Magnet Limited

Annual report and financial statements

for the year ended 31 December 2005

Registered Number 2762625

Magnet Limited

Annual report and financial statements for the year ended 31 December 2005

Contents

Magnet Limited

Directors and advisers for the year ended 31 December 2005

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F Cappelen
J Johansson
P Bager

Secretary
N J Saul

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Registered Number
2762625

Magnet Limited

Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements for the year ended 31 December 2005.

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

Review of business and future developments
The UK kitchen market continued to prove difficult throughout 2005. Consumer spending was significantly down on the previous year and along with many other retailers the company has been unable to generate sales growth.

Retail kitchen sales were down 7% on 2004 due to the fall in consumer spending. Stores refurbished as part of the Store Investment Programme improved upon 2004 however and this programme is continuing into 2006 in order to improve performance in a greater number of stores.

The joinery business was marginally below prior year levels. A new trade concept being trialled in a number of stores is proving successful and will be rolled out further in 2006.

Sales of flat pack kitchens via UK DIY retailer Homebase continue to prove successful increasing by 19% in the year.

The directors are satisfied with the performance of the company. The directors expect the company's performance to continue to be satisfactory during 2006.

Results and dividends
The company's profit for the financial year was £1,857,000 (2004: £8,222,000). No dividend is proposed or was paid during the year (2004: nil).

Directors and their interests
The directors who held office during the year are given below:

F Cappelen
J Johansson
P Bager

None of the directors held any interests in the company. The interests of Mr P Bager, Mr J Johansson and Mr F Cappelen who are also directors of the ultimate parent company, Nobia AB, are shown in the annual report of that company.

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.

Directors' report for the year ended 31 December 2005 (continued)

Charitable and political donations
The company made no charitable or political donations during the year (2004: £nil).

Employees
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff being disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through team briefings, company notices and an annual conference.

Policy and practice on payment of creditors
The company is a registered supporter of the Better Payment Practice Group's 'Better Payment Practice Code' to which it subscribes when dealing with all of its suppliers. Copies of the Better Payment Practice Group's code are available from the Department of Trade & Industry. Trade creditors at the year end represent 44 days (2004: 35 days) of purchases. It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial period which gives 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. The directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently except for the application of FRS17 as described in note 21. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 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.

Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

By order of the Board
N. J. Saul
N Saul - Secretary
28 September 2006

Independent auditors' report to the members of Magnet Limited

We have audited the financial statements of Magnet Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
28 September 2006

Magnet Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000 (restated)
Turnover	1	**280,510**	286,184
Cost of sales		**(193,178)**	(194,664)
Gross profit		**87,332**	91,520
Operating expenses		**(83,359)**	(80,083)
Net exceptional operating income	6	**818**	1,862
Total operating expenses	2	**(82,541)**	(78,221)
Operating profit	3	**4,791**	13,299
Profit on sale of tangible fixed assets	11	**1,789**	798
Profit on ordinary activities before interest and taxation		**6,580**	14,097
Interest receivable	7	**47**	45
Interest payable and similar charges	8	**(841)**	(1,630)
Other finance costs	9	**(2,677)**	(2,502)
Profit on ordinary activities before taxation		**3,109**	10,010
Tax on profit on ordinary activities	10	**(1,252)**	(1,788)
Retained profit for the year	19	**1,857**	8,222

All of the trading during the year related to continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Magnet Limited

Statement of total recognised gains and losses for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000 (restated)
Profit for the financial year		**1,857**	8,222
Actuarial loss on pension scheme	22	**(5,375)**	(2,511)
Movement on deferred tax relating to pension asset	22	**1,517**	1,147
Total recognised (losses) / gains for the year		**(2,001)**	6,858
Prior year adjustment – FRS17	21	**(41,224)**	
Total (losses) / gains since last financial statements		**(43,225)**	

