Minelco Specialities Ltd

Directors' report and financial statements

Registered number 01151578

31 December 2007

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Directors' report

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

Principal activities

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

Business review

	2007	2006
	£000	£000
Turnover	**31,307**	28,469
Operating Profit	**1,169**	1,241

The Company enjoyed significant sales growth in it's trading (non manufactured) activities It is hoped that this can be sustained although sales growth will be difficult to achieve as we plan to move some business to another company in the group Margins remain under pressure on US Dollar denominated exports Cost control is very high on managements' agenda and the results can be seen in lower Administration costs and reduced stock levels Next year will see further integration of the Company's activities within the wider Minelco Group with a new matrix management structure in place and a greater emphasis on growing sales of selected minerals The Company faces significant cost increases on its raw materials and energy and will be expecting to pass significant increases on to customers next year This represents the biggest threat to our profitability in the short term

Results and dividends

Results for the year are set out in the profit and loss account on page 5 No dividend is proposed *(2006 £nil)*

Research and development

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

Directors

The directors who held office during the year were as follows

RC Day (Resigned 30 June 2007)
SRW Larbey
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

Directors' report *(continued)*

Political and charitable contributions

The company made no political nor charitable contributions during the year *(2006 £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

Dated 6 May 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

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 2007 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 3

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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

KPMG LLP

Chartered Accountants
Registered Auditor

Dated 6 May 2008

Profit and loss account

for the year ended 31 December 2007

	Note	2007 £	2006 £
Turnover	*2*	**31,306,779**	28,468,985
Cost of sales		**(25,598,355)**	(22,554,679)
Gross profit		**5,708,424**	5,914,306
Distribution costs		**(1,977,876)**	(2,109,130)
Administrative expenses		**(2,562,698)**	(2,563,779)
Operating profit		**1,167,850**	1,241,397
Profit on sale of fixed assets - continuing operations	*6*	-	949,840
Other interest receivable and similar income	*5*	**12,292**	1,952
Other finance income	*5*	**59,170**	102,146
Interest payable and similar charges	*5*	**(588,648)**	(726,966)
Profit on ordinary activities before taxation	*7*	**650,664**	1,568,369
Tax on profit on ordinary activities	*8*	**13,644**	31,822
Profit on ordinary activities after taxation for the financial year	*17*	**664,308**	1,600,191

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 2007

	Note	2007 £	2006 £
Profit for the year		**664,308**	1,600,191
Actuarial gains/(losses) on pension scheme		**1,186,995**	(275,248)
Movement on deferred tax asset relating to pension scheme	*15*	**(419,239)**	56,333
Total gains and losses recognised in the year		**1,432,064**	1,381,276

Balance sheet
as at 31 December 2007

	Note	2007		2006	
		£	£	£	£
Fixed assets					
Tangible assets	*9*		**8,996,809**		8,794,538
Investments	*10*		**328,414**		328,414
			9,325,223		9,122,952
Current assets					
Stocks	*11*	**5,124,933**		6,507,954	
Debtors	*12*	**3,863,933**		3,794,532	
Cash at bank and in hand		**1,068,501**		2,869,071	
		10,057,367		13,171,557	
Creditors amounts falling due within one year	*13*	**(6,160,773)**		(8,514,949)	
Net current assets			**3,896,594**		4,656,608
Total assets less current liabilities			**13,221,817**		13,779,560
Creditors amounts falling due after more than one year	*14*		**(6,260,000)**		(7,260,000)
Provisions for liabilities and charges	*15*		**(169,360)**		(275,803)
Net assets before pension scheme deficit			**6,792,457**		6,243,757
Net pension scheme deficit	*21*		**(2,158,541)**		(3,041,905)
Net assets			**4,633,916**		3,201,852
Capital and reserves					
Called up share capital	*16*		**505**		505
Revaluation reserve	*17*		**29,322**		30,862
Capital reserve	*17*		**460,064**		460,064
Profit and loss account	*17*		**4,144,025**		2,710,421
Shareholders' funds	*18*		**4,633,916**		3,201,852

