**2.3**	0.2
Total equity		**301.0**	275.8

The accounts on pages 33 to 66 were approved by the board of directors on 17th March 2006 and were signed on its behalf by:

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

S M Smith **Finance Director** Shaun Smith

Notes to the accounts are on pages 37 to 66.

Consolidated cash flow statement

For the year ended 31st December

	Notes	2005 £m	2004 £m
Cash flows from operating activities			
Cash generated from operations		**37.8**	32.9
Finance income	6	**2.3**	1.4
Finance costs		**(1.0)**	(0.8)
Tax repayment / (payment)		**1.2**	(5.5)
Net cash generated from operating activities		**40.3**	28.0
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	28	**(13.8)**	(4.6)
Purchase of property, plant and equipment	13	**(10.6)**	(14.2)
Expenditure on intangibles	12	**(3.2)**	(3.2)
Proceeds from disposal of property, plant and equipment		**0.7**	7.8
Net cash used in investing activities		**(26.9)**	(14.2)
Cash flows from financing activities			
Dividends paid to shareholders	9	**(11.3)**	(9.6)
Net proceeds from issue of ordinary share capital	23	**2.7**	1.1
Repayment of / (loan) to associated undertaking		**0.3**	(0.3)
Purchase of own shares	25	**-**	(9.4)
Repayment of borrowings acquired with acquisitions		**(4.8)**	-
Finance lease (repayment) / inception		**(0.4)**	0.1
Repayment of borrowings		**(3.8)**	(2.5)
New bank loans raised		**9.1**	4.8
Net cash used in financing activities		**(8.2)**	(15.8)
Effects of exchange rate changes		**0.4**	(0.2)
Net increase / (decrease) in cash and cash equivalents		**5.6**	(2.2)
Cash and cash equivalents at beginning of year		**49.8**	52.0
Cash and cash equivalents at end of year	19a	**55.4**	49.8

This statement should be read in conjunction with the reconciliation on page 36.

Notes to the accounts are on pages 37 to 66.

Consolidated statement of recognised income and expense

For the year ended 31st December

	Notes	2005 £m	2004 £m
Profit for year		**34.4**	29.2
Exchange adjustments on net investments	25	**5.4**	(3.4)
Realisation of property revaluation gains		**-**	0.3
Cash flow hedges		**(0.1)**	-
Actuarial (losses) / gains on defined benefit pension schemes	5	**(17.5)**	18.2
Deferred tax on items taken directly to reserves	22	**5.3**	(4.5)
Net (losses) / gains not recognised in income statement		**(6.9)**	10.6
Total recognised income for year		**27.5**	39.8
Attributable to:			
Equity shareholders		**27.1**	39.7
Minority interests		**0.4**	0.1
Total recognised income for year		**27.5**	39.8

Consolidated cash flow statement – reconciliation

For the year ended 31st December

Reconciliation of operating profit to net cash inflow from operating activities

	Notes	2005 £m	2004 £m
Operating profit		**41.7**	35.2
Amortisation of intangibles	12	**1.9**	1.0
Depreciation	13	**9.8**	7.7
Profit on disposal of property, plant and equipment	3	**(0.2)**	(1.3)
(Increase) / decrease in inventories		**(4.9)**	(8.0)
(Increase) / decrease in receivables		**(4.1)**	(5.2)
Increase / (decrease) in payables		**(3.0)**	6.8
Increase / (decrease) in provisions		**(3.4)**	(3.3)
Net cash inflow from operating activities		**37.8**	32.9

Notes to the accounts are on pages 37 to 66.

Notes to the accounts

1 Accounting policies

Basis of accounting

The financial information presented in this document has 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 2005. These are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and are therefore subject to possible change. Further standards and interpretations may also be issued that will be applicable for financial years beginning on or after 1st January 2005 or that are applicable to later accounting periods but may be adopted early.

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The primary statements within the financial information contained in this document have been presented in accordance with IAS 1, 'Presentation of Financial Statements'. However, this format and presentation may require modification as practice develops and in the event that further guidance is issued.

The accounts are prepared under the historical cost convention, except where adjusted for revaluations of certain fixed assets, and in accordance with applicable Accounting Standards and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. A summary of the principal Group IFRS accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards.

IFRS exemptions

Business combinations - IFRS 1 'First time adoption of IFRS' allows companies to elect not to apply IFRS 3 retrospectively to business combinations which occurred before the date of transition to IFRS. The Group has elected to take advantage of this exemption and not apply IFRS 3 retrospectively to business combinations that took place before 1st January 2004, the date of transition to IFRS.

Retirement benefits - the Group has elected to recognise all cumulative actuarial gains and losses as at 1st January 2004 which is an optional exemption from full retrospective application given by IFRS 1.

Property, plant and equipment - as permitted under IFRS 1 the Group has valued property, plant and equipment at the date of transition using a revaluation made in prior years under UK GAAP. The revalued amount at 1st January 2004 has been deemed to be cost.

Foreign currencies - under IFRS 1, the Group is not required to record cumulative translation differences arising prior to the transition date. In utilising this exemption, all cumulative exchange differences are deemed to be zero as at 1st January 2004 and all subsequent disposals shall exclude any translation differences arising prior to the date of transition.

Financial instruments - the Group has taken advantage of the exemption under IFRS 1 not to present its comparatives in accordance with IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'. Consequently, for the comparatives to the 2005 financial statements, the financial information is presented in accordance with UK GAAP.

IFRS 2 'Share-based Payments' - the Group has taken advantage of the exemption to not apply the requirements of IFRS 2 to equity instruments that were granted before 7th November 2002.

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 consolidated accounts also include the Group's share of post-acquisition earnings and net assets of associated undertakings. The Group defines a subsidiary as an entity that the Group has the power to control.

Business combinations and goodwill

Shares issued as consideration for the acquisition of companies have a fair value attributed to them, which is normally their market value at the date of acquisition. Net tangible assets acquired are consolidated at a fair value to the Group at the date of acquisition. All changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control of the subsidiary, are credited and charged to the post-acquisition income statement.

Under UK GAAP, 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 UK GAAP balance sheet as goodwill and until 31st December 2004 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 and when there are indications that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying

Notes to the accounts

1 Accounting policies (continued)

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.

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

Based on the risks and returns of the Group's products and services the directors consider that the primary reporting format is by business segment and the secondary reporting format is geographical. The business segments have been chosen on the basis of the internal management structure and system of reporting to the board of directors.

Revenue recognition
Revenue, which excludes value added tax and intra-group sales, represents the invoiced value of goods and services sold to customers. Appropriate provisions for returns, trade discounts and other allowances are deducted from revenue as appropriate. The Group has no barter transactions.

Under IAS 18 'Revenue' the Group's revenue has been recognised when performance has occurred and a right to consideration has been obtained.

Post retirement benefits
The Group's major pension plans are of a defined benefit type. Under IAS 19 'Employee Benefits' the employer's portion of the current service costs 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. 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. A full valuation is carried out tri-annually using the projected unit credit method.

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

Intangible assets
Development expenditure is capitalised when a clear, commercially viable future for that development is confirmed and it is amortised on a straight line basis over the life of the project, limited to a maximum of five years, following the commencement of its commercial production. 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, 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. Intangible assets with indefinite lives are not amortised but are subject to annual impairment tests.

Intangible assets are reviewed for impairment on an annual basis using the Group's cost of capital as the discount rate to adjust for risk.

Property, plant and equipment
Under IAS 16 'Property, Plant and Equipment' assets are held at cost less accumulated depreciation, although some assets are carried 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 over its expected useful life as follows:

i. Freehold buildings over 50 years.

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

iii. Plant 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.

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.

Notes to the accounts

1 Accounting policies (continued)

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.

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

Inventories and long-term contracts
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.

The amount by which recorded revenue is in excess of payments on account is included in debtors as amounts recoverable on long-term contracts. Revenue is recognised by reference to the stage of completion of the contract, when the outcome of the transaction can be assessed reliably.

Borrowings
Borrowings are recognised initially at their amortised cost, net of the associated finance costs, which are amortised to the income statement account over the life of the borrowings, this is equivalent to fair value. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Foreign currencies
The income statement items of overseas subsidiaries and related companies are translated into sterling using average exchange rates. Assets and liabilities in foreign currencies including goodwill arising on acquisitions are translated at the mid-market rates of exchange ruling at the balance sheet date. Other exchange differences are dealt with through the income statement.

Where the translation of overseas subsidiaries and associated undertakings, net of any foreign currency borrowing used to finance them, gives rise to an exchange difference, this is taken directly to reserves. The translation differences arising are separately recorded in equity and are accounted for in subsequent disposals of foreign operations.

Financial risk management

Financial risk factors
The Group's operations bring about a variety of financial risks that include fluctuations in foreign currency, liquidity, interest rate and credit risk. Setting the general treasury policy is a matter reserved for the board with authority delegated to the chief executive's committee.

The board of directors therefore has the responsibility for the risk management policies applied by the Group. The Group treasury has a policy and procedures manual that sets out specific guidelines to manage Group foreign exchange risk, interest rate risk, credit risk and the use of financial instruments to manage these risks.

a) Foreign exchange risk
As a result of the Group's geographical presence and operations, it is exposed to foreign currency risks primarily with respect to the US dollar and the Euro. The Group requires its operating units to apply transactional hedging for highly probable sales receipts and purchase commitments denominated in currencies other than the units' functional currency. Operating units enter into forward currency contracts for a period of up to twelve months directly with their relationship banks. This is performed on a rolling twelve month basis.

With its strategy of growth on an international level, the Group has significant investments in overseas operations. Such investments in foreign currency denominated assets are hedged primarily by putting in place foreign currency borrowings. Other hedging instruments such as cross currency interest swaps and forward foreign currency contracts may also be considered from time to time.

b) Interest rate risk
The Group maintains a policy to minimise interest rate risk on its borrowings and deposits by using interest rate swaps and forward agreements where appropriate. The Group's policy is, normally to have between 25% and 75% of debt at fixed rates at any time. As the Group currently has net cash, interest rate risk is managed without the need to use derivative financial instruments.

c) Credit risk
The Group regularly reviews its operations to ensure there is no significant concentration of credit risk. The Group policy requires appropriate credit checks to be carried out on potential customers prior to trading. Financial instruments are undertaken with counterparties that are approved by the board. Deposits and derivative financial instruments are placed with counterparties with high credit ratings assigned by credit rating agencies. The amount of exposure to any counterparty is subject to an approved limit, which is reviewed annually by the board.

Notes to the accounts

1 Accounting policies (continued)

d) Liquidity risk
The Group maintains a mixture of short-term, uncommitted and medium-term, committed facilities to ensure a sufficient level of funds are available for its business operations.

e) Price risk
The Group does not have derivative financial instruments which expose it to price risk.

Derivative financial instruments and hedge accounting
The accounting treatment of derivatives classified as hedges by the Group, depends on the designation, which occurs on the date that the derivative instrument is committed to.

The Group designates derivatives as:
- Fair value hedge, i.e. a hedge of the fair value of an asset or a liability
- Cash flow hedge, i.e. a hedge of the income or cost of a highly probable forecasted transaction or commitment
- A hedge of a net investment in a foreign entity.

