Magnet Limited

Annual report and financial statements

for the year ended 31 December 2006

Registered Number 2762625

Magnet Limited

Annual report and financial statements for the year ended 31 December 2006

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Magnet Limited

Directors and advisers for the year ended 31 December 2006

Directors
F Cappelen
J Johansson
P Bager

Secretary
N J Saul

Auditors
PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Bankers
National Westminster Bank Plc
8 Park Row
Leeds
LS1 1QS

Lawyers
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King Street
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DL1 4XT

Registered Number
2762625

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006.

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 was fairly flat during 2006. Magnet proved the success of the strategies adopted during 2005 and generated sales growth of 11% and gross profit increase of 25% compared to 2005.

Retail kitchen sales were up 7% on 2005 due to the success of the Store Investment Programme, which has continued to improve store appearance and kitchen displays across the estate.

The trade joinery and kitchen business was extremely successful in 2006 with overall sales up 15% on prior year. The new trade concept started in 2005 and expanded in 2006 has been responsible for this success and will be rolled out across the remainder of trade stores in 2007.

Sales of flat pack kitchens via UK DIY retailer Homebase continue to prove successful increasing by 16% in the year.

Further details of the company's performance are provided within the Annual Report of Nobia AB, the company's ultimate parent undertaking.

The directors are satisfied with the performance of the company. The directors expect the company's performance to continue to be satisfactory during 2007.

Results and dividends

The company's profit for the financial year was £5,483,000 (2005: £1,857,000). No dividend is proposed or was paid during the year (2005: 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 2006 (continued)

Charitable and political donations
The company made no charitable or political donations during the year (2005: £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 notice boards, newsletters, team briefings and distribution of the annual report.

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 47 days (2005: 44 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. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 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.

By order of the Board

N. J. Saul

N Saul - Secretary
20 March 2007

Independent auditors' report to the members of Magnet Limited

We have audited the financial statements of Magnet Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes including the accounting policies. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read 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.

Independent auditors' report to the members of Magnet Limited (continued)

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 2006 and of its profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
20 March 2007

Magnet Limited

Profit and loss account for the year ended 31 December 2006

	Note	**2006** **£'000**	2005 £'000
Turnover	1	**310,569**	280,510
Cost of sales		**(200,975)**	(193,178)
Gross profit		**109,594**	87,332
Operating expenses		**(100,297)**	(83,359)
Net exceptional operating (expense)/income	6	**(9,294)**	818
Total operating expenses	2	**(109,591)**	(82,541)
Operating profit	3	**3**	4,791
Profit on sale of tangible fixed assets	11	**8,812**	1,789
Profit on ordinary activities before interest and taxation		**8,815**	6,580
Interest receivable	7	**69**	47
Interest payable and similar charges	8	**(460)**	(841)
Other finance costs	9	**(2,679)**	(2,677)
Profit on ordinary activities before taxation		**5,745**	3,109
Tax on profit on ordinary activities	10	**(262)**	(1,252)
Retained profit for the year	19	**5,483**	1,857

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 2006

	Note	2006 £'000	2005 £'000
Profit for the financial year		**5,483**	1,857
Actuarial gain / (loss) on pension scheme	22	**22,070**	(5,375)
Movement on deferred tax relating to pension asset	22	**(6,688)**	1,517
Total recognised gains / (losses) for the year		**20,865**	(2,001)

Magnet Limited

Balance sheet as at 31 December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	11	**45,795**	44,222
Investments in subsidiary undertakings	12	**9,995**	13,595
		55,790	57,817
Current assets			
Stock	13	**40,235**	40,836
Debtors	14	**56,485**	34,937
		96,720	75,773
Creditors - amounts falling due within one year	15	**(79,898)**	(71,929)
Net current assets		**16,822**	3,844
Total assets less current liabilities		**72,612**	61,661
Provisions for liabilities	16	**(11,529)**	(5,839)
Pension deficit	22	**(31,303)**	(46,907)
Net assets		**29,780**	8,915
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	19	**(1,630)**	(22,495)
Equity shareholders' funds	20	**29,780**	8,915

The financial statements on pages 6 to 25 were approved by the board of directors on 20 March 2007 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.

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.