These financial statements were approved by the board of directors on 6 May 2008 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 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

Under 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

Dividends on shares presented within shareholders' funds

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

Taxation

The charge for taxation is based on the result for the period 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

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

Notes *(continued)*

1 Accounting policies *(continued)*

***Pension costs** (continued)*

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

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

	2007	2006
	£	£
United Kingdom	**14,080,980**	15,553,856
Rest of Europe	**12,814,870**	8,796,088
Other	**4,410,929**	4,119,041
	31,306,779	28,468,985

3 Directors' emoluments

	2007	2006
	£	£
Directors' emoluments	**395,234**	476,072
Pension contributions	**58,075**	86,186
	453,309	562,258

The emoluments of the highest paid director were £173,853 *(2006 £162,806)* He is a member of a defined benefit scheme under which his accrued pension at the year end was £52,330 *(2006 £48,062)*

Retirement benefits are accruing to the following number of directors under

	Number of directors	
	2007	2006
Defined benefit schemes	**3**	4

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	
	2007	2006
Management and administration	**13**	13
Production	**87**	104
Development and quality assurance	**5**	6
Selling and distribution	**19**	22
	124	145

	2007	2006
	£	£
The aggregate payroll costs of these persons were as follows		
Wages and salaries	**3,096,284**	3,567,701
Social security costs	**267,247**	297,336
Other pension costs	**418,430**	504,992
	3,781,961	4,370,029

5 Interest

	2007	2006
	£	£
Other interest receivable and similar income		
Bank interest	**-**	226
Other interest	**10,929**	450
Group interest	**1,363**	1,276
	12,292	1,952

	£	£
Other finance income		
Expected return on pension scheme assets	**1,066,841**	952,740
Interest cost on pension scheme liabilities	**(1,007,671)**	(850,594)
	59,170	102,146

	£	£
Interest payable and similar charges		
Group interest	**578,422**	726,946
Other interest	**10,226**	20
	588,648	726,966

Notes *(continued)*

6 Exceptional items

During the prior 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 was treated as part of continuing operations

7 Profit on ordinary activities before taxation

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

		2007	2006
		£	£
Depreciation		**901,891**	980,423
Loss on sale of fixed assets		**17,203**	194,292
Rentals under operating leases	- other	**2,656**	1,190
	- hire of plant and machinery	**20,338**	21,686
Rentals receivable under operating leases	- other	**(12,000)**	(12,000)
Research and development		**28,952**	19,027
Auditors remuneration			
- audit of these financial statements		**23,160**	23,520
- amounts receivable by the auditors and their associates in respect of other services relating to taxation		**14,567**	14,499

8 Taxation

	2007	2006
	£	£
UK corporation tax at 30% *(2006 30%)*	**139,092**	144,020
Over provision in prior year	**(91,293)**	(8,712)
Total current tax charge	**47,799**	135,308
Deferred taxation		
Origination and reversal of timing differences	**(61,443)**	(167,130)
Tax on profit on ordinary activities	**(13,644)**	(31,822)

Notes *(continued)*

8 Taxation *(continued)*

Factors affecting the tax charge for the current year

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

	2007 £	2006 £
Current tax reconciliation		
Profit on ordinary activities before tax	**650,664**	1,568,369
Current tax at 30%*(2006 30%)*	**195,199**	470,511
Effects of		
Expenses not deductible for tax purposes	**10,802**	6,507
Profit on sale of intangibles in excess of capital gains	**-**	(178,723)
Depreciation for the period less than capital allowances	**(556)**	(78,685)
Other timing differences	**(18,053)**	(49,350)
Adjustments to tax charge in respect of previous periods	**(91,293)**	(8,712)
FRS 17 pension adjustment	**(48,300)**	(26,240)
Total current tax charge	**47,799**	135,308