To qualify for hedge accounting, the Group is required to document in advance the relationship between the hedged item and the hedging instrument. The formal documentation includes the method for testing the hedge relationship on an ongoing basis. This effectiveness test is performed at the end of each reporting period to demonstrate that the hedge remains highly effective.

The 2004 figures are under UK GAAP and 2005 under IFRS. The Group's objective in using derivative financial instruments is to minimise its exposure to financial risk. The Group's policy for managing financial risk has remained unchanged through the transition from UK GAAP to IFRS. Had derivative financial instruments been accounted for on an IFRS basis, no adjustment would have been required for 2004.

Hedge of net investments in foreign entities
The Group hedges net investments in foreign entities primarily through currency borrowings. Any gains and 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 foreign operation is disposed of.

Transactional hedging by forward foreign currency contracts
Where the appropriate 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 or losses on the fair value of forward contracts are taken to the income statement as they arise.

Government grants
Under IAS 20 'Government Grants' grants relating to fixed assets, are treated as deferred income and are transferred to revenue in equal amounts over the life of the assets.

Current and deferred tax
Deferred tax is provided using the 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.

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

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

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 scheme – the Group has principally adopted the Black Scholes model and a TSR Pricing model, respectively, for the purposes of computing fair value under IFRS. IFRS 2 allows the measurement of this expense to be calculated only on options granted after 7th November 2002.

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

Provisions
Provision is made for the estimated liability on all products still under warranty. Product warranties of between 1 and 3 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 Pipe Systems, including probable warranty and indemnity claims, taxation exposures, other claims and other costs from third parties in relation to divested businesses. Provisions are not discounted.

Notes to the accounts

2 Segmental analysis

By primary segment - business group	2005 Revenue £m	2005 Operating profit £m	2005 Segment assets £m	2005 Segment liabilities £m	2004 Revenue £m	2004 Operating profit £m	2004 Segment assets £m	2004 Segment liabilities £m
UK & European Consumer	**215.2**	**23.0**	**167.5**	**63.4**	175.4	19.6	118.1	45.6
US Consumer	**69.6**	**2.3**	**45.6**	**16.1**	65.4	2.0	36.0	13.9
UK & European Foodservice	**172.8**	**14.0**	**182.4**	**56.9**	151.5	10.2	181.3	50.8
US Foodservice	**44.2**	**2.4**	**42.9**	**9.4**	41.4	3.4	36.8	7.7
Total operations	**501.8**	**41.7**	**438.4**	**145.8**	433.7	35.2	372.2	118.0
Share of result of associate	**-**	**0.1**	**-**	**-**	-	0.5	-	-
Finance income	**-**	**2.3**	**-**	**-**	-	1.4	-	-
Finance costs	**-**	**(1.1)**	**-**	**-**	-	(0.8)	-	-
Total	**501.8**	**43.0**	**438.4**	**145.8**	433.7	36.3	372.2	118.0
Provision for businesses sold	**-**	**-**	**-**	**7.5**	-	-	-	9.7
Tax	**-**	**(8.6)**	**11.4**	**16.2**	-	(7.1)	6.8	7.1
Investments	**-**	**-**	**0.3**	**-**	-	-	6.5	-
Cash / borrowings	**-**	**-**	**55.4**	**35.0**	-	-	49.8	24.7
Total	**501.8**	**34.4**	**505.5**	**204.5**	433.7	29.2	435.3	159.5

An analysis of net assets by category of asset is given on page 68.

There are four main segments, as shown above. UK & European Consumer includes the Aga, Rangemaster, Fired Earth and Grange brands operating mainly in the UK and Europe. The US Consumer segment includes the Domain, Northland and Marvel brands and operates mainly in North America. The UK & European Foodservice segment includes the Falcon, Millers Vanguard, Mono and Williams brands operating mainly in the UK and Bongard and Pavailler operating in Europe. US Foodservice includes the Adamatic, Belshaw and Victory brands operating mainly in North America. All segments have similar customer bases, bringing together operations selling into particular markets and working together to optimise sales in those markets.

Revenue between UK & European Consumer and US Consumer was £2.7m (2004: £1.8m). revenue between other business groups whilst growing is not material. Segment assets include property, plant and equipment, intangibles, inventories and receivables. Segment liabilities comprise operating payables, retirement obligations and provisions. Cash, borrowings and taxation are not included in the segments. Other external charges and income relating to corporate companies are apportioned to the UK segments based on revenue.

By primary segment - business group	2005 Capital expenditure £m	2005 Depreciation £m	2005 Amortisation of intangibles £m	2005 Impairment of trade receivables £m	2004 Capital expenditure £m	2004 Depreciation £m	2004 Amortisation of intangibles £m	2004 Impairment of trade receivables £m
UK & European Consumer	**5.7**	**5.7**	**1.0**	**0.9**	8.2	4.3	0.6	0.6
US Consumer	**2.2**	**1.2**	**0.1**	**-**	1.2	1.1	-	0.1
UK & European Foodservice	**2.3**	**2.3**	**0.7**	**2.5**	3.6	1.8	0.4	2.2
US Foodservice	**0.4**	**0.6**	**0.1**	**0.1**	1.2	0.5	-	0.3
Total	**10.6**	**9.8**	**1.9**	**3.5**	14.2	7.7	1.0	3.2

Impairment of goodwill was £nil.

Notes to the accounts

2 Segmental analysis (continued)

By secondary segment - geographical origin	2005 Revenue £m	2005 Segment assets £m	2005 Capital expenditure £m	2004 Revenue £m	2004 Segment assets £m	2004 Capital expenditure £m
United Kingdom	**267.5**	**255.8**	**6.9**	258.5	219.9	10.8
North America	**113.4**	**88.5**	**2.6**	106.8	73.7	2.4
Europe	**113.4**	**86.8**	**1.1**	63.3	75.0	1.0
Rest of World	**7.5**	**7.3**	**-**	5.1	3.6	-
Total operations	**501.8**	**438.4**	**10.6**	433.7	372.2	14.2
Tax	**-**	**11.4**	**-**	-	6.8	-
Investments	**-**	**0.3**	**-**	-	6.5	-
Cash	**-**	**55.4**	**-**	-	49.8	-
Total	**501.8**	**505.5**	**10.6**	433.7	435.3	14.2

Revenue by geographical destination	2005 £m	2005 %	2004 £m	2004 %
United Kingdom	**254.1**	**50.7**	246.3	56.8
North America	**118.1**	**23.5**	107.9	24.9
Europe	**106.4**	**21.2**	63.6	14.6
Rest of World	**23.2**	**4.6**	15.9	3.7
Total	**501.8**	**100.0**	433.7	100.0

3 Net operating costs

	2005 £m	2004 £m
Revenue	**501.8**	433.7
Less operating profit	**(41.7)**	(35.2)
Net operating costs	**460.1**	398.5
Net operating costs		
Raw materials and consumables	**204.8**	175.7
Staff costs (note 4)	**146.3**	130.4
Other operating charges	**83.2**	76.4
Change in stocks of finished goods and work in progress	**(5.6)**	(2.3)
Other operating income	**(8.2)**	(9.1)
Other external charges	**27.9**	18.7
Amortisation of intangibles	**1.9**	1.0
Depreciation of tangible fixed assets net of impairment reversal	**9.8**	7.7
Net operating costs	**460.1**	398.5

Included in other operating income are items in respect of property rental income, legal settlements, insurance claims and royalties.

Notes to the accounts

3 Net operating costs (continued)

Net operating costs include the following:

	2005 £m	2004 £m
Profit on disposal of property, plant and equipment	**(0.2)**	(1.3)
Trade receivables impairment	**3.5**	3.2
Reversal of inventory write down made in previous year (note 15)	**(1.1)**	(0.8)
Inventory provisions charged in the year (note 15)	**1.2**	1.2
Research and development expenditure	**1.5**	1.0
Depreciation of property, plant and equipment:		
- owned assets	**9.6**	7.5
- under finance lease	**0.2**	0.2
Amortisation of intangibles	**1.9**	1.0
Operating lease rentals payable:		
- plant and machinery	**2.9**	2.9
- property	**11.9**	8.2
Repairs and maintenance expenditure on property, plant and equipment	**2.1**	1.9
Net exchange differences on foreign currency borrowings less deposits	**0.9**	0.1
Auditors' remuneration		
- Statutory audit services provided by primary auditors	**0.5**	0.3
- Other services provided by primary auditors	**0.4**	0.4
(Includes £0.1m for tax compliance services, £0.1m for tax advisory and £0.2m for further assurance services)		
- Pension scheme audit fees	**0.1**	0.1
Other services received from other professional accountants		
(Includes £0.4m for tax compliance services, £0.1m for tax advisory and £0.2m for assurance services)	**0.7**	0.6

4 Employee information

Average number of employees (including directors)	**2005**	2004
UK & European Consumer	**2,416**	2,017
US Consumer	**573**	543
UK & European Foodservice	**2,213**	2,161
US Foodservice	**439**	418
Total	**5,641**	5,139

Staff costs (including directors)	**£m**	£m
Wages and salaries	**129.4**	113.3
Social security costs	**18.0**	14.1
Other pension costs	**(1.1)**	3.0
Total staff costs	**146.3**	130.4

Directors' & key management's emoluments

Details of directors' emoluments are set out in the remuneration report on pages 23 to 29. Other key management are considered to be the managing directors of the major operations within each business segment.

	2005 £m	2004 £m
Salaries and short-term benefits	**0.8**	0.7
Post employment benefits	**0.1**	0.1
Share based payments	**0.1**	0.1
Total emoluments to key management	**1.0**	0.9

Notes to the accounts

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. Other defined benefit schemes operated within the Group are the Mono Equipment Limited Pension and Life Assurance Scheme, the Amari plc Pension and Life Assurance Plan and various overseas arrangements. Various defined contribution schemes exist across the Group and the total contributions in the year were £0.4m (2004: £0.4m) included in note 4, staff costs.

The latest full valuation of the main United Kingdom scheme was carried out by Watson Wyatt LLP. independent consulting actuaries, as at 31st December 2002 using the projected unit credit method. Group defined benefit scheme contributions of £4.9m (2004: £5.4m) based on pensionable salaries were made during the year ended 31st December 2005. Contributions of £0.4m (2004: £0.4m) were owed to the schemes at 31st December 2005. Contributions for the next year under the main UK scheme will continue to be 12.8% (2004: 12.8%) for all members accruing benefits on a final salary basis with the exception of members of the former 1970 scheme and 32.8% (2004: 32.8%) for members of the former 1970 scheme, pending review on completion of a full actuarial valuation, company contributions of around £5m are expected to be paid to this scheme during this year.

