

**Minelco Specialities Ltd**

**Directors' report and financial  
statements**

Registered number 01151578

31 December 2009



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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

### **Principal activities and business review**

On 31 December 2008 the trade of Minelco Specialities Ltd was transferred to Minelco Limited and the company has not traded since that date

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Turnover	-	32,415
Operating profit	-	1,810

The company will not trade for the foreseeable future but will continue to hold investments (note 9) A provision of £100,000 was made against the investment in Minelco Hellas AME during the year

### **Results and dividends**

Results for the year are set out in the attached profit and loss account No dividend is proposed (2008 £nil)

### **Directors**

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

SRW Larbey  
RM Wheatley – resigned 7 July 2009  
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 or charitable contributions during the year (2008 £nil)

**Directors' report** *(continued)*

**Auditors**

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

By order of the board

A handwritten signature in black ink, appearing to read 'B M Collyer', with a long horizontal line extending to the right.

**B M Collyer**  
*Director*

Raynesway  
Derby  
DE21 7BE

Dated 19 March 2010

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **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 2009 set out on pages 5 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

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

**M R Beardsley (Senior Statutory Auditor)**

*for and on behalf of KPMG LLP, Statutory Auditor*

*Chartered Accountants*

St Nicholas House

Park Row

Nottingham NG1 6FQ

Dated 19 March 2010

**Profit and loss account**  
*for the year ended 31 December 2009*

	<i>Note</i>	<b>2009</b> £	Discontinued 2008 £
Turnover	2	-	32,415,469
Cost of sales		-	(26,834,070)
<b>Gross profit</b>		-	5,581,399
Distribution costs		-	(1,649,381)
Administrative expenses		-	(2,121,653)
<b>Operating profit</b>		-	1,810,365
Other interest receivable and similar income	5	-	7,366
Other finance income	5	-	298,458
Interest payable and similar charges	5	-	(824,221)
Amounts written off investments	9	(100,000)	-
<b>(Loss)/profit on ordinary activities before taxation</b>	6	(100,000)	1,291,968
Tax on (loss)/profit on ordinary activities	7	-	(376,152)
<b>(Loss)/profit on ordinary activities after taxation for the financial year</b>	14	(100,000)	915,816

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

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 2009*

	<i>Note</i>	<b>2009</b> £	2008 £
(Loss)/profit for the year		(100,000)	915,816
Actuarial losses on pension scheme	18	-	(1,088,812)
Movement on deferred tax asset relating to pension scheme	12	-	304,867
<b>Total gains and losses recognised in the year</b>		(100,000)	131,871

**Balance sheet**  
*as at 31 December 2009*

	<i>Note</i>	<b>2009</b>	<b>2008</b>
		£	£
<b>Fixed assets</b>			
Investments	9	228,414	328,414
<b>Current assets</b>			
Debtors	10	142,154	142,154
Cash at bank and in hand		1	1
<b>Net current assets</b>		<b>142,155</b>	<b>142,155</b>
<b>Total assets less current liabilities</b>		<b>370,569</b>	<b>470,569</b>
<b>Creditors: amounts falling due after more than one year</b>	11	<b>(10,000)</b>	<b>(10,000)</b>
<b>Net assets</b>		<b>360,569</b>	<b>460,569</b>
<b>Capital and reserves</b>			
Called up share capital	13	505	505
Capital reserve	14	460,064	460,064
Profit and loss account	14	(100,000)	-
<b>Shareholders' funds</b>	15	<b>360,569</b>	<b>460,569</b>

These financial statements were approved by the board of directors on 19 March 2010 and were signed on its behalf by

**B M Collyer**  
*Director*



Company number 01151578



## **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 on a going concern basis 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 s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group. Details of the parent undertaking which produces consolidated financial statements are given in note 20

#### ***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

#### ***Investments***

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

#### ***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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### *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*

Up to the date of the hive up, the company operated two pension schemes providing benefits based on final pensionable pay. The assets of the schemes were held separately from those of the company.

Pension scheme assets were measured using market values. Pension scheme liabilities were 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 was recognised in full. The movement in the scheme surplus/(deficit) was split between operating charges, finance items, and, in the statement of total recognised gains and losses, actuarial gains and losses.

Up to the date of the hive up, the company operated a defined contribution pension scheme for certain directors and employees. The assets of the scheme were held separately from those of the company. The company's contributions were charged to the profit and loss account as they arose.

#### *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 result are wholly attributable to the company's main activity.

