Becker Acroma Limited

Directors' report and financial statements

Registered number 3037554

31 December 2007

Contents

Directors' report

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

Principal activities

The principal activity of the company is the manufacture and distribution of wood finishes and coating materials to the timber industry and associated trades

Business review

2007 was a challenging year continuing the tough trading conditions seen in 2006 Although there were no significant customer closures until the end of the year, many customers were down against prior year trading Major growth was secured in the exterior market segment in the second half of the year, which led to sales being nearly up to the level of the previous year Some limited success was achieved in the export business and this focus will continue in 2008

Margins continued to be squeezed by rising raw material costs, though Becker Acroma Limited was less affected by this than many of our competitors based on independent statistics This pressure is expected to continue both in 2008 and beyond as the major chemical suppliers further consolidate their market position The impact was lessened by price increases passed onto customers and sourcing raw material from new suppliers Operating costs continue to be under tight control, which offset much of the impact of lower margins

Minority stakes in 3 distributors and a 100% stake in one distributor were sold to current management This nearly completes the long term policy of distribution ownership divestment by Becker Acroma Limited

The final stage purchase of the Haverhill site from Tikkurila Coatings was completed in April 2007

Becker Acroma Limited continues to support its two defined benefit pension schemes both of which have significant deficits This is a significant cash drain, which is funded through the continued support of our Swedish parent company

For 2008, the main sales focus is on the market segments demonstrating sustained long-term growth, plus a continued drive into export using the global Becker Acroma Group sales network Cost control and cash management will continue to be strictly enforced

On 21 December 2007, the Company issued 2,000,000 £1 ordinary shares to the parent Company for a consideration of £2,000,000

Results and dividends

The turnover for the year was £12,225,000 *(2006 £12,553,000)* The loss for the year, after taxation, was £1,269,000 *(2006 £2,690,000)* The directors do not recommend the payment of a dividend *(2006 £nil)*

Directors and directors' interests

The directors who held office during the year were as follows

KJH Brandt	Finnish
T Bergdahl	Swedish
JP Robson	British
MI Jones	British

Directors' report *(continued)*

Political and charitable contributions

The company made no political contributions during the year *(2006 £nil)* The company made no charitable donations during the year *(2006 £nil)*

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

M I Jones
Director

12|3|08

Rookwood Way
Haverhill
Suffolk
CB9 8PQ

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
37 Hills Road
Cambridge
CB2 1XL
United Kingdom

Independent auditors' report to the members of Becker Acroma Limited

We have audited the financial statements of Becker Acroma Limited 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, the Reconciliation of Movements in Shareholders' Funds 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

Independent auditors' report to the members of Becker Acroma Limited *(continued)*

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 loss 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

12th March 2008

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2007

	Note	**2007 £000**	2006 £000
Turnover	*2*	**12,225**	12,553
Change in stocks of finished goods and work in progress		**(220)**	72
Other operating income		**6**	17
Raw materials and consumables		**(7,497)**	(7,855)
Other external charges		**(516)**	(672)
Staff costs	*4*	**(2,998)**	(2,917)
Depreciation and other amounts written off fixed assets	*3*	**(437)**	(493)
Other operating charges		**(1,752)**	(2,807)
Operating (loss)		**(1,189)**	(2,102)
Other interest receivable and similar income	*6*	**9**	-
Amounts written off investments	*13*	**-**	(525)
Loss on disposal of investments	*13*	**(112)**	
Interest payable and similar charges	*7*	**(317)**	(361)
Other finance costs	*8*	**(70)**	(139)
(Loss) on ordinary activities before taxation	*3-8*	**(1,679)**	(3,127)
Tax on loss on ordinary activities	*9*	**410**	437
(Loss) for the financial year	*19*	**(1,269)**	(2,690)

