

Magnet Limited

**Directors' report and financial
statements**

Registered number 2762625

31 December 2012

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2012

Principal activities

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

Business review

Performance

The results for the year are set out on page 7. The company's loss for the financial year was £4,057,000 (2011 £6,232,000 profit). Turnover decreased by 14% during the year due to the stagnant kitchen market. The reduction in turnover, together with the change in sales mix, resulted in gross profit falling by £8.2 million year on year.

Although the company recorded a loss for the year, the balance sheet as at 31 December 2012 demonstrates that the financial position of the company remains strong with net assets of £16,270,000 (2011 £29,258,000).

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 £298,674,000 (2011 £345,856,000) and the gross profit percentage was 38% (2011 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

The directors remain confident that the company is in a strong position in the market and anticipate that the business will return to profitability going forward.

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 (continued)

Financial instruments

In the opinion of the directors the most significant financial risks, which might impact the company, relate to foreign currencies, interest rates, credit granting and liquidity

Foreign currency risk

The company's operations are materially exclusive to the United Kingdom. However, an element of the company's purchases is denominated in Euros and US Dollars

The company is party to a group system of hedges, based on forecast transactions, using forward exchange contracts. As a result the company believes that it has effectively managed its exposure to foreign currency risks to a minimal level as at the balance sheet date

Interest rate risk

Interest-rate exposure is managed centrally by Nobia AB, meaning that the head office is responsible for identifying and managing interest-rate risks. Nobia uses short, fixed interest terms to generate the desired interest profile

Credit risk

The company's customer base comprises both professional customers and consumers. Company credit policies are aimed at minimising losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the company's exposure to bad debts is not significant

Aggregate and individual overdue debts are monitored closely by management to reduce the likelihood of an unmanaged concentration of credit risk

Liquidity risk

Liquidity is controlled centrally by Nobia AB and the company also aims to mitigate liquidity risk by applying cash collection targets. Investment is carefully controlled, with authorisation limits operating up to board level and cash payback periods applied as part of the investment appraisal process

Proposed dividend

The directors do not recommend the payment of a dividend (2011: £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 52 days (2011: 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

Directors' report *(continued)*

Directors

The directors who held office during the year, and changes since the year end, were as follows

P Kane	
A Ahmed	
B Norman	
R Pigott	(resigned 31 March 2013)
S Banks	(resigned 31 March 2013)
M Neal	(resigned 31 March 2013)
NJ Saul	(appointed 1 April 2013)
DA Carr	(appointed 1 April 2013)

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.

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the year (2011 £nil).

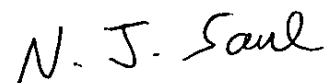
Disclosure of information to auditor

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 auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



NJ Saul
Director

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

22 July 2013

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 LLP

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

Independent auditor's report to the members of Magnet Limited

We have audited the financial statements of Magnet Limited for the year ended 31 December 2012 set out on pages 7 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Magnet Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

22 July 2013

Profit and Loss Account
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	2	298,674	345,856
Cost of sales		(184,827)	(223,800)
Gross profit		113,847	122,056
Operating expenses	3	(116,457)	(114,144)
Operating (loss)/profit		(2,610)	7,912
Profit on sale of tangible fixed assets		146	5
Income from shares in group undertakings		500	1,243
Other interest receivable and similar income	7	14	81
Interest payable and similar charges	8	-	(4)
Other finance costs	9	(3,156)	(2,305)
(Loss)/profit on ordinary activities before taxation	3-6	(5,106)	6,932
Tax on (loss)/profit on ordinary activities	10	1,049	(700)
(Loss)/profit for the financial year	19	(4,057)	6,232

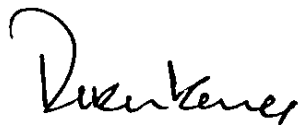
All of the results above derive from continuing activities