Magnet Limited

Balance sheet as at 31 December 2005

	Note	2005 £'000	2004 £'000 (restated)
Fixed assets			
Tangible assets	11	**44,222**	37,263
Investments in subsidiary undertakings	12	**13,595**	13,595
		57,817	50,858
Current assets			
Stock	13	**40,836**	41,140
Debtors	14	**34,937**	40,439
		75,773	81,579
Creditors - amounts falling due within one year	15	**(71,929)**	(72,441)
Net current assets		**3,844**	9,138
Total assets less current liabilities		**61,661**	59,996
Provisions for liabilities and charges	16	**(5,839)**	(5,713)
Pension deficit	22	**(46,907)**	(43,367)
Net assets		**8,915**	10,916
Capital and reserves			
Called up share capital	18	**15,510**	15,510
Share premium account	19	**10,000**	10,000
Other reserve	19	**5,900**	5,900
Profit and loss account deficit	19	**(22,495)**	(20,494)
Equity shareholders' funds	20	**8,915**	10,916

The financial statements on pages 5 to 25 were approved by the board of directors on 28 September 2006 and were signed on its behalf by:

P Bager
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. The principal accounting policies of the company are set out below, together with an explanation of where changes have been made to certain policies on the adoption of new accounting standards in the year.

Change in accounting policy
The company has adopted FRS 17, 'Retirement benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparatives figures have been restated accordingly. Details of the effect of the prior year adjustment are given in note 21.

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. Installation revenues are recognised when invoiced by fitters.

Tangible fixed assets
The cost of tangible fixed assets is their purchase price together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold land	nil
Freehold and long leasehold buildings	2% to 10%
Short leasehold buildings	10%
Plant, equipment and vehicles	10% to 33⅓%

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

Investments
Fixed asset investments are stated at cost unless, in the opinion of the directors, there has been any impairment, in which case an appropriate adjustment is made. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it is a wholly owned subsidiary of Nobia Holdings UK Limited and its results are included in the consolidated financial statements of Nobia Holdings UK Limited.

Stocks
Stocks are stated at the lower of 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.

Taxation
Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements.

Accounting policies (continued)

Taxation (continued)
Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Payments from suppliers
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 which are related to volume of product are accounted for through the profit and loss account.

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.

Impairment provision
The company makes provisions for the impairment of assets whose carrying value is greater than the expected future discounted cash flows that those assets are expected to generate.

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 since 1 November 1999. The scheme is valued in full every 3 years by a professionally qualified independent actuary, the rates of contribution payable by the company being determined by the actuary. Pension service costs are charged to administration expenses in the profit and loss account, and the expected return on scheme assets and interest on scheme liabilities are charged to finance expenses. The difference between actual and expected returns on scheme assets and actuarial gains and losses on the scheme liabilities are taken to the statement of total recognised gains and losses.

The company also operates a defined contribution 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 FRS 1 from the requirement to include a cash flow statement as its cash flows are incorporated in a consolidated cash flow statement presented in the consolidated financial statements of the UK parent undertaking, Nobia Holdings (UK) Limited.

Exceptional items
Non-recurring items, which by their size and nature are significant to the understanding of the accounts, are separately disclosed on the face of the profit and loss account.

Notes to the financial statements for the year ended 31 December 2005

1 Turnover

All turnover consists entirely of sales originating and derived from the United Kingdom.

2 Operating expenses

	2005	2004
	£'000	£'000
Continuing operations		
Selling and distribution costs	**66,716**	65,176
Administrative expenses	**15,825**	13,045
	82,541	78,221

3 Operating profit

	2005	2004
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets	**6,590**	6,705
Operating lease charges		
– plant and machinery	**4,207**	3,650
– land and buildings	**17,588**	16,445
Auditors' remuneration:		
– audit services	**81**	100
– non-audit services	**75**	35

Included in auditors' remuneration for audit services is £16,000 (2004: £16,000) paid in respect of the audit of other subsidiaries of Nobia AB that are registered in the United Kingdom.

Also included above are fees paid to the auditors in respect of non-audit services provided to the other subsidiaries of Nobia AB registered in the United Kingdom amounting to £20,000 (2004: £15,000)

Notes to the financial statements for the year ended 31 December 2005 (continued)

4 Employee information

The average monthly number of employees (including executive directors) employed by the company during the year was:

	2005 Number	2004 Number
By activity		
Manufacturing and distribution	**683**	744
Sales and marketing	**1,000**	929
Office and management	**116**	52
	1,799	1,725

	2005 £'000	2004 £'000
Staff costs (for the above persons)		
Wages and salaries	**43,991**	40,225
Social security costs	**3,308**	3,126
Other pension costs	**1,477**	1,723
	48,776	45,074

5 Directors' emoluments

	2005 £'000	2004 £'000
Aggregate emoluments	**269**	417
Company pension contributions to money purchase schemes	**9**	22
	278	439

Directors' emoluments reflect one (2004: one) director who is remunerated by the company.