All of the above results relate to continuing activities

Balance sheet
at 31 December 2007

	Note	2007 £000	£000	2006 £000	£000
Fixed assets					
Intangible assets	*11*		-		-
Tangible assets	*12*		4,885		5,209
Investments	*13*		-		-
			4,885		5,209
Current assets					
Stocks	*14*	1,255		1,548	
Debtors	*15*	5,767		3,655	
Cash at bank and in hand		367		671	
		7,389		5,874	
Creditors amounts falling due within one year	*16*	(3,635)		(6,754)	
Net current assets / (liabilities)			3,754		(880)
Total assets less current liabilities			8,639		4,329
Creditors amounts falling due after more than one year	*17*		(6,250)		(2,379)
Net assets excluding pension liabilities			2,389		1,950
Provision for liabilities and charges Total of defined benefit schemes					
With net liabilities	*22*		(2,285)		(2,748)
Net assets / (liabilities) including pension liabilities			104		(798)
Capital and reserves					
Called up share capital	*18*		16,637		14,637
Profit and loss account	*19*		(16,533)		(15,435)
Surplus /(Deficit) on shareholders' funds			104		(798)

These financial statements were approved by the board of directors on [Date] and were signed on its behalf by

M I Jones
Director

Statement of total recognised gains and losses
for the year ended 31 December 2007

	2007 £000	2006 £000
(Loss) for the financial year	**(1,269)**	(2,690)
Defined benefit pension scheme actuarial gain/(loss)	**238**	1,190
Deferred tax arising on (gains)/ losses in the pension scheme	**(67)**	(357)
Total recognised losses recognised since last annual report	**(1,098)**	(1,857)

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2007

	2007 £000	2006 £000
(Loss) for the financial year	**(1,269)**	(2,690)
Issue of ordinary share capital	**2,000**	3,637
Other recognised gains/(losses) relating to the year	**171**	833
Net decrease/ (increase) in deficit on shareholders' funds	**902**	1,780
Opening deficit on shareholders' funds	**(798)**	(2,578)
Closing surplus/ (deficit) on shareholders' funds	**104**	(798)

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Notwithstanding the current period losses, the directors believe it is appropriate to prepare the accounts on a going concern basis as the parent undertaking has provided the company with an undertaking that for at least 12 months from the date of approval of its financial statements, it will continue to make available such funds as are needed by the company to continue in operational existence As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts These financial statements present information about the company as an individual undertaking and not about its group

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Becker Acroma Holding AB, 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 (or investees of the group qualifying as related parties) The consolidated financial statements of Becker Acroma Holding AB, within which this company is included, can be obtained from the address given in note 24

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Buildings	-	2 5% per annum
Plant and machinery	-	10% per annum
Fixtures	-	20% - 33% per annum
Computers	-	33% per annum

Investments

Investments in subsidiary companies held as fixed assets are stated at cost less provision for any permanent diminution in value Investments in associated companies held as fixed assets are stated at cost

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred

Notes *(contınued)*

1 Accountıng polıcıes *(contınued)*

Stocks

Stocks are stated at the lower of cost and net realısable value In determınıng the cost of raw materıals, consumables and goods purchased for resale, the weıghted average purchase prıce ıs used For work ın progress and fınıshed goods manufactured by the company, cost ıs taken as productıon cost, whıch ıncludes an approprıate proportıon of attrıbutable overheads

Foreıgn currencıes

Transactıons ın foreıgn currencıes are recorded usıng the rate of exchange rulıng at the date of the transactıon Monetary assets and lıabılıtıes denomınated ın foreıgn currencıes are translated usıng the rate of exchange rulıng at the balance sheet date and the gaıns or losses on translatıon are ıncluded ın the profit and loss account

Leases

Assets acquıred under finance leases are capıtalısed and the outstandıng future lease oblıgatıons are shown ın credıtors Operatıng lease rentals are charged to the profit and loss account on a straıght lıne basıs over the perıod of the lease

Pensıons and other post-retırement benefits

The company partıcıpates ın a group pensıon scheme (*The Becker Pensıon Scheme)* provıdıng benefits based on final pensıonable pay The assets of the scheme are held separately from those of the company The company ıs unable to ıdentıfy ıts share of the underlyıng assets and lıabılıtıes of the scheme on a consıstent and reasonable basıs and therefore, as requıred by FRS 17 'Retırement benefits', accounts for the scheme as ıf ıt were a defined contrıbutıon scheme As a result, the amount charged to the profit and loss account represents the contrıbutıons payable to the scheme ın respect of the accountıng perıod