The turnover arises in the following geographical areas:

	2009 £	2008 £
United Kingdom	-	12,229,156
Rest of Europe	-	16,202,040
Other	-	3,984,273
	<hr/>	<hr/>
	-	32,415,469
	<hr/>	<hr/>

## Notes (continued)

### 3 Directors' emoluments

	2009 £	2008 £
Directors' emoluments	-	367,752
Pension contributions	-	43,904
	<u>-</u>	<u>411,656</u>

The emoluments of the highest paid director were £nil (2008 £186,506). Previously, the highest paid director was a member of a defined benefit scheme under which his accrued pension at the year end was £nil (2008 £nil).

Retirement benefits are accruing to the following number of directors under

	Number of directors 2009	2008
Defined benefit schemes	-	3

### 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 2009	2008
Management and administration	-	14
Production	-	87
Development and quality assurance	-	6
Selling and distribution	-	17
	<u>-</u>	<u>124</u>

	2009 £	2008 £
<i>The aggregate payroll costs of these persons were as follows</i>		
Wages and salaries	-	3,223,520
Social security costs	-	283,116
Other pension costs	-	379,918
	<u>-</u>	<u>3,886,554</u>

## Notes (continued)

### 5 Interest

	2009 £	2008 £
<i>Other interest receivable and similar income</i>		
Other interest	-	7,366
	-	7,366
	£	£
<i>Other finance income</i>		
Expected return on pension scheme assets	-	1,344,065
Interest cost on pension scheme liabilities	-	(1,045,607)
	-	298,458
	£	£
<i>Interest payable and similar charges</i>		
Group interest	-	824,134
Other interest	-	87
	-	824,221

### 6 Loss/profit on ordinary activities before taxation

*Loss/profit on ordinary activities before taxation is stated after charging/(crediting)*

	2009 £	2008 £
Depreciation	-	897,067
Loss on sale of fixed assets	-	859
Rentals under operating leases - hire of plant and machinery	-	31,660
Rentals receivable under operating leases - other	-	(12,715)
<i>Auditors' remuneration</i>		
- audit of these financial statements	-	24,550
- amounts receivable by the auditors and their associates in respect of other services relating to taxation	-	17,711

## Notes (continued)

### 7 Taxation

	2009 £	2008 £
UK corporation tax at 28% (2008 28.5%)	-	(170,962)
Over provision in prior year	-	(7,062)
	<hr/>	<hr/>
Total current tax credit	-	(178,024)
	<hr/>	<hr/>
<i>Deferred taxation</i>		
Origination and reversal of timing differences	-	554,176
	<hr/>	<hr/>
Tax on loss/profit on ordinary activities	-	376,152
	<hr/>	<hr/>

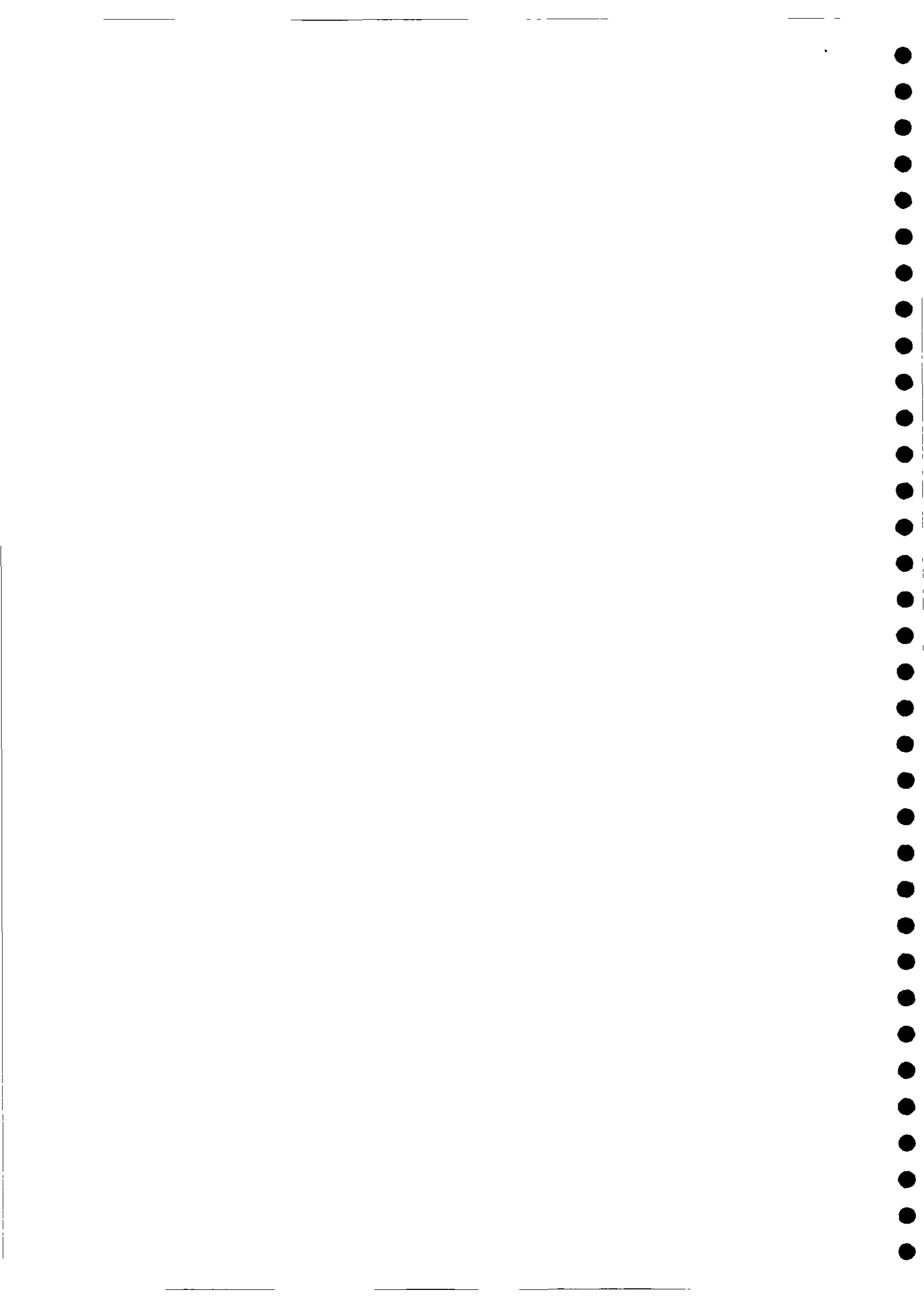
#### *Factors affecting the tax charge for the current year*