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

	UK & US schemes 2005	**European schemes 2005**	UK & US schemes 2004	European schemes 2004
Rate of increase in pensionable salaries	**4.0%**	**3.0-4.0%**	4.0%	3.0%
Rate of increase of pensions in payment	**2.25-3.2%**	**-**	2.5-3.2%	-
Discount rate	**4.8%**	**3.8-4.4%**	5.35%	5.25-5.5%
Inflation assumption rate	**2.5%**	**2.0-2.5%**	2.5%	2.0-2.7%
Expected rate of return on schemes' assets	**6.0%**	**6.4%**	6.3%	-

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 assets and obligations of the aggregated schemes are:

	2005 £m	2004 £m
Equities	**334.5**	284.4
Bonds	**314.0**	292.0
Property	**66.9**	63.4
Other	**35.2**	34.2
Fair value of schemes' assets	**750.6**	674.0
Present value of funded obligation	**(768.8)**	(680.6)
Deficit in the schemes	**(18.2)**	(6.6)
Balance sheet presentation:		
Retirement benefit asset	**-**	1.2
Retirement benefit obligation	**(18.2)**	(7.8)
Deficit in the schemes	**(18.2)**	(6.6)

Included above are assets with a market value of £4.3m (2004: £1.5m) and a deficit of £3.3m (2004: £2.3m) in respect of overseas schemes. The foreign exchange impact on the US & European schemes is not significant. The impact on the deficit in the schemes of the Waterford Stanley acquisition is £0.1m and of the Grange acquisition on the pension scheme is £0.4m.

Notes to the accounts

5 Pensions (continued)

	2005	2004
	£m	£m
Fair value of schemes' assets	750.6	674.0
Present value of funded obligation	(768.8)	(680.6)
(Deficit) / surplus in the schemes	(18.2)	(6.6)
Related deferred tax asset	5.5	2.0
Net pension (deficit) / surplus	(12.7)	(4.6)

The amounts recognised in the income statement are as follows:	2005	2004
	£m	£m
Current service cost	6.5	6.3
Curtailment gain	(1.6)	-
Expected return on pension schemes' assets	(41.9)	(39.8)
Interest cost on pension schemes' liabilities	35.5	35.8
Total included in staff costs (note 4)	(1.5)	2.3

Movement in deficit of the aggregated schemes during the year	2005	2004
	£m	£m
Deficit of the schemes at the beginning of the year	(6.6)	(27.9)
Total income / (expense) as above	1.5	(2.3)
Company contributions	4.9	5.4
Acquisitions (note 28)	(0.5)	-
Actuarial (loss) / gain	(17.5)	18.2
Deficit of the schemes at the end of the year	(18.2)	(6.6)

The cumulative amount recognised in the statement of recognised income and expense is £0.7m.

Changes in the present value of defined benefit obligations are as follows:	2005	2004
	£m	£m
Present value of obligation at the beginning of the year	680.6	661.9
Interest cost	35.5	35.8
Current service cost	6.5	6.3
Member contributions	1.3	1.2
Benefit payments	(31.3)	(27.4)
Curtailments	(1.6)	-
Acquisitions	3.1	-
Loss on change of assumptions	66.9	16.9
Experience loss / (gain)	7.8	(14.1)
Present value of obligations at the end of the year	768.8	680.6

Changes in the fair value of schemes' assets are as follows:	2005	2004
	£m	£m
Fair value of schemes' assets at the beginning of the year	674.0	634.0
Benefit payments	(31.3)	(27.4)
Company conributions	4.9	5.4
Member contributions	1.3	1.2
Expected return on schemes' assets	41.9	39.8
Asset gain	57.2	21.0
Acquisitions	2.6	-
Fair value of schemes' assets at the end of the year	750.6	674.0

Notes to the accounts

6 Finance income - net

	2005	2004
	£m	£m
Finance income	(1.3)	(1.4)
Interest on repayment of tax	(1.0)	-
Total finance income	**(2.3)**	(1.4)
Finance costs:	£m	£m
Bank borrowings	1.0	0.6
Other borrowings	0.1	0.2
Total finance cost	**1.1**	0.8
Net finance income	**(1.2)**	(0.6)

7 Income tax

	2005	2004
United Kingdom corporation tax based on a rate of 30% (2004: 30%):	£m	£m
Current tax on income for year	4.2	4.6
Adjustments in respect of prior years	(1.6)	(2.1)
United Kingdom corporation tax	2.6	2.5
Overseas current tax on income for year	3.9	2.6
Total current tax	6.5	5.1
United Kingdom deferred tax charge in year	2.9	2.1
Overseas deferred tax credit in year	(0.8)	(0.1)
Total deferred tax (note 22)	2.1	2.0
Total United Kingdom tax	5.5	4.6
Total overseas tax	3.1	2.5
Total income tax	**8.6**	7.1

Deferred tax of £5.3m was credited (2004: £5.5m charged) to equity in respect of the actuarial loss / gain, respectively.

The current tax assessed for the year is lower than the standard rate of corporation tax in the UK as explained below:	2005	2004
	£m	£m
Profit on ordinary activities before tax	43.0	36.3
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	12.9	10.9
Effects of:		
- non-taxable income	(3.3)	(2.3)
- non-deductible expenses	0.5	0.6
- adjustment to tax charge in respect of prior years	(1.6)	(2.1)
- higher rates of tax on overseas earnings	0.1	-
Total tax charge for the year	**8.6**	7.1

Notes to the accounts

8 Profit for the year

Group profit after income tax and profit attributable to equity shareholders for the year was £34.0m (2004: £29.1m).

9 Dividends

	2005	2004
	£m	£m
Final paid of 5.8p per share for the year ended 31st December 2004 (2003: 5.0p)	7.4	6.4
Interim paid of 3.0p per share (2004: 2.5p)	3.9	3.1
Amounts recognised as distributions to equity shareholders in the year	11.3	9.5

The directors are proposing a final dividend in respect of the financial year ending 31st December 2005 of 6.2p which will represent an £8.0 million reduction to shareholders' equity. This has not been included as a liability as it has not been approved by the shareholders. It will be paid on 2nd June 2006 to shareholders who are on the register of members on 28th April 2006.

10 Earnings per share

The basic earnings per share is calculated by dividing the earnings attributable to equity shareholders 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:

	2005	2004
Earnings – for basic and diluted EPS	£m	£m
Profit on ordinary activities after tax	34.4	29.2
Minority interests	(0.4)	(0.1)
Earnings – for basic and diluted EPS	34.0	29.1
Weighted average number of shares in issue	million	million
For basic EPS calculation	127.6	127.0
Dilutive effect of share options	0.8	0.6
For diluted EPS calculation	128.4	127.6
Earnings per share	p	p
Basic	26.6	22.9
Diluted	26.5	22.8

11 Goodwill

	2005	2004
	£m	£m
Cost		
At 1st January	137.4	137.2
Exchange adjustment	3.3	(2.2)
Arising from acquisitions in the year (note 28)	13.0	1.8
Arising from adjustment to prior year acquisitions (note 28)	0.5	0.6
At 31st December	154.2	137.4

Notes to the accounts

12 Intangible assets

	Computer software £m	Brands £m	Development costs £m	Other £m	Total £m
Cost					
At 1st January 2005	4.1	1.7	6.7	-	**12.5**
Exchange adjustment	-	0.1	-	-	**0.1**
Additions	0.4	-	2.7	0.1	**3.2**
Arising from acquisitions in the year (note 28)	-	8.7	-	0.3	**9.0**
Disposals	(0.1)	-	(0.2)	-	**(0.3)**
At 31st December 2005	4.4	10.5	9.2	0.4	**24.5**
Amortisation					
At 1st January 2005	2.7	-	1.0	-	**3.7**
Disposals	(0.1)	-	(0.1)	-	**(0.2)**
Charge for the year	0.4	-	1.5	-	**1.9**
At 31st December 2005	3.0	-	2.4	-	**5.4**
Net book value at 31st December 2005	**1.4**	**10.5**	**6.8**	**0.4**	**19.1**

	Computer software £m	Brands £m	Development costs £m	Total £m
Cost				
At 1st January 2004	3.7	-	3.7	7.4
Additions	0.4	-	2.8	3.2
Arising from acquisitions in the year	-	1.7	0.2	1.9
At 31st December 2004	4.1	1.7	6.7	12.5
Amortisation				
At 1st January 2004	2.5	-	0.2	2.7
Charge for the year	0.2	-	0.8	1.0
At 31st December 2004	2.7	-	1.0	3.7
Net book value at 31st December 2004	1.4	1.7	5.7	8.8

Amortisation charges have been charged directly to the income statement.

Brands acquired relate to La Cornue, Waterford Stanley and Grange, other items include patents and customer lists acquired.

Notes to the accounts

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 2005	47.9	86.4	1.4	**135.7**
Exchange adjustment	0.3	1.3	-	**1.6**
Businesses acquired	4.4	17.1	(0.1)	**21.4**
Capital expenditure	1.2	8.1	1.3	**10.6**
Disposals	(0.5)	(2.2)	0.1	**(2.6)**
Reclassification	0.2	1.6	(0.8)	**1.0**
At 31st December 2005	53.5	112.3	1.9	**167.7**
Depreciation				
At 1st January 2005	9.5	49.0	-	**58.5**
Exchange adjustment	0.4	0.5	-	**0.9**
Businesses acquired	2.4	12.3	-	**14.7**
Charge for the year	1.7	8.1	-	**9.8**
Disposals	(0.2)	(2.0)	-	**(2.2)**
Reclassification	-	0.7	-	**0.7**
At 31st December 2005	13.8	68.6	-	**82.4**
Net book value at 31st December 2005	**39.7**	**43.7**	**1.9**	**85.3**

The cost of tangible fixed assets includes £2.9m (2004: £1.7m) and the net book value of tangible fixed assets includes £1.8m (2004: £0.8m) in respect of assets held under finance leases. Depreciation for the year on these assets was £0.2m (2004: £0.2m) and accumulated depreciation was £1.1m (2004: £0.9m). All leases have been reviewed throughout the year and are capitalised where appropriate.

	Freehold and long leasehold land and buildings £m	Plant, machinery and equipment £m	Assets in course of construction £m	Total £m
Cost				
At 1st January 2004	47.4	78.3	0.8	126.5
Exchange adjustment	(0.3)	(1.0)	-	(1.3)
Businesses acquired	1.3	0.9	-	2.2
Capital expenditure	2.2	10.9	1.1	14.2
Disposals	(2.9)	(3.0)	-	(5.9)
Reclassification	0.2	0.3	(0.5)	-
At 31st December 2004	47.9	86.4	1.4	135.7
Depreciation				
At 1st January 2004	9.8	44.7	-	54.5
Exchange adjustment	(0.2)	(0.6)	-	(0.8)
Businesses acquired	-	0.5	-	0.5
Charge for the year	0.7	7.0	-	7.7
Disposals	(0.8)	(2.6)	-	(3.4)
At 31st December 2004	9.5	49.0	-	58.5
Net book value at 31st December 2004	38.4	37.4	1.4	77.2

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

Notes to the accounts

14 Investments

	2005 £m
Interest in associated undertakings	
At 1st January 2005	**6.5**
Transfer to goodwill on acquisition	**(4.8)**
Repayment of loan to associated undertaking	**(0.3)**
Additions	**0.3**
Reclassification (note 28)	**(1.4)**
At 31st December 2005	**0.3**

In July 2005, the Group increased its shareholding in Grange SA (France) to 75% and consequently Grange has been accounted for as a subsidiary, previously an associate.

