Magnet Limited

Directors' report and financial statements
Registered number 2762625
31 December 2007

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2007

Principal activities

The principal activities of the company are the manufacture, merchanting and retailing of kitchens, joinery and related products

Business review

Performance

The results for the year are set out on page 9 The company's profit for the financial year was £4,084,000 *(2006 £5,483,000)* Operating profit was positively affected by higher sales volumes and improved productivity in the supply chain and branch operations Excluding the profit on sale of tangible fixed assets, amounts written off investments and net exceptional costs, profit on ordinary activities before tax has improved by 154% to £15 8 million over the period

The balance sheet as at 31 December 2007 demonstrates that the financial position of the company has improved with net assets of £36,570,000 *(2006 £29,780,000)* This is due to the annual profit of £4,084,000 and net gains of £2 631,000 in respect of pension scheme

Measurement

The company uses a number of financial and non financial KPIs to measure performance and these are reported both at board level and to employees at briefing sessions These KPIs include production plan achievement, delivery performance, manufacturing achievement and a number of health and safety and employee related KPIs The board considers that the company has a very effective measurement and reporting system, consistent with its size and complexity

As far as financial performance is concerned the key measurements used by the company are turnover and gross margin percentage as reported on the face of the profit and loss account For the year under review, turnover was £344,126,000 *(2006 £310,569,000)* and the gross profit percentage was 36% *(2006 35%)*

Risks and uncertainties

The directors have carefully considered the principal risks and uncertainties facing the business The company operates in a competitive market place where continuing growth is dependent on maintaining existing customer relationships and developing new business by offering high quality products and services The key to success is to leverage the company's position through the premium which its service offering demands Competition within the markets is a continuing risk to the company, which could result in it losing sales to its key competitors The company mitigates this risk by providing value added services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers

The directors continue to investigate and initiate entry into emerging markets whilst remaining flexible in matching capacity and production costs to actual demand

Outlook

There has been a certain weakening in the UK kitchen market but the directors remain confident that the company will continue to outperform the competition and take market share

The company is on track with its plans to expand its store network by a further 100 stores over the next few years

Directors' report *(continued)*

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

Financial instruments

In the opinion of the directors there are no specific issues in respect of price, credit, liquidity or cash flow risk that would need to be set out herein in order to provide an enhanced understanding of the results of the company

With regards to financial risk management policy, in respect of foreign currency purchases, the company arranges a system of hedges, based on forecast transactions, using a forward exchange contracts

The company's other financial instruments comprise bank overdraft and short term trade receivables and payables

Proposed dividend

The directors do not recommend the payment of a dividend *(2006 £nil)*

Market value of land and buildings

In the opinion of the directors, the market value of the company's land and buildings is not materially different from the net book value

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 48 days *(2006 47 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

Directors

The directors who held office during the year and at the date of this report were as follows

F Cappelen
J Johansson
P Bager
R Saunders (appointed 3 March 2008)

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

Directors' report *(continued)*

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the year *(2006 £nil)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

On 29 October 2007 PricewaterhouseCoopers LLP resigned as auditors of the company and KPMG LLP were appointed to fill the casual vacancy arising

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

N. J Saul

N Saul
Secretary

3 Allington Way
Yarm Road Business Park
Darlington
County Durham
DL1 4XT

31 March 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

KPMG

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditors' report to the members of Magnet Limited

We have audited the financial statements of Magnet Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 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

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

31 March 2008

Profit and Loss Account

for the year ended 31 December 2007

	Note	2007 £000	2006 £000
Turnover	2	**344,126**	310,569
Cost of sales		**(219,864)**	(200,975)
Gross profit		**124,262**	109,594
Operating expenses		**(105,796)**	(100,297)
Net exceptional income/(costs)	4	**2,026**	(5,694)
Total operating expenses	3	**(103,770)**	(105,991)
Operating profit		**20,492**	3,603
Profit on sale of tangible fixed assets	13	**1,004**	8,812
Other interest receivable and similar income	8	**86**	69
Amounts written off investments	4	**(8,363)**	(3,600)
Interest payable and similar charges	9	**(707)**	(460)
Other finance costs	10	**(2,053)**	(2,679)
Profit on ordinary activities before taxation	3-7	**10,459**	5,745
Tax on profit on ordinary activities	11	**(6,375)**	(262)
Profit for the financial year	20	**4,084**	5,483

