



FOODSERVICE GROUP

Creating The Aga Foodservice Group

Aga Foodservice Group has been created by the sale of Glynwed's pipe systems operations to generate value for shareholders and to focus on opportunities for growth.

November 2000

Glynwed announces plan to separate its pipe systems and consumer and foodservice operations.

January 2001

Sale of pipe systems operations to Etex for £786 million in cash announced; an exit multiple of nearly 10 times based on 2000 trading profits.

March 2001

Sale to Etex completed and name changed to Aga Foodservice Group.

March 2001

Tender offer announced to acquire own shares returning up to £386m to shareholders and timetable set.

May 2001

Completion of capital return expected.

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Aga Foodservice Group: summary

Aga Foodservice Group is a leading UK based supplier of domestic and commercial cooking and refrigeration equipment. It has strong brands, established market positions, funds available for investment and ambitious plans for accelerated growth.

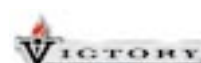
Financial summary: continuing operations

	2000	1999
Turnover	£205m	£193m
Trading profit	£20.1m	£16.8m
Proforma net cash	£93m	–
Proforma net assets employed	£203m	–

Trading profit is operating profit before disposal of businesses and goodwill amortisation. The proforma net cash and net assets include the effect of the disposal of Pipe Systems, the conversion of the exchangeable shares and the results of the proposed tender offer.

Financial summary: total group

	2000	1999
Turnover	£969m	£878m
Operating profit	£86.4m	£71.3m
Trading profit	£101.5m	£81.0m
Profit before tax, disposal of businesses and goodwill amortisation	£81.9m	£71.8m
Earnings per share based on profit before disposal of businesses and goodwill amortisation	22.6p	22.0p
Dividend per share	13.2p	13.2p
Shareholders' funds	£380m	£395m
Net borrowings	£304m	£274m



A year of profit growth following which the sale of Pipe Systems created the Aga Foodservice Group

The last year has been a momentous period for the Group, culminating in the sale of Pipe Systems and the creation of Aga Foodservice Group.

With this major change of direction we successfully implemented the strategy which we had set out last November of making the pipe systems and the consumer and foodservice operations independent of each other. The sale of the pipe systems business to the Belgian company, Etex enabled us to achieve three valuable objectives simultaneously.

First, it permitted the emergence of the Aga Foodservice Group plc, a focussed and attractive investment proposition with powerful brands and strong market positions that give the new Group good prospects of continuing success as a quoted company.

Secondly, combination of our business with that of Etex resulted in the formation of much the largest pipe systems business in the world. We were clear that further consolidation in the European pipe systems industry was necessary and had ourselves been active in its pursuit. The new company will have a particularly strong competitive position, which will benefit our former employees.

Lastly, the price paid by Etex, £786m in cash, recognised the strength of our business, realised value for our shareholders and is enabling a very substantial sum of up to £386m to be returned to them. This is a very large proportion of the price at which the Group had been valued by the market during 2000.

We intend to make the return of capital to shareholders in May. At the time of the preliminary announcement of our results for 2000 we proposed a tender offer to shareholders to buy in shares for cancellation. This mechanism of capital return is tax efficient and will provide shareholders with the opportunity to choose the course best suited to their circumstances. The detailed proposals will be sent to shareholders in the near future.

Financial Results

Our financial results are once again complicated by a significant corporate transaction, leading this year to the major part of the Group's activities during the year being shown as discontinued. Overall the last year with Glynwed as the company's name was one of growth. Turnover increased from £878m to £969m and trading profits before disposal of businesses and goodwill amortisation increased from £81.0m to £101.5m helped by the first full year contribution from our 1999 acquisition of IPEX. After a larger interest charge following acquisitions, Group profits before tax, goodwill amortisation and disposals of businesses nevertheless increased by 14%, from £71.8m to £81.9m. In mixed market conditions, the overall performance was commendable.

Within these results the activities of the Aga Foodservice Group also grew. Turnover increased from £193m to £205m and trading profit before goodwill amortisation rose from £16.8m to £20.1m. The 2000 figures include the first contribution from Mono Equipment acquired in July.

Earnings per share before disposal of businesses and goodwill amortisation increased from 22.0 pence to 22.6 pence. We have decided to recommend an unchanged final dividend of 8.8 pence per share. The dividend in 2001 will be based upon the performance of Aga Foodservice Group and our target dividend cover of 3 times.

From Glynwed to Aga Foodservice

It is impossible not to feel sadness at the passing of the Glynwed name from the quoted sector. However, whilst the Aga Foodservice Group is a smaller company we have a growth business with outstanding brands and market leading UK positions, described on pages 10-17. It also has a strong balance sheet and finance available to support its development plans.

Not only has the last year been an exceptionally busy period in corporate activity, it has also been a period when we have been dealing successfully with the fast-changing and ever-competitive business environment. This success would have been impossible without the unstinting efforts of our employees everywhere. We thank them wholeheartedly for their dedication. We wish all those now with Etex every success for the future.

Board Changes

There have been a number of changes in the composition of our Board in the last year. Having been a member of the Board since 1993, I was delighted to take up the chairmanship at an exciting time in June 2000 when Ewen Macpherson found other commitments were requiring all his attention.

Vic Cocker joined the Board as a non-executive director in June. He has wide experience of industry and was chief executive of Severn Trent until his retirement last year.

Lord Biffen of Tanat retired from the Board in December, having been a member since 1987. The Board has benefited greatly from his very wide experience and we wish him well in his retirement.

The transaction with Etex gave rise to a number of changes. Most notably, Tony Wilson has joined Etex as the chief executive of its plastics division. We are delighted that he will continue with us as a non-executive director. His tenure as chief executive has seen the Group undertake the radical action that had been delayed too long and his incisive approach has been a benefit to operations. Andrea Catanzano, who joined the Board last November and who played a key role in the development of the European pipe systems operations, is also now a senior executive within Etex and has left the Board.

Lastly, Stephen Howard, our senior non-executive director, will stand down at the conclusion of the AGM. His practical business experience has been invaluable, and he leaves with our thanks and best wishes. He is being replaced by Beverley Nielsen, chief executive of the Heart of England Tourist Board.

The executive Board of the continuing Group is strong. William McGrath, who was deputy chief executive and finance director, became chief executive of the Aga Foodservice Group upon the completion of the sale of Pipe Systems. Stephen Rennie, who has been with the Group for

over 20 years, is chief operating officer. He joined the Board last November and has immense experience of the consumer and foodservice business.

Shaun Smith, group treasurer, has been appointed finance director and completes the executive team that will take Aga Foodservice Group forward. They have at corporate level and in the operations an experienced and enthusiastic team.

Prospects

Aga Foodservice operates in growth niche markets and has excellent brands. Much work has been done to modernise these businesses as they move to the forefront of the Group. There are commercial and business development plans in place which have the potential to give us real earnings growth.

2001 has started well with satisfactory volumes across the businesses and with some important new orders won. With clear market opportunities available to us we believe that the Group can look forward with considerable confidence.



Organic and strategic developments have made the Aga Foodservice Group stronger and ready to expand internationally

The sale of the pipe systems business has been much the most important event in our recent history. Its effects on the Group are so great that the annual report to shareholders is centred on the sale even though it happened after the year end.

We had considered with great care all the options available, including making further material acquisitions ourselves, before agreeing to sell the pipe systems operations to Etex. In uncertain international markets with margin pressures continuing, it was felt that the offer we obtained was fair and reasonable. The multiples paid of more than 1 times turnover of £765m and nearly 10 times its earnings before interest, tax and goodwill amortisation of £81m compare favourably with multiples achieved in comparable circumstances by other UK manufacturing companies.

The focussing process completed

It is worth reflecting upon recent changes in the Group. Glynwed went through a major process of strategic refocussing in the period 1996-2000. This involved the sale of all the Group's former metals and building products businesses. At the same time the proceeds were reinvested in pipe systems and foodservice equipment, which were the two substantial growth markets where the Group had significant positions. Strong positions were built up in each. The Group became the world's leading pipe systems business and the UK's leading foodservice equipment business.

Whilst the shape of the Glynwed Group had become much simpler and more logical, there remained no long term rationale for

maintaining Pipe Systems and Consumer & Foodservice Products within the same corporate entity. At the same time the need to improve value for shareholders had become plain and pressing. 2000 had proved a mixed year for the pipe systems business. A strong first half, driven by our Canadian operation IPEX did not continue through into the second half as the North American economy slowed. In the UK weak utility spending and lack of industrial investment further affected results from pipe systems activities. The progress made in integrating and developing pipe systems in Continental Europe taken with what was still a strong performance by IPEX did mean that the overall outturn in 2000 was sound, but the need to maintain strategic momentum was being clearly seen in trading trends. The decision to separate the businesses was announced in November. Subsequently, the pipe systems business was sold to Etex.

2000: a year of profit growth for Glynwed

Notwithstanding the second half slowdown in Pipe Systems, Group trading profit before disposals of businesses and goodwill amortisation was £101.5m, which met the expectations set out in our November 2000 trading statement. The profit margin was 10.5%; the comparable figure in 1999 was 9.2%.

Interest costs, at £19.6m, were sharply higher than in 1999 as the cost of acquiring IPEX was borne for the whole year. Underlying interest rates averaged 6 per cent across

the mix of Canadian dollars, euros and sterling in which the Group borrows and the average level of debt in the year was approximately £325m. The tax rates were 33 per cent on profit before tax excluding goodwill and 36 per cent after the charge for goodwill. Earnings per share based on profit before disposal of businesses and goodwill amortisation improved to 22.6 pence from 22.0 pence. As the chart shows, the overall repositioning programme of recent years away from difficult low growth businesses was achieved while creating a strong progressive business.

Pipe Systems disposal and share repurchase

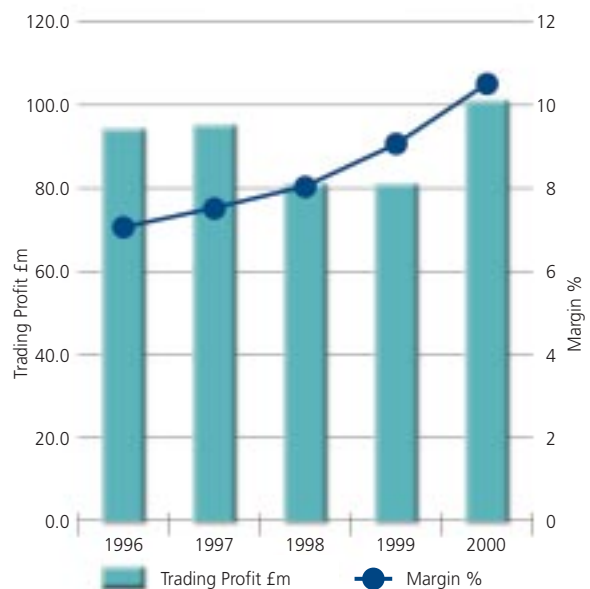
The sale of Pipe Systems was completed on 9th March and the 2001 accounts will therefore include trading results of Pipe Systems to that date.

In the 2000 accounts the results of the pipe systems operations are consolidated, but are shown as discontinued. There was a substantial book profit on the sale. However, after adding back all the £176m goodwill previously written off and making disposal related provisions, a loss of £36m arises. The full impact of the sale will be shown in the 2001 financial statements when the completion accounts have been prepared and the consideration adjusted as required under the contract with Etex.

The sale gives the Aga Foodservice Group resources above its current requirements. We have decided to make a capital repayment of up to £386m to shareholders by means of a tender offer.

The mechanism for the tender offer was announced with the preliminary results. It enables holders to realise a proportion of their investment if they so wish, but also

REPOSITIONING ALLIED TO GROWING BUSINESS STRENGTH



provides the opportunity to retain their shares and to own a proportionally greater share in the Aga Foodservice Group. The tender offer is part of the process by which a strong long term shareholder base will be created for Aga Foodservice Group.

Financial effects on the continuing Group

Aga Foodservice's continuing operations emerge clearly with turnover of £205m and trading profits 20% higher at £20.1m. The balance sheet position is less readily understood. The proforma position is set out below (see also note 30).

	£m
Net assets at 31st December 2000	380.9
Disposal of Pipe Systems net assets, including goodwill	(611.2)
Cash received for Pipe Systems disposal	<u>786.0</u>
Adjusted net assets after disposal	555.7
Exchangeables converted into ordinary shares	33.5
Repurchase of own shares	(386.0)
Proforma net worth after repurchase of own shares	<u>203.2</u>

The net debt of the Group at 31st December 2000, excluding Exchangeables subsequently converted into ordinary shares, was £270.8m. Bank debt was repaid soon after completion and up to a further £386m will be committed to the repurchase programme. On a proforma basis after the tender offer is completed, Aga Foodservice Group's proforma net cash will be £93m.

Consumer and Foodservice operations

The operations that now comprise the Aga Foodservice Group traded strongly in 2000.

Radical initiatives have been taken in these operations in the last three years, as well as the major corporate changes. The result is a cohesive business in place of stand-alone operations, costs have been reduced and the businesses made more efficient. This progress now enables the Group to undertake a more expansive development plan, with confidence that operations can respond to the growing demands placed upon them.

Consumer profits 27% higher

2000 saw the Group's consumer operations make steady progress and profits were 27% ahead at £9.8m on turnover of £111.3m.

At Aga-Rayburn progress was achieved while completing a £2.3m production upgrade programme which has seen the creation of one of Europe's most modern foundries at Coalbrookdale in Shropshire. Production can now be increased and the expanding cast-iron cookware range can be produced in-house. Aga sales increased in 2000, both in the UK and more particularly in export markets. The Millennium special edition Aga and the recently introduced Classic Aga have both been successful. Rayburn sales were less buoyant, particularly of the oil fired product typically found in rural areas.

At Leisure, market conditions were competitive with margin pressure from distributors continuing. Leisure, however, showed its usual resilience and the combination of new products and cost reductions enabled profits to improve. The Classic range of cookers won critical acclaim and strengthened its hold on the range cooker market. The sink operations have adjusted to exchange rate pressures and have confirmed their UK market leading position. Trading has started well in 2001.

Growth in foodservice equipment

Foodservice operations moved ahead, boosted by the well-timed acquisition of Mono Equipment in July. Overall trading profit was £10.3m on turnover of £93.3m, up from £9.1m on turnover of £78.2m in 1999.