During the previous year, Mr G Favell, the previous managing director, left the company. Mr Favell had a service contract with the company terminable by the company on one year's notice. The company agreed to pay Mr Favell as compensation for loss of office an amount approximately equivalent to one year's salary and other benefits. This amount was £199,151, which is subject to deduction of tax, and includes a sum of £3,067 in respect of Mr Favell's pension arrangements. The amount has been included within aggregate emoluments disclosed above.

Retirement benefits are accruing to one director under a defined benefit scheme (2004: one director). The accrued pension of the director at 31 December 2005 was £71,609 (2004: £69,859).

Notes to the financial statements for the year ended 31 December 2005 (continued)

6 Net exceptional operating income

	2005	2004
	£'000	£'000
Warranty claims	-	(500)
Profit from surrender of leases	818	2,362
	818	1,862

During the year the operating leases at Northwich and Orpington were surrendered to the landlords. A total price of £873,000 was agreed for the surrender of these leases. Costs of sale amounted to £55,000, resulting in a profit of £818,000.

During the prior year, the company agreed with the landlords of its Bristol and Cardiff branches to surrender its operating leases for these premises and relocate to other premises owned by the landlords under new operating leases. A total price of £2,500,000 was agreed for the surrender of these leases. Fixed assets within these premises amounting to £138,000 were written off following the surrender, resulting in a profit of £2,362,000.

During the prior year, an exceptional charge of £500,000 was made relating to one-off warranty claims.

7 Interest receivable

	2005	2004
	£'000	£'000
On bank balances	47	45

8 Interest payable and similar charges

	2005	2004
	£'000	£'000
Interest payable on amounts owed to ultimate parent undertaking	747	1,564
Interest payable on bank overdrafts	64	44
Interest payable on other creditors	30	22
	841	1,630

Notes to the financial statements for the year ended 31 December 2005 (continued)

9 Other finance costs

	2005	2004 (restated)
	£'000	£'000
Expected return on pension scheme assets	**5,626**	5,313
Interest on pension liabilities	**(8,303)**	(7,815)
	(2,677)	(2,502)

10 Taxation

	2005 £'000	2004 £'000
Current tax		
United Kingdom corporation tax at 30% (2004: 30%) -current year	367	1,146
United Kingdom corporation tax at 30% (2004: 30%) -prior year	284	-
Overseas tax- current year	169	53
Overseas tax- prior year	-	42
Total current tax	820	1,241
Deferred tax		
Current year	432	607
Adjustments in respect of prior year	-	(60)
Total deferred tax	432	547
Tax on profit on ordinary activities	**1,252**	**1,788**

Magnet Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

10 Taxation (continued)

The tax assessed for the period is lower (2004: lower) then the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005	2004
	£'000	£'000
Profit on ordinary activities before tax	**3,109**	11,037
Profit on ordinary activities multiplied by standard rate in the UK 30% (2004: 30%)	**933**	3,311
Effects of:		
Expenses not deductible for corporation tax purposes	**903**	729
Profit on disposal of assets not taxed	**(537)**	(948)
Group relief received for which no consideration is paid	-	(833)
Losses utilised in the period	-	(1,077)
Short term timing differences	**(692)**	32
Capital allowances in excess of depreciation	**(704)**	(68)
Non-deductible actuarial adjustments	**464**	-
Current tax charge for the year	**367**	1,146
Current tax charge for the prior year	**284**	-
Overseas tax – current year	**169**	53
Overseas tax – prior year	-	42
Total current tax	**820**	1,241

Notes to the financial statements for the year ended 31 December 2005 (continued)