All of the results above derive from continuing activities

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

Balance Sheet
at 31 December 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Tangible assets	*13*		**56,115**		45,795
Investments	*14*		**1,632**		9,995
			57,747		55,790
Current assets					
Stocks	*15*	**47,309**		40 235	
Debtors	*16*	**52,921**		56,485	
		100,230		96,720	
Creditors amounts falling due within one year	*17*	**(88,005)**		(79,898)	
Net current assets			**12,225**		16,822
Total assets less current liabilities			**69,972**		72,612
Provisions for liabilities	*18*		**(6,422)**		(11,529)
Net assets excluding pension liabilities			**63,550**		61,083
Pension liabilities	*22*		**(26,980)**		(31,303)
Net assets including pension liabilities			**36,570**		29,780
Capital and reserves					
Called up share capital	*19*		**15,510**		15,510
Share premium account	*20*		**10,000**		10,000
Other reserves	*20*		**5,900**		5,900
Capital contribution reserve	*20*		**75**		-
Profit and loss account	*20*		**5,085**		(1,630)
Shareholders' funds			**36,570**		29,780

These financial statements were approved by the board of directors on 31 March 2008 and were signed on its behalf by

R Saunders
Director

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2007

	2007 £000	2006 £000
Profit for the financial year	**4,084**	5,483
Actuarial gain recognised in the pension scheme	**4,830**	22,070
Deferred tax arising on gains in the pension scheme	**(1,449)**	(6,688)
Effect of reduced deferred tax rate on closing pension deficit	**(750)**	-
Total gains and losses recognised since last annual report	6,715	20,865

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2007

	2007 £000	2006 £000
Profit for the financial year	**4,084**	5,483
Net gains and losses in respect of FRS 17	**2,631**	15,382
Charge in relation to share based payments	**75**	-
Net addition to shareholders' funds	**6,790**	20,865
Opening shareholders' funds	**29,780**	8,915
Closing shareholders' funds	**36,570**	29,780

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements The company has adopted UITF Abstract 44 'FRS 20 – Group and Treasury Share Transactions' for the first time in these financial statements The comparative numbers have not been restated on the basis that the effect was not material The cumulative impact has been reflected in 2007

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements These financial statements present information about the company as an individual undertaking and not about its group

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As 100% of the company s voting rights are controlled within the group headed by Nobia AB, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Nobia AB, within which this company is included, can be obtained from the address given in note 25

Investments

Investments in subsidiary undertakings are stated at cost unless, in the opinion of the directors, there has been any impairment, in which case an appropriate adjustment is made

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold and long leasehold buildings	-	2% - 10% per annum
Short leasehold and buildings	-	10% per annum
Plant, equipment and vehicles	-	10% - 33 33% per annum

No depreciation is provided on freehold land

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

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Notes *(continued)*

1 Accounting policies *(continued)*

Post-retirement benefits

The company operates a pension scheme providing benefits based on final pensionable pay The scheme has been closed to new members since 1 November 1999 The assets of the scheme are held separately from those of the company

Pension scheme assets are measured using market values For quoted securities the current bid price is taken as market value Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses

The company also operates a defined contribution pension scheme for existing and new employees The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

Stocks

Stocks are stated at the lower of cost and net realisable value In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads

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

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

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

Share based payments

The share option programme allows employees to acquire shares of the ultimate parent company, Nobia AB The fair value of employee services received in exchange for grant of the options is recognised as an employee expense with a corresponding increase in capital and reserves The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Analysis of turnover and profit on ordinary activities before taxation

All of the company's turnover, profit on ordinary activities before tax and net assets are attributable to the manufacture, merchanting and retailing of kitchens, joinery and related products The directors are of the opinion that there is only one class of business

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

Notes *(continued)*

3 Operating expenses

	2007 £000	2006 £000
Selling and distribution costs	**93,460**	81,720
Administrative expenses *(including net exceptional income/(costs) - see note 4)*	**10,310**	24,271
	103,770	105,991

4 Net exceptional income/(costs) and impairment of fixed asset investments

Net exceptional income/(costs)

	2007 £000	2006 £000
Amount released/(provided) against Keighley vacant warehouse, fixed assets and obsolete stock	**2,026**	(5,694)

During 2006, a sale and leaseback of the Keighley manufacturing plant was agreed which resulted in a significant profit on assets disposed 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 was partially vacant and loss making, so provisions were made against vacant warehouse, fixed assets and obsolete stock