9 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation				
At beginning of year	6,127,011	13,060,533	381,924	19,569,468
Additions	539,927	569,003	66,010	1,174,940
Disposals	-	(711,871)	(123,801)	(835,672)
At end of year	6,666,938	12,917,665	324,133	19,908,736
Accumulated depreciation				
At beginning of year	1,239,268	9,306,690	228,972	10,774,930
Charge for year	116,581	710,380	74,930	901,891
On disposals	-	(664,494)	(100,400)	(764,894)
At end of year	1,355,849	9,352,576	203,502	10,911,927
Net book value				
At 31 December 2007	**5,311,089**	**3,565,089**	**120,631**	**8,996,809**
At 31 December 2006	4,887,743	3,753,843	152,952	8,794,538

Notes *(continued)*

9 Tangible fixed assets *(continued)*

The gross book value of land and buildings includes £25,000 *(2006 £25,000)* of non depreciable land

Particulars relating to revalued land and buildings are given below

	2007	2006
	£	£
At 1978 open market value	**101,000**	101,000
Aggregate depreciation thereon	**(62,539)**	(60,519)
Net book value	**38,461**	40,481
	£	£
Historical cost of revalued assets	**24,000**	24,000
Aggregate depreciation based on historic cost	**(14,861)**	(14,381)
Historical cost net book value	**9,139**	9,619

10 Investments

	Minelco Hellas AME	Likya Minelco	Total
	£	£	£
Cost			
At beginning and end of year	1,943,790	5,000	1,948,790
Accumulated provisions			
At beginning and end of year	1,620,376	-	1,620,376
Net book value			
At 31 December 2007	**323,414**	**5,000**	**328,414**
At 31 December 2006	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

	2007	2006
	£	£
Raw materials and consumables	**3,096,483**	3,579,349
Finished goods and goods for resale	**2,028,450**	2,928,605
	5,124,933	6,507,954

Notes *(continued)*

12 Debtors

	2007 £	2006 £
Trade debtors	**3,571,767**	3,178,380
Amounts owed by group undertakings	**46,527**	314,315
Prepayments and accrued income	**172,651**	120,110
Prepayments and accrued income - group undertakings	**69,489**	175,289
Other debtors	**3,499**	6,438
	3,863,933	3,794,532

13 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	**1,266,561**	1,124,957
Amounts owed to group undertakings	**3,599,511**	4,481,625
Corporation tax	**18,763**	63,345
Other taxes and social security	**273,651**	476,621
Accruals and deferred income	**1,002,287**	2,368,401
	6,160,773	8,514,949

14 Creditors: amounts falling due after more than one year

	2007 £	2006 £
Shares classified as liabilities (see note 16)	**10,000**	10,000
Amounts owed to parent undertaking	**6,250,000**	7,250,000
	6,260,000	7,260,000

Interest on the loan is charged at a rate of 5 75% per annum The loan is being repaid in instalments of £250,000 per quarter and is due to be fully repaid by 31 March 2015

Notes *(continued)*

15 Provisions for liabilities and charges

Deferred taxation

	£
At beginning of year	275,803
Credit to profit and loss account	(106,443)
At 31 December 2007	**169,360**

The full potential liability provided for deferred taxation is as follows

	2007	2006
	£	£
Accelerated capital allowances	**198,405**	318,395
Other timing differences	**(29,045)**	(42,592)
	169,360	275,803

Deferred tax asset relating to pension scheme deficit

	2007	2006
	£	£
At 1 January	**1,303,671**	1,247,338
Charged to profit and loss account	**(45,000)**	-
(Charged)/credited to statement of total recognised gains and losses	**(419,239)**	56,333
At 31 December	**839,432**	1,303,671

The above deferred tax asset has been netted off the pension scheme deficit (see note 21) in accordance with FRS 17 'Retirement benefits'