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

Balance Sheet
at 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Fixed assets			
Tangible assets	12	51,002	50,193
Investments	13	-	-
		<u>51,002</u>	<u>50,193</u>
Current assets			
Stocks	14	39,714	40,738
Debtors	15	60,203	71,065
Cash at bank and in hand		1,270	907
		<u>101,187</u>	<u>112,710</u>
Creditors' amounts falling due within one year	16	<u>(76,877)</u>	<u>(77,399)</u>
Net current assets		<u>24,310</u>	<u>35,311</u>
Total assets less current liabilities		<u>75,312</u>	<u>85,504</u>
Provisions for liabilities	17	<u>(9,619)</u>	<u>(13,357)</u>
Net assets excluding pension liabilities		<u>65,693</u>	<u>72,147</u>
Pension liabilities	21	<u>(49,423)</u>	<u>(42,889)</u>
Net assets including pension liabilities		<u>16,270</u>	<u>29,258</u>
Capital and reserves			
Called up share capital	18	15,510	15,510
Share premium account	19	10,000	10,000
Other reserves	19	5,900	5,900
Capital contribution reserve	19	186	199
Profit and loss account	19	<u>(15,326)</u>	<u>(2,351)</u>
Shareholders' funds		<u>16,270</u>	<u>29,258</u>

These financial statements were approved by the board of directors on 22 July 2013 and were signed on its behalf by



P Kane
Director

Company registered number 2762625

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2012

	2012 £000	2011 £000
(Loss)/profit for the financial year	(4,057)	6,232
Actuarial loss recognised in the pension scheme	(10,157)	(11,427)
Deferred tax arising on losses in the pension scheme	1,715	3,028
Current tax deductions allocated to actuarial losses	773	-
Effect of reduced deferred tax rate on closing pension deficit	(1,249)	(1,101)
Total recognised gains and losses relating to the financial year	(12,975)	(3,268)

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2012

	2012 £000	2011 £000
(Loss)/profit for the financial year	(4,057)	6,232
Net losses in respect of FRS 17	(8,918)	(9,500)
(Charge)/credit in relation to share based payments	(13)	99
Net reduction in shareholders' funds	(12,988)	(3,169)
Opening shareholders' funds	29,258	32,427
Closing shareholders' funds	16,270	29,258

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

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 s400 of the Companies Act 2006 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 the company is a wholly owned subsidiary of Nobia AB, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group. The consolidated financial statements of Nobia AB, within which this company is included, can be obtained from the address given in note 23

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The company's parent undertaking is Nobia Holdings UK Limited which is the parent undertaking of a group of companies engaged in the manufacture, merchandising and retailing of joinery, fitted kitchens, bedrooms, bathrooms and related products. The group meets its day to day working capital requirements through its positive cash balances, bank overdraft facilities and loans from Nobia AB, the ultimate parent undertaking and controlling party

The current economic conditions create an element of uncertainty over demand for the group's products and services but the group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group is expected to have a sufficient level of financial resources available through current facilities and therefore the directors believe that the group is well placed to manage its business risks successfully despite the economic uncertainty

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis

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 buildings	-	2% - 10% per annum
Leasehold land and buildings	-	2% - 10% per annum
Plant, equipment and vehicles	-	10% - 50% 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

Notes (continued)

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amounts of the company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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 scheme closed to future accrual with effect from 31 December 2009 and for active members of the scheme the link to salary was removed. 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.

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 result 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 following completion of work

Share based payments

The share option programmes allow 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 are only recognised as a liability at that date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Analysis of turnover and (loss)/profit on ordinary activities before taxation

All of the company's turnover, (loss)/profit on ordinary activities before tax and net assets are attributable to the manufacture, merchandising 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 within the United Kingdom

Notes (continued)

3 Total operating expenses

	2012 £000	2011 £000
Selling and distribution costs	107,577	102,644
Administrative expenses	8,880	11,500
	<u>116,457</u>	<u>114,144</u>

4 Notes to the profit and loss account

	2012 £000	2011 £000
<i>(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting).</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	7,749	6,206
Leased	3,613	3,898
Hire of plant and machinery - operating leases	5,141	5,513
Hire of other assets - operating leases	18,930	18,423
Net exchange (gains)/losses	(390)	1
Management fees payable to ultimate parent undertaking	1,526	764
Expenses recharged to fellow group undertakings	(1,995)	(1,404)
	<u></u>	<u></u>
<i>Auditor's remuneration</i>		
	2012 £000	2011 £000
Audit of these financial statements	74	74
	<u></u>	<u></u>

Included in auditor's remuneration is £1,000 (2011 £1,000) 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 auditor and its 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 Holdings UK Limited

Notes (continued)

5 Remuneration of directors

	2012 £000	2011 £000
Directors' emoluments	895	870
Amounts receivable under long term incentive schemes	8	53
Company contributions to money purchase pension schemes	127	120
	<u>1,030</u>	<u>1,043</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £250,000 (2011 £250,000) and company pension contributions of £45,000 (2011 £46,000) were made to a money purchase scheme on his behalf

