Magnet Limited

Report and financial statements

for the period ended 31 December 2001

Registered no: 2762625

Annual report and financial statements
For the 15 months ended 31 December 2001

Contents **Page**

Directors' report for the period ended 31 December 2001

The directors present their report and the audited financial statements for the 15 month period ended 31 December 2001. The comparative period is the 12 months ended 30 September 2000.

1. Principal activities and business review

The principal activities of the Company are the manufacture, merchanting and retailing of joinery, fitted kitchens, bedrooms, bathrooms and related products.

Operating review

The market for Magnet products during 2001 was mixed with tough market conditions during winter and spring. Housing transactions grew by 1.9% and housebuilding starts increased by 1.7% but both of these indicators saw strong falls during half one with recovery towards the end of the year. During 2001, Magnet estimates that the UK kitchen furniture market grew by 2%.

Retail Kitchen sales growth was driven by increased average order values due to increased penetration of accessories and appliances. A national rollout of Heritage bedroom displays led to a significant increase in bedroom sales. During the year the Magnet bathroom business was transferred to CP Hart (part of the Magnet group). Trade sales were stable, reflecting the increasing competition in the market.

In June 2001, Magnet was purchased by Nobia, a Swedish based retailer and manufacturer of kitchen interiors. Nobia is Europe's largest kitchen supplier and Magnet accounts for around 30% of group turnover. The benefits of being in such a large group are already evident with economies of scale in purchasing and the sharing of best practice enabling us to improve cost control.

A change of ownership has also brought increased investment in the business particularly in the branch network. During the year we refurbished 40 outlets to bring them into line with our Minimum Trading Standard (MTS) programme.

Over the period, Magnet opened 5 new retail outlets, 2 of which are concessions inside Homebase stores which enable Magnet to contact more of its core affluent consumer base. Early indications show that the partnership is working well with stronger average order values and higher installation penetration than in Magnet's mainstream retail stores.

Towards the end of 2001, Magnet entered into an agreement to supply flat pack kitchens to Homebase. A successful trial in 6 stores has led to a plan to introduce the product across the Homebase store network which will take place during 2002.

Visitors to the retail web site grew approximately 100% year on year and we are seeing significant benefits of the web as a marketing tool. Customers can browse all product ranges, search for their nearest store and request a brochure. We can attribute a significant number of sales directly from consumer brochure enquiries to the site.

The directors are satisfied with the performance of the Company. The directors expect the Company's performance to continue to be satisfactory in the coming year.

2. Results and dividends

The profit on ordinary activities of the Company before taxation amounted to £18,532,000 (2000 - as restated to £19,569,000). A dividend of £40,862,000 was paid (2000- No dividends were proposed).

3. Research and development

It is the policy of the Company to continually investigate and develop new and improved methods of manufacturing and to evaluate, manufacture and distribute new products complementary to the Company's existing range.

4. Board of directors

The Directors who held office during the period and to date are as follows:-

A R Airey – resigned 14 June 2001;
M L Bertrand – resigned 14 June 2001;
J A Bevan – resigned 14 June 2001;
K I Bray – resigned 14 June 2001;
F Cappelen – appointed 14 June 2001.
G A Favell;
G C P Gratton – resigned 14 June 2001;
L Rappe – appointed 14 June 2001;
P F Rowland– resigned 14 June 2001; and
D W Williams – resigned 23 March 2001.

According to the register, required to be kept by Section 325 of the Companies' Act 1985, no director had any interests in the shares of the Company. As permitted by statutory instrument, the register does not include details of the shareholding of any director who is also a director of the parent company.

Gary Favell had 9,821 ordinary shares in the ultimate parent company, Nobia AB, as at 31 December 2001.

6. Charitable and political donations

The Company made no charitable donations during the period (2000: £16,000).

