Minelco Specialities Ltd
(formerly Microfine Minerals Limited)

Directors' report and financial statements

Registered number 01151578

31 December 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The company changed its name to Minelco Specialities Ltd on 17 December 2003.

The principal activities of the company are the manufacturing and marketing of a range of specialist fillers, principally minerals.

Business review

On 31 December 2003 the company acquired the trade and assets of Fordamin Company Limited along with a trading division of Minelco Minerals Ltd (formerly Fergusson Wild & Company Ltd) at book value under the terms of a hive up agreement between the parties. These businesses will be integrated into the company's activities during 2004.

Results and dividends

Results and dividends for the year are set out in the profit and loss account on page 4. The acquired trades have not contributed to the reported trading results to date.

Research and development

Research and development is undertaken in order to develop new products and improve existing products.

Directors and directors' interests

The directors who held office during the year, none of whom had any interest in the share capital of the company, were as follows:

CC Briggs	
RJ Bush	
RC Day	
G Dorricott	- resigned 1 May 2003
SRW Larbey	
CV Phillips	
RM Wheatley	
DJ French	- appointed 1 January 2004
BM Collyer	- appointed 1 January 2004

Political and charitable contributions

The company made no political nor charitable contributions during the year.

Auditors

PricewaterhouseCoopers LLP resigned as auditors during the year and KPMG LLP were appointed in their place. 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

R. Wheatley

RM Wheatley
Secretary

Raynesway
Derby
DE21 7BE

Date: 26th July 2004

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

KPMG

KPMG LLP
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Independent auditors' report to the members of Minelco Specialities Ltd (formerly Microfine Minerals Limited)

We have audited the financial statements on pages 4 to 20.

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 auditors' 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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you, if in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditor

Date: 26 July 2004

Profit and loss account
for the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	2	**14,490,416**	14,289,493
Cost of sales		**(10,037,199)**	(9,154,190)
Gross profit		**4,453,217**	5,135,303
Distribution costs		**(1,226,274)**	(1,079,150)
Administrative expenses		**(1,718,620)**	(2,187,651)
Operating profit		**1,508,323**	1,868,502
Profit on sale of property		**-**	310,874
Profit on ordinary activities before interest		**1,508,323**	2,179,376
Interest receivable and similar income	5	**9,246**	41,603
Amounts written off investments	10	**(106,576)**	(106,576)
Interest payable and similar charges	5	**(81,839)**	(52,796)
Income from shares in group undertakings		**459,086**	-
Profit on ordinary activities before taxation	6	**1,788,240**	2,061,607
Tax on profit on ordinary activities	7	**(388,157)**	(618,389)
Profit on ordinary activities after taxation		**1,400,083**	1,443,218
Ordinary dividend paid	8	**-**	(1,687,640)
Profit/(deficit) for the financial year		**1,400,083**	(244,422)

The acquired trades have not contributed to the results to date. The company made no material acquisitions in the prior year and there were no discontinued operations in either year.

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the result reported in the profit and loss account and the result on an unmodified historical cost basis.

Balance sheet
as at 31 December 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	9		**7,947,172**		2,537,379
Investments	10		**536,561**		638,873
			8,483,733		3,176,252
Current assets					
Stocks	11	**8,526,610**		4,667,835	
Debtors	12	**7,638,219**		2,674,157	
Cash at bank and in hand		**1,115,373**		316,763	
		17,280,202		7,658,755	
Creditors: amounts falling due within one year	13	**(15,447,036)**		(4,326,717)	
Net current assets			**1,833,166**		3,332,038
Total assets less current liabilities			**10,316,899**		6,508,290
Creditors: amounts falling due after more than one year	14		**(5,213,283)**		(3,168,172)
Provisions for liabilities and charges	15		**(477,989)**		(114,574)
Net assets			**4,625,627**		3,225,544
Capital and reserves					
Called up share capital	16		**10,505**		10,505
Revaluation reserve	17		**43,497**		43,497
Capital reserve	17		**460,064**		460,064
Profit and loss account	17		**4,111,561**		2,711,478
Shareholders' funds					
Equity		**4,615,627**		3,215,544	
Non-equity preference shares		**10,000**		10,000	
	18		**4,625,627**		3,225,544

These financial statements were approved by the board of directors on ...26 July 04... and were signed on its behalf by:

CC Briggs
Director

CBriggs

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 company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

The company has not produced consolidated financial statements as it is exempt from the requirement on the grounds that it is a wholly owned subsidiary undertaking. Details of the parent undertaking producing consolidated financial statements is given in note 24.