	Number of directors 2012	2011
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	5	5
Defined benefit schemes	-	-
	<u>5</u>	<u>5</u>
The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was	5	5
	<u>5</u>	<u>5</u>

The company's defined benefit scheme closed to future accrual with effect from 31 December 2009 and for active members of the scheme the link to salary was removed. All directors now participate in the Magnet Money Purchase Plan

6 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 2012	2011
Manufacturing and distribution	393	436
Sales and marketing	1,426	1,535
Office and management	167	178
	<u>1,986</u>	<u>2,149</u>

The aggregate payroll costs of these persons were as follows

	2012 £000	2011 £000
Wages and salaries	51,581	52,433
Share based payments (see note 22)	(13)	99
Social security costs	4,870	5,119
Other pension costs (see note 21)	1,594	1,676
	<u>58,032</u>	<u>59,327</u>

Notes (continued)

7 Other interest receivable and similar income

	2012 £000	2011 £000
On cash at bank	2	1
Interest receivable on over payment of UK corporation tax	11	80
Other	1	-
	<u>14</u>	<u>81</u>

8 Interest payable and similar charges

	2012 £000	2011 £000
On bank overdrafts	-	4
	<u>-</u>	<u>4</u>

9 Other finance costs

	2012 £000	2011 £000
Expected return on pension scheme assets	6,004	7,159
Interest on pension scheme liabilities	(9,160)	(9,464)
	<u>(3,156)</u>	<u>(2,305)</u>

10 Taxation

Analysis of (credit)/charge in period

	2012 £000	2011 £000
<i>UK corporation tax</i>		
Current tax on income for the period	520	1,793
Adjustments in respect of prior periods	140	(989)
	<u>660</u>	804
<i>Group relief</i>		
Amounts receivable	-	-
Adjustments in respect of prior periods	-	(1,139)
	<u>-</u>	(1,139)
Total current tax	<u>660</u>	(335)
<i>Deferred tax</i>		
Origination of timing differences	(1,357)	252
Effect of reduction in tax rate	(143)	(254)
Adjustment in respect of previous years	(209)	1,037
Total deferred tax	<u>(1,709)</u>	1,035
Tax on (loss)/profit on ordinary activities	<u>(1,049)</u>	<u>700</u>

Notes (continued)

10 Taxation (continued)

For the year ended 31 December 2012, the company was subject to UK corporation tax at a rate of 26% during the 3 months to 31 March 2012 and 24% from 1 April 2012 to 31 December 2012, giving an average rate for the year of 24.5% (2011 26.5%)

Factors affecting the tax (credit)/charge for the current period

The current tax (credit)/charge for the period is lower (2011 lower) than the standard rate of corporation tax in the UK, 24.5% (2011 26.5%). The differences are explained below

	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(5,106)	6,932
	<hr/>	<hr/>
Current tax at 24.5% (2011 26.5%)	(1,251)	1,837
<i>Effects of</i>		
Expenses not deductible for tax purposes	537	537
Non taxable dividend income	(123)	(329)
Capital allowances less than depreciation	414	629
Other short-term timing differences	943	(881)
Adjustments in respect of previous periods	140	(2,128)
	<hr/>	<hr/>
Total current tax charge/(credit) (see above)	660	(335)
	<hr/>	<hr/>

The adjustment to UK corporation tax in respect of previous periods arose following the submission and agreement of a number of earlier years' tax returns

Factors that may affect future current and total tax charges

The main rate of UK corporation tax changed from 26% to 24% on 1 April 2012. A further reduction in the main rate of UK corporation tax, to 23% with effect from 1 April 2013, became substantively enacted in July 2012 and therefore the effect of this further rate reduction on the deferred tax balance at 31 December 2012 has been included in the figures above.

The Chancellor has also proposed changes to further reduce the main rate of corporation tax by two per cent to 21% by 1 April 2014 and a further one per cent to 20% by 1 April 2015. These changes had not been substantively enacted at the year end and therefore are not included in the figures above. The overall effect of the reductions from 23% to 20%, if these applied to the deferred tax balance at 31 December 2012, would be to reduce the deferred tax asset by approximately £1,751,000.

11 Dividends

No dividends were declared in the current or preceding year. The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £nil (2011 £nil).