Mono won an order to replace in-store baking facilities in every store of a large multiple food retailer, and is achieving record output. Williams Refrigeration won its first order for its potentially market-changing glycol secondary refrigeration system, and found that its updated designs and newly re-engineered products were well received in the market. At Falcon market conditions for prime cooking equipment were subdued but market shares improved in core product areas. For Victory in the USA the combination of competitive markets and planned production upgrades affected margins. The benefits of the creation of a strong umbrella organisation facilitated cross-selling and established strong supply links with market leading groups in the catering sector. Supporting the activities with online capability is now established as an important feature of the overall package being offered.

A strategy for growth

Aga Foodservice Group starts with a strong balance sheet, a young and energetic management team, a strategy for growth and the determination to push it through. We shall invest in the businesses, both internally and through acquisitions.

Organic growth in turnover is a critical criterion by which success in developing the business can be judged, and challenging targets have been set across the Group.

Expansion at Aga

Aga is an outstanding UK brand and has considerable potential. Making Aga an international brand is a central objective for the Group. It is ready to take on the task. A substantial programme of investment at the Coalbrookdale foundry has been carried out during the last five years. Capacity has increased such that output can be doubled when necessary. Our plan is to make Aga-Rayburn products more accessible and the purchasing process more straightforward. Improving the ratio of sales to leads will bring an appreciable benefit to performance. We plan to address the London market more vigorously. Our

New Mono bakery concept, Marks & Spencer, March 2001.

Digby Jones, Director General of the CBI, helping to toast the Leisure Classic's success with Jackie Quinn and Jo Fletcher.

Knightsbridge shop opened in February and has already proved a great success. Further Aga Shops in Greater London and elsewhere are planned, and we are expanding our contacts with specialist kitchen designers.

Sales in North America are increasing, but our dealer coverage has been too thin. We are in the process of creating a greater sales presence in the USA alongside our Victory Refrigeration operation near Philadelphia and more distributors are joining our team. We are also expanding in Europe, where sales to Belgium, Holland and adjacent parts of France and Germany are growing strongly. The potential is immense.

Rayburn is more concentrated in the UK, and the brand has become too dependant on the rural community. The appeal of the brand will be widened. With cooker only, cooker with hot water and cooker with central heating versions, Rayburn is immensely versatile and aesthetically pleasing. It is capable of offering many kitchen design solutions where a single appliance is desirable.

We are developing our online capability rapidly. Aga-Rayburn's site is much visited and our online retail activities, Agacookshop.com and Cookcraft.com, are expanding. Agalinks.com is a major initiative. Given the balance it has of community, content and commerciality, we are confident that it will prove an exciting and successful venture.

Range cookers from Leisure

Leisure is the leading UK supplier of range cookers and of sinks. Its flagship cookers are the Rangemaster and Classic range models and their derivatives. New designs and new model introductions are essential to maintain leadership and one new model per month will be introduced in the first nine months of 2001.

The sink business too produces new designs at regular intervals. Stainless steel and synthetic models have been well received in the market. Recently the innovative illuminated 'Swink' was launched and attracted immediate interest.

Further expansion in Foodservice Equipment

Falcon and Williams are the UK's leading suppliers of prime cooking and refrigeration equipment for commercial catering. Mono Equipment is the leading bakery equipment supplier. These have been strong companies in their own right, but they can be much stronger when they offer a large combined product range. New business is also being won with groups such as Sainsbury, Safeway and McDonalds.

The growth is being supported by our wholesale distribution business, which has been reconfigured as an internet B2B supplier and renamed AFE Online. The proportion of its business as yet carried out online is small, but the capability has attracted the largest catering companies in the UK. Compass in particular has contracted with AFE Online to supply an increasing range of products to its many outlets.

The service company AFE Serviceline completes the UK grouping and provides a further means of reaching and serving the UK catering industry.

*Stephen Rennie and William McGrath
celebrate the opening of the Knightsbridge
Aga Shop with manager Shoz Rahman*

A global refrigeration business

We have the foundations of a global refrigeration business which we intend to develop.

Williams Refrigeration has its base in the UK, but it also has manufacturing centres in Australia and China and a distribution company in France, with agents and distributors in a number of other territories. Victory Refrigeration is located near Philadelphia, USA.

There is also a continuing programme of development in refrigeration. Our temperature controls are now technically the best available in the sector, following a complete renewal of Williams' product range in 2000. Our glycol-based secondary refrigeration system enables the refrigeration to be remote from the kitchen: this allows kitchens to be quieter, with less local heat generation.

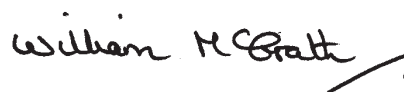
Going forward with Aga Foodservice Group

The strategy for growth and the opportunities available to the new Group are matched by a determination on the part of the management to deliver growth from the Group's businesses.

Aga Foodservice Group has a strong platform from which to develop. Profitable turnover growth is the clear target. The Group which has emerged from the shadow of a much larger, investment hungry pipe systems business is a growth company. The management is confident that the potential of the businesses can now come through strongly.

William McGrath, Chief Executive

27th March 2001



Providing the ingredients needed to meet the needs of the foodservice industry

Aga Foodservice Group is a fusion of market leaders and brands with strong defensible niche positions.

While Aga, Leisure and Falcon have long been part of the Group, the business has a new structure following the acquisitions and repositioning programmes of recent years. Set out below are short profiles of the individual operations, together with an explanation of the synergies between them and why they are well positioned to step up performance.

Until 1998 the businesses were run as stand-alone units. Since then the synergies between them have received greater focus. Management structures remain straightforward but there is now greater flexibility. Impetus has been provided by new management

appointments from outside the Group. An umbrella was created through Aga Foodservice Equipment (AFE) for the foodservice operations. These initiatives have not only improved efficiency and reduced costs, but have enabled a cohesive but wide capability package to be offered to the sector's largest customers. At the same time e-commerce has become an important driver for business and this has seen the launch of AFE Online, Agacookshop.com and Agalinks.com.

These trends will continue and together the businesses have every chance of improving on the sound performance of recent years and accelerating the pace of growth.



AGA FOODSERVICE EQUIPMENT

Williams Refrigeration

Williams is the leading supplier of reach-in cabinets and cold rooms to the UK refrigeration industry.

- Founded in 1980 by Mike Williams, the business was purchased in 1998 for £45m with the principal factory in Kings Lynn and facilities in Australia and China, it now employs 450 worldwide.
- Williams has always maintained a wide product range to meet all its customers' needs including reach-in refrigeration and freezers, modular cold rooms, dough conditioning, servery counters and blast chillers.
- With distributors and agents worldwide Williams sells to Pizza Express, KFC, McDonalds and Sainsbury's.
- New initiatives currently under development are glycol secondary refrigeration, expansion of the distribution network in China and of our bakery presence in conjunction with Mono.

Victory Refrigeration

Victory is a supplier of specifier equipment in the USA.

- Founded in 1944, Victory was purchased in 1999 for \$26m. Based near Philadelphia, it employs 220.
- The main product lines are specification-driven where added value features are required, pizza preparation tables, blast chillers and merchandiser cabinets.
- Victory distributes its products through 27 rep groups who, in turn, deal with the major quick service restaurants such as KFC and Papa Johns, sports stadiums and school and health care facilities.
- A production re-engineering programme is underway to provide a lower cost base and a new value series was launched in January 2001.





Delivering consistently high quality in equipment and in services

Mono Equipment

Mono Equipment is the leading supplier of dough handling and bakery equipment in the UK.

- Founded in 1947 by David Ayres Jones in Swansea and acquired in July 2000 for £11m, it employs 220.
- Mono Bakery Equipment is the primary division of the business and has responsibility for the provision of bespoke machinery for craft bakers and for supermarket in-store bakeries.
- The client base includes Safeway, Tesco, Marks & Spencer, BP, Shell and Esso. Exports are growing, particularly into Europe, and Mono now has over 50 distributors worldwide.
- New product innovations have always been a strong feature of the Mono business and currently fast fry vending systems, intelligent monitoring controllers and a new series of deck ovens are being evaluated.

AFE Online

AFE Online is a leading UK distributor of both light and heavy foodservice equipment and sundries.

- Created over the last five years, AFE Online now offers over 11,000 products nationwide.
- Launched in 2000 our B2B internet catalogue is the benchmark for the industry and is changing the way business is conducted.
- Major national accounts with multiple sites such as Compass Group are increasingly buying into the Online business model as it represents a degree of control hitherto unavailable within the industry.

Falcon

Falcon is the UK market leader in prime cooking equipment.

- Established in 1819 and acquired in 1969 Falcon now employs over 400 people at its manufacturing base near Stirling.
- Prime cooking encompasses boiling, grilling, baking, frying, roasting and steaming. Falcon are leaders in each with products to suit individual customer requirements.
- With over 150 dealers nationwide, and strong relationships with MoD, schools and hospitals, Falcon is well placed to meet the needs of this diverse customer base.
- Falcon has been quick to react to the changing menu requirements of brewery groups and quick service restaurants. Their new range of wok cookers is a perfect example. The special development unit can also create bespoke items to meet customers' exact specifications.



AGA FOODSERVICE EQUIPMENT

AFE Serviceline

AFE Serviceline provides national planned maintenance for the foodservice industry.

- Recently moved to new premises in Stevenage, this business now has over 150 engineers nationwide. They are uniquely placed to handle all the warranty and service requirements for AFE.
- As market leader in maintenance contracts, its facilities enable the business to maintain and fully repair all kitchen equipment 24 hours a day, 7 days a week.





Satisfying a loyal customer base with a rich heritage of famous name products

Aga-Rayburn

Aga is the best cooker in the world and its success derives from the qualities of the product.

Aga was invented in 1922 by the Swedish physicist, Dr Gustav Dalen. Its simplicity of design, ease of use and outstanding cooking performance make it a design icon.

Aga is a heat storage cooker. Rayburn cooks on a comparable basis and can also provide hot water and central heating. They are produced at one of Europe's most modern foundries at Coalbrookdale in Shropshire.

Coalbrookdale stoves and cast iron utensils are a complementary part of the product range which provide a direct link back to the origin of the industrial revolution as Abraham Darby first smelted iron on the same site in 1709.

- Agas have been made at the Coalbrookdale and Telford enamelling and assembly centres since the 1930s and Aga currently employs over 800.
- Although outwardly very little has changed to the design and enamel finish of Agas and Rayburns, the internal construction has been systematically upgraded and there is a development team examining all fuel types.
- There are around 700,000 Agas and Rayburns in use, largely in the UK, and there are 56 Aga Centres run by distributors and 32 wholly owned Aga shops. Additionally, there are a large

number of secondary displays in kitchen specialist showrooms. Our first central London shop opened in Knightsbridge in February 2001.

- Overseas expansion is a key to the growth of Aga and we now have distributors in over 15 countries. Importantly in North America and Europe brand recognition has increased significantly in the last two years and greater resources are now being committed to export markets.

Agalinks.com

Leveraging the Aga brand is key to our ambitious growth strategy and Agalinks, our online portal, is part of the plan. In so doing we expect to grow not only sales of Agas and Rayburns but also our own range of cast-iron cookware, both through traditional retail channels and through our online B2C sites, Agacookshop.com and Cookcraft.com.

Agalinks.com can reach 7.4 million of Britain's most affluent customers. It is designed to bring them 'the best of life on the Web.'

Quality and relevance of content are fundamental to our vision for Agalinks. The team which has been created to support the site will ensure that information is constantly updated and populated with current events and news items.

Total investment by the end of 2002 will be over £3m and our national advertising campaign started in March 2001.





Market leading product ranges from a household name in sinks, cookers and fires

Leisure Consumer Products

Leisure is the UK market leader in range cookers and stainless steel sinks.

Founded by Sidney Flavel in 1777, Leisure has long been synonymous with design flair, style and innovation. A Gold medal winner at The Great Exhibition of 1851, Leisure has consistently been an industry leader. This was typified in 1994 when we launched the 'Rangemaster' – the cooker that brought range cooking to a wider audience and is still the UK's best selling range cooker. In 2000 the Classic Range, which included the hugely successful 90cm model, was voted 'Kitchen Appliance of the Year'.

Leisure also holds a market leading position in stainless steel sinks and is the UK's largest producer. Once again, design flair and innovation are important, here seen in the recent launch of the 'Swink', the world's first illuminated sink. An extensive knowledge of synthetic sinks has enabled Leisure to design a material with the strength and heat resistant characteristics of composites while being translucent thereby allowing a soft, colourful glow when switched on. Leisure is also a significant gas fire manufacturer and is currently working

with the development team at Coalbrookdale on a new product range.

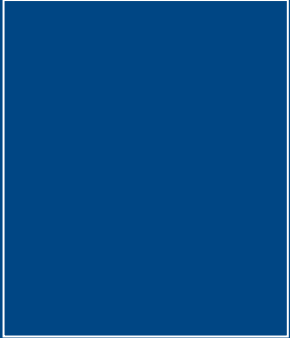
- Acquired in 1969, Leisure currently employs over 1000 people at sites in Leamington Spa and Nottingham. During 1998/1999 a major business re-engineering programme was carried out modernising manufacturing and management processes. This materially improved efficiencies and reduced the cost base.

- Leisure's customers include the major high street multiples such as Comet, Curry's, Wickes, Moben and MFI. Kitchen specialists and new house builders also feature prominently as do distributors, plumbers' merchants and wholesalers.

Exports for sinks and cookers have potential and distributors have recently been appointed in Europe, the Far East and Australia.

- New product introductions are central to the growth initiatives. Several external design agencies are used in addition to extensive in-house capabilities. One new product a month is planned for the first 9 months of 2001.





Directors and Secretary

Christopher (Kit) Farrow

Chairman

Kit Farrow (aged 63) joined the Board in July 1993 and succeeded Ewen Macpherson as chairman in June 2000. He chairs the Audit Committee. He is a member of the Financial Reporting Review Panel and was formerly Director General of the London Investment Banking Association and Vice Chairman of The London Metal Exchange. A Cambridge graduate, he was previously a director of Kleinwort Benson Ltd, an Assistant Director of the Bank of England and an Under Secretary at the DTI.

William McGrath

Chief Executive

William McGrath (aged 42) was appointed chief executive after the sale of the pipe systems business to Etex in March 2001. He joined the Group as finance director in October 1997 from Aggregate Industries plc where he was appointed finance director in 1992. An Oxford graduate and a chartered accountant, his earlier career included appointments with the construction group, Norwest Holst, as finance director and acting chief executive, and in corporate finance with Kleinwort Benson and Lloyds Merchant Bank.