Cash flow statement

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking.

Fixed assets and depreciation

Depreciation is provided by the company 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	- 50 years
Plant and equipment	- 4 - 10 years
Motor vehicles	- 4 - 7 years

No depreciation is provided on freehold land.

Investments

Investments in subsidiary undertakings are stated at historic cost less provisions made.

Stocks

Stocks are stated at the lower of cost and net realisable value. Raw materials cost is stated at the average purchase price, while finished goods cost represents the cost of raw materials and direct labour with an addition for production overheads. Net realisable value is the estimated selling price after allowing for the cost of realisation.

Taxation

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.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using 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 directly to the profit and loss account on a straight line basis over the life of the lease.

Research and development

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

Notes *(continued)*

1 Accounting policies *(continued)*

Pensions

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

Contributions to the scheme are charged to the profit and loss account in the year in which they become payable.

Turnover

Turnover represents the amounts derived from the provision of goods (excluding value added tax, but including transportation costs) to customers during the year.

2 *Analysis of turnover*

The turnover and operating profit are wholly attributable to the company's main activity.

The turnover arises in the following geographical areas:

	2003	2002
	£	£
United Kingdom	**4,562,294**	4,905,267
Rest of Europe	**4,541,048**	4,441,926
Other	**5,387,074**	4,942,300
	14,490,416	14,289,493

3 Directors' emoluments

	2003	2002
	£	£
Directors' emoluments	**421,016**	485,500
Pension contributions	**86,408**	77,449
	507,424	562,949

The emoluments of the highest paid director were £99,539 *(2002: £101,900)* including pensions contributions to a money purchase scheme of £25,416 *(2002: £12,714)*. He is a member of a defined benefit scheme under which his accrued pension at the year end was £38,928 *(2002: £35,348)*.

Retirement benefits are accruing to the following number of directors under:

	Number of directors	
	2003	2002
Money purchase schemes	**2**	3
Defined benefit schemes	**5**	6

Notes *(continued)*

4 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	
	2003	2002
Management and administration	**18**	17
Production	**59**	60
Development and quality assurance	**6**	6
Selling and distribution	**10**	11
	93	94

	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**2,148,851**	2,341,300
Social security costs	**187,892**	212,938
Other pension costs	**302,770**	306,743
	2,639,513	2,860,981

5 Interest

	2003	2002
	£	£
Interest receivable and similar income:		
Bank interest	**1,308**	493
Other interest	**4,913**	29,391
Group interest	**3,025**	11,719
	9,246	41,603

	£	£
Interest payable and similar charges:		
Group interest	**81,839**	52,796

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

		2003	2002
		£	£
Auditors' remuneration	- audit	**16,000**	15,750
	- non audit	**5,600**	10,585
Amounts written off investments		**106,576**	106,576
Depreciation		**410,349**	416,863
Profit on sale of fixed assets		**(8,416)**	(287,672)
Rentals under operating leases	- property	**37,500**	37,500
	- hire of plant and machinery	**19,830**	58,503
Research and development		**82,131**	31,419

Notes *(continued)*

7 Taxation

	2003 £	2002 £
UK corporation tax at 30% *(2002: 30%)*	**294,017**	634,019
(Over)/under provision in prior year	**(172,204)**	5,692
Payment for group relief	**120,748**	-
Prior year payment for group relief	**111,642**	-
Total current tax charge	**354,203**	639,711
Deferred taxation charge/(credit)	**33,954**	(15,864)
Over provision in prior year	**-**	(5,458)
	388,157	618,389

Tax losses were acquired from another group company in the previous year which gave rise to the prior year over provision.