The current tax charge for the year is higher (2008 lower) than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained below

	2009 £	2008 £
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(100,000)	1,291,968
	<hr/>	<hr/>
Current tax at 28% (2008 28.5%)	(28,000)	368,210
	<hr/>	<hr/>
<i>Effects of</i>		
Expenses not deductible for tax purposes	28,000	10,287
Profit on sale of intangibles in excess of capital gains	-	31,141
Depreciation for the period less than capital allowances	-	(1,287)
Other timing differences	-	698,479
Adjustments to tax charge in respect of previous periods	-	(7,062)
FRS 17 pension adjustment	-	(1,277,792)
	<hr/>	<hr/>
Total current tax credit	-	(178,024)
	<hr/>	<hr/>

### 8 Dividends

	2009 £	2008 £
Paid £nil per share (2008 £20.37 per share)	-	4,277,436
	<hr/>	<hr/>



## Notes (continued)

### 9 Investments

	Minelco Hellas AME £	Likya Minelco £	Total £
<i>Cost</i>			
At beginning and end of year	1,943,790	5,000	1,948,790
<i>Accumulated provisions</i>			
At beginning of year	1,620,376	-	1,620,376
Charge for year	100,000	-	100,000
At end of year	1,720,376	-	1,720,376
<i>Net book value</i>			
At 31 December 2009	<b>223,414</b>	<b>5,000</b>	<b>228,414</b>
At 31 December 2008	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.

### 10 Debtors

	2009 £	2008 £
Amounts owed by group undertakings	142,154	142,154

### 11 Creditors\* amounts falling due after more than one year

	2009 £	2008 £
Shares classified as liabilities (see note 13)	10,000	10,000

## Notes (continued)

### 12 Provisions for liabilities and charges

#### *Deferred tax asset relating to pension scheme deficit*

	2009 £	2008 £
At 1 January	-	839,432
Charged to profit and loss account	-	(1,255,460)
Charged to statement of total recognised gains and losses	-	304,867
Transferred in year	-	111,161
	<hr/>	<hr/>
At 31 December	-	-
	<hr/>	<hr/>

### 13 Called up share capital

	2009 £	2008 £
<i>Authorised</i>		
200,000 ordinary shares of 5 pence each	10,000	10,000
10,000 5% preference shares of £1 each	10,000	10,000
	<hr/>	<hr/>
	20,000	20,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
10,100 ordinary shares of 5 pence each	505	505
10,000 5% preference shares of £1 each	10,000	10,000
	<hr/>	<hr/>
	10,505	10,505
	<hr/>	<hr/>
Shares classified in shareholders' funds	505	505
Shares classified as liabilities (note 11)	10,000	10,000
	<hr/>	<hr/>
	10,505	10,505
	<hr/>	<hr/>

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)

### 14 Reserves

	Capital Reserve £	Profit and loss account £
At beginning of year	460,064	-
Loss for the year	-	(100,000)
	<hr/>	<hr/>
At end of year	<b>460,064</b>	<b>(100,000)</b>
	<hr/>	<hr/>