Stephen Rennie

Chief Operating Officer

Stephen Rennie (aged 47) was appointed to the Board in November 2000. He joined the Group in 1979 from Calor Gas and worked in sales and marketing roles before becoming managing director of Falcon Catering in 1987. In divisional roles since 1993 he led the disposal of the Group's foundry and copper tube businesses and the acquisitions of Williams, Victory and Mono. In addition to having responsibility for consumer and foodservice operations, he oversees the Group's Health and Safety and Environmental policies.

Shaun Smith

Group Finance Director

Shaun Smith (aged 40) was appointed to the Board as group finance director in March 2001. A Nottingham economics graduate, he started his career with Marks & Spencer as a management trainee in 1983 and joined the Group as assistant treasurer in 1989. He is a qualified member of the Association of Corporate Treasurers. He was appointed group treasurer in 1999 and played a key role in managing group finances during an intense period of change.

Victor (Vic) Cocker CBE

Non-executive
Director

Vic Cocker (aged 60) has a background in the gas and water industries. A Nottingham graduate, he joined Severn Trent in 1974 and was its chief executive between 1995 and 2000. He is a non-executive director of Railtrack plc, a Fellow of the Chartered Institute of Water and Environmental Management and a member of the Government Advisory Committee on Business in the Environment. Awarded the CBE in June 2000, Mr Cocker joined the Board in July 2000. He will succeed Mr Howard as senior non-executive director and chairman of the Remuneration Committee.

Anthony Wilson

Non-executive
Director

Tony Wilson (aged 56) joined the Group in 1974. After positions in operational management and finance, he was appointed managing director of the Group's Metals Processing Division in 1993. He joined the Main Board as group finance director in September 1996. In 1997 he became chief executive and led the subsequent major repositioning programme. On completion of the sale of the Group's pipe systems businesses, he joined Etex Group as chief executive of its enlarged plastics division and was invited to remain on the Board of Aga Foodservice Group in a non-executive capacity.

Beverley Nielsen

Non-executive
Director

Beverley Nielsen (aged 41) joined the Board in March 2001. She is chief executive of the Heart of England Tourist Board. A Dublin University graduate, she was previously marketing director of the CBI and the West Midlands Regional Director. She has also worked for the Warwick Manufacturing Group at the University of Warwick, for CNN and Reuters. She is a non-executive director of Midlands Chrysalis radio stations Heart and Galaxy FM.

Stephen Howard

Non-executive
Director

Stephen Howard (aged 48), chief executive of Cookson Group plc, began his career in his native USA as a mergers and acquisition lawyer. He joined Cookson America Inc in 1985 and went on to be significantly involved in the development both of Cookson's major operations and its acquisitions and international growth. He is a non-executive director of Novar plc. He became a non-executive director of the Group in June 1996. Mr Howard has indicated an intention to stand down from the board following the AGM in May 2001.

Deryck Solomon

Group Secretary

Deryck Solomon (aged 47) joined the Group as a solicitor in 1984. An Oxford graduate, he began his career in private practice. He became deputy group legal manager in 1988 and subsequently commercial director of the Group's property division. In 1993 he became group legal manager and added the role of assistant group secretary at the beginning of 1996. He became group secretary in September 1996 and is also responsible for legal and property services and pensions administration.

The directors of Aga Foodservice Group plc present their annual report, together with the accounts of the Company, for the year ended 31st December 2000. These will be submitted to members at the annual general meeting to be held at Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ, at 12 noon on Thursday 10th May 2001.

Activities, Business Review and Company Name

Aga Foodservice Group plc is the holding company of the Group; its principal subsidiaries and their activities are shown on page 55. A review of the activities and prospects of the Group and of the principal businesses is given on pages 4 to 17. The name of the Company was changed from Glynwed International plc by a special resolution of shareholders passed at an Extraordinary General Meeting held on 19th February 2001 conditional upon completion of the sale of the Group's Pipe Systems business to Etex Group S.A., which took place on 9th March 2001. The change of name became effective on 12th March 2001.

Results and Dividends

The operating profit of the Group for the financial period was £86.4m (1999 £71.3m). The profit distributable to shareholders for the financial period was £8.5m (1999 £75.1m). An interim dividend of 4.4p per ordinary share was paid on 6th December 2000. The directors recommend a final dividend of 8.8p per ordinary share payable on 1st June 2001 to members on the register at the close of business on 17th April 2001, making a total for the period of 13.2p per ordinary share (1999 13.2p).

Share Capital of the Company and Annual General Meeting

Allotments of ordinary shares of 25p each of the Company were made during 2000 as set out in note 20 on page 48.

Resolutions will be proposed at the annual general meeting to grant to the Board, until the next following annual general meeting, authority and power to allot new securities under sections 80 and 95 of the Companies Act 1985 ('the Act').

Resolution 10 renews the directors' authority under section 80 of the Act to issue relevant securities up to a nominal value of £21,452,489 being one-third of the nominal value of the Company's issued ordinary share capital at the date of this report. Resolution 11 renews the directors' authority under section 95 of the Act to allot ordinary shares for cash without first offering them pro rata to existing shareholders as otherwise required by section 89 of the Act; the authority sought is limited to issues of equity securities with a nominal value not to exceed £3,217,873, being equivalent to 5% of the nominal value of

the Company's issued ordinary share capital at the date of this report.

Under the Act and its Articles of Association, the Company may make purchases of its own ordinary shares, subject to obtaining the approval of shareholders. The directors consider it prudent to seek the approval of shareholders for authority to make market purchases of up to 25,742,987 ordinary shares, representing 10% of the current issued ordinary share capital of the Company. Resolution 12, which will be proposed as a special resolution, grants such authority. The authority will be exercised only if the directors believe that to do so would result in an increase in earnings per share and would be in the best interests of shareholders generally.

Shareholders will receive under separate cover a circular setting out proposals for a return of capital as referred to in the letter from the chairman in the circular to shareholders in respect of the disposal of Pipe Systems.

Following completion of the proposals to return capital to shareholders, the level of authorities conferred by Resolutions 10, 11 and 12 will exceed the percentage limits which institutional shareholders are usually willing to approve. It is the directors' intention that, in these circumstances, any utilisation of those authorities will not exceed the relevant percentages as they are applied to the Company's issued share capital following completion of the return of capital.

Shareholders

At 31st December 2000, ordinary shareholders totalled 13,360 (1999 11,356). Their holdings are analysed below:

Number of shares	% of shareholders	% of shares in issue
1-5,000	87.07	6.48
5,001-50,000	10.50	7.87
50,001-100,000	0.84	3.39
100,001-500,000	1.04	12.16
Over 500,000	0.55	70.10
	100.00	100.00

The following interests of 3% or more of the issued ordinary share capital of the Company as at the date of this report have been notified to the Company:

Person notifying interest	Number of ordinary shares	% of issued ordinary capital
Tweedy Browne	15,756,625	6.12
Scepter Holdings Inc	14,910,000	5.79
Brittanic Assurance plc	12,377,003	4.81
M&G Investment Management	9,172,757	3.56

Directors

The members of the Board at the date of this report are shown on pages 18 and 19. Lord Biffen, having reached the age of 70, retired from the Board on 31st December 2000. Mr A Catanzano, who was appointed a director on 3rd November 2000, resigned from the Board on 9th March 2001 on completion of the sale of Pipe Systems. Mr S L Howard will resign from the Board at the conclusion of the AGM on 10th May 2001.

In accordance with the articles of association, Mr C J Farrow and Mr W B McGrath retire by rotation, and being eligible, offer themselves for re-election. Mr V Cocker, Mr S Rennie, Mr S M Smith and Mrs B A Nielsen were appointed directors by the Board on 1st June 2000, 3rd November 2000, 12th March 2001 and 27th March 2001 respectively and in accordance with the Articles of Association, being eligible, offer themselves for re-election. Details of directors' remuneration are set out on page 25. The biographies of directors proposed for re-election appear on pages 18 and 19.

Directors' Interests

The interests of the directors in shares of the Company shown in the register kept under section 325 of the Act, all of which are in ordinary shares of 25p each and all of which are beneficially owned, are as follows:

	At 27th March 2001	At 31st December 2000	At 31st December 1999 or date of appointment
C J Farrow	11,000	11,000	1,000
S L Howard	11,235	11,235	11,235
W B McGrath	17,500	17,500	17,500
S Rennie	5,595	5,595	5,595
S M Smith	1,000	1,000	1,000
V Cocker	–	–	–
A J Wilson	21,475	21,475	21,475
B A Nielsen	–	–	–
Lord Biffen	–	–	–
A Catanzano	–	–	–

Details of options exercisable by directors over shares in the Company are given on page 26.

No director had an interest in any contract of significance with any Group company.

Acquisitions and Disposals

The principal acquisitions during the period were as follows:

March	Eslon Thermoplastics (USA)
July	Mono Equipment Limited (UK)

The purchases have been accounted for as acquisitions in accordance with accounting standard FRS6. Details relating to the fair value of net assets acquired and the consideration are set out in note 23 to the accounts on pages 50 and 51.

No material disposals were completed during the period, but on 9th March 2001 the Company completed the disposal of the Group's pipe systems businesses to Etex Group S.A. pursuant to the terms of a Sale and Purchase Agreement entered into on 21st January 2001.

Employees

As Group operations are conducted on a substantially decentralised basis, responsibility for employment matters lies primarily at the individual business level. It is, however, a requirement of the Group's central policy that responsibility is exercised in accordance with good, modern and consistent policies which are appropriate to local circumstances. A part of that requirement is that policies be followed which ensure that there is equal opportunity of employment, regardless of race or gender, and that appropriate consideration is given to disabled applicants in terms of employment. Training, career development and promotion for disabled persons is provided as the case warrants with special attention given to the particular needs of individuals who become disabled whilst in employment.

Employees are kept aware of developments within the Group by a variety of means, from arrangements made by local management relevant to employees in the business concerned through to Group circulars sent to employees. Employees are also encouraged to access the Group web sites.

The Group has a defined benefits pension scheme for UK employees. It also has savings-related and senior executive share option schemes, a long-term incentive plan and a co-investment plan.

Health and Safety and Environment

Particular care is taken over the Group's relationships with its employees and with the community in relation to health and safety and the environment. The Group aims to achieve high standards of operation under Health and Safety at Work and Environmental Protection legislation and seeks to keep all concerned aware of good industrial practice and statutory frameworks. Under arrangements which have been revised to

take account of the sale of the pipe systems business, implementation of the overall policy is co-ordinated by the Group's health and safety and environmental co-ordinator who reports directly to the group chief operating officer. The co-ordinator meets representatives from the Group's major operations at regular intervals during the year to review standards and encourage improvements.

On health and safety issues a Group Policy Statement sets parameters within which each business unit sets its own more detailed policies; under those parameters responsibility for health and safety at each unit is clearly placed with the unit managing director. Operating sites in the UK are appraised by external consultants through a programme of regular visits and managements are made aware of the social, financial and other costs of failures to meet standards set by legislation and the Company.

In relation to environmental matters, a Group Policy Statement forms the basis for more detailed policies, with clearly devolved management responsibilities, appropriate to the varying circumstances of the Group's individual operating businesses.

Research and Development

Research and development appropriate to the needs of the Group's individual businesses is proceeding and such expenditure is written off in the period in which it is incurred. The Group's policy is to have research and development facilities as an integral part of individual manufacturing operations rather than as a central Group undertaking.

Creditor Payment Policy

It is Group policy that payment will be made in accordance with agreed terms, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation. It is also Group policy to ensure that suppliers know the terms on which payment will take place when business is agreed. Individual operating businesses within the Group are responsible for establishing appropriate policies with regard to the payment of their suppliers. The Group's trade creditors as at 31st December 2000 equated to 54 days of related purchases (1999: 54 days).

Political and Charitable Donations

During 2000 the Group gave £27,000 for charitable purposes in the UK. The principal beneficiaries were organisations concerned with medical research, the elderly, people with physical or mental disabilities, sport and inner city projects. No political donations were made during the year.

Capital Gains Tax

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

Close Company Status

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988, nor was it a close company during the period.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. For this reason the 'going concern basis' has been adopted in preparing the accounts.

Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, and to authorise the directors to determine their remuneration, will be proposed at the annual general meeting.

By order of the Board

D J Solomon

Secretary

Birmingham

27th March 2001

Statement of Compliance with the Combined Code

The Company has complied throughout the year ended 31st December 2000 with the Code provisions set out in section 1 of the Principles of Good Governance and Code of Best Practice prepared by the Hampel Committee ('the Combined Code') apart from the provision relating to the length of notice on directors' service agreements, which is discussed further on page 27.

Statement of Application of Principles

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this report describes how the Principles set out in section 1 of the Combined Code are applied by the Company.

Board of Directors

The Board of directors of the Company currently comprises a non-executive chairman, chief executive, chief operating officer, finance director and four other non-executive directors. The roles of Group chairman and Group chief executive are held by separate directors and there is a clear division of responsibilities between them.

All directors are suitably qualified, trained or experienced so as to be able to participate fully in the work of the Board. They have the business, financial and commercial experience essential to the successful management of the Company.

The non-executive directors fulfil a vital role in corporate accountability and participate fully in the comprehensive review of strategic proposals to ensure that the interests of shareholders and relevant stakeholders in the Company are safeguarded. Each non-executive director is a member of the Audit, Remuneration and Nomination Committees.

The non-executive directors are independent of the Group's management and have no business relationship with the Group. Mr S L Howard is the senior non-executive director: upon his departure from the Board the role will be taken on by Mr V Cocker.

The Board meets regularly to exercise control over the Company. Matters specifically reserved to the Board for decision include material capital expenditure, approval of annual budgets and the development of corporate strategy.

All directors have access to the advice and services of the Group secretary, who is responsible for the proper conduct of Board procedures, and whose appointment is a matter for the Board as a whole. The Group secretary reports to the chairman

upon secretarial matters. As is commensurate with the independent conduct of their function, the non-executive directors are authorised to obtain professional advice at the Company's expense, if they so wish. Management reports fully to the Board at each Board meeting and on an ad hoc basis as required.

The Company's Articles provide that each director will be required to retire by rotation at least once every three years.

Audit Committee

The Audit Committee is under the chairmanship of Mr C J Farrow. It normally meets at least three times each year. Its membership comprises the non-executive directors of the Company. It has written terms of reference which deal clearly with its authority and duties. The duties of the Committee include keeping under review the scope and results of the audit and the cost-effectiveness, independence and objectivity of the auditors. In addition the Committee receives reports from internal audit and other specialist departments. The Committee also keeps under review the nature and extent of auditors' supply of non-audit services.