15 Inventories

	2005 £m	2004 £m
Raw materials and consumables	**22.5**	16.6
Work in progress	**13.1**	10.0
Finished goods and goods for resale	**53.8**	43.6
Total stocks	**89.4**	70.2

The Group consumed £166.9m of inventories during the year (2004: £160.4m).
The Group charged £1.2m to inventory provisions in the year (2004: £1.2m). The Group reversed £1.1m being part of an inventory provision made in December 2004 that was subsequently not required (2004: £0.8m).
The Group held no inventories pledged as security for liabilities.
Inventories held for over one year amount to £5.7m (2004: £4.5m).

16 Trade and other receivables

	2005 £m	2004 £m
Amounts falling due within one year		
Trade receivables	**77.3**	68.5
Less provision for impairment of receivables	**(3.5)**	(3.2)
Trade receivables – net	**73.8**	65.3
Amounts owed by associated undertakings	**-**	0.3
Other receivables	**5.5**	3.2
Prepayments and accrued income	**9.2**	6.8
Total receivables falling due within one year	**88.5**	75.6
Amounts falling due after one year		
Other receivables	**1.9**	1.8
	90.4	77.4
Income tax recoverable	**0.1**	1.2
Total receivables	**90.5**	78.6

Trade and other receivables are recorded at fair value.
The effective interest rate used for fair valuing non-current receivables was 7%.
The impact of long-term contracts on receivables is £0.4m and on revenue £5.3m.

Notes to the accounts

17 Trade and other payables

	2005 £m	2004 £m
Current trade and other payables		
Trade payables	**70.0**	64.0
Payments on account	**1.1**	5.8
Social security	**6.3**	3.5
Accruals and deferred income	**25.6**	14.7
Other payables	**14.5**	14.6
Total current operating payables	**117.5**	102.6
Accruals and deferred income	**0.2**	-
Other payables	**0.6**	0.1
Total non-current operating payables	**0.8**	0.1

18 Current tax assets / (liabilities)

	2005 £m	2004 £m
Included in receivables		
Income tax recoverable	**0.1**	1.2
Current tax liabilities	**(8.6)**	(2.1)

19 Cash and borrowings

a) Cash and cash equivalents

	2005 £m	2004 £m
Cash at bank and in hand	**0.1**	0.1
Short term bank deposits	**55.3**	49.7
Cash and cash equivalents	**55.4**	49.8

Included in cash and cash equivalents was cash held for unclaimed dividends of £0.2m (2004: £0.2m).
The short-term bank deposits have a maturity of one month or less with an effective interest rate of 3.6% (2004: 4.6%).

b) Financial liabilities – borrowings

	2005 £m	2004 £m
Fixed rate loan notes	**0.1**	0.3
Finance leases	**0.4**	0.2
Bank borrowings	**1.6**	22.6
Total falling due within one year	**2.1**	23.1

Notes to the accounts

19 Cash and borrowings (continued)

b) Financial liabilities – borrowings continued

	2005 £m	2004 £m
Finance leases	**1.9**	0.7
Bank borrowings	**31.0**	0.9
Total falling due after one year	**32.9**	1.6
Total borrowings	**35.0**	24.7
Cash at bank and in hand	**(55.4)**	(49.8)
Total net cash	**(20.4)**	(25.1)

The Group's bank borrowings are primarily loan advances denominated in a number of currencies and interest is based on LIBOR or foreign equivalents. The maturity of the loan advances ranges between one and six months. The finance lease obligations are secured by the lessors' rights over the assets leased and the remaining borrowings are unsecured.

c) Other financial liabilities

	2005 £m	2004 £m
Deferred consideration payable	**-**	2.1
Provision for vacant leasehold properties	**0.4**	0.4
	0.4	2.5

The provision for vacant leasehold properties is considered to be a non-interest bearing liability and has an average period to maturity of four years (2004: two years).

20 Financial instruments

Numerical financial instruments disclosures are set out below and additional information relating to financial risk management is set out in the accounting policies page 39.

a) Net fair values of derivative financial instruments

The fair value of the Group's financial assets and liabilities at the balance sheet date approximate their book value.

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

The net fair values of derivative financial instruments designated as cash flow hedges at the balance sheet date were:

	2005 £m	2004 £m
Forward foreign currency contracts	**(0.1)**	-

As at 31 December 2005, the total notional amount of outstanding forward foreign exchange contracts that the Group has committed to was £13.1m (2004: £13.1m). The fair value of these open 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.

b) Hedging of net investment in foreign entities

The Group has Euro and US dollar denominated borrowings which it has designated as a hedge of the net investment in its subsidiaries in Europe and the US. The fair value of such Euro borrowings at 31st December 2005 was £27.4m (2004: £20.7m) and the US dollar borrowings £2.1m (2004: £1.6m). The exchange difference on the translation of the borrowings into sterling has been recognised in exchange reserves.

Notes to the accounts

20 Financial instruments (continued)

c) Maturity analysis of financial liabilities

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

2005	**Borrowings £m**	**Finance Leases £m**	**Other financial liabilities £m**	**Total £m**
Within 1 year or on demand	1.7	0.4	-	**2.1**
Between 1 and 2 years	30.5	0.3	-	**30.8**
Between 2 and 5 years	0.5	1.6	0.4	**2.5**
At 31st December	**32.7**	**2.3**	**0.4**	**35.4**

2004	Borrowings £m	Finance Leases £m	Other financial liabilities £m	Total £m
Within 1 year or on demand	22.9	0.2	2.1	25.2
Between 1 and 2 years	0.3	0.3	0.4	1.0
Between 2 and 5 years	0.6	0.4	-	1.0
At 31st December	23.8	0.9	2.5	27.2

d) Borrowing facilities

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

	2005 £m	2004 £m
Expiring within 1 year	-	2.7
Expiring between 1 and 2 years	**30.5**	-
Expiring between 2 and 5 years	**30.0**	-
Total undrawn committed facilities	**60.5**	2.7

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

In addition to the committed facilities detailed above, the Group also has uncommitted facilities totalling £41.0m (2004: £41.0m).

Notes to the accounts

20 Financial instruments (continued)

e) Finance leases

The fair value of the Group's lease obligations approximates their carrying amount at the balance sheet date. The obligations under finance leases are secured by the lessors' rights over the assets leased.

	2005	2004
	£m	£m
Gross lease liabilities	**2.4**	0.9
Future interest	**(0.1)**	-
Net lease liabilities	**2.3**	0.9
Net lease liabilities are repayable as follows:		
Within 1 year	**0.4**	0.2
Between 1 and 2 years	**0.3**	0.3
Between 2 and 5 years	**1.6**	0.4
Total net lease liabilities	**2.3**	0.9

21 Provisions

	Product warranties £m	**Property & reorganisation £m**	**Other £m**	**Total £m**
At 1st January	3.2	1.2	12.8	**17.2**
Exchange adjustment	0.1	-	0.2	**0.3**
Acquisitions (note 28)	0.5	1.3	0.9	**2.7**
Charge / (credit) in the year	1.7	(0.4)	(2.1)	**(0.8)**
Utilised in year	(1.3)	(0.6)	(0.7)	**(2.6)**
At 31st December	**4.2**	**1.5**	**11.1**	**16.8**

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

	2005	2004
	£m	£m
Current	**5.1**	4.3
Non-current	**11.7**	12.9
	16.8	17.2

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 shown in note 20(c).

Other

The Group's other provisions relate to the remaining costs in respect of the disposal of Pipe Systems, including possible warranty and indemnity claims, taxation exposures, 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.

Notes to the accounts

22 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2004: 30%). The movement on the deferred tax account is shown below:

Deferred tax – net

	2005 £m	2004 £m
At 1st January	**(0.6)**	(6.2)
Exchange adjustment	**0.2**	0.1
Acquisitions (note 28)	**(0.6)**	(0.1)
Taken to equity	**(5.3)**	4.5
Charge	**2.1**	2.0
Utilised in year	**0.5**	(0.9)
At 31st December	**(3.7)**	(0.6)

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

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

Deferred tax liabilities

	Accelerated tax depreciation £m	Other £m	Total £m
At 1st January	3.9	1.1	**5.0**
Charged to income statement	0.4	1.7	**2.1**
Other	-	0.5	**0.5**
At 31st December	4.3	3.3	**7.6**

The deferred tax liability due after more than one year is £4.3m (2004: £3.9m).

Deferred tax assets

	Provisions £m	Tax losses £m	Pensions £m	Total £m
At 1st January	0.8	1.7	3.1	**5.6**
(Charged) / credited to income statement	2.2	0.5	(2.7)	**-**
Acquisitions (note 28)	0.6	-	-	**0.6**
Taken to equity	-	-	5.3	**5.3**
Other	(0.2)	-	-	**(0.2)**
At 31st December	3.4	2.2	5.7	**11.3**

Net deferred tax asset	
At 31st December 2005	**3.7**
At 31st December 2004	0.6

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.

The deferred tax charged to equity during the year is as follows:

	2005 £m	2004 £m
Tax on actuarial (gains) / losses	**(5.3)**	5.5
Tax on revaluation of property	**-**	(1.0)
Tax on items taken directly to reserves	**(5.3)**	4.5

Notes to the accounts

23 Share capital

	2005 £m	2004 £m
Authorised		
327.0m ordinary shares of 25p each (2004: 327.0m)	**81.8**	81.8
Issued and fully paid		
128.3m ordinary shares of 25p each (2004: 126.0m)	**32.1**	31.5

During the year 1,109,337 ordinary shares of 25p each (nominal value £277,334) (2004: 519,762 shares, nominal value £129,941) were issued in connection with the Company's share option schemes for an aggregate consideration of £2,649,951 (2004: £1,105,644).

During the year, four Domain officers exercised their option to receive 1,179,834 shares of 25p each in Aga Foodservice Group plc in lieu of the deferred cash payment of £2.1m, which was included in creditors falling due within one year in 2004. This was part of the acquisition of Domain Inc, in 2002. The option price was 237p and the option was exercised on 4th April 2005.

Convertibles

As part of the acquisition of Resurgan Limited in 2001, fixed rate Convertible Redeemable Unsecured Loan Stock 2007 ('CRULS') were issued, as part of the consideration, of which £0.1m remain outstanding.

Options

Options outstanding at 31st December 2005 under the following schemes were as follows:

	Senior Executive Share Option Schemes			Long-Term Incentive Plan			
Grant date	Number of shares	Option price p per share	Exercisable in 7 years to	Grant date	Number of shares	Option price p per share	Exercisable in 7 years to
April 1997	225,000	288	April 2007	April 2005	272,022	307	April 2015
May 1998	171,000	321	May 2008	October 2003	162,724	235	October 2013
September 1999	70,000	225	September 2009				
June 2001	367,000	236	June 2011				
May 2002	546,500	261	March 2012				
October 2003	725,500	235	October 2013				
Total	**2,105,000**				**434,746**		

Under the Long-Term Incentive Plan a fee of £1 per award is payable and no further consideration is due. Further information is set out in the remuneration report on pages 23 to 29.

24 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 is 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 per 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 nominal price of £1 which will be exercisable after a period of three years at the earliest. 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 the engineering-general sector of the FTSE All Share Index and the second is that the remuneration committee determines that there has been a sustained improvement in the underlying financial performance of the Company (see remuneration report for further details).