7. Auditors

Following the acquisition of the company by Nobia AB, Deloitte & Touche resigned as auditors and PricewaterhouseCoopers were appointed to fill the company's temporary vacancy. A resolution proposing the reappointment of PricewaterhouseCoopers as auditors to the Company will be put to the members at the Annual General Meeting.

8. Disabled employees

Applications for employment from disabled persons are considered on their merits and regard is paid only to the ability of an applicant to carry out satisfactorily the functions required. The same policy is adopted when considering career development and promotion, while in the field of training a distinction would only be made in order to meet the particular requirements of the disabled person. If an employee became disabled while in employment, all due consideration would be given to continued employment whether in the same or in an alternative capacity and training would be given where necessary.

9. Employee consultation

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting performance of the Company. This is achieved through monthly team briefings and "Magnet Today" a quarterly magazine which is sent to all employees.

10. Creditor payment policy

Under normal circumstances suppliers of goods and services are paid within the period agreed with the suppliers. Creditor days at 31 December 2001 were 49 days (30 September 2000: 39 days).

By order of the Board

Director

30/10/2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently, with the exception of new accounting standards adopted in the year as explained on page 10;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

By order of the Board

Director

30/10/2002

Independent auditors' report to the members of Magnet Limited

We have audited the financial statements, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board, 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 Companies Act 1985. 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 information specified by law regarding directors' remuneration and transactions is not disclosed.

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 the company's affairs at 31 December 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Leeds

31 October 2002

Profit and loss account

	Notes	15 Months ended 31 December 2001 £'000	As restated 52 Weeks ended 30 September 2000 £'000
Turnover	1	299,632	254,744
Cost of Sales		(197,332)	(163,440)
Gross Profit		102,300	91,304
Operating Costs	2	(88,136)	(69,000)
Exceptional operating expenses	6	(887)	(75)
Operating Profit	3	13,277	22,229
Profit on sale of fixed assets		950	165
Income from shares in group companies	10	9,481	-
Profit on ordinary activities before interest		23,708	22,394
Interest receivable and similar income	7	188	138
Interest payable and similar charges	8	(5,364)	(2,963)
Profit on ordinary activities before taxation		18,532	19,569
Taxation	9	4,465	-
Profit on ordinary activities after taxation		22,997	19,569
Dividends	10	(40,862)	-
(Loss)/profit for the financial period	19	(17,865)	19,569

All trading during the period is in respect of continuing operations.

There is no material difference between the results stated above and their historical cost equivalents.

Magnet Limited

Statement of total recognised gains and losses

	Note	15 Months ended 31 December 2001 £'000	As restated 52 Weeks ended 30 September 2000 £'000
(Loss) / profit for the period	19	(17,865)	19,569
Total recognised gains and losses relating to the year		(17,865)	19,569
Prior year adjustment			
- FRS 11		(1,825)	-
- FRS 12		(1,698)	-
- FRS 18		(1,997)	-
Total recognised gains and losses since last annual report		(23,385)	19,569

Magnet Limited
Balance sheet

	Notes	31 December 2001 £'000	As restated 30 September 2000 £'000
Fixed assets			
Tangible assets	11	42,183	42,705
Investments in subsidiary undertakings	12	13,595	13,595
		55,778	56,300
Current assets			
Stocks	13	40,334	41,728
Debtors	14	33,287	34,569
Cash at bank and in hand		1,896	2,896
		75,517	79,193
Creditors: falling due within one year	15	(88,277)	(84,101)
Net current liabilities		(12,760)	(4,908)
Total assets less current liabilities		43,018	51,392
Provisions for liabilities and charges	16	(4,518)	(5,027)
Net assets		38,500	46,365
Capital and reserves			
Called up share capital	18	15,510	15,510
Share premium account	19	10,000	-
Other reserves	19	5,900	5,900
Profit and loss account	19	7,090	24,955
Equity shareholders' funds	21	38,500	46,365

Approved by the Board of Directors on 30 / 10 / 2002 and signed on its behalf by:

Director

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

Financial Reporting Standard No 18 'Accounting Policies' has been adopted in these financial statements. The directors have reviewed the company's accounting policies to ensure that these policies are the most appropriate, and concluded that no changes needed to be made other than:

i. The company has occasionally received one-off receipts from a number of suppliers in consideration for continuing to source products from them. In previous years, such receipts were recognised in full in the year of receipt. The directors consider that it would be more appropriate to spread such receipts over the life of the related supply contracts.

ii. Historically, the company has not made a provision to impair loss-making stores, nor has the company made provision in respect of some vacant leasehold stores. This is contrary to the requirements of Financial Reporting Standard No 11 'Impairment of Fixed Assets and Goodwill' and Financial Reporting Standard No12 "Provisions, Contingent Liabilities and Contingent Assets". The directors consider that such provisions should be established.

iii. Historically, the company has not made a provision for property dilapidations in connection with leasehold properties. The directors consider that such a provision should be established.

The adoption of FRS18 represents a change in accounting policy and has given rise to a prior year restatement of comparative figures (see note 20).

The Company has also adopted the transitional arrangements of Financial Reporting Standard No 17 'Retirement Benefits' in these financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost, together with any incidental expenses of acquisition, less accumulated depreciation. Depreciation is provided at annual rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows:-

Freehold land	nil
Freehold and long leasehold buildings	2% to 10%
Short leasehold buildings	10%
Plant, equipment and vehicles	10% to 33 1/3%

Assets under construction are not depreciated until construction is complete and the asset is reclassified in one of the above fixed asset categories.

Stocks

Stocks are stated at the lower of the cost and net realisable value. The cost of work-in-progress and finished goods includes an appropriate portion of manufacturing and distribution overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Turnover

Turnover represents the invoiced value of goods sold and services provided, excluding value added tax and trade discounts. Ex-stock turnover is recognised at the point of sale, whilst consumer and direct sales turnover is recognised at the point of despatch.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation is provided using the liability method to the extent that it is probable that an actual asset or liability will crystallise. Deferred tax assets are recognised to the extent that they are expected to be recoverable.

Foreign currency translation

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transactions were entered into or using forward contract rates where applicable. Current assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date or using forward contract rates where applicable. All foreign exchange differences are accounted for through the profit and loss account in the year in which they arise.

Pension costs

The Company operates a defined benefit pension scheme. Benefits payable to members are determined by the Trust Deed and rules. The scheme has been closed to new members joining since 1 November 1999. The fund is valued on a regular basis by a professionally qualified independent actuary, the rates of contribution payable by the company being determined by the actuary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees' services. The effects of variations from regular costs are spread over the expected average remaining service lives of members of the scheme. Any difference between amounts charged in the profit and loss account and paid to the pension scheme is shown on the balance sheet as an asset or a liability.

The company also operates a defined contributions scheme for existing and new employees, where the company contributes a set percentage of salary depending on age and service criteria. These amounts are charged directly to the profit and loss account as incurred.

Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to include a cash flow statement as its cashflows are incorporated in a consolidated cashflow statement presented in the consolidated financial statements of the ultimate parent undertaking, Nobia AB a company registered in Sweden.

Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value. The Company has taken advantage of the exemption in S. 228 of the Companies Act 1985 not to prepare consolidated financial statements as it is itself a wholly owned subsidiary of Nobia Holdings UK Limited. Accordingly the financial statements present information about the Company as an individual undertaking and not about it as a group.

Dilapidation Provision

The Company operates many of its stores under leasehold agreements. These leaseholds provide for dilapidations to be enforced on the company at the end of the lease. The company makes provisions for dilapidations when the related lease is within 5 years of expiry.

Operating Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

One-off supplier receipts

From time to time, the Company receives payments from suppliers which are not related to the volume of product that is purchased. These receipts are held in the balance sheet as deferred income and released on a straight line basis, over the length of the contract. Rebates received from time to time, which are related to volume, are accounted for through the Profit and Loss account.

