Minelco Specialities Ltd

Directors' report and financial statements

Registered number 01151578

31 December 2006

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	2
Independent auditors' report to the members of Minelco Specialities Ltd	3
Profit and loss account	4
Statement of total recognised gains and losses	4
Balance sheet	5
Notes	6

Directors' report

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

Principal activities

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

Business review

Restructuring and focussing of the business continued with the sale of the Vermiculite plant being the latest transaction The site at Yate stopped production and is expected to be sold during 2007 and we plan to increase capacity at Stockton so that some of the existing business can continue to be serviced No further major changes are planned for 2007 Excluding the sale of the Vermiculite business, operating results for the year were below expectation due to unforeseen additional costs relating to exiting the Cenospheres business and losing a third party product distributorship in the agricultural industry Export margins were also put under pressure by the decline in the value of the US Dollar

Results and dividends

Results for the year are set out in the profit and loss account on page 4 No dividend is proposed *(2005 £nil)*

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

RC Day
SRW Larbey
CV Phillips (resigned 15 October 2006)
RM Wheatley
BM Collyer

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Political and charitable contributions

The company made no political nor charitable contributions during the year *(2005 £nil)*

Auditors

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 19 April 2007

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

KPMG

KPMG LLP
St Nicholas House
Park Row
Nottingham NG1 6FQ

Independent auditors' report to the members of Minelco Specialities Ltd

We have audited the financial statements of Minelco Specialities Ltd for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses 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 2

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

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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

KPMG LLP

Chartered Accountants
Registered Auditor

Date 19 April 2007

Profit and loss account
for the year ended 31 December 2006

	Note	2006 £	2005 £
Turnover	2	**28,468,985**	30,013,474
Cost of sales		**(22,554,679)**	(23,940,561)
Gross profit		**5,914,306**	6,072,913
Distribution costs		**(2,109,130)**	(2,275,467)
Administrative expenses		**(2,563,779)**	(2,761,627)
Operating profit and profit on ordinary activities before interest		**1,241,397**	1,035,819
Profit on sale of fixed assets – continuing operations	7	**949,840**	-
Other interest receivable and similar income	5	**954,692**	804,424
Amounts written off investments		**-**	(106,571)
Interest payable and similar charges	5	**(1,577,560)**	(1,524,688)
Profit on ordinary activities before taxation	6	**1,568,369**	208,984
Tax on profit on ordinary activities	8	**31,822**	(309,659)
Profit/(loss) on ordinary activities after taxation for the financial year	17	**1,600,191**	(100,675)

In both the current and preceding year, the company made no material acquisitions and had no discontinued operations

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

Statement of total recognised gains and losses
for the year ended 31 December 2006

	Note	2006 £	2005 £
Profit/(loss) for the year		**1,600,191**	(100,675)
Actuarial loss on pension scheme		**(275,248)**	(719,543)
Movement on deferred tax asset relating to pension scheme	15	**56,333**	218,696
Total gains and losses recognised in the year		**1,381,276**	(601,522)

Balance sheet
as at 31 December 2006

	Note	2006		2005	
		£	£	£	£
Fixed assets					
Tangible assets	*9*		**8,794,538**		9,357,598
Investments	*10*		**328,414**		328,414
			9,122,952		9,686,012
Current assets					
Stocks	*11*	**6,507,954**		7,442,071	
Debtors	*12*	**3,794,532**		4,162,658	
Cash at bank and in hand		**2,869,071**		1,270,963	
		13,171,557		12,875,692	
Creditors amounts falling due within one year	*13*	**(8,514,949)**		(9,127,738)	
Net current assets			**4,656,608**		3,747,954
Total assets less current liabilities			**13,779,560**		13,433,966
Creditors amounts falling due after more than one year	*14*		**(7,260,000)**		(8,260,000)
Provisions for liabilities and charges	*15*		**(275,803)**		(442,933)
Net assets before pension scheme deficit			**6,243,757**		4,731,033
Net pension scheme deficit	*21*		**(3,041,905)**		(2,910,457)
Net assets			**3,201,852**		1,820,576
Capital and reserves					
Called up share capital	*16*		**505**		505
Revaluation reserve	*17*		**30,862**		32,402
Capital reserve	*17*		**460,064**		460,064
Profit and loss account	*17*		**2,710,421**		1,327,605
Shareholders' funds	*18*		**3,201,852**		1,820,576

These financial statements were approved by the board of directors on 19 April 2007 and were signed on its behalf by:

SRW Larbey
Director

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 is exempt from 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 Details of the parent undertaking which produces consolidated financial statements is given in note 23