Magnet Limited

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 immediately 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 2006

1 Turnover

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

2 Operating expenses

	2006 £'000	2005 £'000
Continuing operations		
Selling and distribution costs	**81,720**	66,716
Administrative expenses	**27,871**	15,825
	109,591	82,541

3 Operating profit

	2006 £'000	2005 £'000
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets	**7,087**	6,590
Operating lease charges		
– plant and machinery	**4,395**	4,207
– land and buildings	**17,399**	17,588
Auditors' remuneration:		
– audit services	**88**	81
– non-audit services	**112**	75

Included in auditors' remuneration for audit services is £17,000 (2005: £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 (2005: £20,000)

Notes to the financial statements for the year ended 31 December 2006 (continued)

4 Employee information

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

	2006 **Number**	2005 Number
By activity		
Manufacturing and distribution	**672**	683
Sales and marketing	**1,077**	1,000
Office and management	**132**	116
	1,881	1,799

	2006 **£'000**	2005 £'000
Staff costs (for the above persons)		
Wages and salaries	**46,394**	43,991
Social security costs	**3,963**	3,308
Other pension costs	**1,441**	1,477
	51,798	48,776

5 Directors' emoluments

	2006 **£'000**	2005 £'000
Aggregate emoluments	**321**	269
Company pension contributions to money purchase schemes	**23**	9
	344	278

Directors' emoluments reflect one (2005: one) director who is remunerated by the company.

There are no retirement benefits accruing to any directors under a defined benefit scheme (2005: one director). The accrued pension of the director at 31 December 2005 was £71,609.

Notes to the financial statements for the year ended 31 December 2006 (continued)

6 Net exceptional operating (expense)/income

	2006	2005
	£'000	£'000
Profit/ (loss) from surrender of leases	-	818
Provision against Keighley vacant warehouse, assets and stocks	**(5,694)**	-
Subsidiary undertaking impairment	**(3,600)**	-
	(9,294)	818

A sale and leaseback of the Keighley manufacturing plant was agreed in December 2006, resulting in a significant profit on asset disposal. At the same time the warehousing operation at Keighley was closed and transferred to Darlington resulting in relocation and redundancy costs of £454,000. As a result of this the remaining manufacturing facility at Keighley is partially vacant and loss making so provisions have been made against the vacant warehouse, fixed assets and obsolete stocks.

Following an impairment review of subsidiary undertakings the carrying value of the investment in the balance sheet has been written down by £3,600,000 in the year. The value in use calculation used a discount rate of 6.5% and risk adjustments were made to the expected cash flows to take account of future uncertainties around achieving growth forecasts.

During the prior 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.

7 Interest receivable

	2006	2005
	£'000	£'000
On bank balances	**69**	47

8 Interest payable and similar charges

	2006	2005
	£'000	£'000
Interest payable on amounts owed to ultimate parent undertaking	**302**	747
Interest payable on bank overdrafts	**99**	64
Interest payable on other creditors	**59**	30
	460	841

Notes to the financial statements for the year ended 31 December 2006 (continued)

9 Other finance costs

	2006	2005
	£'000	£'000
Expected return on pension scheme assets	5,848	5,626
Interest on pension liabilities	(8,527)	(8,303)
	(2,679)	(2,677)

10 Taxation

	2006 £'000	2005 £'000
Current tax		
United Kingdom - current year	1,245	367
United Kingdom - adjustments in respect of prior years	(963)	284
Overseas tax- current year	131	169
Total current tax	413	820
Deferred tax		
Current year	(151)	432
Tax on profit on ordinary activities	262	1,252

Notes to the financial statements for the year ended 31 December 2006 (continued)

10 Taxation (continued)

The tax assessed for the period is lower (2005: lower) then the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006	2005
	£'000	£'000
Profit on ordinary activities before tax	**5,745**	3,109
Profit on ordinary activities multiplied by standard rate in the UK 30% (2005: 30%)	**1,724**	933
Effects of:		
Expenses not deductible for corporation tax purposes	**1,261**	903
Impairment (see note 6)	**1,080**	
Profit on disposal of assets not taxed	**(2,721)**	(537)
Short term timing differences	**-**	(692)
Capital allowances in excess of depreciation	**(99)**	(704)
Non-deductible actuarial adjustments	**-**	464
Current tax charge for the year	**1,245**	367
Current tax charge in respect of prior years	**(963)**	284
Overseas tax – current year	**131**	169
Total current tax	**413**	820

Notes to the financial statements for the year ended 31 December 2006 (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 2006	8,762	1,966	19,261	61,537	6,746	98,272
Additions	-	-	-	-	11,936	11,936
Reclassifications	1,065	1	1,972	6,561	(9,599)	-
Disposals	(3,789)	-	(158)	(1,660)	-	(5,607)
At 31 December 2006	**6,038**	**1,967**	**21,075**	**66,438**	**9,083**	**104,601**
Depreciation						
At 1 January 2006	1,706	427	6,618	45,299	-	54,050
Charge for the year	443	120	1,947	4,577	-	7,087
Disposals	(1,020)	(1)	(49)	(1,261)	-	(2,331)
At 31 December 2006	**1,129**	**546**	**8,516**	**48,615**	**-**	**58,806**
Net book value						
At 31 December 2006	**4,909**	**1,421**	**12,559**	**17,823**	**9,083**	**45,795**
At 31 December 2005	5,504	1,539	12,600	15,427	9,152	44,222

During the year contracts were exchanged for the sale and leaseback of the freehold Keighley factory and the land and buildings at Bingley generating a profit of £8,540,000. Other fixed asset disposals in the year generated a profit of £272,000.