Nomination Committee

The Nomination Committee is under the chairmanship of Mr C J Farrow. Its membership comprises the non-executive directors and such executive directors as may be co-opted, provided that a majority of non-executive directors is maintained at all times. It is responsible for nominating candidates with required skills and attributes for approval by the Board as a whole to fill vacancies on the Board and ensure that the Board has an appropriate balance of expertise and ability.

Internal Control

The Board is ultimately responsible for the Group's systems of internal controls, including internal financial control, operational and compliance controls and risk management and for monitoring their effectiveness. The Board has established procedures necessary to implement the guidance issued in respect of Guidance for Directors on the Combined Code ('the Guidance'). The meeting calendar and agenda of the Board ensure that risk management and internal control are considered on a regular basis during the year and are subject to continuous review and development.

A methodology for identification and assessment of relevant risks throughout the Group has been settled and disseminated following a review of risk. This methodology ensures that appropriate reviews of risk are carried out at each business within the Group to arrive at an ordered assessment

encompassing issues including likelihood of occurrence and degree of impact. The areas reviewed include risks relating to operational and financial contingencies, tangible and intangible asset protection, personnel policies, compliance and legal and regulatory issues, including environment and health and safety. A full risk and control assessment has been prepared in respect of the year to 31st December 2000 and will be prepared in respect of the current year.

Throughout the Group's operations regular management and board meetings review all aspects of the Group's various businesses including those aspects where there is a potential risk to the Group. Key procedures include planning, budgeting and investment appraisal.

Systems of internal control are designed inter alia to provide reasonable assurance that the Group's assets are safeguarded and that the financial information and accounting records are reliable, though such assurance cannot be absolute. The Board has reserved, for its own approval, those major decisions considered significant to the strategy and operation of the Group as a whole. A control structure is in place throughout the Group, which requires at least two appropriate levels of authorisation for other decisions, which have a major financial implication for the businesses concerned. Continual monitoring of the systems of internal financial control is the responsibility of all managements.

The Group has clearly defined guidelines for appraisal, approval and monitoring of acquisition and divestment policy, major capital investments and restructuring costs. These include budgets (covering quantification of benefits), detailed review and monitoring procedures, specific levels of expenditure authority and due diligence where businesses are being acquired.

The Board has approved operating policies and controls for the Group's treasury activities and receives regular information about them. In addition its insurance and risk management programmes are reported upon to the Board and the Audit Committee.

The Group has an internal audit department whose head reports to the group finance director and has access to the chairman of the Audit Committee. The team's programme is set annually and approved by the Audit Committee. External auditors consider the systems of internal financial control, in conjunction with the internal auditors, to the extent necessary to express their audit opinion. Internal and external auditors report regularly on the results of their work to management, including executive members of the Board, and to the Audit Committee.

The Board will continue to review the effectiveness of the Group's internal control systems, having particular regard to the change in the structure of the Group's businesses as a result of the sale of Pipe Systems.

Relations and Communications with Shareholders

Meetings are held between directors of the Company and major institutional shareholders at regular intervals as part of the Company's investor relations programme and whenever required in relation to specific issues.

Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting. Separate resolutions are proposed at the Annual General Meeting on each substantive issue. Shareholders attending the Annual General Meeting are entitled to ask questions and are invited to meet with directors after formal proceedings have ended. The Chairman of the Board, Audit, Remuneration and Nomination Committees are available at the Annual General Meeting to answer questions together with relevant executive directors. At the Annual General Meeting proxy votes are announced by the chairman.

In the annual and interim reports, Annual General Meeting trading statements, results presentations and city announcements generally, the Company seeks to present an accurate, objective and balanced view in a style and format which is appropriate for the intended audience. In addition to those maintained by individual businesses, the Company has an internet web site on which it presents information about the Group.

Remuneration Committee

The Remuneration Committee currently under the chairmanship of Mr S L Howard also comprises the other non-executive members of the Board. Mr W B McGrath is not a member of the Committee but may attend meetings of the Committee by invitation. No executive director was present at meetings of the Committee during consideration of his own remuneration. The Company has complied throughout the year under review with the Code provisions concerning directors' remuneration. During 2000 the executive directors' remuneration comprised salary and bonuses, incentives and pensions as detailed on page 25.

Salary and Benefits

The Remuneration Committee determines the contracts of service and emoluments of executive directors. The Committee ordinarily reviews directors' salaries annually effective from 1st January, although reviews take place at other times, if appropriate. Salary reviews take into account market rates and the performance of the individual and of the Company. Policies for benefits (which include company cars and private health insurance) are reviewed regularly and comparisons with benefit packages of other companies are made.

It is confirmed that in carrying out its work the Committee has full regard to schedule A in the Code of Best Practice. It is the underlying policy of the Committee that the levels of remuneration of executive directors shall be reasonable and fair in comparison with that of directors of other companies which are broadly similar in size and in range of activities and sufficient to attract and retain directors needed to run the Company successfully. To that end the Committee aims to set executive directors' remuneration having taken full account of information provided by other UK listed companies, in relation to which data is obtained from leading external consultancy sources.

The individual elements of remuneration are set out below in respect of each director (other than Mr S M Smith and Mrs B A Nielsen who were appointed in March 2001):

Incentives

Annual Bonus

Executive directors participate in a performance-related annual bonus scheme which is intended to provide appropriate incentives and rewards for achieving the Company's business objectives. Current performance measures balance the need for the Company to secure the best results from its ongoing operations while successfully carrying out its strategic programme of acquisitions and disposals. Details of annual bonuses paid in respect of 2000 are set out in the table below.

The overall bonus cap for executive directors consists of 50% of salary. The Remuneration Committee has received independent external advice that a 50% cap is median practice in the engineering sector. The Company's annual bonus arrangements have been linked to a co-investment plan, intended to encourage a higher level of personal shareholding on the part of senior management. No award has yet been made under the co-investment plan.

Long-Term Incentive Plan (the 'LTIP')

The LTIP is a performance share plan whereby shares are conditionally allocated to senior management, up to a maximum annual value of 100% of salary. Shares will be released to participants, who are still in the Group's service, on a

	Salary £000	Fees £000	Benefits in-kind £000	Annual bonus £000	2000 Total £000	1999 Total £000
C J Farrow (appointed Chairman in June 2000)	–	50	–	–	50	25
W B McGrath	*257	–	16	63	336	285
S Rennie (from appointment in November 2000)	27	–	2	7	36	–
S L Howard	–	25	–	–	25	25
V Cocker (appointed in July 2000)	–	11	–	–	11	–
A J Wilson	396	–	15	109	520	452
A Catanzano (from appointment in November 2000)	37	–	4	9	50	–
Lord Biffen (retired in December 2000)	–	25	–	–	25	25
E C S Macpherson (retired from Board in June 2000)	–	45	–	–	45	90
J C Blakeley (retired from Board in December 1999) ±	–	–	–	–	–	197
Total	717	156	37	188	1,098	1,099
Compensation for loss of office ±					–	466
Total emoluments					1,098	1,565

* The salary figure for Mr W B McGrath includes a supplement of £29,922 provided in place of pension benefits on Mr McGrath's salary in excess of the statutory earnings cap. ± The compensation for loss of office payable in respect of Mr J C Blakeley after cessation of employment with the Group on 31st March 2000 gave a total payment in respect of Mr J C Blakeley charged in the accounts in 1999 of £663,000.

Principal benefits-in-kind are car-related, with private healthcare costs accounting for most of the balance.

sliding-scale three to five years after they are allocated.

The actual percentage of shares they can acquire will depend on a comparison of the Company's Total Shareholder Return (TSR) with the TSR of companies in the Engineering sector of the FTSE All Share Index. If the Company's TSR places it in the top 25% of the comparator companies, the participant can acquire all the shares; if the Company's TSR is at the midpoint, 25% of the shares can be acquired; if the Company's TSR is below midpoint, none of the shares can be acquired. There is a sliding scale if the Company's TSR is between upper quartile position and the midpoint. In addition, none of the shares can be acquired unless the Remuneration Committee determines that there has been a sustained improvement in underlying financial performance during the performance period.

Participants in the LTIP will not be able to participate in future option grants under the 1994 senior executive share option scheme. LTIP awards made to executive directors are set out below.

Executive Share Options

The Company has senior executive and savings-related share option schemes, which it sees as a means of encouraging employees' closer involvement in the success of the Group. Options granted under the 1994 senior executive share option scheme are only exercisable if the Company's earnings per share, calculated on the basis promulgated by the Institute of

Investment Management and Research, have exceeded by at least 2% 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 options concerned are ordinarily exercisable in the periods set out below:

Senior Executive Share Option Scheme

Option Price (p per share)	Period of 7 years to
288	September 2002
321	May 2008

Savings-Related Share Option Scheme

Option Price (p per share)	Period of 6 months to
199	May 2003

No share options were granted to executive directors under the 1994 senior executive share option scheme during 2000.

The mid-market price of Aga Foodservice Group plc ordinary shares at the beginning and end of the year was 240p and 193p respectively. During the year the market price of the shares ranged between 162p and 254p.

The interest of directors at the beginning and end of the 2000 financial year in the currently-operating share option schemes were as stated in the table below.

	Options under the 1994 Senior Executive Share Option Scheme approved in 1994		Options under the Savings Related Share Option Scheme approved in 1994		Awards under the Long-Term Incentive Plan approved in 1999
	at 288pps	at 321pps	at 243pps	at 199pps	
W B McGrath					
at beginning of 2000	–	175,000	–	8,479	75,757
at end of 2000	–	175,000	–	8,479	75,757
S Rennie					
at date of appointment	75,000	–	4,259	–	55,555
lapsed during year	–	–	(4,259)	–	–
at end of 2000	75,000	–	–	–	55,555
A J Wilson					
at beginning of 2000	100,000	150,000	7,098	–	136,363
lapsed during year	–	–	(7,098)	–	–
at end of 2000	100,000	150,000	–	–	136,363
A Catanzano					
at date of appointment	40,000	–	–	–	50,505
at end of 2000	40,000	–	–	–	50,505

The above interests have not changed since the end of the 2000 financial year save that rights to exercise options arose in favour of Mr A J Wilson and Mr A Catanzano on ceasing employment with the Group. No other directors held any share options.

Pensions

Mr A J Wilson, Mr W B McGrath, Mr S Rennie and Mr S M Smith are members of a defined-benefit pension scheme which provides for a pension of two-thirds of final pensionable remuneration on retirement at normal retirement age with 20 or more years of pensionable service. Final pensionable remuneration is limited to the statutory earnings cap where relevant.

The increase in the transfer value of the directors' pensions (other than for Mr S M Smith who became a director on 12th March 2001), after deduction of contributions paid by them, is shown below:

	A J Wilson £000	W B McGrath £000	S Rennie £000
Total accrued pension at 31st December 2000 (pa)	226	9	74
Increase in accrued pension over 2000 (pa)	29	3	1
Transfer value of increase at 31st December 2000	502	27	19
Contributions paid by directors in 2000	12	3	1
Transfer value increase after deduction of directors' contributions	490	24	18

The transfer values shown above are not payable to the individuals concerned. During the year the Company paid premiums of £661 to provide life assurance cover on that part of Mr W B McGrath's earnings above the Inland Revenue cap for the year.

Mr A J Wilson ceased to be a Group employee on 9th March 2001. As part of the transitional pension arrangements agreed between the Company and Etex Group S.A. in respect of all transferring employees, Mr Wilson will remain in pensionable service under the Group Pension Scheme prospectively until 30th September 2001.

Mr A Catanzano ceased to be a director on 9th March 2001. He is a member of a defined contribution pension scheme to which the Company contributed £15,948 between his appointment as a director on 3rd November 2000 and 31st December 2000.

Service Contracts

The Remuneration Committee has established a policy to align the normal notice period of new executive directors with the best practice provisions set out in the Combined Code.

Accordingly, the service contracts for Mr S Rennie and Mr S M Smith (who are each proposed to be re-elected at the forthcoming Annual General Meeting) each have a notice period of one year.

The service contracts of Mr A J Wilson and of Mr W B McGrath (who is proposed to be re-elected at the forthcoming Annual General Meeting) each had a notice period of two years during 2000. Mr Wilson ceased to be an executive director on 9th March 2001 and has no service contract as a non-executive director. To reflect current policy, it was agreed that with effect from 12th March 2001, the notice period under Mr McGrath's service contract be reduced to one year. Since that date no director has had a service contract with a notice period in excess of one year.

The Remuneration Committee does not consider it to be in the best interests of shareholders for directors' contracts to provide explicitly for predetermined compensation in the event of termination and accordingly none of the contracts contains any such provision.

Mr A J Wilson became a non-executive director on 9th March 2001. Non-executive directors (including Mr V Cocker and Mrs B A Nielsen who are each proposed to be re-elected at the forthcoming Annual General Meeting) are appointed for an initial term of 3 years pursuant to a letter of appointment. Details of fees paid during the year are set out on page 25.

	Notes	2000			1999		
		Continuing operations £m	Dis-continued operations £m	Total £m	Continuing operations £m	Dis-continued operations £m	Total £m
Turnover							
Acquisitions		7.7	23.9	31.6			
Other continuing operations		196.9	740.6	937.5			
Total turnover	2&3	204.6	764.5	969.1	192.8	685.5	878.3
Operating profit (after goodwill amortisation)							
Acquisitions		0.9	1.1	2.0			
Other continuing operations		16.1	68.3	84.4			
Total operating profit	3	17.0	69.4	86.4	14.4	56.9	71.3
Provision for loss on disposal of businesses	30	–	(36.0)	(36.0)	–	–	–
Profit on disposal of businesses		–	–	–	–	32.5	32.5
Profit before interest and tax		17.0	33.4	50.4	14.4	89.4	103.8
Interest payable (net)	6			(19.6)			(9.2)
Profit before tax				30.8			94.6
Tax on profit on ordinary activities	7			(22.1)			(18.8)
Profit on ordinary activities after tax				8.7			75.8
Equity minority interests	22			(0.2)			(0.7)
Profit attributable to shareholders				8.5			75.1
Dividends	9			(32.0)			(32.0)
(Transfer from reserves)/profit retained	21			(23.5)			43.1
Reconciliation of profits before disposal of businesses							
Trading profit		20.1	81.4	101.5	16.8	64.2	81.0
Goodwill amortisation		(3.1)	(12.0)	(15.1)	(2.4)	(7.3)	(9.7)
Operating profit		17.0	69.4	86.4	14.4	56.9	71.3
Interest payable (net)				(19.6)			(9.2)
Add back goodwill amortisation				15.1			9.7
Profit before tax, disposal of businesses and goodwill amortisation				81.9			71.8
Earnings per share							
	10			p			p
Before disposal of businesses and goodwill amortisation				22.6			22.0
Basic				3.5			31.0
Diluted				4.1			30.5

Notes to the accounts are on pages 33 to 55.