The Company also operates a pensıon scheme (*The Granyte Surface Coatıngs Lımıted Retırement Benefit Scheme)* provıdıng benefits based on final pensıonable pay for whıch ıt ıs the only contrıbutor The assets of the scheme are held separately from those of the company The company ıs able to ıdentıfy ıts share of the underlyıng assets and lıabılıtıes of the scheme on a consıstent and reasonable basıs and has therefore reflected these assets and lıabılıtıes on ıts balance sheet ın accordance wıth the requırements of FRS 17 'Retırement benefits'

Deferred taxatıon

Deferred tax ıs recognısed, wıthout dıscountıng, ın respect of all tımıng dıfferences between the treatment of certaın ıtems for taxatıon and accountıng purposes whıch have arısen but not reversed by the balance sheet date, except as otherwıse requıred by FRS 19

Turnover

Turnover represents the amounts (excludıng value added tax) derıved from the provısıon of goods and servıces to customers durıng the year Turnover ıs recognısed when goods are delıvered to the customer

2 Analysıs of turnover

	2007 £000	2006 £000
By geographıcal market		
UK	**9,074**	8,892
Rest of Europe	**2,783**	3,431
Other	**368**	230
	12,225	12,553

The turnover and loss on ordınary actıvıtıes before taxatıon are wholly attrıbutable to the prıncıpal actıvıty of the company

Notes *(continued)*

3 Loss on ordinary activities before taxation

This is stated after charging / (crediting)	**2007** **£000**	2006 £000
Auditors' remuneration		
Audit of these financial statements	**14**	14
Depreciation and other amounts written off tangible fixed assets		
Owned	**437**	283
Leased	**-**	210
Loss on disposal of fixed asset investments	**112**	-
Amounts written off fixed asset investments	**-**	525
Research and development expenditure	**31**	48
Hire of plant and machinery - rentals payable under operating leases	**235**	252
Exceptional costs		
Redundancy costs	**9**	54

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
Production/Technical support	**56**	57
Marketing/Sales/Distribution	**17**	19
Administration	**8**	8
	81	84

The aggregate payroll costs of these persons were as follows

	2007 **£000**	2006 £000
Wages and salaries	**2,244**	2,319
Social security costs	**203**	203
Other pension costs (see note 22)	**551**	395
	2,998	2,917

Notes *(continued)*

5 Remuneration of directors

	2007 £000	2006 £000
Directors' emoluments	**197**	180
Contributions to pension schemes	**26**	30
	223	210

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £110,713 *(2006 £101,425)*, and company pension contributions of £17,373 *(2006 £20,278)* were made to a money purchase scheme on his behalf

At 31 December 2007 none of the directors were accruing benefits under the defined benefit pension scheme *(2006 none)* and two directors were members of the defined contribution pension scheme *(2006 two)*

6 Other interest receivable and similar income

	2007 £000	2006 £000
Amounts payable on loans to group undertaking	**4**	-
Other interest receivable	**5**	-
	9	-

7 Interest payable and similar charges

	2007 £000	2006 £000
On bank loans and overdrafts	**170**	203
Amounts payable on loans to group undertaking	**147**	36
Finance lease and hire purchase contracts	**-**	122
	317	361

8 Other finance costs

	2007 £000	2006 £000
Expected return on pension scheme assets	**(647)**	(565)
Interest on pension scheme liabilities	**717**	704
	70	139

Notes *(continued)*

9 Taxation

a) Analysis of charge in the year

	2007 £000	**£000**	2006 £000	£000
UK corporation tax				
Current tax on income for the period	**564**		563	
Amounts received for surrender of group relief – prior year	**69**		8	
Other adjustments in respect of prior periods			(3)	
Total current tax		**633**		568
Deferred taxation				
Arising on defined benefit pension scheme	**(223)**		(131)	
Total deferred tax		**(223)**		(131)
Tax (charge)/credit for the financial year		**410**		437

b) Factors affecting tax charge for the year

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

	2007 £000	2006 £000
(Loss) on ordinary activities before taxation	**(1,679)**	(3,127)
Current tax credit / (charge) at 30% *(2006 30%)*	**504**	938
Effects of		
Non deductible write down of investments	**(27)**	(227)
Depreciation for year in excess of capital allowances	**(21)**	(44)
Expenses not deductible for tax purposes	**(25)**	(36)
Short term timing differences	**133**	(68)
Adjustments in respect of prior years	**69**	5
Total current tax credit/(charge) (see above)	**633**	568