11 Tangible fixed assets

	Land and buildings			Plant, equipment and vehicles	Assets under construction	Total
	Freehold	Long leasehold	Short leasehold			
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2005	8,553	1,870	14,772	57,619	5,867	88,681
Additions	-	-	-	-	17,925	17,925
Reclassifications	1,388	404	5,306	7,542	(14,640)	-
Disposals	(3,233)	(308)	(906)	(5,756)	-	(10,203)
At 31 December 2005	**6,708**	**1,966**	**19,172**	**59,405**	**9,152**	**96,403**
Depreciation						
At 1 January 2005	1,533	394	5,400	44,091	-	51,418
Charge for the year	382	89	1,535	4,584	-	6,590
Disposals	(711)	(56)	(363)	(4,697)	-	(5,827)
At 31 December 2005	**1,204**	**427**	**6,572**	**43,978**	-	**52,181**
Net book value						
At 31 December 2005	**5,504**	**1,539**	**12,600**	**15,427**	**9,152**	**44,222**
At 31 December 2004	7,020	1,476	9,372	13,528	5,867	37,263

During the year contracts were exchanged on the sale of land and buildings at Portsmouth, Loughborough and Cambridge generating a profit of £2,524,000. Other fixed asset disposals during the year generated a loss of £735,000.

During the prior year contracts were exchanged on the sale of part of the Keighley factory generating a profit of £1,195,000. Other fixed asset disposals during the year generated a loss of £397,000.

Notes to the financial statements for the year ended 31 December 2005 (continued)

12 Investments

	£'000
Cost and net book value at 31 December 2005 and 31 December 2004	**13,595**

Details of subsidiary undertakings

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.
Flint Properties Limited	England	100%	Dormant
Magnet (Retail) Limited	Eire	100%	Retailing of fitted kitchens, bedrooms, bathrooms and related products.

13 Stocks

	31 December 2005 £'000	31 December 2004 £'000
Raw materials and consumables	**3,196**	4,448
Work in progress	**824**	1,098
Finished goods	**36,816**	35,594
	40,836	41,140

Notes to the financial statements for the year ended 31 December 2005 (continued)

14 Debtors

	31 December 2005 £'000	31 December 2004 £'000
Trade debtors	**21,731**	21,545
Amounts owed by group undertakings	**355**	349
Corporation tax	**-**	1,463
Prepayments and accrued income	**12,851**	17,082
	34,937	40,439

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

15 Creditors – Amounts falling due within one year

	31 December 2005 £'000	31 December 2004 £'000
Bank overdraft	**7,891**	2,123
Trade creditors	**22,230**	18,736
Amounts owed to group undertakings	**21,181**	34,427
Taxation and social security	**2,996**	3,072
Corporation tax	**757**	-
Other creditors	**5,409**	3,724
Accruals and deferred income	**10,465**	10,359
	71,929	72,441

Amounts owed to group undertakings are unsecured and have no fixed repayment dates. Interest is charged on the amounts owed to the immediate parent, Nobia Holdings UK Limited, which totalled £9,590,000 at 31 December 2005 (2004: £21,917,000). The interest is based on a floating rate agreed between the company and Nobia Holdings UK Limited. No interest is charged on amounts owed to other group undertakings.

Notes to the financial statements for the year ended 31 December 2005 (continued)

16 Provisions for liabilities and charges

(a) Movements on provisions during the year comprise:

	Non-contributing stores £'000	Vacant property costs £'000	Warranty claims and others £'000	Deferred tax provision £'000	Total £'000
At 1 January 2005 (restated)	600	1,489	902	2,722	5,713
Charged to profit and loss account	132	1,783	646	432	3,476
Utilised during the year	-	(1,648)	(1,219)	-	(2,867)
At 31 December 2005	**732**	**1,624**	**329**	**3,154**	**5,839**

(b) Deferred taxation

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

	31 December 2005		31 December 2004	
	Provided	**Unprovided**	Provided (restated)	Unprovided
	£'000	**£'000**	£'000	£'000
Excess of capital allowances over depreciation	**(2,209)**	-	(1,969)	-
Short term timing differences	**(945)**	-	(753)	-
Deferred tax provision	**(3,154)**	-	(2,722)	-
Deferred tax asset on pension scheme	**20,104**	-	18,586	-

Notes to the financial statements for the year ended 31 December 2005 (continued)