Following a review undertaken by the directors during 2007, the impairment losses recognised during 2006 relating to the Keighley tangible fixed assets have been reversed because of changes in economic conditions and in the expected use of these assets The resulting reversal of the impairment loss, which was previously included within provisions, has been reversed in the current period

Impairment of fixed asset investments

	2007 £000	2006 £000
Impairment of fixed asset investments *(note 14)*	**(8,363)**	(3,600)

Following an impairment review undertaken by the directors during the period, investments in subsidiary undertakings were written down by £8,363,000 *(2006 £3,600,000)* Subsequent to the year end, the company sold its interest in its subsidiary undertaking and the carry value at 31 December 2007 reflects the agreed sale value of this investment

5 Notes to the profit and loss account

	2007 £000	2006 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation and other amounts written off tangible fixed assets		
Owned	**5,304**	5,020
Leased	**2,435**	2,067
Hire of plant and machinery - operating leases	**5,031**	4,395
Hire of other assets - operating leases	**17,797**	17,399

Notes *(continued)*

5 Notes to the profit and loss account *(continued)*

Auditors remuneration

	2007 £000	2006 £000
Audit of these financial statements	**83**	88

Included in auditors' remuneration is £17,000 *(2006 £17,000)* paid in respect of the audit of other subsidiaries of Nobia AB that are registered in the United Kingdom

Amounts receivable by the company's auditors and their associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent, Nobia AB

6 Remuneration of directors

	2007 £000	2006 £000
Directors' emoluments	**401**	321
Company contributions to money purchase pension schemes	**23**	23
	424	344

Directors' emoluments reflect one *(2006 one)* director who is remunerated by the company

	Number of directors 2007	2006
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	**1**	1

7 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees 2007	2006
Manufacturing and distribution	**684**	672
Sales and marketing	**1,427**	1,077
Office and management	**139**	132
	2,250	1,881

Notes *(continued)*

7 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salaries	**52,997**	46,394
Share based payments *(see note 23)*	**75**	-
Social security costs	**4,937**	3,963
Other pension costs	**1,993**	1,930
	60,002	52,287

8 Other interest receivable and similar income

	2007 £000	2006 £000
On cash at bank	**86**	69

9 Interest payable and similar charges

	2007 £000	2006 £000
On bank overdrafts	**214**	99
On amounts owed to ultimate parent undertaking	**418**	302
Other	**75**	59
	707	460

10 Other finance costs

	2007 £000	2006 £000
Expected return on pension scheme assets	**6,486**	5,848
Interest on pension scheme liabilities	**(8,539)**	(8 527)
	(2,053)	(2,679)

Notes *(continued)*

11 Taxation

Analysis of charge in period

	2007 £000	2007 £000	2006 £000	2006 £000
UK corporation tax				
Current tax on income for the period	**6,086**		1,245	
Adjustments in respect of prior periods	**(85)**		(963)	
		6,001		282
Foreign tax				
Current tax on income for the period		**45**		131
Total current tax		**6,046**		413
Deferred tax (see note 18)				
Origination/(reversal) of timing differences	**515**		(151)	
Effect of decreased tax rate	**(186)**		-	
Total deferred tax		**329**		(151)
Tax on profit on ordinary activities		**6,375**		262

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2006 lower)* than the standard rate of corporation tax in the UK, 30% (*2006 30%*) The differences are explained below

	2007 £000	2006 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**10,459**	5,745
Current tax at 30% *(2006 30%)*	**3,138**	1,724
Effects of		
Expenses not deductible for tax purposes	**1,255**	1,261
Impairment of fixed asset investments	**2,509**	1,080
Non taxable profit on disposal of assets	**(301)**	(2,721)
Capital allowances for period in excess of depreciation	**(705)**	(99)
Other short-term timing differences	**190**	-
Higher tax rates on overseas earnings	**45**	131
Adjustments to tax charge in respect of previous periods	**(85)**	(963)
Total current tax charge (see above)	**6,046**	413

Factors that may affect future current and total tax charges

The corporation tax rate applicable to the company will change from 30% to 28% from 1 April 2008 Any timing differences which reverse before 1 April 2008 will be charged/credited at 30% and any timing differences which exist at 1 April 2008 will reverse at 28% The directors do not expect this to have a material impact on the financial statements