Impairment provision

The Company makes provisions for the impairment of assets whose carrying value is greater than the expected future discounted cashflows that those assets are expected to generate.

1. Turnover

	15 Months ended 31 December 2001 £'000	52 Weeks ended 30 September 2000 £'000
Third party by destination:		
United Kingdom	298,469	253,203
Rest of Europe	1,163	1,535
Other	-	6
	299,632	254,744

Turnover consists entirely of sales originating in the United Kingdom.

2. Operating Costs

	15 Months ended 31 December 2001 £'000	52 Weeks ended 30 September 2000 £'000
Continuing operations		
Selling and distribution costs	71,685	56,901
Administrative expenses	16,451	12,099
	88,136	69,000

3. Operating profit

	15 Months ended 31 December 2001 £'000	52 Weeks ended 30 September 2000 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets – owned	6,985	5,113
Depreciation of tangible fixed assets – leased	-	83
Rental of plant and equipment under operating leases	3,624	3,599
Rental of land and buildings under operating leases	16,286	14,696
Auditors' remuneration – audit	102	60
Auditors' remuneration – non audit	57	-

4. Staff costs

	15 Months ended 31 December 2001 £'000	52 Weeks ended 30 September 2000 £'000
a) Staff costs, including Directors, comprised:		
Wages and salaries	61,312	45,992
Social security costs	4,162	3,452
Other pension costs	3,133	1,838
	68,607	51,282

	15 Months ended 31 December 2001 No.	52 Weeks ended 30 September 2000 No.
b) The average weekly number of employees was:		
Manufacturing and distribution	981	1,045
Sales and marketing	993	1,033
Office and management	169	193
	2,143	2,271

5. Directors' remuneration

	15 Months ended 31 December 2001 £'000	52 Weeks ended 30 September 2000 £'000
Salaries and other emoluments	586	393
Bonuses	8	134
Pension contributions	39	27
	633	554

Directors remuneration above includes £147,000 (2000 £239,000) paid on behalf of the Company by Enodis plc. This amount was recharged to the Company.

All Directors are members of a defined benefit pension scheme. (2000 All)

Directors' remuneration (excluding pension contributions) includes:

	15 Months ended 31 December 2001 £'000	52 Weeks ended 30 September 2000 £'000
Highest paid director	285	223

The accrued pension of the highest paid director at 31 December 2001 was £46,900 (2000 £13,300)

6. Exceptional operating expenses

	15 Months ended 31 December 2001 £'000	As restated 52 Weeks ended 30 September 2000 £'000
Impairment of tangible fixed assets	-	75
Warranty claims provision	600	-
Showroom display provision	287	-
	887	75

7. Interest receivable and similar income

	15 Months ended 31 December 2001 £'000	52 Weeks ended 30 September 2000 £'000
Bank balances	188	24
Currency Deposits with ultimate parent company	-	114
	188	138

8. Interest payable and similar charges

	15 Months ended 31 December 2001 £'000	52 Weeks ended 30 September 2000 £'000
Loan from ultimate parent company		
- Enodis	1,799	2,947
- Nobia AB	3,100	-
Finance leases	-	2
Management recharge	436	-
Other	29	14
	5,364	2,963

9. Taxation

	15 Months ended 31 December 2001 £'000	52 Weeks ended 30 September 2000 £'000
United Kingdom Corporation tax at 30% (2000: 30%)		
Current	-	-
Deferred	3,776	-
(Over) / under provision in respect of prior years		
Deferred	(8,241)	-
Tax Credit	(4,465)	-

No current corporation tax charge arises in the period due to the availability of tax losses brought forward. Such losses amounted to approximately £23,000,000 at 31 December 2001 (2000: £28,330,000).