17 Financial commitments

(a) Capital commitments

	31 December 2005 £'000	31 December 2004 £'000
Commitments for future capital expenditure:		
Contracted for but not provided for in the financial statements	**1,239**	2,150

(b) Lease obligations

The company had annual commitments under non-cancellable operating leases expiring as follows:

	31 December 2005		31 December 2004	
	Land and buildings £'000	Plant and equipment £'000	Land and buildings £'000	Plant and equipment £'000
Leases expiring:				
Within one year	**304**	**158**	147	1,692
Within two and five years	**1,904**	**2,191**	2,171	1,440
After five years	**15,081**	**478**	15,105	-
	17,289	**2,827**	17,423	3,132

(c) Forward contracts

At 31 December 2005 Magnet Limited had open forward exchange contracts totalling £9,270,000 (2004: 10,807,000). The fair value of these contracts at 31 December 2005 was a liability of £26,000 (2004: £nil).

18 Share capital

	31 December 2005 £'000	31 December 2004 £'000
Allotted, authorised, called up and fully paid		
15,510,301 ordinary shares of £1 each	**15,510**	15,510

Notes to the financial statements for the year ended 31 December 2005 (continued)

19 Reserves

	Share premium account £'000	Other reserve £'000	Profit and loss account £'000
At 31 December 2004 as previously reported	10,000	5,900	20,730
Prior year adjustment – FRS17	-	-	(41,224)
At 31 December 2004 as restated	10,000	5,900	(20,494)
Retained profit for the year	-	-	1,857
Actuarial loss on pension scheme	-	-	(5,375)
Movement on deferred tax relating to pension deficit	-	-	1,517
At 31 December 2005	**10,000**	**5,900**	**(22,495)**

The other reserve comprises 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.

20 Reconciliation of movement in equity shareholders' funds

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 (restated) £'000
Profit on ordinary activities after taxation	**1,857**	8,222
Other recognised gains and losses relating to the year	**(3,858)**	(1,364)
Net change in shareholders' funds	**(2,001)**	6,858
Shareholders' funds as at 31 December 2004 (previously £52,140,000 before prior year adjustment of £41,224,000)	**10,916**	4,058
Shareholders' funds as at 31 December	**8,915**	10,916

21 Prior year adjustment

The prior year adjustment relates to the implementation of FRS 17. The adoption of FRS 17 has resulted in a decrease in staff costs by £1,130,000 (2004: decrease of £1,475,000), an increase in other finance income of £2,677,000 (2004: increase of £2,502,000), a decrease in the tax charge of £1,517,000 (2004: decrease of £1,147,000), an increase in profit for the year of £134,000 (2004: increase of £120,000) and a decrease in total recognised gains and losses of £5,375,000 (2004: decrease of £2,511,000).

Analysis of prior year adjustment:	£'000
Adjustment to opening shareholders' funds at 1 January 2004	38,833
Adjustment to profit and loss for the year ended 31 December 2004	(120)
Adjustment to statement of total recognised gains and losses for the year ended 31 December 2004	2,511
	41,224

The net prior year adjustment of £41,224,000 is disclosed on the face of the statement of total recognised gains and losses.

The effect of the prior year adjustment on the balance sheet was as follows:

	£'000
Net assets at 31 December 2004 (as previously reported)	52,140
Elimination of pension provision under SSAP 24	2,143
Creation of pension provision under FRS 17	(43,367)
Net assets at 31 December 2004 (as restated)	10,916

22 Pension obligations

The company operates a defined benefit pension scheme, the Magnet Group Pension Scheme, the assets of which are held in a separate trustee administered fund. It is subject to an independent valuation at least every three years on the basis of which a qualified actuary certifies the rate of the employer's contributions.