During the prior 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.

Notes to the financial statements for the year ended 31 December 2006 (continued)

12 Investments

	2006 £'000	2005 £'000
Cost at 31 December	**9,995**	13,595
Net book value at 1 January	**13,595**	13,595
Impairment (see note 6)	**(3,600)**	-
Net book value at 31 December	**9,995**	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

	2006 £'000	2005 £'000
Raw materials and consumables	**3,018**	**3,196**
Work in progress	**902**	**824**
Finished goods	**36,315**	**36,816**
	40,235	**40,836**

Notes to the financial statements for the year ended 31 December 2006 (continued)

14 Debtors

	2006	2005
	£'000	£'000
Trade debtors	**24,806**	21,731
Amounts owed by group undertakings	**10,480**	355
Corporation tax	**464**	-
Prepayments and accrued income	**20,735**	12,851
	56,485	34,937

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

15 Creditors – Amounts falling due within one year

	2006	2005
	£'000	£'000
Bank overdraft	**9,681**	7,891
Trade creditors	**26,393**	23,230
Amounts owed to group undertakings	**18,242**	21,181
Taxation and social security	**6,185**	2,996
Corporation tax	**-**	757
Other creditors	**5,328**	5,409
Accruals and deferred income	**14,069**	10,465
	79,898	71,929

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 had been fully repaid at 31 December 2006 (2005: £9,590,000). 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 2006 (continued)

16 Provisions for liabilities and charges

(a) Movements on provisions during the year comprise:

	Non-contributing stores	Vacant property costs	Warranty and other provisions	Keighley provisions	Deferred taxation	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2006	732	1,624	329	-	3,154	5,839
Charged to profit and loss account	300	1,650	1,202	5,277	-	8,429
Utilised during the year	(239)	(1,413)	(457)	-	-	(2,109)
Released to profit and loss account	-	(479)	-	-	(151)	(630)
At 31 December 2006	**793**	**1,382**	**1,074**	**5,277**	**3,003**	**11,529**

The Keighley provision (see note 6) is expected to be utilised on an even basis over the period to 2012. Further information on the deferred tax is given below. The remaining provisions primarily relate to store-specific costs and these will be utilised based on the conditions of each individual store (generally between one and five years).

(b) Deferred taxation

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

	2006		2005	
	Provided	**Unprovided**	Provided	Unprovided
	£'000	**£'000**	£'000	£'000
Excess of capital allowances over depreciation	**(2,595)**	-	(2,209)	-
Short term timing differences	**(408)**	-	(945)	-
Deferred tax provision	**(3,003)**	-	(3,154)	-
Deferred tax asset on pension scheme	**13,416**	-	20,104	-

Notes to the financial statements for the year ended 31 December 2006 (continued)

17 Financial commitments

(a) Capital commitments

	2006	2005
	£'000	£'000
Commitments for future capital expenditure:		
Contracted for but not provided for in the financial statements	**902**	1,239

(b) Lease obligations

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

	2006		2005	
	Land and buildings	**Plant and equipment**	Land and buildings	Plant and equipment
	£'000	**£'000**	£'000	£'000
Leases expiring:				
Within one year	**167**	**129**	304	158
Within two and five years	**2,819**	**2,700**	1,904	2,191
After five years	**17,361**	**303**	15,081	478
	20,347	**3,132**	17,289	2,827

(c) Forward contracts

At 31 December 2006 Magnet Limited had open forward exchange contracts totalling £14,322,000 (2005: £9,270,000). The fair value of these contracts at 31 December 2006 was a liability of £114,000 (2005: £26,000).

18 Share capital

	2006	2005
	£'000	£'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 2006 (continued)

19 Reserves

	Share premium account	Other reserve	Profit and loss account
	£'000	£'000	£'000
At 31 December 2005	10,000	5,900	(22,495)
Retained profit for the year	-	-	5,483
Actuarial gain on pension scheme	-	-	22,070
Movement on deferred tax relating to pension deficit	-	-	(6,688)
At 31 December 2006	**10,000**	**5,900**	**(1,630)**

The other reserve comprises negative goodwill arising on acquisitions made prior to 1 October 1999. In accordance with FRS 10, negative goodwill has not been reinstated onto the balance sheet.