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

Following the introduction of FRS 15, the company has not adopted a policy of revaluation and, in accordance with the transitional arrangements of the Standard, it will retain the book value which reflects the previous valuation but will not update for future revaluations The last revaluation included in the financial statements was undertaken on 20th October 1978

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
Improvements to freehold property	- 10 - 20 years
Plant and equipment	- 10 years
Motor vehicles	- 4 -7 years

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

Classification of financial instruments issued by the company

Following the adoption of FRS 25, 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

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the company (continued)

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, are dealt with as appropriations in the reconciliation of movements in shareholders' funds

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

As lessee

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

As lessor

Operating lease rentals are credited 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

Pension costs

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

Pension scheme assets are measured using market values 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 operates a defined contribution pension scheme for certain directors and employees The assets of the scheme are held separately from those of the company The company's contributions are charged to the profit and loss account as they arise

Turnover

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

Notes *(continued)*

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

	2006 £	2005 £
United Kingdom	**15,553,856**	16,150,475
Rest of Europe	**8,796,088**	9,048,955
Other	**4,119,041**	4,814,044
	28,468,985	30,013,474

3 Directors' emoluments

	2006 £	2005 £
Directors' emoluments	**476,072**	597,836
Pension contributions	**86,186**	112,892
	562,258	710,728

The emoluments of the highest paid director were £162,806 *(2005 £155,700)* He is a member of a defined benefit scheme under which his accrued pension at the year end was £48,062 *(2005 £43,586)*

Retirement benefits are accruing to the following number of directors under

	Number of directors 2006	2005
Money purchase schemes	**-**	-
Defined benefit schemes	**4**	5

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 2006	2005
Management and administration	**13**	17
Production	**104**	111
Development and quality assurance	**6**	7
Selling and distribution	**22**	21
	145	156

Notes *(continued)*

4 Staff numbers and costs *(continued)*

	2006 £	2005 £
The aggregate payroll costs of these persons were as follows		
Wages and salaries	**3,567,701**	3,721,181
Social security costs	**297,336**	328,172
Other pension costs	**504,992**	564,239
	4,370,029	4,613,592

5 Interest

	2006 £	2005 £
Interest receivable and similar income		
Bank interest	**226**	-
Other interest	**450**	24,620
Group interest	**1,276**	-
Expected return on pension scheme assets	**952,740**	779,804
	954,692	804,424
	£	£
Interest payable and similar charges		
Group interest	**726,946**	748,131
Other interest	**20**	148
Interest cost on pension scheme liabilities	**850,594**	776,409
	1,577,560	1,524,688

6 Profit on ordinary activities before taxation

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

		2006 £	2005 £
Auditors' remuneration	- audit of these financial statements	**23,520**	20,700
Amounts receivable by the auditors and their associates in respect of other services relating to taxation		**14,499**	4,000
Amounts written off investments		**-**	106,571
Depreciation		**980,423**	1,029,893
Loss on sale of fixed assets		**194,292**	136,002
Rentals under operating leases	- other	**1,190**	23,350
	- hire of plant and machinery	**21,686**	20,638
Rentals receivable under operating leases	- other	**(12,000)**	(9,667)
Research and development		**19,027**	52,155

Notes *(continued)*

7 Exceptional items

During the year the company sold its Vermiculite plant, resulting in a gain after related expenses of £949,840 The company continues to operate in this area and so the disposal has been treated as part of continuing operations

8 Taxation

	2006 £	2005 £
UK corporation tax at 30% *(2005 30%)*	**144,020**	65,691
Over provision in prior year	**(8,712)**	(1,927)
Prior year payment for group relief	**-**	164,804
Total current tax charge	**135,308**	228,568
Deferred taxation (credit)/charge (note 15)	**(167,130)**	81,091
	(31,822)	309,659

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2005 higher)* than the standard rate of corporation tax in the UK of 30% *(2005 30%)* The differences are explained below

	2006 £	2005 £
Current tax reconciliation		
Profit on ordinary activities before tax	**1,568,369**	208,984
Current tax at 30% *(2005 30%)*	**470,511**	62,695
Effects of		
Expenses not deductible for tax purposes	**6,507**	64,724
Profit on sale of intangibles in excess of capital gains	**(178,723)**	-
Depreciation for the period less than capital allowances	**(78,685)**	(60,425)
Other timing differences	**(49,350)**	25,864
Adjustments to tax charge in respect of previous periods	**(8,712)**	162,877
FRS 17 pension adjustment	**(26,240)**	(27,167)
Total current tax charge	**135,308**	228,568