For the year ended 31st December

Statement of Total Recognised Gains and Losses

	Notes	2000 £m	1999 £m
Profit attributable to shareholders		8.5	75.1
Exchange adjustments on net investments	21	8.2	(11.8)
Total recognised gains and losses relating to the year		16.7	63.3

Note of Historical Cost Profit

	Notes	2000 £m	1999 £m
Reported profit before tax		30.8	94.6
Realisation of property revaluation gains of previous years		0.4	8.3
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amounts		0.1	0.1
Historical cost profit on ordinary activities before tax		31.3	103.0
Tax on profit on ordinary activities	7	(22.1)	(18.8)
Equity minority interests	22	(0.2)	(0.7)
Dividends	9	(32.0)	(32.0)
Historical cost (transfer from reserves)/profit retained		(23.0)	51.5

Reconciliation of Movements in Shareholders' Funds

	Notes	2000 £m	1999 £m
Total recognised gains and losses relating to the year		16.7	63.3
Dividends	9	(32.0)	(32.0)
New share capital subscribed			
- share premium	21	0.1	0.2
Share buybacks			
- preference shares	20	-	(1.3)
- profit and loss account	21	-	(1.4)
- capital redemption reserve	21	-	1.3
Goodwill reinstated on disposals	21	-	39.1
Net (decrease)/increase in shareholders' funds		(15.2)	69.2
Shareholders' funds at 1st January		394.8	325.6
Shareholders' funds at 31st December		379.6	394.8

Notes to the accounts are on pages 33 to 55.

As at 31st December

	Notes	Group		Company	
		2000 £m	1999 £m	2000 £m	1999 £m
Fixed assets					
Intangible assets	11	275.8	272.6	–	–
Tangible assets	12	288.2	272.1	–	–
Investments	13	–	1.2	343.2	495.5
Total fixed assets		564.0	545.9	343.2	495.5
Current assets					
Stocks	14	194.4	166.6	–	–
Debtors	15	192.9	181.0	937.5	619.1
Cash at bank and in hand	17	33.5	34.7	0.3	7.3
Total current assets		420.8	382.3	937.8	626.4
Creditors – amounts falling due within one year					
Operating creditors	16	(163.9)	(158.4)	(221.3)	(426.1)
Borrowings	17	(56.8)	(25.4)	(68.1)	(30.2)
Exchangeables	17 & 20	(33.5)	–	–	–
Tax and dividends payable	16	(33.6)	(27.9)	(21.3)	(21.3)
Total amounts falling due within one year		(287.8)	(211.7)	(310.7)	(477.6)
Net current assets		133.0	170.6	627.1	148.8
Total assets less current liabilities		697.0	716.5	970.3	644.3
Creditors – amounts falling due after more than one year					
Borrowings	17	(247.5)	(251.1)	(241.9)	(230.6)
Exchangeables	17 & 20	–	(32.1)	–	–
Provisions for liabilities and charges	19	(68.6)	(37.1)	–	–
Total net assets employed		380.9	396.2	728.4	413.7
Capital and reserves					
Called up share capital	20	60.6	60.6	60.6	60.6
Share premium account	21	25.9	25.8	25.9	25.8
Revaluation reserve	21	7.0	7.6	–	–
Capital redemption reserve	21	2.3	2.3	2.3	2.3
Profit and loss account	21	283.8	298.5	639.6	325.0
Total shareholders' funds		379.6	394.8	728.4	413.7
Equity minority interests	22	1.3	1.4	–	–
Total funds		380.9	396.2	728.4	413.7

The accounts on pages 28 to 55 were approved by the Board of Directors on 27th March 2001 and were signed on its behalf by:

C J Farrow Chairman
W B McGrath Chief Executive

Notes to the accounts are on pages 33 to 55.

For the year ended 31st December

	Notes	2000		1999	
		£m	£m	£m	£m
Net cash inflow from operating activities			106.0		96.0
Returns on investments and servicing of finance			(17.0)		(6.9)
Tax paid			(20.9)		(37.2)
Capital expenditure and financial investment			(27.4)		(24.6)
Acquisitions and disposals	23		(19.1)		(18.4)
Equity dividends paid			(32.0)		(32.0)
Net cash outflow before financing			(10.4)		(23.1)
Financing					
– issue of ordinary share capital	24	0.1		0.2	
– buyback of preference share capital	24	–		(1.4)	
– increase in debt	24	3.4		16.2	
			3.5		15.0
Decrease in cash in the year	25		(6.9)		(8.1)
Reconciliation of net cash flow to movement in net borrowings					
Decrease in cash in the year	25	(6.9)		(8.1)	
Increase in debt	24	(3.4)		(16.2)	
Change in net debt resulting from cash flows	25		(10.3)		(24.3)
Borrowings acquired with acquisitions	23		(4.5)		(64.6)
Loan notes issued for acquisitions	23		(7.1)		–
Exchangeables	20		–		(32.1)
Exchange adjustment	25		(8.5)		5.6
Increase in net borrowings			(30.4)		(115.4)
Opening net borrowings			(273.9)		(158.5)
Closing net borrowings			(304.3)		(273.9)

This statement should be read in conjunction with the reconciliations on page 32.

Notes to the accounts are on pages 33 to 55.

For the year ended 31st December

Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2000			1999			
	Notes	£m Continuing	£m Dis-continued	£m Total	£m Continuing	£m Dis-continued	£m Total
Operating profit		17.0	69.4	86.4	14.4	56.9	71.3
Goodwill amortisation	3	3.1	12.0	15.1	2.4	7.3	9.7
Depreciation	3	3.9	22.8	26.7	4.1	23.4	27.5
Profit on disposal of fixed assets		(0.5)	(1.9)	(2.4)	–	–	–
(Increase)/decrease in stocks		(1.3)	(11.8)	(13.1)	3.5	(10.8)	(7.3)
(Increase)/decrease in debtors		0.9	4.8	5.7	(3.4)	16.5	13.1
Increase/(decrease) in creditors		4.1	(9.9)	(5.8)	9.0	(21.6)	(12.6)
Increase/(decrease) in provisions		(4.1)	(2.5)	(6.6)	(2.1)	(3.6)	(5.7)
Net cash inflow from operating activities		23.1	82.9	106.0	27.9	68.1	96.0

Operating cashflows relating to acquisitions and disposals are shown in note 23.

Returns on Investments and Servicing of Finance

	Notes	2000 £m	1999 £m
Interest payable (net)	6	(19.6)	(9.2)
Movement in prepayments and accruals		2.8	2.7
Net interest paid		(16.8)	(6.5)
Interest received		2.1	1.2
Interest paid		(18.9)	(7.7)
Net interest paid		(16.8)	(6.5)
Dividend paid to minority interests	22	(0.2)	(0.4)
Net cash outflow from returns on investments and servicing of finance		(17.0)	(6.9)

Tax paid

	2000 £m	1999 £m
Tax paid		
– on operating activities	(20.9)	(28.3)
– on disposal of non-core businesses	–	(8.9)
Total tax paid	(20.9)	(37.2)

Capital Expenditure and Financial Investment

	Notes	2000 £m	1999 £m
Purchase of tangible fixed assets	12	(37.5)	(28.4)
Sale of tangible fixed assets		10.1	3.8
Net cash outflow from capital expenditure and financial investment		(27.4)	(24.6)

Notes to the accounts are on pages 33 to 55.

1. Accounting policies

Basis of accounting

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.

New Financial Reporting Standards 15 and 16 have been adopted in the 2000 accounts. The Group's accounting policies have been revised to comply with these standards, where applicable, but this has not resulted in any change to previously published information. Following the introduction of FRS15, the Group is not adopting a policy of revaluing its fixed assets. The transitional provisions of the FRS have been followed whereby existing revaluations are retained.

Basis of consolidation

The consolidated profit and loss account 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 reserves of associated undertakings.

Acquisitions

Shares issued as consideration for the acquisitions 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 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 profit and loss account or the statement of recognised gains and losses as appropriate. In the company accounts, where advantage can be taken of the merger relief rules, shares issued as consideration for acquisitions are accounted for at nominal value.

Goodwill

From 1998, goodwill, being the difference between the fair value of the purchase consideration and the fair value of the assets acquired, has been capitalised in the accounts as goodwill and then amortised on a straight line basis over its estimated useful life.

Goodwill arising on acquisitions prior to 1998 has been written off to reserves. This goodwill will be charged in the profit and loss account as part of any profit or loss of any subsequent disposal of the business to which it relates.

Turnover

Turnover which excludes value added tax and intra-group sales represents the invoiced value of goods and services supplied to customers.

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.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Depreciation

Depreciation is provided on tangible fixed assets, 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, machinery and equipment over a period of 3 to 12½ years (1999: 3 to 10 years).

Leases

Assets held under finance leases and hire purchase contracts are integrated with owned tangible fixed assets and the obligations relating thereto, excluding finance charges, are included in borrowings. Finance costs are charged to the profit and loss account over the contract term to give a constant rate of interest on the outstanding balance. Costs in respect of operating leases are charged in arriving at the operating profit.

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 from leased assets is credited to the profit and loss account on an accruals basis.

Stocks

Stocks 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. Full provision is made for obsolete and slow moving items.

Borrowings

All financial instruments with a cost to the Group, with the exception of share capital, have been included in borrowings. Consequently finance leases and bills of exchange, which have a cost to the Group, are included in net borrowings. The cost of bills and finance leases has been included in net interest. 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

The profit and loss account 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 unless matched by forward contracts. 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. Other exchange differences are dealt with through the profit and loss account.

Financial instruments

The principal derivative instruments utilised by the Group are interest rate swaps and forward rate agreements. These instruments are used for hedging purposes in line with the Group's risk management policy and no trading in financial instruments is undertaken. Interest differentials are taken to net interest payable 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 taken into account to the extent that a liability will probably arise in the foreseeable future and is calculated at tax rates expected to apply at that time. 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.

2. Segmental analysis

The figures for 1999 in this note have been restated for the disposal of Pipe Systems on 9th March 2001.

By business group	2000			1999		
	Turnover	Operating profit	Net operating assets	Turnover	Operating profit	Net operating assets
	£m	£m	£m	£m	£m	£m
Consumer Products	111.3	9.8	34.5	114.6	7.7	39.2
Foodservice Products	93.3	10.3	32.3	78.2	9.1	24.2
Total continuing operations	204.6	20.1	66.8	192.8	16.8	63.4
Goodwill amortisation - continuing operations	-	(3.1)	-	-	(2.4)	-
Discontinued operations	764.5	69.4	362.6	685.5	56.9	352.3
Total Group	969.1	86.4	429.4	878.3	71.3	415.7

An analysis of net operating assets by category of asset is given on page 57.

Turnover between business groups is immaterial. Net assets for Consumer Products and Foodservice Products in 1999 previously included allocations of central assets and liabilities. The allocations shown above are based on assets and liabilities being retained by the continuing operations. Goodwill amortisation on continuing operations relates entirely to Foodservice Products.

By geographical origin	2000			1999		
	Turnover	Operating profit	Net operating assets	Turnover	Operating profit	Net operating assets
	£m	£m	£m	£m	£m	£m
United Kingdom	177.4	19.2	63.9	176.6	16.2	62.8
North America	21.5	0.4	1.3	10.9	0.2	(0.7)
Rest of World	5.7	0.5	1.6	5.3	0.4	1.3
Total continuing operations	204.6	20.1	66.8	192.8	16.8	63.4
Goodwill amortisation - continuing operations	-	(3.1)	-	-	(2.4)	-
Discontinued operations	764.5	69.4	362.6	685.5	56.9	352.3
Total Group	969.1	86.4	429.4	878.3	71.3	415.7

Goodwill amortisation on continuing operations relates to United Kingdom £2.3m (1999: £2.1m) and North America £0.8m (1999: £0.3m).

Turnover by geographical destination	2000		1999	
	£m	%	£m	%
United Kingdom	165.2	80.7	165.1	85.6
North America	22.3	10.9	11.4	5.9
Rest of World	17.1	8.4	16.3	8.5
Total continuing operations	204.6	100.0	192.8	100.0

3. Net operating costs

	2000			1999		
	Continuing £m	Dis- continued £m	Total £m	Continuing £m	Dis- continued £m	Total £m
Turnover	204.6	764.5	969.1	192.8	685.5	878.3
Less operating profit	(17.0)	(69.4)	(86.4)	(14.4)	(56.9)	(71.3)
Net operating costs	187.6	695.1	882.7	178.4	628.6	807.0
Net operating costs						
Raw materials and consumables	75.5	360.8	436.3	70.0	302.7	372.7
Staff costs (note 4)	64.6	177.4	242.0	59.9	179.0	238.9
Other operating charges	37.7	113.3	151.0	33.1	101.2	134.3
Change in stocks of finished goods and work in progress	(3.3)	(22.1)	(25.4)	2.1	(7.2)	(5.1)
Other operating income	(1.1)	(5.3)	(6.4)	(1.4)	(5.8)	(7.2)
Other external charges	7.2	36.2	43.4	8.2	28.0	36.2
Amortisation of goodwill (note 11)	3.1	12.0	15.1	2.4	7.3	9.7
Depreciation of tangible fixed assets (note 12)	3.9	22.8	26.7	4.1	23.4	27.5
Net operating costs	187.6	695.1	882.7	178.4	628.6	807.0

The total figures for 2000 include the following amounts relating to acquisitions:

	2000 £m
Turnover	31.6
Less operating profit	(2.0)
Net operating costs	29.6
Net operating costs	
Raw material and consumables	20.2
Staff costs	5.7
Other operating charges	3.5
Change in stocks of finished goods and work in progress	(2.3)
Other external charges	1.5
Amortisation of goodwill	0.3
Depreciation of tangible fixed assets	0.7
Net operating costs	29.6

3. Net operating costs (continued)

Net operating costs include the following:

	2000	1999
	£m	£m
Exceptional reorganisation and redundancy	3.0	9.3
Profit on disposal of fixed assets	2.4	–
Research and development	8.7	9.2
Rentals under operating leases		
– Plant and machinery	5.6	4.6
– Other	4.9	3.8
Auditors' remuneration		
Audit services		
– Primary auditors (Company £0.1m (1999 £0.1m))	0.7	0.7
– Other auditors of Group companies	0.1	0.1
Total audit services	0.8	0.8
Other services provided by primary auditors		
– Services in connection with Stock Exchange related transactions	–	0.8
– Other services	1.0	0.8

4. Employee information

Average number of employees (including directors)	2000	1999
Consumer Products	1,789	1,839
Foodservice Products	1,378	1,147
Discontinued	7,460	7,414
Total	10,627	10,400

	2000			1999		
	Continuing	Dis- continued	Total	Continuing	Dis- continued	Total
	£m	£m	£m	£m	£m	£m
Staff costs (including directors)						
Wages and salaries	58.1	147.9	206.0	54.0	151.5	205.5
Social security costs	5.2	26.0	31.2	4.4	24.3	28.7
Other pension costs	1.3	3.5	4.8	1.5	3.2	4.7
Total staff costs	64.6	177.4	242.0	59.9	179.0	238.9

Directors' emoluments

Details of directors' emoluments are set out in the Remuneration Report on pages 24 to 27

5. Pension costs

The Group operates a number of pension schemes throughout the world. During the year the two main UK schemes were merged. The scheme, which covers the majority of United Kingdom employees is a defined benefit scheme and the assets are held in trust funds separate from the Group's assets. A number of defined benefit pension arrangements are operated in Germany by Friatec, provided via a mixture of direct pension promises (unfunded arrangements) and arrangements funded through assets held separately from the employer. The other schemes (including those operated by Friatec outside Germany) are small in size and generally of a money purchase nature.