The latest formal actuarial valuation of the scheme was undertaken at 1 November 2002. The principal long term assumptions were that the annual rate of return on investments would be 7.3% per annum prior to retirement and 5.3% per annum in retirement, salary increases would be 3.2% per annum, and pension increases would be 2.2% per annum (for benefits accrued after April 1997). At the date of the actuarial valuation, the total market value of the scheme's assets was £82,246,000. Using these assumptions, the value of the assets represented 78% of the value of the liabilities at the valuation date. The formal actuarial valuation of the scheme undertaken at 1 November 2005 will be used in the 2006 financial statements. 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 £3,040,000 (2004: £3,508,000). The pension provision as at 31 December 2004 was £2,143,000 representing the excess of the pension cost over the contributions paid by the company during the year

The disclosures required under FRS 17: Retirement benefits, have been calculated by qualified independent actuaries based on the most recent full actuarial valuations at 1 November 2002, updated as at 31 December 2005.

Notes to the financial statements for the year ended 31 December 2005 (continued)

22 Pension obligations (continued)

The major assumptions used by the actuaries were:

	At 31 December 2005	At 31 December 2004	At 31 December 2003
	%	%	%
Discount rate	**4.8**	5.3	5.4
Inflation rate	**2.6**	2.7	2.7
Salary increase rate	**3.6**	4.0	4.2
Increases for pensions in payment	**2.6**	2.7	2.7

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 2005	**Market value at 31 December 2005**	Long term return expected at 31 December 2004	Market value at 31 December 2004	Long term return expected at 31 December 2003	Market value at 31 December 2003
	%	**£'000**	%	£'000	%	£'000
Equities	**7.0**	**63,853**	7.4	53,889	7.7	50,553
Corporate bonds	**4.8**	**17,558**	5.3	9,794	5.4	5,157
Gilts and cash	**4.0**	**30,849**	4.4	32,897	4.7	33,402
		112,260		96,580		89,112
Present value of scheme liabilities		**(179,271)**		(158,533)		(147,242)
Deficit in the scheme		**(67,011)**		(61,953)		(58,130)
Related deferred tax asset		**20,104**		18,586		17,519
Net pension liability		**(46,907)**		(43,367)		(40,611)

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Notes to the financial statements for the year ended 31 December 2005 (continued)

22 Pension obligations (continued)

Analysis of amount charged to operating profit in respect of the scheme:

	Year ended 31 December 2005	Year ended 31 December 2004
	£'000	£'000
Operating profit		
Current service cost and total operating charge	**1,294**	1,492
Other finance expense		
Expected return on pension scheme assets	**5,626**	5,313
Interest on pension scheme liabilities	**(8,303)**	(7,815)
Net finance expense	**(2,677)**	(2,502)
Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	**10,815**	3,380
Changes in assumptions underlying the present value of the scheme liabilities	**(16,190)**	(5,891)
Actuarial loss recognised in STRGL	**(5,375)**	(2,511)
Movement in deficit during the year:		
Deficit in scheme at beginning of the year	**61,953**	58,130
Movement in year:		
Current service cost	**1,294**	1,492
Contributions	**(4,288)**	(2,682)
Other finance expense	**2,677**	2,502
Actuarial loss	**5,375**	2,511
Deficit in scheme at end of the year	**67,011**	61,953

Notes to the financial statements for the year ended 31 December 2005 (continued)

22 Pension obligations (continued)

History of experience gains and losses	**Year ended 31 December 2005 £'000**	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Difference between the expected and actual return on scheme assets:			
Amount (£'000)	**10,815**	3,380	4,985
Percentage of scheme assets	**10%**	4%	6%
Experience gains and losses on scheme liabilities:			
Amount (£'000)	**-**	-	-
Percentage of the present value of the scheme liabilities	**0%**	0%	0%
Total amounts recognised in statement of total recognised gains and losses:			
Amount (£'000)	**(5,375)**	(2,511)	(10,744)
Percentage of the present value of the scheme liabilities	**(3%)**	(2%)	(7%)

23 Ultimate parent undertaking

The immediate parent undertaking is Nobia Holdings UK Limited which is incorporated in England and Wales.

The ultimate parent undertaking and controlling party is Nobia AB, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated financial statements of Nobia AB can be obtained from the secretary at Nobia Nordisk Bygginterior AB, Klarabergsviadukten 70, (C8) SE-10724 Stockholm, Sweden.

The parent undertaking of the smallest group to consolidate these financial statements is Nobia Holdings UK Limited. Copies of the consolidated financial statements of Nobia Holdings UK Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

24 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. *There were no other related party transactions.*