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation				
At beginning of year	6,064,706	13,538,308	384,504	19,987,518
Additions	62,305	482,110	104,710	649,125
Disposals	-	(959,885)	(107,290)	(1,067,175)
At end of year	6,127,011	13,060,533	381,924	19,569,468
Accumulated depreciation				
At beginning of year	1,129,221	9,305,498	195,201	10,629,920
Charge for year	110,047	763,527	106,849	980,423
On disposals	-	(762,335)	(73,078)	(835,413)
At end of year	1,239,268	9,306,690	228,972	10,774,930
Net book value				
At 31 December 2006	**4,887,743**	**3,753,843**	**152,952**	**8,794,538**
At 31 December 2005	4,935,485	4,232,810	189,303	9,357,598

The gross book value of land and buildings includes £25,000 *(2005 £25,000)* of non depreciable land

Particulars relating to revalued land and buildings are given below

	2006 £	2005 £
At 1978 open market value	**101,000**	101,000
Aggregate depreciation thereon	**(60,519)**	(58,499)
Net book value	**40,481**	42,501
	£	£
Historical cost of revalued assets	**24,000**	24,000
Aggregate depreciation based on historic cost	**(14,381)**	(13,901)
Historical cost net book value	**9,619**	10,099

Notes *(continued)*

10 Investments

	Minelco Hellas AME £	Likya Minelco £	Total £
Cost			
At beginning and end of year	1,943,790	5,000	1,948,700
Accumulated provisions			
At beginning and end of year	1,620,376	-	1,620,376
Net book value			
At 31 December 2006	**323,414**	**5,000**	**328,414**
At 31 December 2005	323,414	5,000	328,414

The company owns 100% of the share capital of Minelco Hellas AME, a company incorporated in Greece The investment's principal activity is the processing of minerals The provision reflects the write off of mining rights by the subsidiary

The company owns 1% of the share capital of Likya Minelco, a company incorporated in Turkey The investment's principal activity is the quarrying and processing of minerals

11 Stocks

	2006 £	2005 £
Raw materials and consumables	**3,579,349**	5,563,851
Finished goods and goods for resale	**2,928,605**	1,878,220
	6,507,954	7,442,071

12 Debtors

	2006 £	2005 £
Trade debtors	**3,178,380**	3,903,102
Amounts owed by group undertakings	**314,315**	123,568
Corporation tax recoverable	**-**	4,785
Prepayments and accrued income	**120,110**	129,426
Prepayments and accrued income - group undertakings	**175,289**	-
Other debtors	**6,438**	1,777
	3,794,532	4,162,658

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2006	2005
	£	£
Trade creditors	**1,124,957**	1,453,178
Amounts owed to group undertakings	**4,481,625**	6,018,527
Corporation tax	**63,345**	-
Other taxes and social security	**476,621**	323,466
Accruals and deferred income	**2,368,401**	1,332,567
	8,514,949	9,127,738

14 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Shares classified as liabilities (see note 15)	**10,000**	10,000
Amounts owed to parent undertaking	**7,250,000**	8,250,000
	7,260,000	8,260,000

Interest on the loan is charged at a rate of 5 75% and is repayable in more than one year

15 Provisions for liabilities and charges

Deferred taxation

	£
At beginning of year	442,933
Transfer to profit and loss account	(167,130)
At 31 December 2006	**275,803**

The full potential liability provided for deferred taxation is as follows

	2006	2005
	£	£
Accelerated capital allowances	**318,395**	206,846
Other timing differences	**(42,592)**	236,087
	275,803	442,933

Notes *(continued)*

15 Provisions for liabilities and charges *(continued)*

Deferred tax relating to pension scheme deficit

	2006 £	2005 £
At 1 January	**1,247,338**	1,028,642
Movement in the year	**56,333**	218,696
At 31 December	**1,303,671**	1,247,338

16 Called up share capital

	2006 £	2005 £
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
Shares classified in shareholders' funds	**505**	505
Shares classified as liabilities	**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

Under the presentation requirements of FRS 25 'Financial instruments presentation and disclosure' the preference shares have been classified as financial liabilities In addition, dividends on these shares are now classified as interest payable and similar charges within the profit and loss account

Notes *(continued)*

17 Reserves

	Revaluation reserve £	Capital reserve £	Profit and loss account £
At beginning of year	32,402	460,064	1,327,605
Profit for the year	-	-	1,600,191
Actuarial loss on pension scheme net of tax	-	-	(218,915)
Transfer of excess depreciation on revalued assets	(1,540)	-	1,540
At end of year	**30,862**	**460,064**	**2,710,421**