The latest full valuation of the main United Kingdom scheme was carried out by Watson Wyatt Partners, independent consulting actuaries, as at 31st March 1998 using the projected unit credit method. The principal assumptions on which the valuation was based for the purposes of establishing the Group's pension cost were that the investment return would be 2.75% greater than general salary increases, 4.25% greater than increases in future pension payments, and 3.5% greater than the assumed rate of growth on United Kingdom equity dividends. The results of the valuation showed that the scheme had an aggregate market value of £746.5m and was 109% funded. For the purposes of the 1999 accounts, the valuation was rolled forward to September 1999, using the same principal assumptions, to reflect changes in assets and liabilities in the intervening period. The results of this roll forward showed that the scheme was 113% funded and the surplus has been spread forward on the fixed monetary amount basis. This valuation has been used for the 2000 accounts. At 31st December 2000 the pensions prepayment held in the Group's balance sheet is £12.9m (1999: £12.1m).

Approximate valuations of the German pension schemes operated by Friatec were carried out by Watson Wyatt Partners, as at 31st October 1998, in order to comply with United Kingdom accounting requirements. The methodology and assumptions used were broadly consistent with those used in the United Kingdom valuations and were chosen to reflect the German economic environment. The overall liability at 31st December 2000 was £8.2m.

6. Interest

	2000	1999
	£m	£m
Interest payable	18.8	9.2
Bank loans and overdrafts	2.9	1.2
All other borrowings		
Total interest payable	21.7	10.4
Less interest receivable and similar income	(2.1)	(1.2)
Interest payable (net)	19.6	9.2

7. Tax on profit on ordinary activities

	2000	1999
	£m	£m
United Kingdom corporation tax based on a rate of 30% (1999: 30.25%)		
Current tax on income for year	27.4	5.7
Adjustments in respect of prior years	(1.6)	1.1
	25.8	6.8
Double taxation relief	(20.6)	(1.0)
Deferred tax (note 19)	–	(3.5)
Total United Kingdom tax	5.2	2.3
Overseas tax		
Current tax on income for year	15.5	15.8
Adjustments in respect of prior years	(0.3)	0.5
	15.2	16.3
Deferred tax (note 19)	1.7	0.2
Total overseas tax	16.9	16.5
Tax on profit on ordinary activities	22.1	18.8
Including tax on exceptional items:–		
– disposal of businesses	(1.7)	1.0
– exceptional reorganisation costs	(1.0)	(3.0)
Tax on exceptional items	(2.7)	(2.0)

8. Profit for the year

Group profit after tax and minority interests for the year was £8.5m (1999: £75.1m). 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 was £346.1m (1999: £112.4m).

9. Dividends

	2000	1999
	£m	£m
Ordinary dividends		
Interim paid of 4.4p per share (1999: 4.4p)	10.7	10.7
Proposed final of 8.8p per share (1999: 8.8p)	21.3	21.3
Total of 13.2p per share (1999: 13.2p)	32.0	32.0

10. Earnings per share

	2000	1999
Earnings before disposal of businesses	£m	£m
Profit on ordinary activities after tax	8.7	75.8
Minority interests	(0.2)	(0.7)
Disposal of businesses net of tax	34.3	(31.5)
Goodwill amortisation net of tax	12.0	9.7
Earnings before disposal of businesses and goodwill amortisation	54.8	53.3
Earnings		
Profit on ordinary activities after tax	8.7	75.8
Minority interests	(0.2)	(0.7)
Earnings – for basic EPS	8.5	75.1
Dilutive effect of Exchangeables (note 20)	2.0	0.6
Earnings – for diluted EPS	10.5	75.7
Weighted average number of shares in issue	million	million
For basic EPS calculation	242.5	242.4
Dilutive effect of Exchangeables (note 20)	14.9	6.2
For diluted EPS calculation	257.4	248.6
Earnings per share	p	p
Before disposal of businesses and goodwill amortisation	22.6	22.0
Basic	3.5	31.0
Diluted	4.1	30.5

The additional earnings per share figure has been calculated to provide a measure of performance before the impact of profits and losses on disposals. Prior year figures have been restated.

11. Intangible assets – goodwill

	2000	1999
Cost	£m	£m
At 1st January	284.1	132.7
Exchange adjustment	8.7	(10.6)
Arising from acquisitions in the year (note 23)	10.2	165.1
Arising from adjustment to prior year acquisitions (note 23)	(0.2)	(3.1)
At 31st December	302.8	284.1
Amortisation		
At 1st January	11.5	2.0
Exchange adjustment	0.4	(0.2)
Charge for the year	15.1	9.7
At 31st December	27.0	11.5
Net book value		
At 31st December	275.8	272.6

Goodwill arising on acquisitions is being amortised over 20 years, which the directors believe to be its useful economic life.

12. Tangible fixed assets

	Land and buildings	Plant, machinery and equipment	Assets in course of construction	Total tangible fixed assets
	£m	£m	£m	£m
Cost and valuation				
At 1st January	164.9	338.0	6.8	509.7
Exchange adjustment	2.9	4.5	0.1	7.5
Businesses acquired	4.6	3.8	–	8.4
Capital expenditure	4.3	28.3	4.9	37.5
Disposals	(7.3)	(10.9)	–	(18.2)
Reclassification	0.4	5.5	(5.9)	–
At 31st December	169.8	369.2	5.9	544.9
Depreciation				
At 1st January	8.3	229.3	–	237.6
Exchange adjustment	0.2	2.5	–	2.7
Businesses acquired	0.2	–	–	0.2
Charge for the year	2.8	23.9	–	26.7
Disposals	(0.5)	(10.0)	–	(10.5)
At 31st December	11.0	245.7	–	256.7
Net book value				
At 31st December	158.8	123.5	5.9	288.2
At 1st January	156.6	108.7	6.8	272.1

All tangible fixed assets are held at cost except for £42.7m of land and buildings valued professionally in 1995.

The historical cost to the relevant businesses of tangible fixed assets amounts to £539.6m (1999: £506.1m) and the accumulated depreciation thereon is £263.2m (1999: £247.0m), giving a net historical book value of £276.4m (1999: £259.1m).

The net book value of tangible fixed assets includes £1.0m (1999: £0.8m) in respect of assets held under finance leases. Depreciation for the year on these assets was £0.2m (1999: £0.3m).

The net book value of land and buildings comprises:

	2000 £m	1999 £m
Freehold	157.9	155.5
Long leasehold	0.8	1.0
Short Leasehold	0.1	0.1
Total	158.8	156.6

Included in net book value of land and buildings is £9.8m relating to properties leased to former Metals Processing businesses. The businesses have options to purchase these properties, exercisable before 2009. No material loss would arise on the exercise of these options.

The useful life of certain assets has been reviewed in accordance with FRS15. The effect has been to reduce the depreciation charge in the year by approximately £3.0m. The effect of this on the profit for the year is partially offset by a reduction in stock values of approximately £0.4m.

13. Investments

	2000	1999
	£m	£m
Group		
Trade Investments	–	1.2

Company	Cost of shares £m	Provisions £m	Net book value £m	Amounts due from subsidiaries £m	Amounts due to subsidiaries £m	Total £m
In subsidiaries						
At 1st January	529.3	(33.8)	495.5	599.0	(422.8)	671.7
Movement in the year	(115.2)	(37.1)	(152.3)	314.4	208.3	370.4
At 31st December	414.1	(70.9)	343.2	913.4	(214.5)	1,042.1

14. Stocks

	2000	1999
	£m	£m
Raw materials and consumables	41.4	38.8
Work in progress	20.2	18.0
Finished goods and goods for resale	132.8	109.8
Total stocks	194.4	166.6

15. Debtors

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Operating debtors				
– falling due within one year				
Trade debtors	136.2	133.4	–	–
Amounts owed by Group undertakings	–	–	913.4	541.9
Other debtors	14.3	13.4	0.1	0.2
Prepayments and accrued income	7.0	6.0	0.3	0.5
Total falling due within one year	157.5	152.8	913.8	542.6
Operating debtors				
– falling due after one year				
Amounts owed by Group undertakings	–	–	–	57.1
Other debtors	6.9	6.4	–	–
Pension prepayment	12.9	12.1	–	–
Total operating debtors	177.3	171.3	913.8	599.7
Tax recoverable falling due within one year	15.6	9.7	23.7	19.4
Total debtors	192.9	181.0	937.5	619.1

16. Creditors

	Group		Company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Amounts falling due within one year				
Operating creditors				
Trade creditors	99.7	88.1	–	–
Amounts owed to Group undertakings	–	–	214.5	422.8
Social security	6.0	4.8	–	–
Accruals and deferred income	36.5	42.6	6.4	2.8
Other creditors	21.7	22.9	0.4	0.5
Total operating creditors	163.9	158.4	221.3	426.1
Tax and dividends payable				
Tax	12.3	6.6	–	–
Dividends payable	21.3	21.3	21.3	21.3
Total tax and dividends payable	33.6	27.9	21.3	21.3

17. Borrowings

	Group		Company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Floating Rate Loan Notes – 1996/2005	6.8	7.4	6.8	7.4
Finance leases	0.2	0.3	–	–
Other borrowings	49.8	17.7	61.3	22.8
Total falling due within one year	56.8	25.4	68.1	30.2
Finance leases	0.3	0.3	–	–
Floating Rate Loan Notes – 2010	7.1	–	7.1	–
Other borrowings	240.1	250.8	234.8	230.6
Total falling due after one year	247.5	251.1	241.9	230.6
Exchangeables (note 20)	33.5	32.1	–	–
Total borrowings	337.8	308.6	310.0	260.8
Cash at bank and in hand	(33.5)	(34.7)	(0.3)	(7.3)
Total net borrowings	304.3	273.9	309.7	253.5
Secured	2.0	2.2	–	–
Unsecured	335.8	306.4	310.0	260.8
Total borrowings	337.8	308.6	310.0	260.8

Subsidiaries' secured borrowings are secured on the property and assets of those subsidiaries.

18. Financial instruments

The Group's objective in using financial instruments is to reduce its exposure to financial risk. The group treasurer co-ordinates banking, borrowing requirements and financial instrument transactions. The Group manages its financial instrument credit risk by only undertaking transactions with established relationship banks. Board approved policies and procedures govern these activities.

Major transactions are undertaken by the group treasury team. Operating units are responsible for their transactional hedging, under parameters set by the Board and with monthly monitoring at Group level. The treasury department is a cost centre, only undertaking transactions to hedge identified Group exposures.

The three principal areas of financial risk are:

- **Foreign exchange transactional exposures**

The objective of foreign exchange transactional hedging policy is to minimise the impact of exchange rate fluctuations on expected results. This is achieved through the use of forward foreign exchange contracts on all material transaction flows.

- **Foreign exchange translation exposures**

The Group seeks to hedge a proportion of overseas investments, reducing volatility by maintaining liabilities in its non-sterling balance sheet currencies. In 2000 the Group continued with its strategy of maintaining liabilities in the two principal overseas currencies of Canadian dollars and Euros to hedge a material proportion of the Group's investments made in those currencies. At the end of 2000, the non-sterling liabilities represented 74% (1999: 74%) of Canadian net assets and 35% (1999: 35%) of Eurozone net assets respectively.

- **Interest rate risk on borrowing**

The Group seeks to maintain a balance between fixed and floating rate debt. At the year end, the majority of the Group's borrowings were at floating rates. The Group manages the risk associated with interest rate movements by entering into interest rate swaps and forward rate agreements over periods of between 1 and 2 years. Depending on market conditions and absolute debt levels, the Group's policy is to have between 25% and 75% of debt at fixed rates at any time. At the year end, 32% of the borrowings had been swapped to a fixed rate basis.

Short term debtors and creditors have been excluded from all the following disclosures, other than the currency exposure.

a) Currency and interest rate exposure of financial assets and liabilities

The following table analyses the currency and interest rate composition of the Group's financial liabilities, comprising total borrowings of £337.8m (1999: £308.6m) included in note 17 and the provision for vacant leasehold properties of £1.9m (1999: £5.4m) included in note 19. The analysis is shown after accounting for the impact of interest rate swaps.

2000	Floating rate £m	Fixed rate £m	Non interest bearing £m	Total £m	Fixed rate weighted average	
					Interest rate %	Time period Years
Currency						
Sterling	41.4	–	1.9	43.3	–	–
Eurozone	37.3	43.1	–	80.4	5.5	1.8
US	16.7	–	–	16.7	–	–
Canadian	106.7	55.3	–	162.0	6.3	1.1
Other currencies	3.8	–	–	3.8	–	–
At 31st December	205.9	98.4	1.9	306.2		
Canadian – Exchangeables (note 20)	33.5	–	–	33.5	–	–

18. Financial instruments (continued)

1999	Floating rate £m	Fixed rate £m	Non interest bearing £m	Total £m	Fixed rate weighted average	
					Interest rate %	Time period Years
Currency						
Sterling	15.6	–	5.4	21.0	–	–
Eurozone	17.0	60.5	–	77.5	4.1	1.1
US	14.6	–	–	14.6	–	–
Canadian	143.2	21.3	–	164.5	6.4	1.7
Other currencies	1.0	3.3	–	4.3	–	–
At 31st December	191.4	85.1	5.4	281.9		
Canadian – Exchangeables (note 20)	32.1	–	–	32.1	–	–

Floating rate financial liabilities bear interest based on the relevant national LIBOR equivalents, which are fixed in advance for periods of between one month and six months. The Exchangeables carried interest equivalent to dividends on Aga Foodservice Group shares (note 20).