10. Dividends	15 Months ended 31 December 2001 £'000	52 Weeks ended 30 September 2000 £'000
Interim dividend paid: £2.63 (2000: Nil) per £1 share to:		
- Enodis Plc.	32,690	-
- Manston Limited	8,172	-
	40,862	-

During the period, the company received dividends, totalling £9,481,000 (2000: nil) from its subsidiary undertakings, Hiveserve Limited and Flint Properties Limited.

11. Tangible fixed assets

	Land and buildings			Plant	Assets	
		Long	Short	equipment	under	
	Freehold	Leasehold	Leasehold	and vehicles	Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 October 2000	11,443	2,085	7,384	66,392	421	87,725
Additions	16	46	942	4,964	1,740	7,708
Reclassifications	740	12	1,746	(2,077)	(421)	-
Disposals	(900)	(150)	(191)	(3,200)	-	(4,441)
At 31 December 2001	11,299	1,993	9,881	66,079	1,740	90,992
Depreciation						
At 1 October 2000	722	167	1,267	42,864	-	45,020
Charge for period	484	43	1,029	5,429	-	6,985
Disposals	(44)	(12)	(81)	(3,059)	-	(3,196)
At 31 December 2001	1,162	198	2,215	45,234	-	48,809
Net Book Value						
At 31 December 2001	10,137	1,795	7,666	20,843	1,740	42,183
Net Book Value						
At 30 September 2000	10,721	1,918	6,117	23,528	421	42,705

The net book value of plant, equipment and vehicles held under finance leases was £Nil (2000 £Nil). The depreciation charge in respect of these assets was £Nil (2000 £83,000).

12. Investments

Shares in subsidiary undertakings	**31 December 2001 £'000**	**30 September 2000 £'000**
Cost and net book value at 1 October 2000 and 31 December 2001	13,595	13,595

Details of subsidiary undertaking

Undertaking	**Country of Incorporation**	**Group Interest**	**Activities**
Hiveserve Limited	England	100%	Parent Company of CP Hart & Sons Limited whose activities are Retailing and Distribution of bathrooms and kitchens.
Magnet (Retail) Limited	Eire	100%	Retailing of fitted kitchens, bedrooms, bathrooms and related products.

13. Stocks

	31 December 2001	30 September 2000
	£'000	£'000
Raw materials and consumables	6,767	7,074
Work-in-progress	1,708	2,059
Finished goods	31,859	32,595
	40,334	41,728

14. Debtors

	31 December 2001	30 September 2000
	£'000	£'000
Trade debtors	22,164	27,345
Deferred taxation (Note 16 (c))	4,465	-
Other debtors	-	300
Amounts due from other group undertakings	2,903	2,047
Prepayments and accrued income	3,755	4,877
	33,287	34,569

15. Creditors: falling due within one year

	31 December 2001	As restated 30 September 2000
	£'000	£'000
Trade creditors	19,469	20,960
Other creditors	5,518	7,767
Amounts owed to ultimate parent company	47,773	36,687
Other taxes and social security	3,909	3,825
Accruals and deferred income	11,608	14,862
	88,277	84,101

16. Provisions for liabilities and charges

a) Movements on provisions during the period comprise:

	Pensions £'000	Impairment £'000	Other £'000	Total £'000
At 1 October 2000 as previously reported	(285)	-	1,181	896
Prior year adjustment	-	1,825	2,306	4,131
At 1 October 2000 restated	(285)	1,825	3,487	5,027
Utilised	25	329	1,522	1,876
Provided	330	-	1,037	1,367
At 31 December 2001	20	1,496	3,002	4,518

b) Other provisions comprise:

	31 December 2001 £'000	As restated 30 September 2000 £'000
Vacant property costs	1,401	2,779
Property dilapidation on leasehold property	464	464
Showroom displays	287	-
Warranty claims	600	-
Licence fees	150	-
Other	100	244
	3,002	3,487

c) Deferred Taxation

The movement in the deferred tax asset recognised in these financial statements is as follows:

	£'000
At October 2000	-
Recognised in the period (Note 9)	4,465
At 31 December 2001	4,465