Notes *(continued)*

12 Dividends

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £nil *(2006 £nil)*

13 Tangible fixed assets

	Land and Buildings			Plant, equipment, and vehicles	Assets in course of construction	Total
	Freehold	Long leasehold	Short leasehold			
	£000	£000	£000	£000	£000	£000
Cost						
At beginning of year	6,038	1,967	21,075	66,438	9,083	104,601
Additions	-	-	-	-	18,742	18,742
Disposals	-	-	(602)	(873)	-	(1,475)
Transfers between items	929	31	6,850	5,137	(12 947)	-
At end of year	6,967	1,998	27,323	70,702	14 878	121,868
Depreciation						
At beginning of year	1,129	546	8,516	48,615	-	58,806
Charge for year	317	119	2,316	4,987	-	7,739
On disposals	-	-	(216)	(576)	-	(792)
At end of year	1,446	665	10,616	53,026	-	65,753
Net book value						
At 31 December 2007	**5,521**	**1,333**	**16,707**	**17,676**	**14,878**	**56,115**
At 31 December 2006	4,909	1,421	12,559	17,823	9,083	45,795

Tangible fixed asset disposals during the year generated a profit of £1,004,000

During the prior 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 2006 generated a profit of £272,000

Notes *(continued)*

14 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning and end of year	13,595
Provisions	
At beginning of year	3,600
Impairment losses *(note 4)*	8,363
At end of year	11,963
Net book value	
At 31 December 2007	**1,632**
At 31 December 2006	9,995

Following an impairment review undertaken by the directors during the period, investments in subsidiary undertakings were written down by £8,363,000 Subsequent to the year end, the company's subsidiary Hiveserve Limited sold its interest in C P Hart & Sons Limited and the carry value at 31 December 2007 reflects the agreed sale value of this investment

The companies in which the company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Percentage of ordinary shares held
Subsidiary undertakings			
Hiveserve Limited	England	Parent company of CP Hart & Sons Limited whose activities are retailing and distribution of bathrooms and kitchens	100%
Flint Properties Limited	England	Dormant	100%
Magnet (Retail) Limited	Eire	Retailing of fitted kitchens, bedrooms, bathrooms and related products	100%

15 Stocks

	2007 £000	2006 £000
Raw materials and consumables	**3,043**	3,018
Work in progress	**1,214**	902
Finished goods and goods for resale	**43,052**	36,315
	47,309	40,235

Notes *(continued)*

16 Debtors

	2007	2006
	£000	£000
Trade debtors	**27,371**	24,806
Amounts owed by group undertakings	**15,875**	10,480
Corporation tax recoverable	**-**	464
Prepayments and accrued income	**9,675**	20,735
	52,921	56,485

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

17 Creditors: amounts falling due within one year

	2007	2006
	£000	£000
Bank overdrafts	**4,080**	9,681
Trade creditors	**28,083**	26,393
Amounts owed to group undertakings	**18,479**	18,242
Taxation and social security	**4,729**	6,185
Corporation tax payable	**3,343**	-
Other creditors	**7,144**	5,328
Accruals and deferred income	**22,147**	14,069
	88,005	79,898

Amounts owed to group undertakings are interest bearing, unsecured and have no fixed repayment dates

18 Provisions for liabilities

	Non-contributing stores	**Vacant property costs**	**Warranty and other provisions**	**Keighley provisions**	**Deferred taxation**	**Total**
	£000	£000	£000	£000	£000	£000
At beginning of year	793	1,382	1,074	5,277	3,003	11,529
Utilised during year	(399)	(1,533)	(248)	(1,440)	-	(3,620)
Charge/(credit) to the profit and loss	63	381	359	132	(396)	539
Amounts released unused *(note 4)*	-	-	-	(2,026)	-	(2,026)
Reclassified	-	509	-	(509)	-	-
At end of year	457	739	1,185	1,434	2,607	6,422

Notes *(continued)*

18 Provisions for liabilities *(continued)*

The Keighley provision 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)

The elements of deferred taxation are as follows

	At beginning of year £000	Profit and loss account (credit)/ charge £000	Amounts included in STRGL £000	At end of year £000
Difference between accumulated depreciation and amortisation and capital allowances	2,595	485	-	3,080
Other short-term timing differences	408	(881)	-	(473)
Provision for liabilities (see above)	3,003	(396)	-	2,607
Pensions (see note 22)	(13,416)	725	2,199	(10,492)
	(10,413)	329	2,199	(7,885)

19 Called up share capital

	2007 £000	2006 £000
Authorised, allotted, called up and fully paid		
15,510,301 Ordinary shares of £1 each	**15,510**	15,510