Notes to the accounts

24 Share based payments (continued)

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

Grant date	27th April
Share price at grant date	307p
Exercise price	£1
Number of employees	42
Shares under option	272,022
Vesting period (years)	3
Expected volatility	34.9%
Option life (years)	10
Expected life (years)	3
Correlation of pair of shares in comparator group	9.7%
Expected dividend expressed as a dividend yield	2.9%
Possibility of ceasing employment before vesting	0%
Expectations of meeting performance criteria	90%
Fair value per option	£1.69

The expected volatility is based on historical volatility over ten years. The expected life is the average expected to exercise. Deloitte's TSR Pricing Model was used to value TSR performance conditions for the LTIP.

The total charge for the year relating to employee share based payments plans was £0.4m (2004: £0.3m) before tax and £0.3m post tax.

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

	2005		2004	
	Number '000	Weighted average exercise price p	Number '000	Weighted average exercise price p
Outstanding at 1st January	**3,397**	**248**	4,047	244
Lapsed – forfeited	**(183)**	**241**	(130)	240
Exercised	**(1,109)**	**239**	(520)	213
Outstanding at 31st December	**2,105**	**254**	3,397	248
Exercisable at 31st December	**833**	**267**	941	263

2005					2004			
Range of exercise prices p	Weighted average exercise price p	Number of shares '000	Weighted average remaining life: Expected years	Weighted average remaining life: Contractual years	Weighted average exercise price p	Number of shares '000	Weighted average remaining life: Expected years	Weighted average remaining life: Contractual years
199	**199**	**-**	**-**	**-**	199	51	0.2	0.3
225-236	**235**	**1,163**	**2.1**	**6.8**	234	2,125	1.7	7.0
261-321	**278**	**942**	**0.5**	**4.3**	277	1,221	1.2	5.4
		2,105				3,397		

The weighted average share price during the period for options exercised over the year was 239p (2004: 213p).

Notes to the accounts

24 Share based payments (continued)

A reconciliation of the movements in the LTIP is shown below:

	2005		2004	
	Number '000	Weighted average exercise price p	Number '000	Weighted average exercise price p
Outstanding at 1st January	**509**	**257**	509	257
Lapsed	**(347)**	**268**	-	-
Granted	**272**	**307**	-	-
Outstanding at 31st December	**434**	**280**	509	257
Exercisable at 31st December	**-**	**-**	-	-

25 Statement of changes in shareholders equity

	Share capital £m	Share premium £m	Other reserves (note 27) £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1st January 2005	31.5	60.9	31.5	151.7	**275.6**	0.2	**275.8**
Exchange adjustment	-	-	4.6	-	**4.6**	0.1	**4.7**
Profit retained	-	-	-	34.0	**34.0**	0.4	**34.4**
Dividends	-	-	-	(11.3)	**(11.3)**	-	**(11.3)**
Acquired in year	-	-	1.5	-	**1.5**	1.6	**3.1**
Actuarial losses on pension scheme	-	-	-	(17.5)	**(17.5)**	-	**(17.5)**
Tax on items taken to reserves	-	-	-	5.3	**5.3**	-	**5.3**
Shares issued	0.6	4.9	-	-	**5.5**	-	**5.5**
Cash flow hedge	-	-	(0.1)	-	**(0.1)**	-	**(0.1)**
Net investment hedges	-	-	0.8	-	**0.8**	-	**0.8**
Share based payments	-	-	-	0.3	**0.3**	-	**0.3**
At 31st December 2005	**32.1**	**65.8**	**38.3**	**162.5**	**298.7**	**2.3**	**301.0**

	Share capital £m	Share premium £m	Other reserves (note 27) £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1st January 2004	32.4	59.9	34.2	127.2	253.7	0.4	254.1
Exchange adjustment	-	-	(3.4)	-	(3.4)	-	(3.4)
Profit retained	-	-	-	29.1	29.1	0.1	29.2
Dividends	-	-	-	(9.5)	(9.5)	-	(9.5)
Acquired in year	-	-	-	-	-	(0.3)	(0.3)
Actuarial gains on pension scheme	-	-	-	18.2	18.2	-	18.2
Tax on items taken to reserves	-	-	-	(4.5)	(4.5)	-	(4.5)
Shares issued	0.1	1.0	-	-	1.1	-	1.1
Purchase of own shares	(1.0)	-	1.0	(9.4)	(9.4)	-	(9.4)
Transfer between reserves	-	-	(0.3)	0.3	-	-	-
Share based payments	-	-	-	0.3	0.3	-	0.3
At 31st December 2004	31.5	60.9	31.5	151.7	275.6	0.2	275.8

The cumulative amount of goodwill taken direct to reserves since 1985 in respect of businesses who were members of the Group at 31st December 2005 is £6.3m (2004: £6.3m).

Notes to the accounts

25 Statement of changes in shareholders equity (continued)

For each currency, exchange differences arising from the translation of foreign currency borrowings used to finance foreign currency investments have been offset as reserves movements against exchange differences arising on the retranslation of the net investment in that currency. In total, net exchange gains on foreign currency net cash / borrowings of £0.8m (2004: losses £0.1m) have been taken to reserves.

26 Minority interests

	2005 £m	2004 £m
At 1st January	**0.2**	0.4
Exchange adjustment	**0.1**	-
Acquired in year (note 28)	**1.6**	(0.3)
Profit and loss account	**0.4**	0.1
At 31st December	**2.3**	0.2

27 Other reserves

	Fair value revaluation reserve £m	**Translation reserve £m**	**Hedging reserve £m**	**Capital redemption £m**	**Revaluation reserve £m**	**Total £m**
At 1st January 2005	-	(6.6)	-	36.0	2.1	**31.5**
Exchange adjustment	-	4.6	-	-	-	**4.6**
Acquisitions (note 28)	1.5	-	-	-	-	**1.5**
Cash flow hedges – fair value loss	-	-	(0.1)	-	-	**(0.1)**
Net investment hedges	-	0.8	-	-	-	**0.8**
At 31st December 2005	**1.5**	**(1.2)**	**(0.1)**	**36.0**	**2.1**	**38.3**

	Translation reserve £m	**Capital redemption £m**	**Revaluation reserve £m**	**Total £m**
At 1st January 2004	(3.2)	35.0	2.4	34.2
Exchange adjustment	(3.4)	-	-	(3.4)
Transfer between reserves	-	-	(0.3)	(0.3)
Purchase of own shares	-	1.0	-	1.0
At 31st December 2004	(6.6)	36.0	2.1	31.5

The fair value revaluation reserve relates to the Grange acquisition, the translation reserve includes all exchange adjustments, the capital redemption reserve has arisen through share buy-backs in previous years and the revaluation reserve has arisen through revaluation of property from previous years. All these reserves are non distributable.

28 Acquisitions and disposals

a) Acquisitions

The following purchases were completed during the year, all of these have been accounted for as acquisitions:

On 3rd June 2005, the Group acquired 100% of the issued share capital of Furdo Limited, the holding company of Waterford Stanley Limited, for a cash consideration of Euros 7.1 (£4.8m). The company is involved in the manufacture and distribution of cast iron cookers in Ireland. From the date of acquisition to the year end Waterford Stanley contributed £11.8m to Group revenues and £0.8m to operating profit. If the acquisition had been completed on the first day of the financial year, Group revenues for the year would have been £8.8m higher and Group operating profit would have been £0.5m higher.

Notes to the accounts

28 Acquisitions and disposals (continued)

On 5th July 2005 the Group increased its shareholding in Grange SA from 40.7% to 75.0% for a cash consideration of Euros 7.5m (£5.2m). From the date of acquisition to the year end Grange contributed £13.8m to Group revenues and £1.2m to operating profit. If the acquisition had been completed on the first day of the financial year, Group revenues for the year would have been £13.5m higher and Group operating profit would have been £0.1m higher.

Additionally the following smaller acquisitions were also completed:

i) On 28th July 2005, 'Stellar Steam', a US product line of commercial boilerless food steamers was acquired for cash of US $2.1m (£1.2m).

ii) On 12th August 2005, 100% of Divertimenti Retail Limited, the London based high end kitchenware business, for £1.4m in cash.

iii) On 30th November 2005, 100% of Heartland Appliances Inc. a Canadian based premium cooker and refrigeration operation for CAN $3m (£1.5m) with up to a further CAN $1m (£0.5m) deferred linked to the Group's growth in sales over the next three years in Canada.

From the date of acquisition to the year end these acquisitions contributed £1.5m to Group revenues and broke-even. In aggregate these additional acquisitions would have increased Group revenues by £8.9m if they had been completed on the first day of the financial year at a break-even position before exceptional costs of £0.2m.

The following tables summarise the provisional fair values and carrying book values of the assets acquired in the year. The fair value adjustments made contain some provisional amounts that will be finalised in the 2006 financial statements when the detailed post-acquisition reviews have been completed.

The provisional fair values for La Cornue SA and for the Pavailler Group incorporated into the 2004 financial statements have now been finalised and are reflected in the following table.

All intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill in the financial statements.

		Provisional fair values				
					Prior year	
	Note	Waterford Stanley	Grange	Others	Pavailler	Total
Net assets acquired		**£m**	**£m**	**£m**	**£m**	**£m**
Intangible fixed assets	12	4.4	3.6	1.0	-	**9.0**
Property, plant & equipment	13	2.8	3.0	0.9	-	**6.7**
Investments		-	0.4	-	-	**0.4**
Inventories		3.8	6.7	1.5	-	**12.0**
Trade and other receivables		2.9	4.2	0.8	-	**7.9**
Deferred tax asset		0.2	0.2	-	0.2	**0.6**
Cash and cash equivalents		-	0.5	-	-	**0.5**
Borrowings		(6.2)	(3.1)	(1.4)	-	**(10.7)**
Trade and other payables		(5.0)	(7.0)	(1.6)	1.8	**(11.8)**
Retirement benefit obligations	5	(0.1)	(0.4)	-	-	**(0.5)**
Current provisions	21	(1.0)	(0.9)	(0.2)	(0.6)	**(2.7)**
Minority interest		-	(1.6)	-	-	**(1.6)**
Revaluation reserve	27	-	(1.5)	-	-	**(1.5)**
Net assets acquired		**1.8**	**4.1**	**1.0**	**1.4**	**8.3**
Cash paid		4.4	5.2	2.8	1.9	**14.3**
Deferred consideration		0.4	-	0.9	-	**1.3**
Investment already owned	14	-	1.4	-	-	**1.4**
Total consideration		**4.8**	**6.6**	**3.7**	**1.9**	**17.0**
Goodwill arising on acquisitions:						
- in the year		3.0	2.5	2.7	-	**8.2**
- prior year		-	-	-	0.5	**0.5**
Goodwill transferred from investments	14	-	4.8	-	-	**4.8**
Total goodwill arising	11	**3.0**	**7.3**	**2.7**	**0.5**	**13.5**

Notes to the accounts

28 Acquisitions and disposals (continued)

The carrying values of assets held in the acquired companies books at acquisition are summarised below:

	Book values			
	Waterford Stanley £m	Grange £m	Others £m	Total £m
Property, plant & equipment	1.4	3.0	0.9	**5.3**
Investments	-	0.4	-	**0.4**
Inventories	4.0	6.7	1.8	**12.5**
Trade and other receivables	2.8	4.2	0.9	**7.9**
Deferred tax asset	-	0.2	-	**0.2**
Cash and cash equivalents	-	0.5	-	**0.5**
Borrowings	(4.8)	(3.1)	(1.4)	**(9.3)**
Trade and other payables	(4.9)	(7.0)	(1.6)	**(13.5)**
Retirement benefit obligations	-	(0.4)	-	**(0.4)**
Current provisions	(0.8)	(0.9)	(0.1)	**(1.8)**
Minority interest	-	(0.7)	-	**(0.7)**
Net assets acquired	**(2.3)**	**2.9**	**0.5**	**1.1**

b) Intangible assets acquired

The intangible assets acquired as part of the acquisitions are analysed as follows:

	£m
Brand names	**8.7**
Patents	**0.1**
Non-compete agreement	**0.1**
Customer lists	**0.1**
Total intangible assets acquired (note 12)	**9.0**

The principal brands acquired are 'Waterford Stanley', 'Grange', 'Stellar', 'Divertimenti' and 'Heartland'. These brands have been assessed as having indefinite useful lives. They are not amortised but are subject to annual impairment tests. The other acquired intangibles are being amortised over their deemed useful lives: patents – sixteen years, non-compete agreement – three years and customer lists – five years.

c) Net cash flow on acquisitions

	2005 £m	2004 £m
Cash paid for subsidiaries	**(14.3)**	(4.6)
Cash acquired	**0.5**	-
Borrowings assumed	**(10.7)**	-
Net cash outflow	**(24.5)**	(4.6)

Effect of acquisitions during the year on the Group cash flow statement

Post-acquisition the effect on the Group cash flow was an inflow of £1.3m, being a cash inflow from operations of £1.8m and a cash outflow for capital expenditure and financial investment of £0.5m.

Notes to the accounts

29 Commitments

	2005 £m	2004 £m
Capital commitments contracted for by the Group but not provided for in the accounts	**0.8**	1.2

30 Operating lease commitments

	Land & buildings		Other operating leases	
	2005	2004	**2005**	2004
For leases expiring:	**£m**	£m	**£m**	£m
- within 1 year	**9.6**	8.5	**2.5**	2.6
- between 1 and 5 years	**31.3**	30.1	**4.1**	5.9
- after more than 5 years	**21.3**	21.1	**-**	-
Total operating lease commitments	**62.2**	59.7	**6.6**	8.5

31 Contingent liabilities

The Group had no material contingent liabilities arising in the normal course of business at 31st December 2005 (2004: 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.

32 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 2005 was £0.2m (2004: £0.2m). The amount outstanding at the year end was £0.2m (2004: £0.2m).

The following transactions have been made with Grange SA during the year before it was accounted for as a subsidiary undertaking:

	Pre-acquisition period 2005 £m	2004 £m
Sales to associated undertaking	**0.4**	0.5
Purchases from associated undertaking	**0.3**	0.2

33 Post balance sheet events

On 2nd February 2006 Eloma, the German combi-oven maker, was acquired for Euros 10.5m (£7.1m) in cash from the Gustatus Group. Eloma's revenue in 2005 was Euros 21m (£14.3m) and profit before interest and tax was Euros 0.7m (£0.5m) on a proforma basis.

Notes to the accounts

34 Trading subsidiaries

The following is a list of the Group's principal trading subsidiaries at 31st December 2005. A brief description of the activities is given in the chief executive's review on pages 4 to 13. The share capital in each case consists, unless otherwise stated, wholly of ordinary shares or common stock. All companies are held by subsidiary undertakings, except for those marked • in which case it is held directly by the Aga Foodservice Group plc.

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

Consumer Products businesses:

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

AFE Divertimenti
AFE Online
Aga
Fired Earth
Leisure Sinks
Rangemaster

Principal consumer overseas businesses:
Domain, Inc (USA)
Grange SA (France) (75%)
Heartland (Canada)
La Cornue SA (France)
Northland Corporation (USA)
Waterford Stanley Limited (EIRE)

Central Services
AFG Corporate Services Limited •
AFG Properties Limited •

Foodservice Equipment businesses:

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

AFE Serviceline
Falcon Foodservice Equipment
Millers Vanguard
Mono Equipment
Williams Refrigeration

Principal foodservice overseas businesses:
Adamatic, A Corporation (USA)
Belshaw Bros., Inc (USA)
Bongard SA (France)
Ming Fai Stainless Steel Catering Equipment Manufacturing Co. Limited (Hong Kong)
Pavailler Holding SAS (France)
Victory Refrigeration LLC (USA)
Williams Refrigeration Limited (Australia) •

Other principal foodservice businesses:
Williams Refrigeration Central Limited (80%) •

Notes to the accounts

35 IFRS reconciliations

Reconciliation of equity at 1st January 2004

The reconciliations of equity at 1st January 2004 (date of transition to IFRS) and at 31st December 2004 (date of last UK GAAP financial statements) and the reconciliation of profit for 2004, as required by IFRS 1, are shown below.

	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Goodwill	137.2	-	137.2
Intangible assets (note a)	3.5	1.2	4.7
Property, plant and equipment (note a)	73.2	(1.2)	72.0
Investment in associates	5.8	-	5.8
Retirement benefit asset (note b)	23.3	(23.3)	-
Deferred tax asset (note d)	-	10.5	10.5
Non-current assets	**243.0**	**(12.8)**	**230.2**
Inventories	61.3	-	61.3
Trade and other receivables	79.4	-	79.4
Cash and cash equivalents	52.0	-	52.0
Current assets	**192.7**	**-**	**192.7**
Trade and other payables (note c)	(97.6)	6.5	(91.1)
Deferred tax (note d)	(8.0)	3.7	(4.3)
Current tax liabilities	(3.0)	-	(3.0)
Bank loans, overdrafts and finance leases	(22.4)	-	(22.4)
Provisions (note b)	(22.4)	2.3	(20.1)
Retirement benefit obligation (note b)	-	(27.9)	(27.9)
Total liabilities	**(153.4)**	**(15.4)**	**(168.8)**
Total assets less total liabilities	**282.3**	**(28.2)**	**254.1**
Share capital	32.4	-	32.4
Share premium account	59.9	-	59.9
Other reserves	37.4	(3.2)	34.2
Retained earnings	152.2	(25.0)	127.2
Minority interests	0.4	-	0.4
Total equity	**282.3**	**(28.2)**	**254.1**

Notes to the accounts

35 IFRS reconciliations (continued)

Reconciliation of equity at 31st December 2004

	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Goodwill (note e)	131.1	6.3	137.4
Intangible assets (note a)	5.7	3.1	8.8
Property, plant and equipment (note a)	78.6	(1.4)	77.2
Investment in associates	6.5	-	6.5
Retirement benefit asset (note b)	28.6	(27.4)	1.2
Deferred tax asset (note d)	-	5.6	5.6
Non-current assets	**250.5**	**(13.8)**	**236.7**
Inventories	70.2	-	70.2
Trade and other receivables	78.6	-	78.6
Cash and cash equivalents	49.8	-	49.8
Current assets	**198.6**	**-**	**198.6**
Trade and other payables (note c)	(110.0)	7.3	(102.7)
Current tax liabilities	(2.1)	-	(2.1)
Deferred tax liabilities (note d)	(9.1)	4.1	(5.0)
Bank loans, overdrafts and finance leases	(24.7)	-	(24.7)
Provisions (note b)	(19.5)	2.3	(17.2)
Retirement benefit obligation (note b)	-	(7.8)	(7.8)
Total liabilities	**(165.4)**	**5.9**	**(159.5)**
Total assets less liabilities	**283.7**	**(7.9)**	**275.8**
Share capital	31.5	-	31.5
Share premium account	60.9	-	60.9
Other reserves	38.1	(6.6)	31.5
Retained earnings	153.0	(1.3)	151.7
Minority interests	0.2	-	0.2
Total equity	**283.7**	**(7.9)**	**275.8**

Notes to the accounts

35 IFRS reconciliations (continued)

Reconciliation of profit at 31st December 2004 and explanation of reconciling items at 1st January 2004 & 31st December 2004

Reconciliation of profit for the year ended 31st December 2004

	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Revenue (note h)	**435.0**	**(1.3)**	**433.7**
Group operating profit (note b, e & f)	**29.5**	**5.7**	**35.2**
Share of result of associate (note g)	0.5	-	0.5
Net finance income	0.6	-	0.6
Profit before tax	**30.6**	**5.7**	**36.3**
Income tax (note d)	(7.1)	-	(7.1)
Net profit	**23.5**	**5.7**	**29.2**

Explanation of reconciling items between UK GAAP and IFRS

(a) Intangibles - In accordance with IAS 38 'Intangible Assets' certain software costs of £1.4m (2003: £1.2m) have been transferred from property, plant and equipment to intangible assets. £1.7m of brands have been transferred from goodwill in respect of acquisitions since the transition date.

(b) Retirement benefit schemes - Accounting for pensions in accordance with IAS 19 requires the pension asset / liability to be brought onto the balance sheet. At 31st December 2003 the Group's defined benefit pension schemes were in deficit under IAS 19 requiring a pension liability of £27.9m to be shown on the balance sheet. At 31st December 2004 the Aga Pension Scheme showed a surplus of £1.2m which is included in assets and the other schemes' deficits of £7.8m are shown in liabilities in the restated balance sheet. At 31st December 2004 the SSAP 24 pension prepayment of £28.6m (2003: £23.3m) which was included in the balance sheet has been removed under IAS 19. Retirement benefit provisions for overseas businesses of £2.3m at 31st December 2004 (2003: £2.3m) were transferred from provisions to retirement benefit liabilities. The related deferred tax has been adjusted accordingly. The operating profit is reduced by £2.3m in the year to 31st December 2004 (the IAS 19 service cost of £6.3m and net finance income of £4.0m for the full year).

(c) Dividends - Under UK GAAP, companies were required to provide for their final dividend in the closing balance sheet and in advance of the dividend being declared and approved by the Annual General Meeting. Under IAS 37, 'Provisions' the dividend cannot be provided in the year end balance sheet as, at that date, the dividend did not represent a liability. At 31st December 2004 accrued dividends of £7.3m (2003: £6.5m) were removed from other payables.

(d) Tax - In accordance with IAS 12, provision has been made for deferred tax on revalued assets. This was not required under UK GAAP unless there was a binding commitment to sell the asset. The increase in the deferred tax liability at 31st December 2004 was £0.9m (2003: £1.2m). A deferred tax asset has also been included in respect of the IAS 19 pension liability and the deferred tax liability has been removed in relation to the SSAP 24 pension prepayment, a total pensions related tax adjustment of £10.6m on 31st December 2004 (2003: £15.4m).
The total deferred tax adjustment is therefore £9.7m, split between £5.6m of deferred tax assets and £4.1m of deferred tax liabilities which are now shown gross on the face of the balance sheet.

(e) Goodwill - The operating profit is increased by £8.0m in the year to 31st December 2004 as goodwill amortisation is no longer required under IFRS 3 as these assets are subject to annual impairment testing. The goodwill in the balance sheet has been frozen at 31st December 2003. On restatement of the balance sheet under IFRS, goodwill has been adjusted by £1.7m in relation to brands on recent acquisitions that were transferred to intangibles.