Factors that may affect future current and total tax charges

The company has tax losses of approximately £939,000 *(2006 £939,000)* (subject to agreement with HM Inspector of Taxes) available for offset against future taxable profits In accordance with FRS19, no deferred tax asset has been recognised for these losses as there is insufficient persuasive and reliable evidence that the losses will be realised

A bill has been enacted in parliament effective from April 2008 which reduces the rate of applicable tax from 30% to 28%

Notes *(continued)*

10 Deferred tax

The deferred tax recognised in respect of pension liabilities is set out below

	£000
Balance at 1 January 2007	1,178
Charge to the profit and loss account	(223)
Charge to statement of total recognised gains and losses	(67)
At 31 December 2007 (see note 22)	**888**

11 Intangible fixed assets

	Goodwill £000
Valuation	
At beginning and end of year	1,257
Amortisation	
At beginning and end of year	1,257
Net book value	
At 31 December 2007	-
At 31 December 2006	-

Notes *(continued)*

12 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Computer software £000	Total £000
Cost				
At beginning of year	4,461	4,104	608	9,173
Additions	59	60	-	119
Disposals	-	(79)	-	(79)
At end of year	4,520	4,085	608	9,213
Depreciation				
At beginning of year	673	2,683	608	3,964
Charge for year	114	323	-	437
Accumulated charge on disposals	-	(73)	-	(73)
At end of year	787	2,933	608	4,328
Net book value				
At 31 December 2007	**3,733**	**1,152**	-	**4,885**
At 31 December 2006	3,788	1,421	-	5,209

The gross amount of fixed assets held under finance leases was £nil *(2006 £5,371,700)* and accumulated depreciation was £nil *(2006 £1,235,248)*

Depreciation charged in the year on assets held under finance leases was £nil *(2006 £210,124)*

The net book value of land and buildings comprises

	2007 £000	2006 £000
Freehold	**3,733**	3,788

Notes *(continued)*

13 Fixed asset investments

	Shares in associated undertakings £000	Shares in subsidiary undertakings £000	Total £000
Cost			
At beginning of year	799	22	821
Additions	-	125	125
Disposals	(799)	(147)	(946)
At end of year	-	-	-
Provisions			
At beginning of year	(799)	(22)	(821)
Charge for year	-	-	-
Accumulated charge on disposals	799	22	821
At end of year	-	-	-
Net book value			
At 31 December 2007	-	-	-
At 31 December 2006	-	-	-

The undertakings in which the company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Class and percentage of shares
Subsidiary undertakings			
Syntema (Scotland) Limited	UK	Distribution of varnishes and paints	Ordinary 100%
Becker Acroma (Dublin) Limited	Republic of Ireland	Dormant	Ordinary 100%
Chiltern Surface Coatings Limited	UK	Intermediate holding company	Ordinary 100%

Notes *(continued)*

14 Stocks

	2007	2006
	£000	£000
Raw materials and consumables	**692**	765
Work in progress	**54**	57
Finished goods and goods for resale	**509**	726
	1,255	1,548

15 Debtors

	2007	2006
	£000	£000
Trade debtors	**2,278**	1,449
Amounts owed by group undertakings	**2,584**	665
Amounts owed by undertakings in which the company has a participating interest	**118**	732
Other debtors	**568**	624
Prepayments and accrued income	**219**	185
	5,767	3,655

Included in amounts owed by undertakings in which the company has a participating interest above is £nil (*2006 £nil*) due after one year

16 Creditors: amounts falling due within one year

	2007	2006
	£000	£000
Obligations under finance leases and hire purchase contracts	**-**	3,633
Trade creditors	**2,414**	2,665
Amounts due to group undertakings	**785**	137
Amounts due to undertakings in which the company has a participating interest	**-**	4
Other taxes and social security	**145**	92
Other creditors	**87**	-
Accruals and deferred income	**204**	223
	3,635	6,754

Notes *(continued)*

17 Creditors. amounts falling due after more than one year

	2007	2006
	£000	£000
Loans from group undertakings	**6,250**	2,379

The maturity of obligations under finance leases and hire purchase contracts is as follows