18 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit/(loss) for the financial year	**1,600,191**	(100,675)
Other recognised gains and losses	**(218,915)**	(500,847)
Net addition to/(reduction in) shareholders' funds	**1,381,276**	(601,522)
Opening shareholders' funds	**1,820,576**	2,422,098
Closing shareholders' funds	**3,201,852**	1,820,576

19 Contingent liabilities

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

	2006 £	2005 £
Bank and trade guarantees	**2,053,500**	1,747,731

Notes *(continued)*

20 Commitments

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

	2006	2005
	£	£
Contracted for	**401,153**	407,130
Authorised but not contracted for	**68,625**	167,803

Annual commitments under non-cancellable operating leases, none of which relate to land and buildings, are as follows

	2006	2005
	£	£
Operating leases which expire		
Within one year	**-**	20,543
In two to five years	**53,110**	49,582
	53,110	70,125

21 Pension scheme

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company The pension charge for the year was £19,412 *(2005 £24,814)* Contributions amounting to £3,882 *(2005 £2,842)* were payable to the scheme at the year end and are included in creditors

Following the hive up of the assets and liabilities of fellow group companies in 2003, 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

A summary of the fair value of the net pension scheme deficit is shown below

	2006	2005
	£000	£000
Pension scheme deficit		
Fergusson Wild Scheme	**(2,923)**	(2,680)
Fordamin Company Scheme	**(1,423)**	(1,478)
	(4,346)	(4,158)
Deferred tax	**1,304**	1,247
Net pension scheme deficit	**(3,042)**	(2,911)

Notes *(continued)*

21 Pension scheme *(continued)*

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 ("the Fergusson Wild scheme"), a pension scheme which provides benefits based on final pensionable pay The Scheme was closed to new entrants during April 2004 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

Category	Employee % of earnings	Employer % of earnings
Minelco Minerals / Specialities staff	5 0	15 2
Minelco Specialities staff (old scheme)	4 0	22 8
Minelco Specialities Executives	4 5	59 2
Works	3 0	9 2

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 5 April 2003 and updated to 31 December 2006 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 2006 Scheme assets are stated at their market value at 31 December 2006

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

	2006	2005	2004
Valuation method	**Projected unit**	Projected unit	Projected unit
Discount rate	**5 20%**	4 75%	5 25%
Inflation rate	**3 10%**	2 90%	2 85%
Salary increase	**4 10%**	3 90%	3 85%
Pension increase	**3 10%**	2 90%	2 85%

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

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 of time and thus inherently uncertain, were

	Long-term rate of return expected 2006	**Value 2006 £000**	Long-term rate of return expected 2005	Value 2005 £000	Long-term rate of return expected 2004	Value 2004 £000
Equities	**8 17%**	**5,148**	8 05%	4,773	8 00%	3,660
Bonds	**4 62%**	**1,242**	4 12%	1,145	4 55%	493
Other	**5 00%**	**668**	4 50%	697	4 75%	1,276
Total market value of assets		**7,058**		6,615		5,429
Present value of Scheme liabilities		**(9,981)**		(9,295)		(7,483)
Deficit in the Scheme		**(2,923)**		(2,680)		(2,054)
Related deferred tax asset		**877**		804		616
Net pension liability		**(2,046)**		(1,876)		(1,438)

Notes *(continued)*

21 Pension scheme *(continued)*

Movement in deficit during the year

	2006 £000	2005 £000
Deficit in Scheme at beginning of the year	**(2,680)**	(2,054)
Movement in year		
Current service cost	**(247)**	(254)
Contributions	**246**	261
Net finance income/(charge)	**19**	(22)
Actuarial loss	**(261)**	(611)
Deficit in Scheme at end of the year	**(2,923)**	(2,680)

Analysis of amount charged to operating profit

	2006 £000	2005 £000
Current service costs	**247**	254

Analysis of amount credited/(charged) to other finance income/(costs)

	2006 £000	2005 £000
Expected return on Scheme assets	**470**	381
Interest on Scheme liabilities	**(451)**	(403)
Net income/(charge)	**19**	(22)

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

	2006 £000	2005 £000
Actual return less expected return on Scheme assets	**(128)**	687
Experience gain/(loss) arising on the Scheme liabilities	**247**	(404)
Changes in assumptions underlying the present value of the Scheme liabilities	**(380)**	(894)
Actuarial loss recognised in STRGL	**(261)**	(611)