(f) Share options - No adjustment has been made to the profit and loss charge of £0.3m in the year to 31st December 2004, under UK GAAP, in relation to share option schemes. This is because one of the two Executive LTIP schemes is excluded from the IFRS 2 calculation, as it was granted before 7th November 2002, and one of the employee share option schemes, granted after 7th November 2002, is included, both of which have similar valuations of £0.3m.

(g) Share of result of associate - The share of the result post tax and after adding back goodwill amortisation under IFRS is not materially different from that shown in the profit and loss account under UK GAAP.

(h) Revenue recognition - Revenue has been adjusted by £1.3m to ensure settlement discounts have been presented in accordance with IAS 18, these costs were previously reported as an operating cost rather than a deduction from revenue.

Independent auditors' report

To the members of Aga Foodservice Group plc

We have audited the Group financial statements of Aga Foodservice Group plc for the year ended 31st December 2005 which comprise the Group income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of Aga Foodservice Group plc for the year ended 31st December 2005 and on the information in the directors' remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the directors' report is not consistent with the Group financial statements, if 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 2003 FRC 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 directors' report, the chairman's statement, the unuaudited part of the remuneration report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31st December 2005 and of its profit and cash flows for the year then ended; and

- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
17th March 2006

Five year financial history

Trading results		IFRS 2005 £m	IFRS 2004 £m	UK GAAP 2003 £m	UK GAAP 2002 £m	UK GAAP 2001 £m
Revenue		**501.8**	433.7	392.4	330.3	370.3
Total operating profit before disposal of businesses and goodwill amortisation		**41.8**	35.7	33.2	30.9	26.2
Goodwill amortisation		**-**	-	(8.0)	(6.5)	(6.6)
Total operating profit		**41.8**	35.7	25.2	24.4	19.6
Net finance income		**1.2**	0.6	0.9	3.2	5.6
Profit before disposal of businesses		**43.0**	36.3	26.1	27.6	25.2
Disposal of businesses		**-**	-	1.8	-	-
Profit before tax		**43.0**	36.3	27.9	27.6	25.2
Income tax		**(8.6)**	(7.1)	(5.6)	(7.4)	(7.9)
Profit after tax		**34.4**	29.2	22.3	20.2	17.3
Statistics						
Operating profit before disposal of businesses and goodwill amortisation to revenue	%	**8.3**	8.2	8.5	9.4	7.1
Dividend per ordinary share proposed	p	**9.2**	8.3	7.2	6.0	5.0
Earnings per share						
Basic	p	**26.6**	22.9	17.2	15.6	9.8
Diluted	p	**26.5**	22.8	17.1	15.6	9.8

Balance sheet summary	IFRS 2005 £m	IFRS 2004 £m	UK GAAP 2003 £m	UK GAAP 2002 £m	UK GAAP 2001 £m
Net operating assets					
Property, plant and equipment	**85.3**	77.2	73.2	62.2	49.0
Inventories	**89.4**	70.2	61.3	52.0	36.8
Operating receivables less payables and provisions	**(44.7)**	(42.5)	(13.5)	(25.7)	(24.4)
Total net operating assets before intangibles	**130.0**	104.9	121.0	88.5	61.4
Net retirement benefit obligation	**(18.2)**	(6.6)	-	-	-
Intangibles	**173.3**	146.2	140.7	139.3	98.2
Total net operating assets	**285.1**	244.5	261.7	227.8	159.6
Investments	**0.3**	6.5	5.8	2.8	-
Tax and dividends	**(4.8)**	(0.3)	(14.8)	(14.0)	(16.4)
Total net cash	**20.4**	25.1	29.6	55.5	116.1
Total net assets employed	**301.0**	275.8	282.3	272.1	259.3
Financed by					
Ordinary shares	**32.1**	31.5	32.4	32.3	31.9
Reserves	**266.6**	244.1	249.5	239.4	227.0
Total shareholders' funds	**298.7**	275.6	281.9	271.7	258.9
Minority interests	**2.3**	0.2	0.4	0.4	0.4
Total equity	**301.0**	275.8	282.3	272.1	259.3

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

PARENT COMPANY ACCOUNTS UNDER UK GAAP

As noted on page 22 the Company has elected to prepare its financial statements under UK GAAP.

Company balance sheet

As at 31st December

	Notes	2005 £m	Restated 2004 £m
Fixed assets			
Investments	5	**487.4**	855.9
Total fixed assets		**487.4**	855.9
Current assets			
Debtors	6	**714.4**	284.3
Cash at bank and in hand	7	**17.4**	31.2
Total current assets		**731.8**	315.5
Creditors – amounts falling due within one year			
Creditors	9	**(619.5)**	(565.5)
Borrowings	7	**(0.1)**	(22.6)
Total amounts falling due within one year		**(619.6)**	(588.1)
Net current assets / (liabilities)		**112.2**	(272.6)
Total assets less current liabilities		**599.6**	583.3
Creditors – amounts falling due after more than one year			
Creditors	9	**(1.8)**	(1.7)
Borrowings	7	**(29.5)**	-
Provisions for liabilities and charges	10	**(7.5)**	(15.4)
Total net assets employed		**560.8**	566.2
Shareholders' equity			
Share capital	11	**32.1**	31.5
Share premium account	12	**65.8**	60.9
Capital redemption reserve	12	**36.0**	36.0
Profit and loss account	12	**426.9**	437.8
Total shareholders' funds		**560.8**	566.2

The accounts on pages 69 to 74 were approved by the board of directors on 17th March 2006 and were signed on its behalf by:

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

S M Smith **Finance Director** Shaun Smith

Notes to the accounts are on pages 70 to 74.

Notes to the accounts

The directors' report is on pages 14 to 17 of the Annual Report and Accounts.

1 Accounting policies

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

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

Changes in accounting policies
The Company has adopted FRS 17 'Retirement Benefits', FRS 19 'Taxation' and FRS 21 'Post-Balance Sheet Events'. The adoption of each of these standards represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of the prior year adjustments are given in note 12.

Pension costs
The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services in accordance with FRS 17.

Borrowings
All financial instruments with a cost to the Company, with the exception of share capital, have been included in borrowings. Borrowings are shown net of the associated finance costs, which are amortised to the profit and loss account over the life of the borrowings.

Foreign currencies
Assets and liabilities in foreign currencies are translated at the mid-market rates of exchange ruling at the balance sheet date. Other exchange differences are dealt with through the profit and loss account.

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

Deferred tax
Deferred tax is provided on historic property revaluations and all other temporary differences, using the 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.

2 Company profit and loss account

Aga Foodservice Group plc has taken advantage of section 230(3) of the Companies Act 1985 and has not included its own profit and loss account in these accounts. The Company's profit after tax was £1.1m (2004: loss £1.3m).

The profit and loss account includes £30,000 (2004: £27,000) for audit fees.

Notes to the accounts

3 Dividends

	2005 £m	Restated 2004 £m
Final paid of 5.8p per share for the year ended 31st December 2004 (2003: 5.0p)	**7.4**	6.4
Interim paid of 3.0p per share (2004: 2.5p)	**3.9**	3.1
Amounts recognised as distributions to equity shareholders in the year	**11.3**	9.5

The directors are proposing a final dividend in respect of the financial year ending 31st December 2005 of 6.2p which will represent an £8.0m reduction to shareholders' equity. This has not been included as a liability as it has not been approved by the shareholders. It will be paid on 2nd June 2006 to shareholders who are on the register of members on 28th April 2006.

4 Directors' emoluments

The emoluments of the directors are disclosed in the remuneration committee report on pages 23 to 29 of the Annual Report and Accounts.

5 Investments

	Cost of shares £m	Provisions £m	Net book value £m	Amounts due from subsidiaries £m	Amounts due to subsidiaries £m	Total £m
Interest in subsidiaries						
At 1st January	981.2	(125.3)	**855.9**	272.6	(564.5)	**564.0**
Additions	5.8	-	**5.8**	11.2	(5.6)	**11.4**
Intra group transfers	(496.3)	106.9	**(389.4)**	389.4	(53.5)	**(53.5)**
(Charge) / credit to income statement	(0.2)	15.3	**15.1**	-	-	**15.1**
Other movements	-	-	**-**	18.6	5.1	**23.7**
At 31st December	**490.5**	**(3.1)**	**487.4**	**691.8**	**(618.5)**	**560.7**

6 Trade and other receivables

Amounts falling due within one year	2005 £m	2004 £m
Amounts owed by Group undertakings	**691.8**	272.6
Other receivables	**0.3**	0.2
Total debtors falling due within one year	**692.1**	272.8
Corporation tax recoverable	**22.3**	11.5
Total debtors	**714.4**	284.3

7 Cash and borrowings

	2005 £m	2004 £m
Fixed Rate Loan Notes	**0.1**	0.3
Bank borrowings	**-**	22.3
Total falling due within one year	**0.1**	22.6

Notes to the accounts

7 Cash and borrowings (continued)

	2005 £m	2004 £m
Bank borrowings	**29.5**	-
Total falling due after one year	**29.5**	-
Total borrowings	**29.6**	22.6
Cash at bank and in hand	**(17.4)**	(31.2)
Total net borrowings / (cash)	**12.2**	(8.6)

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 the loan advances range between one and six months.

8 Financial instruments

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

Funding of major corporate-related transactions are carried out by group treasury which operates as a cost centre.

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

An outline of the Company's financial risk management policy is set out in the accounting policy note on pages 39 to 40.

The Company's borrowing facilities are disclosed in note 20(d) of the Annual Report and Accounts.

Maturity analysis of financial liabilities

The following table analyses the maturity profile of the Company's financial liabilities at the year end.

	2005 £m	2004 £m
Within 1 year or on demand	**0.1**	22.6
Between 1 and 2 years	**29.5**	-
At 31st December	**29.6**	22.6

9 Creditors

Amounts falling due within one year	2005 £m	2004 £m
Amounts owed to Group undertakings	**618.5**	564.5
Accruals and deferred income	**0.7**	0.7
Other payables	**0.3**	0.3
Total creditors falling due within one year	**619.5**	565.5

Notes to the accounts

9 Creditors (continued)

Amounts falling due after more than one year	2005 £m	2004 £m
Pension liability	**1.7**	1.7
Other creditors	**0.1**	-
Total creditors falling due after more than one year	**1.8**	1.7

The pension liability relates to the Amari plc Pension and Life Assurance Plan.

10 Provisions

	Deferred tax £m	Other £m	Total £m
At 1st January	(1.5)	16.9	**15.4**
Charge / (credit) in the year	1.5	(9.1)	**(7.6)**
Utilised in year	-	(0.3)	**(0.3)**
At 31st December	**-**	**7.5**	**7.5**

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

11 Share capital

	2005 £m	2004 £m
Authorised		
327.0m ordinary shares of 25p each (2004: 327.0m)	**81.8**	81.8
Issued and fully paid		
128.3m ordinary shares of 25p each (2004: 126.0m)	**32.1**	31.5

During the year 1,109,337 ordinary shares of 25p each (nominal value £277,334) (2004: 519,762 shares, nominal value £129,941) were issued in connection with the Company's share option schemes for an aggregate consideration of £2,649,951 (2004: £1,105,644).