Notes (continued)

12 Tangible fixed assets

	Freehold land and buildings £000	Leasehold land and buildings £000	Plant, equipment and vehicles £000	Assets in course of construction £000	Total £000
Cost					
At beginning of year	8,651	45,093	85,874	2,434	142,052
Additions	-	-	-	12,689	12,689
Disposals	(216)	(859)	(3,944)	-	(5,019)
Transfers between items	-	1,220	4,641	(5,861)	-
	<u>8,435</u>	<u>45,454</u>	<u>86,571</u>	<u>9,262</u>	<u>149,722</u>
Depreciation					
At beginning of year	3,130	24,359	64,370	-	91,859
Charge for year	445	3,613	7,304	-	11,362
On disposals	(216)	(787)	(3,498)	-	(4,501)
	<u>3,359</u>	<u>27,185</u>	<u>68,176</u>	<u>-</u>	<u>98,720</u>
Net book value					
At 31 December 2012	<u>5,076</u>	<u>18,269</u>	<u>18,395</u>	<u>9,262</u>	<u>51,002</u>
At 31 December 2011	<u>5,521</u>	<u>20,734</u>	<u>21,504</u>	<u>2,434</u>	<u>50,193</u>

13 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning and end of year	-
Provisions	
At beginning and end of year	-
Net book value	
At 31 December 2012	-
At 31 December 2011	-

Notes (continued)

13 Fixed asset investments (continued)

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
<i>Subsidiary undertakings</i>			
Flint Properties Limited	England	Dormant	100%
Magnet (Isle of Man) Limited	Isle of Man	Retailing of fitted kitchens and related products	100%

14 Stocks

	2012 £000	2011 £000
Raw materials and consumables	1,523	1,267
Work in progress	375	344
Finished goods and goods for resale	37,816	39,127
	<u>39,714</u>	<u>40,738</u>

15 Debtors

	2012 £000	2011 £000
Trade debtors	17,293	20,597
Amounts owed by group undertakings	32,521	39,905
Corporation tax recoverable	402	109
Other debtors	845	642
Prepayments and accrued income	9,142	9,812
	<u>60,203</u>	<u>71,065</u>

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

Notes (continued)

16 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Bank overdrafts	8,780	4,301
Trade creditors	26,167	26,547
Amounts owed to group undertakings	17,973	18,131
Other taxation and social security	2,798	5,106
Other creditors	5,992	5,508
Accruals and deferred income	15,167	17,806
	<u>76,877</u>	<u>77,399</u>

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

17 Provisions for liabilities

	Vacant property costs £000	Warranty and other provisions £000	Keighley provisions £000	Deferred taxation £000	Total £000
At beginning of year	6,609	2,394	1,300	3,054	13,357
Utilised during year	(3,454)	(288)	(662)	-	(4,404)
Charge/(credit) to the profit and loss	1,403	2,436	113	(1,709)	2,243
Amount released unused	(1,559)	(18)	-	-	(1,577)
	<u>2,999</u>	<u>4,524</u>	<u>751</u>	<u>1,345</u>	<u>9,619</u>

The Keighley provision relates to a lease break payment to be made in January 2013. 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 capital allowances	3,630	(795)	-	2,835
Other short-term timing differences	(576)	(914)	-	(1,490)
	<u>3,054</u>	<u>(1,709)</u>	<u>-</u>	<u>1,345</u>
Provision for liabilities (see above)	(14,297)	-	(466)	(14,763)
Pensions (see note 21)	<u>(11,243)</u>	<u>(1,709)</u>	<u>(466)</u>	<u>(13,418)</u>

Notes (continued)

18 Called up share capital

	2012 £000	2011 £000
<i>Allotted, called up and fully paid</i>		
15,510 301 Ordinary shares of £1 each	15,510	15,510

19 Share premium and reserves

	Share premium account £000	Other reserves £000	Capital contribution reserve £000	Profit and loss account £000
At beginning of year	10,000	5,900	199	(2,351)
Loss for the year	-	-	-	(4,057)
Equity settled share based payments (note 22)	-	-	(13)	-
Actuarial loss recognised in the pension scheme	-	-	-	(10,157)
Deferred tax arising on losses in the pension scheme	-	-	-	1,715
Current tax deductions allocated to actuarial losses	-	-	-	773
Effect of reduced deferred tax rate on closing pension deficit	-	-	-	(1,249)
At end of year	10,000	5,900	186	(15,326)

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 Commitments

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

	2012 £000	2011 £000
Contracted	2,603	1,431

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

	2012		2011
	Land and buildings £000	Other £000	Land and buildings £000
Operating leases which expire			Other £000
Within one year	258	546	143
In the second to fifth years inclusive	8,400	3,529	10,008
Over five years	12,595	-	13,560
	21,253	4,075	23,711
			3,521

Notes (continued)

21 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 £1,594,000 (2011 £1,676,000).