### 15 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
(Loss)/profit for the financial year	(100,000)	915,816
Dividend paid	-	(4,305,218)
Other recognised gains and losses	-	(783,945)
	<hr/>	<hr/>
Net reduction in shareholders' funds	(100,000)	(4,173,347)
Opening shareholders' funds	<b>460,569</b>	4,633,916
	<hr/>	<hr/>
Closing shareholders' funds	<b>360,569</b>	460,569
	<hr/>	<hr/>

### 16 Contingent liabilities

The company has no unsecured contingencies which are not provided for in these financial statements

### 17 Commitments

At the end of the financial year the company had no capital commitments (2008 £nil)

At the end of the financial year the company had no annual commitments under non-cancellable operating leases (2008 £nil)

## Notes (continued)

### 18 Pension scheme

Up to the date of the hive up the company operated a defined benefit pension scheme, The Fergusson Wild Group Pensions and Assurance Scheme, providing benefits based on final pensionable pay. The scheme is closed to new entrants.

On 31 December 2008 the trade and assets of the company were transferred to Minelco Limited and at the same date Minelco Limited became responsible for the pension scheme from that date. A full valuation of the scheme was carried out by a qualified independent actuary on 31 December 2009.

	2009 £	2008 £
Net liability	-	-

#### *Movements in present value of defined benefit obligation*

	2009 £	2008 £
At 1 January	-	18,452,418
Current service cost	-	408,613
Insurance premiums	-	(31,289)
Expenses	-	(46,727)
Contributions by members	-	104,542
Interest cost	-	1,045,609
Actuarial gains	-	(2,761,480)
Benefits paid	-	(862,385)
	-	16,309,301
Transfer to Minelco Limited	-	(16,309,301)
At 31 December	-	-

#### *Movements in fair value of plan assets*

	2009 £	2008 £
At 1 January	-	15,454,445
Expected return on plan assets	-	1,344,067
Contributions by members	-	104,542
Contributions by employer	-	4,593,942
Actuarial losses	-	(3,850,292)
Insurance premiums	-	(31,287)
Expenses	-	(46,727)
Benefits paid	-	(862,385)
	-	16,706,305
Transfer to Minelco Limited	-	(16,706,305)
At 31 December	-	-

**Notes (continued)**

**18 Pension schemes (continued)**

*Expense recognised in the profit and loss account*

	<b>2009</b>	2008
	<b>£</b>	£
Current service cost	-	408,613
Interest on defined benefit pension plan obligation	-	1,045,609
Expected return on defined benefit pension plan assets	-	(1,344,067)
	<hr/>	<hr/>
Total	-	110,155
	<hr/>	<hr/>

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

	<b>2009</b>	2008
	<b>£</b>	£
Administrative expenses	-	408,613
Other finance income	-	(298,458)
	<hr/>	<hr/>
Total	-	110,155
	<hr/>	<hr/>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a result of £nil (2008 a loss of £1,088,812)

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are a loss of £768,232 (2008 a loss of £768,232)

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

	<b>2009</b>	2008
	<b>Fair value</b>	Fair value
	<b>£</b>	£
Plan assets	-	-
	<hr/>	<hr/>
Actual return on plan assets	-	-
	<hr/>	<hr/>

The Scheme does not invest in the employer's own financial instruments, including property or other assets owned, or used by the employer

## Notes (continued)

### 18 Pension schemes (continued)

The overall expected return on the Scheme's assets was determined by considering the market value of the assets in each of the main categories of assets, and the expected rates of return on those categories as set out below

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

	2009 %	2008 %
Discount rate	-	6.30
Expected rate of return on plan assets		
- Equities	-	8.87
- Properties	-	8.87
- Government stock	-	3.74
- Corporate bonds	-	6.49
- Cash	-	3.09
Future salary increases	-	3.65
Inflation assumption	-	2.65
Pension increase assumption	-	2.60

### History of plans

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

#### Balance sheet

	2009 £	2008 £	2007 £	2006 £	2005 £
Present value of scheme liabilities	-	(16,309,301)	(18,452,418)	(18,963,000)	(17,473,000)
Fair value of scheme assets	-	16,706,305	15,454,445	14,617,000	13,315,000
Deficit	-	(397,004)	(2,997,973)	(4,346,000)	(4,158,000)

#### Experience adjustments

	2009 %	2008 %	2007 %	2006 %	2005 %
Experience adjustments on scheme liabilities					
- as a percentage of scheme liabilities	-	1.9	0.5	2.7	(2.1)
Experience adjustments on scheme assets					
- as a percentage of scheme assets	-	(23.0)	(2.4)	0.3	9.8

The Company expects to contribute approximately £nil to its defined benefit plans in the next financial year

### 19 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)*

**20 Ultimate parent company**

The company's immediate parent undertaking is Minelco 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