During the year, four Domain officers exercised their option to receive 1,179,834 shares of 25p each in Aga Foodservice Group plc in lieu of the deferred cash payment of £2.1m, which was included in creditors falling due within one year in 2004 in the Group's balance sheet. This was part of the acquisition of Domain Inc, in 2002. The option price was 237p and the option was exercised on 4th April 2005.

Convertibles

As part of the acquisition of Resurgan Limited in 2001, fixed rate Convertible Redeemable Unsecured Loan Stock 2007 ('CRULS') were issued, as part of the consideration, of which £0.1m remain outstanding.

Options

Options outstanding at 31st December 2005 are shown in note 23 of the Annual Report and Accounts.

Notes to the accounts

12 Reserves

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total equity £m
At 1st January as previously reported	31.5	60.9	36.0	435.4	**563.8**
- FRS 17 'Retirement benefits'	-	-	-	(6.9)	**(6.9)**
- FRS 19 'Taxation'	-	-	-	2.0	**2.0**
- FRS 21 'Post-balance sheet events'	-	-	-	7.3	**7.3**
At 1st January as restated	31.5	60.9	36.0	437.8	**566.2**
Profit retained	-	-	-	(10.2)	**(10.2)**
Shares issued	0.6	4.9	-	-	**5.5**
Exchange adjustment	-	-	-	(0.7)	**(0.7)**
At 31st December	**32.1**	**65.8**	**36.0**	**426.9**	**560.8**

The Company's profit and loss account reserves of £426.9m (2004: £437.8m) include approximately £321m (2004: £321m) which is unavailable for distribution.

13 Commitments

The Company had no capital commitments (2004: nil).

14 Contingent liabilities

The Company had no material contingent liabilities arising in the normal course of business at 31st December 2005 (2004: 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.

15 Related party transactions

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

16 Post balance sheet events

On 2nd February 2006 Eloma, the German combi-oven maker, was acquired for Euros 10.5m (£7.1m) in cash from the Gustatus Group. Eloma's revenue in 2005 was Euros 21m (£14.3m) - and profit before interest and tax was Euros 0.7m (£0.5m) on a proforma basis.

17 Trading subsidiaries

The Company's principal trading subsidiaries at 31st December 2005 are listed in note 34 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 below, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required to prepare financial statements on pages 69 to 74 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 pages 69 to 74 on a going-concern basis, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors are responsible for ensuring that the Company maintains accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.
The directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditors' report

To the members of Aga Foodservice Group plc

We have audited the parent Company financial statements of Aga Foodservice Group plc for the year ended 31st December 2005 which comprise the balance sheet and the related notes. 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 Foodservice Group plc for the year ended 31st December 2005.

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 law and United Kingdom 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 directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the parent Company financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law 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 directors' report, the unaudited part of the directors' remuneration report and the chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements 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 2005; and
- 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
17th March 2006

AGA FOODSERVICE GROUP

Notice of Annual General Meeting

Notice is hereby given that the sixty fifth Annual General Meeting ('AGM') of Aga Foodservice Group plc will be held at the Compton Suite, The National Motorcycle Museum, Coventry Road, Bickenhill, Solihull B92 0EJ on 4th May 2006 at 12 noon for the purpose of dealing with the following business:

Ordinary business:

1. To receive and adopt the Annual Report and Accounts for the year ended 31st December 2005.
2. To declare a final dividend.
3. To re-elect Mr S M Smith as a director.
4. To re-elect Mr W B McGrath as a director.
5. To re-elect Mr V Cocker as a director.
6. To re-elect Mr P E Jackson as a director.
7. To approve the directors' remuneration report for the year ended 31st December 2005.
8. To re-appoint the auditors, PricewaterhouseCoopers LLP, to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
9. To authorise the directors to determine the auditors' remuneration.
10. To consider and, if thought fit pass the following resolution, which will be proposed as an ordinary resolution:

    That the authority conferred on the directors by article 4(B) of the Company's Articles of Association be renewed for the period expiring on the earlier of the date 15 months after the passing of this resolution and the conclusion of the next AGM of the Company following the passing of this resolution and for that period the 'section 80 amount' is £10,707,807.

11. Subject to the passing of the foregoing resolution no. 10, to consider the following resolution, which will be proposed as a special resolution:

That the power conferred on the directors by article 4(C) of the Company's Articles of Association be renewed for the period expiring on the earlier of the date 15 months after the passing of this resolution and the conclusion of the next AGM of the Company following the passing of this resolution and for that period the 'section 89 amount' is £1,606,171.

Special business:

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

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

(a) the maximum aggregate number of ordinary shares authorised to be purchased is 12,849,369 (representing 10 per cent of the issued ordinary share capital);

(b) the minimum price which may be paid for an ordinary share is 25p (exclusive of expenses and taxes (if any) payable by the Company);

(c) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased (exclusive of expenses and taxes (if any) payable by the Company);

(d) this authority expires on the earlier of the date 12 months after the passing of this resolution and the conclusion of the next AGM of the Company following the passing of this resolution; and

(e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract.

By order of the board
P M Sissons
Secretary
Solihull
30th March 2006

P.M. Sissons

Notes:

Entitlement to attend and vote:
Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), shareholders must be entered on the Company's register of members at 6.00pm on Tuesday 2nd May 2006.

Appointment of proxies:
A shareholder entitled to attend and vote at the AGM, including any adjournment(s) thereof, may appoint one or more proxies to attend and, on a poll, to vote in his or her place. A proxy need not be a shareholder. Shareholders who have not elected to receive shareholder documents electronically have been sent a form of proxy containing notes on completion and use. Shareholders who would prefer to register the appointment of their proxy electronically via the internet can do so through Lloyds TSB Registrars' website at www.sharevote.co.uk using their personal Authentication Reference Number (this is the series of 24 numbers printed under the shareholder's name on the form). Alternatively, shareholders who have already registered with Lloyds TSB Registrars' online portfolio service Shareview can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and clicking on 'Company

Notice of Annual General Meeting

Meetings'. Full details and instructions on these electronic proxy facilities are given on the website. Please note that electronic communication that is found to contain a computer virus will not be accepted.

To be effective, the form of proxy (or electronic appointment of a proxy) must be received by Lloyds TSB Registrars not less than 48 hours before the time of the meeting, i.e. not later than 12 noon on Tuesday 2nd May 2006. The appointment of a proxy will not prevent a shareholder from attending and voting in person at the AGM.

Appointment of proxies through CREST:

CREST members who wish to appoint a proxy or proxies for the AGM, including any adjournment(s) thereof, through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given for a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Lloyds TSB Registrars (ID 7RA01) by the latest time for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Lloyds TSB Registrars are able to retrieve the message by enquiry to CREST in a manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Should any shareholder with special needs wish to attend the meeting, please contact the Company so that appropriate arrangements can be made.

Persons who are not Aga Foodservice Group shareholders will not be admitted to the meeting unless prior arrangements are made with the Company. Investors holding Aga Foodservice Group shares through nominees (including PEPs and ISAs) are welcome to attend - please contact your investment manager or bring proof of your holdings with you to the meeting.

Copies of the contracts of service of directors (unless expiring or determinable by the Company within one year without payment of compensation) and the register of directors' interests in shares in the Company will be available for inspection at the Company's registered office between 9.00am and 5.00pm on any weekday (Saturdays and public holidays excluded) from the date of this notice up to and including the day before the meeting, and also at the place of the meeting for 15 minutes prior to the meeting and during the meeting.

An explanation of resolutions 10 to 12 (inclusive) is set out in the report of the directors on page 16 under the heading 'share capital'.

2006 financial calendar

Report and accounts posted	30th March 2006
Record date for final ordinary dividend	28th April 2006
Annual General Meeting	4th May 2006
Final ordinary dividend payable	2nd June 2006
2006 half year end	30th June 2006

Main addresses & advisers

Head office and registered office
4 Arleston Way
Shirley
Solihull
B90 4LH

Telephone: 00 44 (0)121 711 6000
Fax: 00 44 (0)121 711 6001
e-mail: info@agafoodservice.com
Website: www.agafoodservice.com
Registered in England No 354715

Registrars
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA
Telephone (Helpline): 0870 600 3953
International (Helpline): 00 44 (0)121 415 7047

Auditors
PricewaterhouseCoopers LLP

Financial advisers and joint stockbrokers
Dresdner Kleinwort Wasserstein

Joint stockbrokers
Collins Stewart

Shareholder information

Shareholder information

At 31st December 2005, the Company had 7,938 ordinary shareholders (2004: 8,537). Their holdings are analysed as follows:-

Number of 25p ordinary shares	Number of shareholders	% of total shareholders	Number of shares held	% of total shares held
1-5,000	7,157	90.16	8,242,545	6.43
5,001 – 50,000	599	7.55	8,274,783	6.45
50,001 – 500,000	132	1.66	19,372,709	15.11
Over 500,000	50	0.63	92,368,156	72.01
Total	**7,938**	**100.00**	**128,258,193**	**100.00**

Capital gains tax

The official price of Aga Foodservice Group plc ordinary shares on 31st March 1983, adjusted for bonus issues made in 1986 and 1988, was 62.4p.

Web addresses

Aga Foodservice Group plc
www.agafoodservice.com

CONSUMER PRODUCTS

Agalinks
www.agalinks.com

Aga Ranges
www.aga-ranges.com

Aga
www.aga-web.co.uk

Cookware and accessories
www.agacookshop.com
www.cookcraft.com

Divertimenti
www.divertimenti.co.uk
www.afeonline.net

Domain
www.domain-home.com

Falcon
www.falconappliances.co.uk

Fired Earth
www.firedearth.com

Grange
www.grange.fr

Heartland
www.heartlandapp.com

La Cornue
www.la-cornue.com
www.la-cornue.net

Northland-Marvel
www.lifeluxurymarvel.com
www.northlandnka.com

Rangemaster
www.rangemaster.co.uk

Waterford Stanley
www.waterfordstanley.com

FOODSERVICE PRODUCTS

Adamatic
www.adamatic.com

Aga Bakery
www.agabakery.com

AFE Serviceline
www.service-line.co.uk

Belshaw
www.belshaw.com

Bongard
www.bongard.fr

Eloma
www.eloma.de

Esmach
www.esmach.com

Falcon Foodservice Equipment
www.falconfoodservice.com

Infinity Fryers
www.infinityfryers.com

Millers Vanguard
www.millersvanguard.co.uk

Mono Equipment
www.monoequip.com

Pavailler
www.pavailler.com

Stellar Steam
www.stellarsteam.com

Victory Refrigeration
www.victory-refrig.com

Williams Refrigeration
www.williams-refrigeration.com

OTHER WEBSITES

www.cleanupfrying.com

TCF

Printed on paper which is made from wood fibre from sustainable forests, is fully recyclable and biodegradable, totally chlorine free and produced at a mill that holds ISO 14001 certification

Designed and produced by Mulvihill Mitchell Ltd 0121 585 7010
Printed by Renaultprint Ltd 0121 356 0331