20 Share premium and reserves

	Share premium account £000	Other reserves £000	Capital contribution reserves £000	Profit and loss account £000
At beginning of year	10,000	5,900	-	(1,630)
Profit for the year	-	-	-	4,084
Equity settled share based payments	-	-	75	-
Actuarial gain recognised in the pension scheme	-	-	-	4,830
Deferred tax arising on gains in the pension scheme	-	-	-	(1,449)
Effect of reduced deferred tax rate on closing pension deficit	-	-	-	(750)
At end of year	**10,000**	**5,900**	**75**	**5,085**

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

Notes *(continued)*

20 Share premium and reserves *(continued)*

	2007 £000	2006 £000
Profit and loss reserve excluding pension liability	**32,065**	29,673
Pension liability	**(26,980)**	(31,303)
Profit and loss reserve including pension liability	**5,085**	(1,630)

21 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows

	2007 £000	2006 £000
Contracted	**369**	902

(b) Annual commitments under non-cancellable operating leases are as follows

	2007		2006	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	**260**	**552**	167	129
In the second to fifth years inclusive	**2,549**	**3,845**	2,819	2,700
Over five years	**18,856**	**-**	17,361	303
	21,665	**4,397**	20,347	3,132

(c) Forward contracts

At 31 December 2007 the company had open forward exchange contracts totalling £11,206,000 *(2006 £14,322,000)* The fair value of these contracts at 31 December 2007 was an asset of £602,000 *(2006 £114,000 liability)*

22 Pension scheme

Defined contribution pension scheme

The company operates a defined contribution pension scheme for new entrants, the Magnet Money Purchase Plan The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £644,000 *(2006 £547,000)*

There were no outstanding or prepaid contributions at either the beginning or end of the financial year

Notes *(continued)*

22 Pension scheme *(continued)*

Defined benefit pension scheme

The company operates a pension scheme providing benefits based on final pensionable pay The scheme has been closed to new members since 1 November 1999 The latest full actuarial valuation was carried out at 31 October 2005 and was updated for FRS 17 purposes to 31 December 2006 and 31 December 2007 by a qualified independent actuary

It has been agreed that an employer contribution rate of 12 8% of pensionable pay will apply in future years

The major assumptions used in this valuation were

	2007	2006	2005
Rate of increase in salaries	**4 2%**	3 9%	3 6%
Rate of increase in pensions in payment and deferred pensions	**3 2%**	2 9%	2 6%
Discount rate applied to scheme liabilities	**5 6%**	5 2%	4 8%
Inflation assumption	**3 2%**	2 9%	2 6%

In valuing the liabilities of the pension fund at 31 December 2007, mortality assumptions have been made as indicated below If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2007 would have increased by £6 million before deferred tax

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows

- Current pensioner aged 65 20 3 years (male), 23 1 years (female)
- Future retiree upon reaching 65 21 3 years (male), 24 1 years (female)

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

	Value at 31 December 2007 £000	Value at 31 December 2006 £000	Value at 31 December 2005 £000
Equities	**61,972**	70,217	63,853
Corporate bonds	**33,320**	15,265	17,558
Gilts and cash	**29,143**	35,861	30,849
Total market value of assets	**124,435**	121,343	112,260
Present value of scheme liabilities	**(161,907)**	(166 062)	(179,271)
Deficit in the scheme – Pension liability	**(37,472)**	(44,719)	(67,011)
Related deferred tax asset	**10,492**	13,416	20,104
Net pension liability	**(26,980)**	(31,303)	(46,907)

Notes *(continued)*

22 Pension scheme *(continued)*

The expected rates of return on the assets in the scheme were

	Long term rate of return 31 December 2007	Long term rate of return 31 December 2006	Long term rate of return 31 December 2005
Equities	**7.3%**	7 2%	7 0%
Corporate bonds	**5.6%**	5 2%	4 8%
Gilts and cash	**4 3%**	4 2%	4 0%

Movement in deficit during the year

	2007 £000	2006 £000
Deficit in scheme at beginning of year	**(44,719)**	(67,011)
Current service cost	**(1,349)**	(1,383)
Contributions paid	**5,819**	4,284
Other finance cost	**(2,053)**	(2,679)
Actuarial gain	**4,830**	22,070
Deficit in the scheme at the end of the year	**(37,472)**	(44,719)

Analysis of other pension costs charged in arriving at operating profit

	2007 £000	2006 £000
Current service cost	**1,349**	1,383

Analysis of amounts included in other finance costs

	2007 £000	2006 £000
Expected return on pension scheme assets	**6,486**	5,848
Interest on pension scheme liabilities	**(8,539)**	(8,527)
	(2,053)	(2,679)