Fixed rate financial liabilities were those for which the interest was fixed for more than 12 months.

The provision for vacant leasehold properties is considered to be a non-interest bearing liability and has an average period to maturity of 4.5 years (1999: 3.8 years).

The following table analyses the currency and interest rate exposure of the Group's financial assets, comprising cash at bank and in hand of £33.5m (1999: £34.7m).

	2000 £m	1999 £m
Currency		
Sterling	1.0	3.3
Eurozone	13.7	15.0
US	3.0	5.2
Canadian	6.2	4.4
Other currencies	9.6	6.8
At 31st December	33.5	34.7

The above financial assets bear floating rate interest at the relevant short term market rate.

b) Maturity analysis of financial liabilities

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

2000	Group				Company
	Borrowings £m	Finance leases £m	Other financial liabilities £m	Total £m	Total £m
Within 1 year or on demand	90.1	0.2	0.4	90.7	68.1
Between 1 and 2 years	23.1	0.2	0.2	23.5	20.1
Between 2 and 5 years	222.8	0.1	1.1	224.0	221.8
Over 5 years	1.3	–	0.2	1.5	–
At 31st December	337.3	0.5	1.9	339.7	310.0

18. Financial instruments (continued)**b) Maturity analysis of financial liabilities (continued)**

1999	Group				Company
	Borrowings £m	Finance leases £m	Other financial liabilities £m	Total £m	Total £m
Within 1 year or on demand	25.1	0.3	1.5	26.9	30.2
Between 1 and 2 years	92.8	0.1	0.7	93.6	43.9
Between 2 and 5 years	188.7	0.2	2.1	191.0	186.7
Over 5 years	1.4	–	1.1	2.5	–
At 31st December	308.0	0.6	5.4	314.0	260.8

c) Borrowing facilities

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

	2000 £m	1999 £m
Expiring within 1 year	94.9	28.1
Expiring between 1 and 2 years	12.0	164.6
Expiring in more than 2 years	82.2	42.3
Total undrawn committed facilities	189.1	235.0

The Group also has uncommitted facilities totalling £126.4m.

Following the disposal of Pipe Systems on 9th March 2001 the Group's borrowing facilities have been reduced substantially to reflect the Group's ongoing requirements.

	2000		1999	
	Book value £m	Fair value £m	Book value £m	Fair value £m
d) Fair values of financial assets and liabilities				
Primary financial instruments held or issued to finance Group operations:				
Short term borrowings	(56.8)	(56.8)	(25.4)	(25.4)
Long term borrowings	(247.5)	(247.5)	(251.1)	(251.1)
Exchangeables	(33.5)	(33.5)	(32.1)	(32.1)
Other financial liabilities	(1.9)	(1.9)	(5.4)	(5.4)
Cash at bank and in hand	33.5	33.5	34.7	34.7
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps	–	(0.8)	–	(0.1)
Derivative financial instruments held or issued to hedge the currency exposure on purchases and sales:				
Forward foreign currency contracts	–	(0.1)	–	(0.3)

The Group's borrowings are primarily floating rate loans and their book value is deemed to approximate to their fair values. The fair values of the Exchangeables and other financial liabilities are not materially different from their book value. The fair value of the interest rate swaps has been estimated by discounting the affected cash flows. The fair value of the forward foreign exchange contracts has been calculated using the spot rate of exchange at the year end.

18. Financial instruments (continued)

e) Currency exposures

The table below shows the currency exposure of the Group's net monetary assets and liabilities in currencies other than their local currency after taking account of forward foreign exchange contracts held to manage such exposures. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account.

2000	Net foreign currency financial assets/(liabilities)				
	Sterling £m	Eurozone £m	US £m	Other currencies £m	Total £m
Functional currency of Group operation:					
Sterling	–	0.6	(0.3)	(1.4)	(1.1)
Eurozone	(0.1)	–	0.1	2.0	2.0
US	–	0.2	–	–	0.2
Canadian	–	–	(2.1)	–	(2.1)
Other currencies	(1.6)	(1.4)	0.4	–	(2.6)
Total	(1.7)	(0.6)	(1.9)	0.6	(3.6)

1999	Net foreign currency financial assets/(liabilities)				
	Sterling £m	Eurozone £m	US £m	Other currencies £m	Total £m
Functional currency of Group operation:					
Sterling	–	0.2	0.2	(1.2)	(0.8)
Eurozone	(0.6)	–	(0.1)	2.4	1.7
US	–	0.2	–	–	0.2
Canadian	–	–	3.2	–	3.2
Other currencies	(3.2)	0.4	0.2	–	(2.6)
Total	(3.8)	0.8	3.5	1.2	1.7

f) Hedges on future transactions

As explained on page 43, the Group's policy is to hedge the following exposures:

- interest rate risk by using interest rate swaps and forward rate agreements
- structural and transactional currency exposures, and currency exposures on future expected sales and purchases by using forward foreign exchange contracts.

At 31st December there were £0.8m (1999: £0.1m) of unrecognised net losses in respect of interest rate swaps and £0.1m (1999: £0.3m) in respect of forward foreign exchange contracts to be recognised in the profit and loss account in the next year.

19. Provisions for liabilities and charges

	Deferred tax	Pensions & employee benefits	Product warranties	Property & reorganisation	Other	Total
	£m	£m	£m	£m	£m	£m
At 1st January	–	14.6	9.3	6.5	6.7	37.1
Exchange adjustment	0.3	0.2	0.1	0.1	0.1	0.8
Acquisitions						
– current year (note 23)	–	0.1	–	–	–	0.1
– adjust prior year fair values (note 23)	–	–	0.2	–	(0.5)	(0.3)
Charge/(credit) in the year	1.7	1.7	0.7	(1.3)	36.2	39.0
Utilised in the year	–	(0.6)	(3.7)	(2.2)	(1.6)	(8.1)
At 31st December	2.0	16.0	6.6	3.1	40.9	68.6

Deferred tax	2000		1999	
	Potential		Potential	
	Provided	unprovided	Provided	unprovided
	£m	£m	£m	£m
Timing differences between tax allowances and depreciation	–	6.0	–	8.1
Other timing differences	2.0	–	–	0.6
Total deferred tax	2.0	6.0	–	8.7

Pensions and employee benefits

Pensions and employee benefits include £14.1m (1999: £12.9m) in respect of unfunded pension schemes and £1.9m (1999: £1.7m) in respect of other long-term employee benefits.

Product warranties

Provision is made for the estimated liability on all products still under warranty. Product warranties of between 1 and 5 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 remains with the Group. Full provision has been made for the residual lease commitments, together with other outgoing, for the remaining period of the leases. The timing of payments is shown in note 18(b).

Provision has also been made for the remaining costs of reorganisations announced during the year to which the Group is committed. The expenditure will principally arise in 2001.

Other

The Group's other provisions relate to the provision made for loss on the disposal of Pipe Systems (see note 30), to minor legal and other claims and other costs from third parties in relation to divested businesses. Although the majority of these provisions should be realised in the next two accounting periods, the exact timing is unclear.

Company

The company does not have any provisions for liabilities and charges (1999: nil).

20. Share capital

	2000	1999
	£m	£m
Authorised		
327.0m ordinary shares of 25p each (1999: 327.0m)	81.8	81.8
Issued and fully paid		
242.5m ordinary shares of 25p each (1999: 242.5m)	60.6	60.6

During the year 51,426 ordinary shares of 25p each (nominal value £12,856) were issued in connection with the Company's share option schemes for an aggregate consideration of £105,720.

Exchangeables

In August 1999, 14.9m exchangeable shares ("the Exchangeables") with a value of CAD75m (£33.5m at 31st December 2000) were issued by a subsidiary of the Group as part of the consideration for IPEX Inc. At 31st December 2000 they represented a contractual obligation of the Group to exchange the shares at the holders option on a 1:1 basis for Aga Foodservice Group plc shares. Between March 2001 and August 2004 Exchangeables could be converted at the holders option into CAD75m cash, payable by Aga Foodservice Group plc and therefore have been accounted for as debt in the Group balance sheet. The Exchangeables carried interest cost equivalent to the dividend payable on the shares that would be issued on conversion into Aga Foodservice Group plc shares. As discussed in note 30 the Exchangeables were converted for ordinary shares in Aga Foodservice Group plc on 9th March 2001.

Options

Options outstanding at 31st December 2000 under the following schemes were as follows:

Senior Executive Share Option Schemes			Savings-Related Share Option Schemes		
Number of shares	Option price p per share	Exercisable in the 7 years to	Number of shares	Option price p per share	Exercisable in the 6 months to
13,588	243.39	April 2001	380,465	268.00	May 2002
29,120	382.73	April 2002	476,006	199.00	May 2003
82,500	200.00	September 2002	840,350	199.00	May 2005
17,472	302.88	April 2004			
1,099,444	288.00	April 2007			
325,000	321.00	May 2008			
2,410,000	225.00	September 2009			
Total	3,977,124		1,696,821		

Additionally under Long-Term Incentive awards, options were granted and were outstanding at the year end for 459,592 shares. These are exercisable in the 7 years to June 2009. A fee of £1 per award is payable and no further consideration is due.

21. Reserves

	Share premium	Revaluation reserve	Capital redemption reserve	Profit and loss account	Total
Group	£m	£m	£m	£m	£m
At 1st January	25.8	7.6	2.3	298.5	334.2
Exchange adjustment	–	(0.1)	–	8.3	8.2
Premium on shares issued	0.1	–	–	–	0.1
Transfer between reserves	–	(0.5)	–	0.5	–
Transfer from reserves	–	–	–	(23.5)	(23.5)
At 31st December	25.9	7.0	2.3	283.8	319.0
Company					
At 1st January	25.8	–	2.3	325.0	353.1
Exchange adjustment	–	–	–	0.5	0.5
Premium on shares issued	0.1	–	–	–	0.1
Profit retained	–	–	–	314.1	314.1
At 31st December	25.9	–	2.3	639.6	667.8

The cumulative amount of goodwill taken direct to reserves since 1985 in respect of businesses who were members of the Group at 31st December 2000 is £182.1m. Of this £175.8m relates to Pipe Systems disposed of in March 2001 (see note 30).

In accordance with SSAP 20, for each currency, exchange differences arising from the translation of foreign currency borrowings used to finance foreign currency investments, have been offset as reserves movements against exchange differences arising on the retranslation of the net investment in that currency. In total, net exchange losses on foreign currency borrowings of £8.5m (1999 £5.6m gains) have been taken to reserves. The Company's profit and loss account reserves of £639.6m include approximately £280m which is unavailable for distribution.

22. Minority interests

	2000 £m	1999 £m
At 1st January	1.4	8.9
Exchange adjustment	–	(0.8)
Purchased in year (note 23)	(0.1)	(6.9)
Adjustment of prior year acquisition fair values	–	(0.1)
Profit and loss account	0.2	0.7
Dividend paid	(0.2)	(0.4)
At 31st December	1.3	1.4

23. Acquisitions and disposals

a) Acquisitions

The principal acquisitions during the year were Eslon Thermoplastics and Mono Equipment Limited.

	Book value £m	Re- valuation £m	Total £m
Net assets acquired			
Tangible fixed assets	6.9	0.9	7.8
Stocks	11.4	(0.9)	10.5
Debtors	8.6	(0.1)	8.5
Cash at bank and in hand	0.6	–	0.6
Other creditors	(4.8)	(0.2)	(5.0)
Tax	(0.1)	–	(0.1)
Borrowings acquired	(4.5)	–	(4.5)
Other provisions (note 19)	–	(0.1)	(0.1)
Minority interests (note 22)	0.1	–	0.1
Net assets acquired	18.2	(0.4)	17.8
Cash paid			20.1
Cash previously paid			0.8
Loan notes issued			7.1
Total consideration			28.0
Goodwill arising on acquisitions in the year			10.2
Adjustment to goodwill arising on prior year acquisitions			(0.2)
Total goodwill arising (note 11)			10.0

Revaluation adjustments to fixed assets represent changes to bring assets to gross replacement cost reduced by depreciation to take account of the age and condition of the assets and reflect appropriate professional advice taken by the directors. Adjustments relating to stocks and debtors reflect knowledge gained as to the recoverability of these items following the acquisition. Adjustments relating to creditors and provisions relate to certain re-statements of accruals and the provision for certain liabilities not included in the acquired balance sheets.

23. Acquisitions and disposals (continued)

a) Acquisitions (continued)

The provisional fair values for IPEX Inc. and other acquisitions incorporated into the 1999 year end accounts have now been finalised and minor revaluation adjustments reflected as per the following table.

	IPEX Inc.		Final fair value £m	Other acquisitions adjustments £m	Total £m
	Provisional fair value £m	Adjustments £m			
Net assets acquired					
Tangible fixed assets	65.8	–	65.8	0.4	66.2
Stocks	44.9	–	44.9	–	44.9
Debtors	41.7	–	41.7	–	41.7
Other creditors	(24.6)	–	(24.6)	(0.3)	(24.9)
Tax	(1.3)	(0.4)	(1.7)	–	(1.7)
Borrowings acquired	(64.6)	–	(64.6)	–	(64.6)
Other provisions (note 19)	(1.1)	–	(1.1)	0.3	(0.8)
Net assets acquired	60.8	(0.4)	60.4	0.4	60.8
Cash paid/(received)	172.7	–	172.7	(0.2)	172.5
Exchangeables (note 20)	32.1	–	32.1	–	32.1
Total consideration	204.8	–	204.8	(0.2)	204.6
Goodwill arising on prior year acquisitions			144.4	(0.6)	143.8
Less reported in 1999 for IPEX Inc			(144.0)	–	(144.0)
Total adjustment to goodwill arising on prior year acquisitions			0.4	(0.6)	(0.2)

b) Disposals

There were no major disposals in the year.

Provision has been made for the loss on disposal of Pipe Systems to the Etex Group completed on 9th March 2001 (see note 30).

c) Net cash flow on acquisitions and disposals

	2000 £m	1999 £m
Current year acquisitions		
Cash paid	(20.1)	(197.8)
Cash acquired	0.6	0.4
Net current year acquisitions paid	(19.5)	(197.4)
Prior year acquisitions received/(paid)	0.2	(32.4)
Net acquisitions outflow	(19.3)	(229.8)
Disposal proceeds received less costs incurred	0.2	211.4
Net cash flow	(19.1)	(18.4)

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

Post-acquisition the effect on the Group cash flow was an inflow of £3.0m being cash inflow from operations of £4.2m, tax paid of £0.2m and cash outflow for capital expenditure and financial investment of £1.0m.