Deferred tax assets recognised in the financial statements can be summarised as follows:

	31 December 2001		30 September 2000	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Excess of capital allowances over depreciation	3,375	-	-	2,685
Short-term timing differences	(800)	(168)	-	(1,600)
Tax losses	(7,040)	-	-	(8,500)
	(4,465)	(168)	-	(7,415)

17. Financial Commitments

a) Capital commitments

	31 December 2001	30 September 2000
	£'000	£'000
Commitments for future capital expenditure:		
Contracted for but not provided for in the financial statements	2,821	1,013

b) Lease obligations

	31 December 2001	30 September 2000
	£'000	£'000
Operating lease payments which the Company is committed to make during the next financial year are analysed as follows:		
Land and buildings		
Leases expiring:		
Within one year	75	157
Between one and two years inclusive	136	-
Between two and five years inclusive	989	731
Thereafter	16,070	14,994
	17,270	15,882
Plant & Equipment		
Leases expiring:		
Within one year	1,458	919
Between one and two years inclusive	316	-
Between two and five years inclusive	2,166	3,178
Thereafter	-	18
	3,940	4,115

c) Other commitments

The company hedges the value of future foreign currency commitments by taking out foreign currency forward contracts. At 31 December 2001, the value of these contracts amounted to £5,958,782 (2000: £6,144,230)

18. Share capital

	31 December 2001	30 September 2000
Authorised		
15,510,301 ordinary shares of £1 each	£15,510,301	£15,510,300
Allotted, called up and fully paid		
Ordinary shares at £1 each		
At beginning of period/year	15,510,300	15,510,300
Shares issued during period	1	-
At end of period/year	15,510,301	15,510,300

On the 14 June 2001 one share was issued for consideration of £10,000,000.

19. Reserves

	Share Premium	Other Reserves	Profit & Loss Account
	£'000	£'000	£'000
The movement for the period comprised:			
At 1 October 2000 as previously reported	-	5,900	30,475
Prior year adjustment	-	-	(5,520)
At 1 October 2000 restated	-	5,900	24,955
Premium on share issued (1 Ordinary Share)	10,000	-	-
Loss for the period	-	-	(17,865)
At 31 December 2001	10,000	5,900	7,090

Other reserves is comprised of negative goodwill arising on acquisitions made prior to 1 October 1999. In accordance with FRS 10, this negative goodwill has not been reinstated onto the balance sheet. In the opinion of the directors, this reserve is distributable.

20. Reconciliation of movement in equity shareholders' funds

	15 Months ended 31 December 2001	As restated 52 Weeks ended 30 September 2000
	£'000	£'000
Profit on ordinary activities after tax	22,997	19,569
Dividends	(40,862)	-
	(17,865)	19,569
Net proceeds of issue of ordinary share capital	10,000	-
Total movement in equity shareholders' funds	(7,865)	19,569
Opening equity shareholders' funds (2000 - As previously reported £31,645,000 before deducting a prior year adjustment of £4,849,000)	46,365	26,796
Closing equity shareholders' funds	38,500	46,365

Prior year adjustment

As explained on page 10, the prior year adjustment relates to a change in a number of the company's accounting policies following a review by the directors in accordance with FRS 18. The effect of this has been to reduce profit, for the year ended 30 September 2000, from £20,240,000 to £19,569,000.

	£'000
Adjustments to reserves at 1 October 1999	
- FRS 11	(1,750)
- FRS 12	(2,302)
- FRS 18	(797)
	(4,849)
Adjustment to profit and loss account for the year ended 30 September 2000	
- FRS 11	(75)
- FRS 12	604
- FRS 18	(1,200)
	(671)
Adjustment to reserves at 30 September 2000	(5,520)

21. Pension obligations

The Company operates a funded pension scheme ("The Magnet Group Pension Scheme") providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company has accounted for pensions in accordance with SSAP 24 'Accounting for pension costs' and the disclosures given below are those required by that standard. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions to the final salary scheme and the pension cost are determined by a qualified actuary, W M Mercer.