Analysis of amount recognised in statement of total recognised gains and losses

	2007 £000	2006 £000
Actual return less expected return on scheme assets	**(4,177)**	3,576
Experience gains and losses arising on scheme liabilities	**-**	16,574
Changes in assumptions underlying the present value of scheme liabilities	**9,007**	1,920
Actuarial gain recognised in statement of total recognised gains and losses	**4,830**	22,070

Notes *(continued)*

22 Pension scheme *(continued)*

History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets					
Amount (£000)	**(4,177)**	3,576	10,815	3,380	4,985
Percentage of year end scheme assets	**(3%)**	3%	10%	4%	6%
Experience gains and losses on scheme liabilities					
Amount (£000)	-	16,574	-	-	-
Percentage of year end present value of scheme liabilities	-	10%	-	-	-
Total amount recognised in statement of total recognised gains and losses					
Amount (£000)	**4,830**	22,070	(5,375)	(2,511)	(10,744)
Percentage of year end present value of scheme liabilities	**3%**	13%	(3%)	(2%)	(7%)

23 Employee share schemes

Certain employees of the company have been awarded share options in the ultimate parent undertaking, Nobia AB These share options are awarded directly by the ultimate parent undertaking Further details of the Nobia AB employee share option scheme are outlined below

Nobia AB employee share option scheme 2005-2011

At the 2005 Nobia AB Annual General Meeting, a resolution was made in accordance with the Board's proposal to implement an incentive scheme in the form of a performance-related employee share option scheme This resolution comprised the first stage in annually recurring identical incentive schemes It was also followed by resolutions passed at the 2006 and 2007 Annual General Meetings

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares

a) The exercise price of the option is set at 110 per cent of the average share price at the time of the grant

b) The options granted can only be exercised during a specified future period 2-3 years from the grant

c) The number of allotted options that can be exercised is dependent upon a certain increase in earnings per share over the 2 years post grant

Share options, granted to executives and senior managers of the company, that existed at the end of the year were as follows

Scheme	**No of shares options at end of year**	**No of shares options at beginning of year**	**Exercise price (£)**	**Exercise period**
2005 - 2009	**79,000**	79,000	3 20	31 May 2008 – 1 March 2009
2006 - 2010	**70,000**	70,000	6 80	31 May 2009 – 1 March 2010
2007 - 2011	**211,000**	-	7 79	31 May 2010 – 1 March 2011
	360,000	149,000		

Notes *(continued)*

23 Employee share schemes *(continued)*

The number and weighted average exercise prices of share options in are as follows

	2007 Weighted average exercise price £	**2007 Number of options**	2006 Weighted average exercise price £	2006 Number of options
Outstanding at the beginning of the period	**4 89**	**149,000**	3 20	79,000
Granted during the period	**7 79**	**211,000**	6 80	70,000
Outstanding at the end of the period	**6 59**	**360,000**	4 89	149,000

No share options were exercised during the year *(2006 nil)*

The options outstanding at the year end have an exercise price in the range of £3 20 to £7 79 and a weighted average contractual life of 4 years

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted The estimate of the fair value of the services received is measured based on the Black-Scholes valuation model

The value of share options and the assumptions used are as follows for the current and comparative years

	2005-2009	**2006-2010**	**2007-2011**
Fair value at grant date	£0 39	£1 01	£1 09
Exercise price	£3 20	£6 80	£7 79
Expected volatility	24%	26%	24%
Expected dividends	10%	10%	10%
Risk free interest rate	2 71%	3 31%	4 09%

The total expenses recognised for the period arising from share based payments are as follows

	2007 £000	2006 £000
Equity settled share based payments	**75**	-
Capital contribution reserve as 31 December	**75**	-

The company has adopted UITF Abstract 44 'FRS 20 – Group and Treasury Share Transactions' for the first time in these financial statements The comparative numbers have not been restated on the basis that the effect was not material The cumulative impact has been reflected in 2007

Further details relating to the Nobia AB employee share option scheme can be found in the financial statements of Nobia AB, available from the address given in note 25

Notes *(continued)*

24 Post balance sheet events

Subsequent to the year end, the company's subsidiary Hiveserve Limited sold its interest in C P Hart & Sons Limited This resulted in no profit or loss on disposal as the investment was impaired to realisable value during the 2007 year

25 Ultimate parent company and parent undertaking of larger group of which the company is a member

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