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2002: higher)* than the standard rate of corporation tax in the UK of 30% *(2002: 30%)*. The differences are explained below:

	2003 £	2002 £
Current tax reconciliation:		
Profit on ordinary activities before tax	**1,788,240**	2,061,607
Current tax at 30% *(2002: 30%)*	**536,472**	618,482
Effects of:		
Expenses not deductible for tax purposes	**33,604**	36,506
Depreciation for the period (less than)/in excess of capital allowances	**(29,560)**	22,754
Other timing differences	**11,975**	(6,890)
Indexation allowance on chargeable gains	**-**	(36,833)
Adjustments to tax charge in respect of previous periods	**(60,562)**	5,692
Underlying tax on overseas dividend received	**(137,726)**	-
Total current tax charge	**354,203**	639,711

8 Dividends

	2003 £	2002 £
Equity dividend paid	**-**	1,687,640

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation				
At beginning of year	1,646,341	5,089,679	285,054	7,021,074
Additions	220,215	954,931	70,033	1,245,179
Disposals	-	(1,299)	(145,028)	(146,327)
Reclassification	(17,991)	17,991	-	-
Transfer from group company:				
- Fordamin Company Limited	4,022,992	4,867,081	207,780	9,097,853
- Minelco Minerals Ltd *	-	42,537	54,366	96,903
At end of year	5,871,557	10,970,920	472,205	17,314,682
Accumulated depreciation				
At beginning of year	454,388	3,852,019	177,288	4,483,695
Charge for year	49,934	310,476	49,939	410,349
On disposals	-	(487)	(96,659)	(97,146)
Transfer from group company:				
- Fordamin Company Limited	417,701	4,001,049	102,365	4,521,115
- Minelco Minerals Ltd *	-	32,050	17,447	49,497
At end of year	922,023	8,195,107	250,380	9,367,510
Net book value				
At 31 December 2003	**4,949,534**	**2,775,813**	**221,825**	**7,947,172**
At 31 December 2002	1,191,953	1,237,660	107,766	2,537,379

* Minelco Minerals Ltd (formerly Fergusson Wild & Company Limited)

The gross book value of land and buildings includes £25,000 *(2002: £25,000)* of non depreciable land.

Particulars relating to revalued land and buildings are given below:

	2003 £	2002 £
At 1978 open market value	**101,000**	101,000
Aggregate depreciation thereon	**(54,459)**	(52,439)
Net book value	**46,541**	48,561
	£	£
Historical cost of revalued assets	**24,000**	24,000
Aggregate depreciation based on historic cost	**(12,941)**	(12,461)
Historical cost net book value	**11,059**	11,539

The valuations have been frozen under the transitional provisions of FRS 15.

Notes *(continued)*

10 Investments

	£
Cost	
At beginning of year	1,939,526
Shares purchased	4,264
At end of year	1,943,790
Accumulated provisions	
At beginning of year	1,300,653
Provided in year	106,576
At end of year	1,407,229
Net book value	
At 31 December 2003	**536,561**
At 31 December 2002	638,873

The company owns 100% of the share capital of Microfine Hellas AME, a company incorporated in Greece. The investment's principal activity is the quarrying of minerals. The provision reflects the consumption of mining rights by the subsidiary.

11 Stocks

	2003	2002
	£	£
Raw materials and consumables	**5,839,061**	3,862,653
Finished goods and goods for resale	**2,687,549**	805,182
	8,526,610	4,667,835

12 Debtors

	2003	2002
	£	£
Trade debtors	**6,495,235**	2,026,994
Amounts owed by group undertakings	**415,154**	173,814
Corporation tax recoverable	**8,186**	51,144
Prepayments and accrued income	**258,106**	422,205
Other debtors	**461,538**	-
	7,638,219	2,674,157

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	**3,977,451**	841,986
Amounts owed to group undertakings	**9,435,262**	1,933,751
Corporation tax	**26,067**	215,765
Other taxes and social security	**283,454**	53,478
Accruals and deferred income	**1,724,802**	1,276,523
Pension accrual	-	5,214
	15,447,036	4,326,717

14 Creditors: amounts falling due after more than one year

	2003	2002
	£	£
Amounts owed to parent undertaking	**5,213,283**	3,168,172

The loan is interest free and is repayable after more than five years.