The effect on the Group cash flow from businesses now classified as discontinued was an inflow of £7.8m being cash inflow from operations of £82.9m, interest paid of £14.9m, tax paid of £19.0m, cash outflow for capital expenditure and financial investment of £22.1m and cash outflow from acquisitions and disposals of £19.1m.

24. Financing

	Notes	2000		1999	
		£m	£m	£m	£m
Issue of ordinary share capital	21		0.1		0.2
Buyback of preference share capital			–		(1.4)
Increase in borrowings not repayable on demand	25	3.8		16.7	
Finance lease repayments	25	(0.4)		(0.5)	
Increase in debt			3.4		16.2
Movement in financing			3.5		15.0

25. Analysis of movement in net borrowings

	At 1st January	Cash flow	Acquisitions (excluding cash and overdrafts)	Exchange translation adjustments	At 31st December
	£m	£m	£m	£m	£m
Cash at bank and in hand (note 17)	(34.7)	1.7	–	(0.5)	(33.5)
Borrowings repayable on demand	10.6	5.2	–	–	15.8
Net cash	(24.1)	6.9	–	(0.5)	(17.7)
Other borrowings	297.4	3.8	11.3	9.0	321.5
Finance lease obligations	0.6	(0.4)	0.3	–	0.5
Total net borrowings	273.9	10.3	11.6	8.5	304.3

26. Commitments

	2000	1999
	£m	£m
Capital commitments contracted for by the Group but not provided in the accounts	14.1	10.7

Of the above, £13.6m relates to discontinued businesses.

The company had no commitments (1999: nil).

27. Operating lease commitments

	Land & buildings		Other operating leases	
	2000	1999	2000	1999
	£m	£m	£m	£m
For leases expiring:				
– within 1 year	2.4	2.1	1.6	0.8
– between 1 and 2 years	2.3	1.1	1.6	1.4
– between 2 and 5 years	3.7	2.6	2.2	2.4
– after more than 5 years	1.1	1.1	0.2	–
Total operating lease commitments	9.5	6.9	5.6	4.6

Of the above operating lease commitments outstanding at 31st December 2000 £8.6m and £2.8m relate to discontinued businesses for land and buildings and other operating leases respectively.

The company had no operating lease commitments (1999: nil).

28. Contingent liabilities

The Group had contingent liabilities given in the normal course of business of £0.2m at 31st December 2000 (1999 £0.1m). The Group also 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 consolidated balance sheet.

29. Major non-cash transactions

£7.1m loan notes were issued in the year in connection with acquisitions (note 23).

30. Post balance sheet events

On 9th March 2001 the Group disposed of Pipe Systems for an initial consideration of £786m cash. The initial consideration will be adjusted, on a pound for pound basis, to the extent that the tangible net assets set out in the completion balance sheet exceed or fall short of £401.1m.

The anticipated loss on disposal of these businesses is calculated as follows:

	£m	£m
Sale proceeds	786.0	
Less professional fees	(7.0)	
	<hr/>	779.0
Tangible net assets disposed of	(401.1)	
Minority interest	1.0	
Capitalised goodwill at completion	(210.1)	
	<hr/>	(610.2)
Total net assets sold		(610.2)
Provision for additional costs		(29.0)
Goodwill previously written off		(175.8)
		<hr/>
Net loss on disposal		(36.0)
		<hr/>
Tax on loss on disposal		1.7
		<hr/>

As discussed on page 6 the cash proceeds will be used to pay down the Group's debt and to undertake a tender offer to return up to £386m to shareholders.

The Exchangeables were exchanged for ordinary shares in Aga Foodservice Group plc on 9th March 2001 (see note 20).

30. Post balance sheet events (continued)

The effect of the above transactions had they occurred at 31st December 2000 would have been:

	Actual balance sheet 31st December	Disposal of assets	2000 disposal provision expensed	Convert Exchange- ables	Cash returned to shareholders	Proforma balance sheet
	£m	£m	£m	£m	£m	£m
		note (i)	note (ii)	note (iii)	note (iv)	
Fixed assets	288.2	(256.0)	–	–	–	32.2
Stocks	194.4	(173.4)	–	–	–	21.0
Operating debtors less creditors and provisions	(53.2)	28.3	36.0	–	–	11.1
Total net operating assets	429.4	(401.1)	36.0	–	–	64.3
Goodwill	275.8	(216.2)	–	–	–	59.6
Tax	3.3	2.4	–	–	–	5.7
Deferred tax	(2.0)	3.7	–	–	–	1.7
Dividends	(21.3)	–	–	–	–	(21.3)
Cash/(borrowings)	(304.3)	786.0	(36.0)	33.5	(386.0)	93.2
Total net assets employed	380.9	174.8	–	33.5	(386.0)	203.2
Share capital and reserves	379.6	175.8	–	33.5	(386.0)	202.9
Minority interests	1.3	(1.0)	–	–	–	0.3
Total funds	380.9	174.8	–	33.5	(386.0)	203.2

Notes

The above proforma balance sheet has been prepared on the following basis:

- (i) Assets and liabilities relating to Pipe Systems as at 31st December 2000 disposed of in exchange for initial consideration of £786m.
- (ii) Transaction cost and additional costs arising on the disposal are assumed to have been settled in cash.
- (iii) Exchangeables converted to shares in Aga Foodservice Group plc (see note 20).
- (iv) Proposed return of capital to shareholders excluding associated transaction costs.

31. Related party transactions

The Group recharges the Group pension scheme with the cost of administration and independent advisors paid by the Group. The total amount re-charged in the year to 31st December 2000 was £0.2m (1999: £0.2m).

The Exchangeables were held by Scepter, the family company of IPEX Chief Executive, Tom Torokvei.

32. Trading subsidiaries

The following is a list of the Company's principal subsidiaries at 31st December 2000. A brief description of activities is given in the operational reports on pages 10 to 17. 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 company.

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.

Consumer Products

Aga Consumer Products Limited trades in the UK principally under the trade and business names of Aga-Rayburn, Leisure Consumer Products and Agalinks.com.

Foodservice Products

Aga Foodservice Equipment Limited trades in the UK principally under the trade and business names of AFE Online, AFE Serviceline, Falcon Foodservice Equipment, Mono Equipment and Williams Refrigeration. Williams Refrigeration Central Limited (80%).

Principal overseas businesses are:

Ming Fai Stainless Steel Catering Equipment Manufacturing Co Limited (56.8%) (Hong Kong)

Victory Refrigeration LLC (USA).

Williams Refrigeration Limited (Australia)

Central Services

AFG Corporate Services Limited • and AFG Property Developments Limited.

Pipe Systems (now discontinued)

Glynwed Pipe Systems Limited • trades in the UK principally under the trade and business names of Capper, Durapipe-S&LP, GPS Couplings, Valvestock, VIP-Heinke and Wask-RMF.

Principal overseas businesses are:

Akatherm-Höhn GmbH (Germany)

Akatherm International BV (Holland & Belgium)

AVF-Astore Valves and Fittings Srl (Italy)

Enfield Industrial Corp Inc. (USA)

FIP Formatura Iniezione Polimeri SpA (Italy)

Friatec AG (Germany)

Glynwed Dublin Corporation (Rep. of Ireland)

† Subsidiary companies not audited by PricewaterhouseCoopers. The aggregate turnover of subsidiaries not audited by PricewaterhouseCoopers amounted to 27% of the Group's turnover for the year.

All the companies listed under Pipe Systems above were included in the disposal of businesses to the Etex Group completed in March 2001.

Glynwed Pipe Systems (Asia) Pte Limited (Singapore)

Glynwed Pipe Systems Inc. (USA)

Glynwed Properties Limited •

GPS Couplings BV (Holland)

GPS Iberica Srl (Spain)

Harrington Industrial Plastics Inc. (USA)

Innoge PEI SAM (Monaco)

IPEX Inc.† (Canada)

IPEX Industrial Inc † (USA)

Material de Aireación SA (MASA) (98.7%) (Spain)

Philmac Pty Limited (Australia)

Straub Werke GmbH (Switzerland)

Directors' Responsibilities

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

The directors consider that in preparing the financial statements on pages 28 to 55 on a going-concern basis, 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 ensuring that the Company and the Group maintain accounting records which disclose with reasonable accuracy the financial position of the Company and the Group 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 Group and to prevent and detect fraud and other irregularities.

Auditors' Report

To the members of Aga Foodservice Group plc

We have audited the financial statements on pages 28 to 55. The financial statements include the table of directors' emoluments on page 25 and the tables of directors' share options and pension benefits on pages 26 to 27.

Respective responsibilities of directors and Auditors

The directors are responsible for preparing the Annual Report. As described on page 55, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' Report is not consistent with the 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 the information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page 23 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, 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 to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the 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 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
27th March 2001

	2000	1999	1998	1997	1996
	£m	£m	£m	£m	£m
Trading Results					
Turnover	969	878	1,015	1,242	1,324
Operating profit before disposal of businesses and goodwill amortisation	101.5	81.0	81.0	96.1	95.4
Goodwill amortisation	(15.1)	(9.7)	(2.1)	–	–
Interest payable (net)	(19.6)	(9.2)	(3.6)	(6.7)	(9.1)
Profit before disposal of businesses	66.8	62.1	75.3	89.4	86.3
Disposal of businesses	(36.0)	32.5	(38.9)	(13.2)	(16.2)
Profit before tax	30.8	94.6	36.4	76.2	70.1
Tax					
– before disposal of businesses	(23.8)	(17.8)	(23.9)	(27.8)	(28.7)
– disposal of businesses	1.7	(1.0)	(3.6)	(2.6)	2.7
Profit after tax	8.7	75.8	8.9	45.8	44.1

Balance sheet summary

Net operating assets

Fixed assets	288.2	273.3	267.3	175.4	193.4
Stocks	194.4	166.6	163.6	181.7	194.6
Operating debtors less creditors and provisions	(53.2)	(24.2)	(52.6)	(38.6)	(34.8)
Businesses held with a view to resale	–	–	17.7	–	–
Total net operating assets	429.4	415.7	396.0	318.5	353.2
Goodwill	275.8	272.6	130.7	–	–
Tax and dividends	(20.0)	(18.2)	(33.7)	(38.1)	(35.7)
Total net borrowings	(304.3)	(273.9)	(158.5)	(2.5)	(66.1)
Total net assets employed	380.9	396.2	334.5	277.9	251.4

Financed by

Ordinary shares	60.6	60.6	60.6	61.5	61.1
Reserves	319.0	334.2	263.7	214.7	188.7
Ordinary share capital and reserves	379.6	394.8	324.3	276.2	249.8
Preference shares	–	–	1.3	1.3	1.3
Total shareholders' funds	379.6	394.8	325.6	277.5	251.1
Minority interests	1.3	1.4	8.9	0.4	0.3
Total funds	380.9	396.2	334.5	277.9	251.4

Statistics

Operating profit before disposal of businesses and goodwill amortisation to turnover	%	10.5	9.2	8.0	7.7	7.2
Interest cover before disposal of businesses	x	4.4	7.8	21.9	14.3	10.5
Dividend per ordinary share	p	13.20	13.20	13.20	13.20	12.75
Earnings per share						
Before disposal of businesses and goodwill amortisation	p	22.6	22.0	21.5	25.1	23.6
Basic	p	3.5	31.0	3.3	18.6	18.0
Diluted	p	4.1	30.5	3.3	–	–

Notice is hereby given that the sixtieth annual general meeting of Aga Foodservice Group plc will be held at Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ on 10th May 2001 at 12 noon to transact the following business:

Ordinary Business:

1. To receive and adopt the annual report and accounts for the year ended 31st December 2000.
2. To declare a final dividend.
3. To re-elect Mr C J Farrow 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 S Rennie as a director.
7. To re-elect Mr S M Smith as a director.
8. To re-elect Mrs B A Nielsen as a director.
9. To re-appoint the auditors 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 and to authorise the directors to determine the auditors' remuneration.
10. To consider 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 annual general meeting of the Company following the passing of this resolution and for that period the 'section 80 amount' is £21,452,489.
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 annual general meeting of the Company following the passing of this resolution and for that period the 'section 89 amount' is £3,217,873.

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 25,742,987 (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 tax 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 annual general meeting 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 which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract.

By order of the Board
D J Solomon
Secretary
Birmingham

6th April 2001

Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his or her stead. A proxy need not be a member of the Company.
2. Only holders of ordinary shares whose names appear on the register of members of the Company as at 12 noon on 8th May 2001 shall be entitled to attend the Annual General Meeting either in person or by proxy and the number of shares then registered in their respective names shall determine the number of votes such persons are entitled to cast at the meeting. Changes to entries on the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
3. A form of proxy is enclosed for the use of ordinary shareholders. The form should be completed, signed and returned so that it arrives at the office of the Company's registrars not less than 48 hours before the time of the meeting. By signing and returning the form of proxy, a shareholder will not be precluded from attending and voting in person should he subsequently find it possible to be present.
4. 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 9:00 am and 5:30 pm 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.
5. An explanation of resolutions nos. 10 to 12 (inclusive) is set out in the Report of the Directors' on page 20, under the heading 'Share Capital of the Company and Annual General Meeting'.

Main Addresses & Advisers

Head office and registered office

Headland House, 54 New Coventry Road
Sheldon, Birmingham, B26 3AZ
Telephone: 0121 742 2366
Fax: 0121 742 0403
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

Auditors

PricewaterhouseCoopers

Financial advisers and joint stockbrokers

Dresdner Kleinwort Wasserstein

Joint stockbrokers

Hoare Govett

2001 Financial Calendar

Annual General Meeting	10th May
Record date for final ordinary dividend	17th April
Final ordinary dividend payable	1st June
Record date for interim ordinary dividend	19th October
Interim ordinary dividend payable	5th December

The Aga Foodservice Group online

Group

Aga Foodservice Group plc
www.agafoodservice.com

Consumer Products

Aga Links
www.agalinks.com

Aga-Rayburn
www.aga-rayburn.co.uk

Cookware and accessories
www.agacookshop.com

CookCraft
www.cookcraft.com

Leisure Consumer Products
www.leisurecp.co.uk

Foodservice Products

AFE Online
www.afeonline.co.uk

AFE Serviceline
www.afeserviceline.com

Falcon
www.falconfoodservice.com

Mono Equipment
www.monoequip.com

Victory Refrigeration
www.victory-refrig.com

Williams Refrigeration
www.williams-refrigeration.co.uk

www.agalinks.com



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