Notes *(continued)*

21 Pension scheme *(continued)*

History of experience gains and losses

	2006	2005	2004	2003	2002
Difference between the expected and actual return on Scheme assets	**£000**	£000	£000	£000	£000
Amount	**(128)**	687	19	170	(831)
% of Scheme assets	**(1 8%)**	10 4%	0 3%	5%	(30%)
Experience gain/(loss) on Scheme liabilities					
Amount	**247**	(404)	(399)	(355)	308
% of the present value of the Scheme liabilities	**2 5%**	(4 3%)	(5 3%)	(7%)	7%
Total amount of loss recognised in statement of total recognised gains and losses					
Amount	**(261)**	(611)	(681)	(602)	(1,029)
% of the present value of the Scheme liabilities	**(2 6%)**	(6 6%)	(9 1%)	(11%)	(24%)

The Fordamin Company Limited Pension & Life Assurance Scheme

The Fordamin Company Limited Pension and Life Assurance Scheme ('the Fordamin Scheme') is a defined benefit scheme operated in the United Kingdom The Scheme was closed to new entrants during April 2004 A full actuarial valuation was carried out as at 1 April 2004 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

The most recent actuarial valuation showed that the market value of the scheme's assets was £4,680,000 at 1 April 2004 and that the actuarial value of those assets represented 83% of the benefits that had accrued to members, after allowing for expected future increases in earning The current contributions of the company and employees are at 21% and 5% of earnings respectively

The valuation at 1 April 2004 has been updated on an FRS17 basis as at 31 December 2006

The major assumptions used in this valuation were

	2006	2005	2004
Valuation method	**Projected unit**	Projected unit	Projected unit
Discount rate	**5 20%**	4 75%	5 25%
Salary increase	**4.10%**	3 90%	3 85%
Pension increase	**3 10%**	2 90%	2 85%
Inflation rate	**3 10%**	2 90%	2 85%

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 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 of time and thus inherently uncertain, were

	Long-term rate of return expected at 2006	**Value at 2006 £000**	Long-term rate of return expected at 2005	Value at 2005 £000	Long-term rate of return expected at 2004	Value at 2004 £000
Equities	**8 17%**	**5,407**	8 05%	4,950	8 00%	4,030
Government stock (gilts)	**4 62%**	**877**	4 12%	764	4 55%	916
Corporate Bonds (non-gilts)	**5 16%**	**538**	4 75%	549	5 25%	367
Cash	**5 00%**	**737**	4 50%	437	4 75%	160
Total market value of assets		**7,559**		6,700		5,473
Present value of scheme liabilities		**(8,982)**		(8,178)		(6,847)
Deficit in Scheme		**(1,423)**		(1,478)		(1,374)
Related deferred tax asset		**427**		443		412
Net pension liability		**(996)**		(1,035)		(962)

Movement in the deficit during the year

	2006 £000	2005 £000
Deficit in Scheme at beginning of year	**(1,478)**	(1,374)
Movement in year		
Current service cost	**(253)**	(270)
Contributions	**240**	249
Net finance income	**83**	25
Actuarial loss	**(15)**	(108)
Deficit in scheme at end of year	**(1,423)**	(1,478)

Analysis of amount charged to operating profit

	2006 £000	2005 £000
Current service costs	**253**	270

Analysis of amount credited/(charged) to other finance income/(costs)

	2006 £000	2005 £000
Expected return on Scheme assets	**483**	399
Interest on Scheme liabilities	**(400)**	(374)
Net income	**83**	25

Notes *(continued)*

21 Pension scheme *(continued)*

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

	2006 **£000**	2005 £000
Actual return less expected return on Scheme assets	**170**	612
Experience gain arising on the Scheme liabilities	**272**	35
Changes in assumptions underlying the present value of the Scheme liabilities	**(457)**	(755)
Actuarial loss recognised in STRGL	**(15)**	(108)

History of experience gains and losses

	2006 **£000**	2005 £000	2004 £000	2003 £000	2002 £000
Difference between the expected and actual return on Scheme assets					
Amount	**170**	612	195	408	(919)
% of Scheme assets	**2 3%**	9 1%	3 6%	9%	(28 3%)
Experience gain/(loss) on Scheme liabilities					
Amount	**272**	35	(161)	(80)	54
% of present value of the Scheme liabilities	**3 0%**	0 4%	(2 4%)	(1 4%)	1 1%
Total amount recognised in statement of total recognised gains and losses					
Amount	**(15)**	(108)	(402)	(172)	(1,014)
% of present value of the Scheme liabilities	**(0 2%)**	(1 3%)	(5 9%)	(3 0%)	(21 5%)

22 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

23 Ultimate parent company

The company's immediate parent undertaking is Minelco Holding Ltd, 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