15 Provisions for liabilities and charges

Deferred taxation

	£
At beginning of year	114,574
Transfer from profit and loss account	33,954
Transferred from group undertakings	329,461
At 31 December 2003	**477,989**

The full potential liability provided for deferred taxation is as follows:

	2003	2002
	£	£
Accelerated capital allowances	**341,853**	125,639
Other timing differences	**136,136**	(11,065)
	477,989	114,574

Notes *(continued)*

16 Called up share capital

	2003	2002
	£	£
Authorised		
200,000 ordinary shares of 5 pence each	**10,000**	10,000
10,000 5% preference shares of £1 each	**10,000**	10,000
	20,000	20,000
Allotted, called up and fully paid		
10,100 ordinary shares of 5 pence each	**505**	505
10,000 5% preference shares of £1 each	**10,000**	10,000
	10,505	10,505

The company has 10,000 5% non-redeemable preference shares of £1 each. The holder of these shares has waived all dividend rights. Preference shareholders have no voting rights and have no rights in the event of the company winding up.

Given the above rights, the preference shares are classified as non-equity and ordinary shares as equity shares.

17 Reserves

	Revaluation reserve	Capital reserve	Profit and loss account
	£	£	£
At beginning of year	43,497	460,064	2,711,478
Profit for the year	-	-	1,400,083
At end of year	**43,497**	**460,064**	**4,111,561**

18 Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit for the financial year	**1,400,083**	1,443,218
Dividends	**-**	(1,687,640)
Net addition to/(reduction in) shareholders' funds	**1,400,083**	(244,422)
Opening shareholders' funds	**3,225,544**	3,469,966
Closing shareholders' funds	**4,625,627**	3,225,544

Notes *(continued)*

19 Contingent liabilities

The company has the following unsecured contingencies which are not provided for in these financial statements:

	2003	2002
	£	£
Bank and trade guarantees	**122,709**	122,709

20 Commitments

Capital commitments at the end of the year for which no provision has been made are as follows:

	2003	2002
	£	£
Contracted for	**1,756,779**	243,671
Authorised but not contracted for	**-**	-

Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	**-**	**-**	-	2,178
In two to five years	**-**	**69,328**	37,500	28,765
	-	**69,328**	37,500	30,943

21 Pension scheme

Following the hive up of the assets and liabilities of fellow group companies as disclosed in note 22, as at the year end certain of the company's employees are members of the Fergusson Wild Group Pension & Life Assurance Scheme and of the Fordamin Company Limited Pension & Life Assurance Scheme, both defined benefit pension schemes.

The Fergusson Wild Group Pension & Life Assurance Scheme

Certain of the company's employees are members of the Fergusson Wild Group Pension and Life Assurance Scheme, a pension scheme which provides benefits based on final pensionable pay. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 5 April 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in pensionable earnings.

Notes *(continued)*

21 Pension scheme *(continued)*

The most recent actuarial valuation showed that the market value of the scheme's assets was £5,339,000 at 5 April 2003 and that the actuarial value of those assets represented 58% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees are as follows:

Category	Employee % of earnings	Employer % of earnings
Fergusson Wild staff	5.0	15.2
Microfine staff	4.0	22.8
Microfine Executives	4.5	59.2
Works	3.0	9.2

The pension charge for the year was £302,770 *(2002: £306,743).*

FRS 17 Retirement benefits

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 6 April 2003 and updated to 31 December 2003 by a qualified independent actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme as at 31 December 2003. Scheme assets are stated at their market value at 31 December 2003.