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

Defined benefit pension scheme

The company also provides pension arrangements to employees through a defined benefit scheme, the Magnet Group Pension Scheme, and the related costs are assessed in accordance with the advice of professionally qualified actuaries. The pension scheme is funded by the payment of contributions to separately administered trust funds.

The scheme has been closed to new members since 1 November 1999. The scheme also closed to future accrual with effect from 31 December 2009 and for active members of the scheme the link to salary was removed. Active members are entitled to join the Magnet Money Purchase Plan.

The numbers shown below have been based on calculations carried out by a qualified independent actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2012. The scheme's assets are stated at their market values at 31 December 2012.

Employer contributions over the accounting period amounted to £6.313 million (2011 £5.231 million). It has been agreed that employer contribution of £5.5 million per annum to 31 December 2023 will apply.

The valuation used for FRS 17 disclosures has been based on a full assessment of the liabilities of the Magnet Group Pension Scheme as at 31 October 2011. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

The information disclosed below is in respect of the Magnet Group Pension Scheme as a whole.

	2012 £000	2011 £000
Present value of funded defined benefit obligations	(219,085)	(198,701)
Fair value of plan assets	154,899	141,515
	<u>(64,186)</u>	<u>(57,186)</u>
Present value of unfunded defined benefit obligations	-	-
Deficit	(64,186)	(57,186)
Related deferred tax asset	14,763	14,297
	<u>(49,423)</u>	<u>(42,889)</u>
Net liability	<u>(49,423)</u>	<u>(42,889)</u>

Notes (continued)

21 Pension scheme (continued)

Movements in present value of defined benefit obligation

	2012 £000	2011 £000
At 1 January	(198,701)	(181,833)
Current service cost	-	-
Interest cost	(9,160)	(9,464)
Actuarial losses	(18,846)	(13,920)
Contributions by members	-	-
Benefits paid	7,622	6,516
	<hr/>	<hr/>
At 31 December	(219,085)	(198,701)
	<hr/>	<hr/>

Movements in fair value of plan assets

	2012 £000	2011 £000
At 1 January	141,515	133,148
Expected return on plan assets	6,004	7,159
Actuarial gains	8,689	2,493
Contributions by employer	6,313	5,231
Contributions by members	-	-
Benefits paid	(7,622)	(6,516)
	<hr/>	<hr/>
At 31 December	154,899	141,515
	<hr/>	<hr/>

Expense recognised in the profit and loss account

	2012 £000	2011 £000
Current service cost	-	-
Interest on defined benefit pension plan obligation	(9,160)	(9,464)
Expected return on defined benefit pension plan assets	6,004	7,159
	<hr/>	<hr/>
Total expense relating to the scheme as a whole	(3,156)	(2,305)
	<hr/>	<hr/>

The expense is recognised in the following line items in the profit and loss account

	2012 £000	2011 £000
Administrative expenses	-	-
Other finance costs	(3,156)	(2,305)
	<hr/>	<hr/>
	(3,156)	(2,305)
	<hr/>	<hr/>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £10,157,000 loss (2011: £11,427,000 loss). This excludes the effect of deferred tax on these amounts.

Notes (continued)

21 Pension schemes (continued)

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £36,976,000 loss (2011 £26,819,000 loss)

The fair value of the plan assets and the return on those assets were as follows

	2012 Fair value £000	2011 Fair value £000
Equities	66,373	59,255
Corporate bonds	49,569	45,010
Gilts and cash	38,957	37,250
	<u>154,899</u>	<u>141,515</u>
Expected return on plan assets	6,004	7,159
Actuarial gain	8,689	2,493
	<u>14,693</u>	<u>9,652</u>

At 31 December 2012, none of the fair value of scheme assets related to self-investment

To develop the expected long-term rate of return on assets assumption for the year ended 31 December 2012, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected gross long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 4.77% (2011 4.87%) p.a. assumption for the year ended 31 December 2012 (before allowance for scheme expenses and PPF levy)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows

	2012 %	2011 %
Discount rate	4.30	4.70
Expected rate of return on plan assets	4.77	4.87
Rate of increase to pensions in payment		
- benefits accrued pre 6 April 1997	-	-
- benefits accrued between 6 April 1997 and 6 April 2006	3.10	3.00
- benefits accrued post 6 April 2006	2.20	2.30
Future salary increases	-	-
Deferred revaluation	2.50	2.30
RPI inflation	3.20	3.00
CPI inflation	2.50	2.30

Mortality assumptions

In valuing the liabilities of the pension fund at 31 December 2012 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 2012 would have increased by £5.3 million before deferred tax.

Notes (continued)

21 Pension schemes (continued)

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: 21.9 years (male), 25.1 years (female)
- Future retiree upon reaching 65: 25.4 years (male), 28.7 years (female)

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Present value of scheme liabilities	(219,085)	(198,701)	(181,833)	(174,573)	(143,752)
Fair value of scheme assets	154,899	141,515	133,148	123,235	108,521
Deficit	(64,186)	(57,186)	(48,685)	(51,338)	(35,231)

Experience adjustments

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Experience adjustments on scheme liabilities	1,889	(377)	2,221	(7,787)	-
Experience adjustments on scheme assets	8,689	2,493	6,016	8,236	(24,894)

The company expects to contribute approximately £5.5 million, excluding PPF levy, to its defined benefit plans in the next financial year.

22 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 2005-2015

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 to 2012 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.

Notes (continued)

22 Employee share schemes (continued)

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
2010 – 2014	-	260,000	3.76	31 May 2013 – 1 March 2014
2011 – 2015	240,000	240,000	5.07	31 May 2014 – 1 March 2015
	<u>240,000</u>	<u>500,000</u>		

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

	2012 Weighted average exercise price £	2012 Number of options	2011 Weighted average exercise price £	2011 Number of options
Outstanding at the beginning of the period	4.39	500,000	4.20	991,000
Granted during the period	-	-	5.07	240,000
Expired during the period	-	-	-	-
Forfeited during the period	(3.76)	(260,000)	(4.37)	(731,000)
Outstanding at the end of the period	<u>5.07</u>	<u>240,000</u>	<u>4.39</u>	<u>500,000</u>

No share options were exercised during the year (2011 nil)

The options outstanding at the year end have an exercise price in the range of £3.76 to £5.07 and a weighted average contractual life of 3 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

	2010-2014	2011-2015
Fair value at grant date	£0.77	£0.85
Exercise price	£3.76	£5.07
Expected volatility	37%	33%
Expected dividend growth	n/a	n/a
Risk free interest rate	1.71%	2.55%

The credit to the profit and loss account for the period in relation to the scheme was £33,000 (2011 £99,000 expense)

Notes (continued)

22 Employee share schemes (continued)

Performance share plan 2012-2015

At the 2012 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 share plan

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

- a) The continued employment in the Nobia Group during the vesting period
- b) An investment in Nobia shares from individuals in the plan
- c) The options granted can only be exercised during a specified future period 2-3 years from the grant
- d) The number of allotted options that can be exercised is dependent upon the fulfilment of a financial performance target linked to accumulated earnings per share adjusted for non recurring structural costs and income during the same period

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
2012 – 2015	103,402	-	Nil	31 May 2014 – 1 March 2015

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

	2012 Weighted average exercise price £	2012 Number of options
Outstanding at the beginning of the period	-	-
Granted during the period	-	103,402
Expired during the period	-	-
Forfeited during the period	-	-
Outstanding at the end of the period	-	103,402

No share options were exercised during the year

The options outstanding at the year end have an exercise price of £nil and a weighted average contractual life of 3 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

Notes (continued)

22 Employee share schemes (continued)

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

	2012-2015
Fair value at grant date	£2.17
Exercise price	£nil
Expected volatility	33%
Expected dividend growth	n/a
Risk free interest rate	1.06%

The expense recognised in the profit and loss account in relation to this scheme for the period was £20,000 (2011 £nil)

The total expense recognised for the period arising from share based payments were as follows

	2012 £000	2011 £000
Equity settled share based payments	(13)	99
Capital contribution reserve as at 31 December	186	199

As the share options have been granted by the ultimate parent undertaking these are treated as a capital contribution for balance sheet purposes (note 19)

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 23

23 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