Notes *(continued)*

16 Called up share capital

	2007	2006
	£	£
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

17 Reserves

	Revaluation reserve	Capital reserve	Profit and loss account
	£	£	£
At beginning of year	30,862	460,064	2,710,421
Profit for the year	-	-	664,308
Actuarial gain on pension scheme net of tax	-	-	767,756
Transfer of excess depreciation on revalued assets	(1,540)	-	1,540
At end of year	**29,322**	**460,064**	**4,144,025**

Notes *(continued)*

18 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	**664,308**	1,600,191
Other recognised gains and losses	**767,756**	(218,915)
Net addition to shareholders' funds	**1,432,064**	1,381,276
Opening shareholders' funds	**3,201,852**	1,820,576
Closing shareholders' funds	**4,633,916**	3,201,852

19 Contingent liabilities

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

	2007 £	2006 £
Bank and trade guarantees	**288,914**	2,053,500

20 Commitments

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

	2007 £	2006 £
Contracted for	**209,649**	401,153
Authorised but not contracted for	**81,219**	68,625

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

	2007 £	2006 £
Operating leases which expire		
Within one year	**1,512**	-
In two to five years	**70,189**	53,110
	71,701	53,110

Notes *(continued)*

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 £31,062 *(2006 £19,412)* Contributions amounting to £ 3,733 *(2006 £3,882)* 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

	2007	2006
	£000	£000
Pension scheme deficit		
Fergusson Wild Scheme	**(2,272)**	(2,923)
Fordamin Company Scheme	**(726)**	(1,423)
	(2,998)	(4,346)
Deferred tax	**839**	1,304
Net pension scheme deficit	**(2,159)**	(3,042)

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 2006 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	20 0
Minelco Specialities staff (old scheme)	4 0	20 0
Minelco Specialities Executives	4 5	20 0
Works	3 0	20 0

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 5 April 2006 and updated to 31 December 2007 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 2007 Scheme assets are stated at their market value at 31 December 2007

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

	2007	2006	2005
Valuation method	**Projected unit**	Projected unit	Projected unit
Discount rate	**5 70%**	5 20%	4 75%
Inflation rate	**3 40%**	3 10%	2 90%
Salary increase	**4.40%**	4 10%	3 90%
Pension increase	**3 10%**	3 10%	2 90%

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 2007	**Value 2007 £000**	Long-term rate of return expected 2006	Value 2006 £000	Long-term rate of return expected 2005	Value 2005 £000
Equities	**8 65%**	**5,285**	8 17%	5,148	8 05%	4,773
Government stock (gilts)	**4 55%**	**1,164**	4 62%	824	4 12%	861
Corporate bonds (non-gilts)	**5 70%**	**446**	5 16%	418	4 75%	284
Other	**5 50%**	**727**	5 00%	668	4 50%	697
Total market value of assets		**7,622**		7,058		6,615
Present value of Scheme liabilities		**(9,894)**		(9,981)		(9,295)
Deficit in the Scheme		**(2,272)**		(2,923)		(2,680)
Related deferred tax asset		**636**		877		804
Net pension liability		**(1,636)**		(2,046)		(1,876)

Movement in deficit during the year

	2007 £000	2006 £000
Deficit in Scheme at beginning of the year	**(2,923)**	(2,680)
Movement in year		
Current service cost	**(274)**	(247)
Contributions	**449**	246
Net finance (charge)/income	**(12)**	19
Actuarial gain	**488**	(261)
Deficit in Scheme at end of the year	**(2,272)**	(2,923)

Analysis of amount charged to operating profit

	2007 £000	2006 £000
Current service cost	**274**	247

Notes *(continued)*

21 Pension scheme *(continued)*

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

	2007	2006
	£000	£000
Expected return on Scheme assets	**516**	470
Interest on Scheme liabilities	**(528)**	(451)
Net (charge)/income	**(12)**	19

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

	2007	2006
	£000	£000
Actual return less expected return on Scheme assets	**8**	(128)
Experience (loss)/gain arising on the Scheme liabilities	**(316)**	247
Changes in assumptions underlying the present value of the Scheme liabilities	**796**	(380)
Actuarial gain/(loss) recognised in STRGL	**488**	(261)