The financial assumptions used to calculate the liabilities under FRS 17 are:

	2003	2002	2001
Valuation method	**Projected unit**	Projected unit	Projected unit
Discount rate	**5.40%**	5.25%	5.75%
Inflation rate	**2.85%**	2.75%	2.75%
Salary increase	**3.85%**	3.75%	3.75%
Pension increases at 5% per annum or RPI if less	**2.85%**	2.25%	2.25%
Revaluation rate on non GMP benefits for deferred pensions	**2.85%**	2.75%	2.75%

Assets in the scheme and the expected rate of return were:

	Long-term rate of return expected 2003	**Value 2003 £000**	Long-term rate of return expected 2002	Value 2002 £000	Long-term rate of return expected 2001	Value 2001 £000
Equities	**8.0%**	**2,735**	8.0%	2,101	7.0%	2,285
Bonds	**5.5%**	**334**	5.5%	446	5.5%	417
Other (split if material)	**4.5%**	**412**	4.5%	256	5.5%	185
Total market value of assets		**3,481**		2,803		2,887
Present value of scheme liabilities		**(5,314)**		(4,342)		(3,457)
Deficit in the scheme		**(1,833)**		(1,539)		(570)
Related deferred tax asset		**550**		462		171
Net pension liability		**(1,283)**		(1,077)		(399)

Notes *(continued)*

21 Pension scheme *(continued)*

Movement in deficit during the year

	2003 £000	2002 £000
Deficit in Scheme at beginning of the year	**(1,539)**	(570)
Movement in year:		
Current service cost	**(186)**	(179)
Employer contributions	**504**	244
Net finance charge	**(10)**	(5)
Actuarial loss	**(602)**	(!,029)
Deficit in scheme at end of the year	**(1,833)**	(1,539)

If FRS 17 had been fully adopted during the year, the impact would have been as follows:

Analysis of amount charged to operating profit

	2003 £000	2002 £000
Current service cost	**186**	179
Employee contributions	**(42)**	(41)
Total	**144**	138

Analysis of amount credited to other financial income

	2003 £000	2002 £000
Expected return on Scheme assets	**211**	221
Interest on Scheme liabilities	**(221)**	(226)
Net credit	**10**	(5)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2003 £000	2002 £000
Actual return less expected return on Scheme assets	**170**	(831)
Experience (loss)/gain arising on the Scheme liabilities	**(355)**	308
Charges in assumptions underlying the present value of the scheme	**(417)**	(506)
Actuarial loss recognised in STRGL	**(602)**	(1,029)

Notes *(continued)*

21 Pension scheme *(continued)*

History of experience gains and losses

	2003	2002
	£000	£000
Difference between the expected and actual return on Scheme assets:		
Amount	**170**	(831)
% of Scheme assets	**5%**	-30%
Experience loss on Scheme liabilities:		
Amount	**(355)**	308
% of the present value of the Scheme liabilities	**-7%**	7%
Total amount of loss recognised in statement of total recognised gains and losses:		
Amount	**(602)**	(1,029)
% of the present value of the Scheme liabilities	**-11%**	-24%

The Fordamin Company Limited Pension & Life Assurance Scheme

The Fordamin Company Limited Pension and Life Assurance Scheme is a defined benefit scheme operated in the United Kingdom. The Scheme was closed to new entrants during April 2004. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. A full actuarial valuation was carried out as at 1 April 2001 by a qualified independent actuary. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of returns on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be 6.5% pre-retirement and 5.25% post-retirement per annum, that salary increases would average 3.5% per annum and that present and future pensions would increase at the rate of 2.5% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £3,879,000 at 1 April 2001 and that the actuarial value of those assets represented 99% of the benefits that had accrued to members, after allowing for expected future increases in earning. The contributions of the company and employees will continue at 20% and 5% of earnings respectively.

The pension charge for the period in the financial statements of Fordamin Company Limited was £226,000 *(2002: £206,000).* Following the hive up of this company into Minelco Specialities Limited (see note 22), in future years the pension costs of the scheme will be charged through the profit and loss account of Minelco Specialities Limited. At 31 December 2003 there was a prepayment of £461,000 in respect of pension contributions.

FRS 17 Retirement benefits

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension Costs', under FRS 17 'Retirement Benefits' the following transitional disclosures are required:

The valuation at 1 April 2001 has been updated on an FRS17 basis as at 31 December 2003.