	2007	2006
	£000	£000
Within one year	-	3,633
In the second to fifth years	-	-
	-	3,633

Analysis of debt	**2007**	2006
	£000	£000
Debt can be analysed as falling due		
In one year or less, or on demand	**587**	3,633
Between one and two years	**6,250**	2,379
	6,837	6,012

18 Called up share capital

	2007	2006
	£000	£000
Authorised		
20,000,000 *(2006 20,000,000)* Ordinary shares of £1 each	**20,000**	20,000
Allotted, called up and fully paid		
16,637,000 *(2006 14,637,000)* Ordinary shares of £1 each	**16,637**	14,637

On 21 December 2007, the Company issued 2,000,000 £1 ordinary shares to the parent undertaking for a consideration of £2,000,000

Notes *(continued)*

19 Profit and loss account

	£000
At 1 January 2007	(15,435)
Retained loss for the financial year	(1,269)
Other recognised gain and losses relating to the year (net)	171
At 31 December 2007	**(16,533)**

20 Contingent liabilities

The Company has guaranteed the overdraft of CMV International Limited the holding company of one of the Company's distributors The amount outstanding at the year end was £265,767 *(2006 £nil)*

21 Commitments

Annual commitments under non-cancellable operating leases for other assets are as follows

	2007 £000	2006 £000
Operating leases which expire		
Within one year	**32**	26
In the second to fifth years inclusive	**36**	63
	68	89

22 Pension obligations

The Company operates two defined benefit pension schemes for its employees, the Becker Pension Scheme and the Granyte Surface Coatings Limited Retirement Benefits Scheme Both schemes are funded by the payment of contributions to separately administered trust funds and provide members with defined benefits related to salary and service

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations

Notes *(continued)*

22 Pension obligations *(continued)*

The Becker Pension Scheme

The last formal valuation of the Scheme was carried out at 1 April 2006 by an independent firm of actuaries

The market value of the Scheme's assets as at 1 April 2006 amounted to £38,500,000 The actuarial value of those assets represented 78% of the benefits that had accrued to the members based on service to that date allowing for assumed future salary increases

The pension cost for the year to 31 December 2007 has been assessed in accordance with the advice of the consulting actuaries based on the valuation carried out as at 1 April 2006 The calculations were performed using the projected unit method for pension benefits and the current cost method for lump sums on death in service and expenses of administration Accounting deficit has been spread using the percentage of pay method The actuarial assumptions adopted for determining pension costs and contribution rates were based on yields on government bonds as at 1 April 2006

The most significant financial assumptions adopted for determining pension costs and contributions rates with effect from 1 April 2006 were as follows

Rate of earnings increases	-	3 5% per annum
Rate of pension increases	-	3 0% per annum
Post-retirement discount rate	-	4 9% per annum
Pre-retirement discount rate	-	6 3% per annum
Rate of increase in Lower Earnings Limit	-	3 0% per annum

The charge for the year was £327,000 *(2006 £236,000)* At the end of the year, the provision in the accounts amounts to £32,000 *(2006 £nil)*

The Becker Pension Scheme receives payments from and provides benefits to employees of several group companies based on final pensionable pay As the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme is accounted for by the company as if the scheme was a defined contribution scheme

The Granyte Surface Coatings Limited Retirement Benefit Scheme

The last formal valuation of the Scheme was carried out at 1 April 2004 by an independent firm of actuaries, a subsequent valuation of the Scheme was commenced at 1st April 2007 but this has yet to be finalised

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return of the investments and the rates of increase in salaries and pensions It was assumed that the investment return would be 7 4% per annum compound, salary increases would average 4 9% per annum and future pensions would increase at the rate of 5% per annum or the increase in the retail price index if less

The market value of the scheme assets at the date of the latest actuarial valuation was £9,879,000 The scheme was in deficit and the actuarial value of the assets was sufficient to cover 70% of the liability for the benefits that had accrued to members at that date, after allowing for expected future increases in earnings

The trustees have been advised that a funding rate of 24 5% of pensionable salaries plus an additional amount of £600,000 per annum is sufficient to fund future benefits over the average expected remaining working lives of the present members

The valuation was updated by the actuary on an FRS 17 basis as at 31 December 2006 and 31 December 2007