History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the expected and actual return on Scheme assets	**£000**	£000	£000	£000	£000
Amount	**8**	(128)	687	19	170
% of Scheme assets	**0 1%**	(1 8%)	10 4%	0 3%	5%
Experience (loss)/gain on Scheme liabilities					
Amount	**(316)**	247	(404)	(399)	(355)
% of the present value of the Scheme liabilities	**(3 2%)**	2 5%	(4 3%)	(5 3%)	(7%)
Total amount of gain/(loss) recognised in statement of total recognised gains and losses					
Amount	**488**	(261)	(611)	(681)	(602)
% of the present value of the Scheme liabilities	**4 9%**	(2 6%)	(6 6%)	(9 1%)	(11%)

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

Notes *(continued)*

21 Pension scheme *(continued)*

The valuation at 1 April 2004 has been updated on an FRS17 basis as at 31 December 2007

The major assumptions used in this valuation were

	2007	2006	2005
Valuation method	**Projected unit**	Projected unit	Projected unit
Discount rate	**5 70%**	5 20%	4 75%
Salary increase	**4 40%**	4 10%	3 90%
Pension increase	**3 10%**	3 10%	2 90%
Inflation rate	**3 40%**	3 10%	2 90%

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 at 2007	**Value at 2007 £000**	Long-term rate of return expected at 2006	Value at 2006 £000	Long-term rate of return expected at 2005	Value at 2005 £000
Equities	**8 65%**	**5,573**	8 17%	5,407	8 05%	4,950
Government stock (gilts)	**4 55%**	**1,012**	4 62%	877	4 12%	764
Corporate Bonds (non-gilts)	**5 70%**	**615**	5 16%	538	4 75%	549
Cash	**5 50%**	**632**	5 00%	737	4 50%	437
Total market value of assets		**7,832**		7,559		6,700
Present value of scheme liabilities		**(8,558)**		(8,982)		(8,178)
Deficit in Scheme		**(726)**		(1,423)		(1,478)
Related deferred tax asset		**203**		427		443
Net pension liability		**(523)**		(996)		(1,035)

Movement in the deficit during the year

	2007 £000	2006 £000
Deficit in Scheme at beginning of year	**(1,423)**	(1,478)
Movement in year		
Current service cost	**(268)**	(253)
Contributions	**194**	240
Net finance income	**72**	83
Actuarial gain / (loss)	**699**	(15)
Deficit in scheme at end of year	**(726)**	(1,423)

Notes *(continued)*

21 Pension scheme *(continued)*

Analysis of amount charged to operating profit

	2007 £000	2006 £000
Current service cost	**268**	253

Analysis of amount credited to other finance income

	2007 £000	2006 £000
Expected return on Scheme assets	**551**	483
Interest on Scheme liabilities	**(479)**	(400)
Net income	**72**	83

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

	2007 £000	2006 £000
Actual return less expected return on Scheme assets	**(383)**	170
Experience gain arising on the Scheme liabilities	**418**	272
Changes in assumptions underlying the present value of the Scheme liabilities	**664**	(457)
Actuarial gain / (loss) recognised in STRGL	**699**	(15)

History of experience gains and losses

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Difference between the expected and actual return on Scheme assets					
Amount	**(383)**	170	612	195	408
% of Scheme assets	**(4 9%)**	2 3%	9 1%	3 6%	9%
Experience gain/(loss) on Scheme liabilities					
Amount	**418**	272	35	(161)	(80)
% of present value of the Scheme liabilities	**4 9%**	3 0%	0 4%	(2 4%)	(1 4%)
Total amount recognised in statement of total recognised gains and losses					
Amount	**699**	(15)	(108)	(402)	(172)
% of present value of the Scheme liabilities	**8 2%**	(0 2%)	(1 3%)	(5 9%)	(3 0%)

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

Notes *(continued)*

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