20 Reconciliation of movement in equity shareholders' funds

	Year ended 31 December 2006	Year ended 31 December 2005
	£'000	£'000
Profit on ordinary activities after taxation	**5,483**	1,857
Other recognised gains and losses relating to the year	**15,382**	(3,858)
Net change in shareholders' funds	**20,865**	(2,001)
Shareholders' funds as at 1 January	**8,915**	10,916
Shareholders' funds as at 31 December	**29,780**	8,915

Notes to the financial statements for the year ended 31 December 2006 (continued)

21 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 31 October 2005. The principal long term assumptions used to value past service liabilities were that the annual rate of return on investments would be 5.05% per annum both prior to retirement and in retirement, salary increases would be 3.8% per annum, and pension increases would be 0% per annum for benefits accrued prior to April 1997, 2.8% per annum for benefits accrued between April 1997 and April 2006 and 2.2% per annum for benefits accrued after April 2006. At the date of the actuarial valuation, the total market value of the scheme's assets was £105,619,000. Using these assumptions, the value of the assets represented 63% of the value of the liabilities at the valuation date. 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 £4,982,000 (2005: £3,040,000).

The disclosures required under FRS 17: Retirement benefits, have been calculated by qualified independent actuaries based on the most recent full actuarial valuations at 31 October 2005, updated as at 31 December 2006.

Notes to the financial statements for the year ended 31 December 2006 (continued)

21 Pension obligations (continued)

The major assumptions used by the actuaries were:

	At 31 December 2006	At 31 December 2005	At 31 December 2004
	%	%	%
Discount rate	**5.2**	4.8	5.3
Inflation rate	**2.9**	2.6	2.7
Salary increase rate	**3.9**	3.6	4.0
Increases for pensions in payment	**2.9**	2.6	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 2006	**Market value at 31 December 2006**	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
	%	**£'000**	%	£'000	%	£'000
Equities	**7.2**	**70,217**	7.0	63,853	7.4	53,889
Corporate bonds	**5.2**	**15,265**	4.8	17,558	5.3	9,794
Gilts and cash	**4.2**	**35,861**	4.0	30,849	4.4	32,897
		121,343		112,260		96,580
Present value of scheme liabilities		**(166,062)**		(179,271)		(158,533)
Deficit in the scheme		**(44,719)**		(67,011)		(61,953)
Related deferred tax asset		**13,416**		20,104		18,586
Net pension liability		**(31,303)**		(46,907)		(43,367)

Notes to the financial statements for the year ended 31 December 2006 (continued)

21 Pension obligations (continued)

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

	Year ended 31 December 2006	Year ended 31 December 2005
	£'000	£'000
Operating profit		
Current service cost and total operating charge	**1,383**	1,294
Other finance expense		
Expected return on pension scheme assets	**5,848**	5,626
Interest on pension scheme liabilities	**(8,527)**	(8,303)
Net finance expense	**(2,679)**	(2,677)
Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	**3,576**	10,815
Experience gains and losses on liabilities	**16,574**	-
Changes in assumptions underlying the present value of the scheme liabilities	**1,920**	(16,190)
Actuarial loss recognised in STRGL	**22,070**	(5,375)
Movement in deficit during the year:		
Deficit in scheme at beginning of the year	**67,011**	61,953
Movement in year:		
Current service cost	**1,383**	1,294
Contributions	**(4,284)**	(4,288)
Other finance expense	**2,679**	2,677
Actuarial (gain)/loss	**(22,070)**	5,375
Deficit in scheme at end of the year	**44,719**	67,011

Notes to the financial statements for the year ended 31 December 2006 (continued)

21 Pension obligations (continued)

History of experience gains and losses	**Year ended 31 December 2006 £'000**	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)	**3,576**	10,815	3,380	4,985
Percentage of scheme assets	**3%**	10%	4%	6%
Experience gains and losses on scheme liabilities:				
Amount (£'000)	**16,574**	-	-	-
Percentage of the present value of the scheme liabilities	**10%**	0%	0%	0%
Total amounts recognised in statement of total recognised gains and losses:				
Amount (£'000)	**22,070**	(5,375)	(2,511)	(10,744)
Percentage of the present value of the scheme liabilities	**13%**	(3%)	(2%)	(7%)

22 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.

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. There were no other related party transactions.