The major assumption used in this valuation were:

	2003	2002	2001
Variation method - projected unit			
Discount rate	**5.40%**	5.47%	5.86%
Rate of increase in salaries	**3.85%**	3.42%	3.50%
Rate of increase in pensions in payment	**2.85%**	2.42%	2.50%
Inflation assumption	**2.85%**	2.42%	2.50%

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

Notes *(continued)*

21 Pension scheme *(continued)*

The fair value of the scheme's assets which are not intended to be realised in the short term and maybe 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 of time and thus inherently uncertain, were:

	Long-term rate of return expected at: 2003	**Value at: 2003 £000**	Long-term rate of return expected at: 2002	Value at: 2002 £000	Long-term rate of return expected at: 2001	Value at: 2001 £000
Equities	**8.00%**	**3,447**	8.18%	2,532	7.25%	3,069
Government stock (gilts)	**4.85%**	**6**	4.50%	5	4.98%	4
Corporate Bonds (non-gilts)	**5.40%**	**464**	5.47%	560	5.86%	482
Cash	**3.75%**	**631**	4.00%	149	4.00%	162
Total market value of assets		**4,548**		3,246		3,717
Present value of scheme liabilities		**(5,716)**		(4,725)		(4,185)
Liability in scheme		**(1,168)**		(1,479)		(468)
Related deferred tax asset		**350**		444		140
Net pension liability		**(818)**		(1,035)		(328)

The following amounts would have been recognised in the performance statements in the year to 31 December 2003 under the requirements of FRS 17:

Profit and loss account

	2003 £000	2002 £000
Operating profit		
Current service costs	**(219)**	(202)
Past service cost	**-**	-
Total operating charge	**(219)**	(202)

	£000	£000
Other finance income		
Expected return on pension scheme assets	**267**	264
Interest on pension scheme liabilities	**(268)**	(257)
Net (charge)/return	**(1)**	7

Notes *(continued)*

21 Pension scheme *(continued)*

Statement of total recognised gains and losses ('STRGL')

	2003 £000	2002 £000
Actual return less expected return on pension scheme assets	**408**	(919)
Experience gains and losses on scheme liabilities	**(80)**	54
Changes in assumptions underlying the present value of the scheme liabilities	**(500)**	(149)
Actuarial loss	**(172)**	(1,014)

Movement in the surplus for the year ended 31 December 2003

	2003 £000	2002 £000
Deficit in scheme at beginning of year	**(1,479)**	(468)
Movement in year:		
Current service cost	**(219)**	(202)
Contributions	**704**	198
Other finance income	**(2)**	7
Actuarial loss	**(172)**	(1,014)
Deficit in scheme at end of year	**(1,168)**	(1,479)

Details of experience gains and losses for the year ended 31 December 2003:

	2003 £000	2002 £000
Difference between the expected and actual return on scheme assets		
Amount	**408**	(919)
Percentage of scheme assets	**9%**	28.3%
Experience gains and losses on scheme liabilities		
Amount	**(80)**	54
Percentage of present value of scheme liabilities	**-1.4%**	1.1%
Total amount recognised in statement of total recognised gains and losses		
Amount	**(172)**	(1,014)
Percentage of present vale of scheme liabilities	**-3.0%**	-21.5%

Notes *(continued)*

22 Hive up of group companies

On 31 December 2003, the company acquired the trade and assets of Fordamin Company Limited and the International trading division of Minelco Minerals Ltd (formerly Fergusson Wild & Company Limited) at book value under the terms of a hive up agreement between the parties. These businesses will be integrated into the company's activities during 2004.

	Fordamin Company Limited £000	International trading division £000
Fixed assets		
Tangible	4,577	47
Current assets		
Stock	1,911	1,222
Debtors	2,761	2,560
Cash	314	-
Total assets	9,563	3,829
Liabilities		
Creditors	3,316	2,851
Provisions	329	-
Total liabilities	3,645	2,851
Net assets	5,918	978

23 Related party transactions

As the company is a wholly owned subsidiary of LKAB, 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.

24 Ultimate parent company

The company's immediate parent undertaking is Minelco Minerals Ltd (formerly Fergusson Wild & Co Limited), a company registered in England and Wales.

The company's ultimate parent undertaking is LKAB, a company incorporated in Sweden.

The largest group in which the results of the company are consolidated is that headed by LKAB. These consolidated financial statements may be obtained from LKAB, Box 952, SE-97128, Luleå, Sweden.