Notes *(continued)*

22 Pension obligations *(continued)*

The major assumptions used by the actuary in this valuation were

	2007	2006	2005
Rate of increase in salaries	**4.3%**	4 0%	3 7%
Rate of increase in pensions in payment and deferred pensions	**3.3%**	3 0%	2 7%
Discount rate applied to scheme liabilities	**5.9%**	5 2%	4 8%
Inflation assumption	**3 3%**	3 0%	2 7%

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

Scheme assets

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 and thus inherently uncertain, were

	Value at 31 December 2007 £000	Value at 31 December 2006 £000	Value at 31 December 2005 £000	Value at 31 December 2004 £000
Equities	**5,630**	5,175	4,382	3,786
Bonds	**4,373**	4,346	4,184	3,706
Other – Property	**564**	349	539	507
	10,567	9,870	9,105	7,999
Present value of scheme liabilities	**(13,740)**	(13,796)	(14,658)	(13,378)
Deficit in the scheme – Pension liability	**(3,173)**	(3,926)	(5,553)	(5,379)
Related deferred tax asset	**888**	1,178	1,666	1,614
Net pension liability	**(2,285)**	(2,748)	(3,887)	(3,765)

The expected rates of return on the assets in the scheme were

	Long term rate of return 2007	Long term rate of return 2006	Long term rate of return 2005
Equities	**8 0%**	8 1%	8 0%
Bonds	**4 7%**	4 8%	4 4%
Other – Property	**6 0%**	4 8%	4 4%

Movement in deficit during the year

	2007 £000	2006 £000
Deficit in scheme at beginning of year	**(3,926)**	(5,553)
Current service cost	**(80)**	(95)
Contributions paid	**665**	671
Other finance cost	**(70)**	(139)
Actuarial gain	**238**	1,190
Deficit in the scheme at end of year	**(3,173)**	(3,926)

Notes *(continued)*

22 Pension obligations *(continued)*

Analysis of other pension costs charged in arriving at operating profit

	2007 £000	2006 £000
Current service cost	**80**	95
Employee contribution to be set off	**(11)**	(12)
	69	83

Analysis of amounts included in other finance costs

	2007 £000	2006 £000
Expected return on pension scheme assets	**647**	565
Interest on pension scheme liabilities	**(717)**	(704)
	(70)	(139)

Analysis of amount recognised in statement of total recognised gains and losses

	2007 £000	2006 £000
Actual return less expected return on scheme assets	**(93)**	(25)
Experience losses arising on scheme liabilities	**29**	493
Changes in assumptions underlying the present value of scheme liabilities	**302**	722
Actuarial loss recognised in statement of total recognised gains and losses	**238**	1,190

History of experience gains and losses

	2007 £000	2006 £000	2005 £000	2004 £000
Difference between the expected and actual return on scheme assets				
Amount	**(93)**	(25)	899	360
Percentage of year end scheme assets	**(0 9%)**	(0 2%)	9 9%	4 5%
Experience gains and losses on scheme liabilities				
Amount	**29**	493	(141)	(306)
Percentage of year end present value of scheme liabilities	**0 2%**	3 6%	(1 5%)	(2 3%)
Changes in assumptions underlying the present value of the scheme liabilities				
Amount	**302**	722	(904)	(515)
Percentage of year end present value of scheme liabilities	**2 2%**	5 2%	(9 9%)	(3 8%)
Total amount recognised in statement of total recognised gains and losses				
Amount	**238**	1,190	(146)	(461)
Percentage of year end present value of scheme liabilities	**1 7%**	8 6%	(1 6%)	(3 4%)

Notes *(continued)*

23 Related party disclosures

The company is controlled by Becker Acroma Group AB The ultimate controlling party is Lindengruppen AB

24 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Becker Acroma Group AB, a company incorporated in Sweden

The largest group in which the results of the Company are consolidated is that headed by Lindengruppen AB, incorporated in Sweden The consolidated accounts of this company are available to the public and may be obtained from Bruksgarden, S-26383, Hoganas, Sweden

The smallest group in which the results of the Company are consolidated is that headed by Becker Acroma Holding AB incorporated in Sweden The consolidated accounts of this company are available to the public and may be obtained from PO Box 2016, S-19502, Marsta, Sweden