The most recent actuarial valuation at 1 November 2000 shows the market value of the scheme's assets to be £100,468,000. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and to the rates of increase in pay and pensions. It was assumed in the most recent actuarial valuation that investment return would be 6.4% per annum, salary increases would be 3.9% per annum, and pension increases would be 2.4% per annum (for benefits accrued after April 1997). The value of the assets was taken as the market value. Using the assumptions, the value of the assets represented 98% of the value of the liabilities at the valuation date.

The company has adopted the transitional arrangements of FRS17 'Retirement Benefits' in these financial statements.

The valuation of the scheme assets in the Magnet Group Pension Scheme and the expected rates of return were:

	Long term return expected at 31 December 2001	Market value at 31 December 2001 £000s
Equities and Property	7.5%	61,466
Corporate Bonds	6.0%	5,606
Gilts and Cash	5.0%	24,587
		91,659
Present value of scheme liabilities		(108,978)
Pension deficit		(17,319)

The present value of the scheme liabilities of the Magnet Group Pension Scheme based on the accounting assumptions below is £108,978,000.

Valuation method	Projected unit
Discount rate	6.0% pa
Inflation rate	2.5% pa
Salary increase rate	3.5% pa
Increases for pensions in payment	
Pre 6 April 1997 pensions	0.0% pa
Post 6 April 1997 pensions	2.5% pa

If the calculated amounts had been recognised in the financial statements, the Company's net assets and profit and loss reserve at 31 December 2001 would be as follows:

	£000s
Net assets excluding pensions deficit	38,500
Pensions deficit	(17,319)
Net assets including pensions deficit	21,181
Profit and loss reserve excluding pensions deficit	7,090
Pensions deficit	(17,319)
Profit and loss reserve	(10,229)

The Magnet Group Pension Scheme is closed to new entrants. The Company operates a defined contribution scheme for new entrants, the Magnet Money Purchase Plan. The pension cost charged to the profit and loss account in respect of the Magnet Group Pension Scheme and the Magnet Money Purchase Plan was £3,133,000 (2000: £1,838,000).

22. Parent company

The ultimate parent is Nobia AB a company incorporated in Sweden. The immediate parent undertaking entity is Nobia Holdings UK limited which is incorporated in England and Wales. Copies of the Financial

Statements of Nobia AB can be obtained from the Secretary at Nobia Nordisk Bygginterior AB, Klarabergsviadukten 70, (C8) SE-10724 Stockholm Sweden. The ultimate parent undertaking at 30 September 2000 was Enodis Plc.

23. Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3 (c) of Financial Reporting Standard 8, "Related party disclosures", not to disclose transactions with wholly owned subsidiaries of Nobia AB.

In the prior period, Enodis plc was the ultimate parent company and the significant transactions are summarised below:

There was an interest bearing loan from Enodis plc of £36,687,000 in 2000, which was repaid on 14 June 2001. This loan accrued interest of £1,799,000 in the period (2000: £2,947,000). A dividend of £32,690,000 was paid in the period to Enodis Plc (2000: Nil).

Rent of £1,175,000 was paid by Magnet Limited on properties transferred to Enodis Plc. As at 31 December 2001, these amounts have been fully reimbursed as per the indemnity contractual arrangement between parties.

During the period, the directors received bonus payments totalling £516,667 from Enodis plc. These payments were paid directly by Enodis plcs and do not form part of the emoluments disclosed in note 5.

24. Post Balance Sheet event

On 21 July 2002, the company disposed of its flush door manufacturing operations located at Penrith, together with related assets and liabilities, to Jeld-Wen UK Limited.

On 19 July 2002, the company disposed of its PVCu manufacturing operations, together with related assets and liabilities, to BHD Limited.

These disposals are expected to result in a reduction in sales and net assets of approximately £19,000,000 and £4,100,000 respectively.