(Registered Number 915392)

CLEVELAND POTASH LIMITED

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2006

CLEVELAND POTASH LIMITED
DIRECTORS' REPORT

The directors of Cleveland Potash Limited submit their report together with the accounts of the company for the year ended 31 December 2006 and the auditors' report thereon

Principal activities

Mining, processing and marketing of potash and road salt continued to be the company's principal activity

Review of the business and future developments

The loss for the year after taxation amounted to £6,621,000 (2005 - loss £3,568,000)

Mine hoist increased in the year, but potash production fell slightly due to a reduction in ore grade, leaving output well below target Underground roadways were driven to gain access to previously untapped potash reserves to the north of the mine, and mining in this area commenced in November, whilst underground productivity was enhanced from mid-year by the introduction of innovative conveying equipment

The company continued to benefit from good potash prices and effective cost control, but profitability was severely affected by high electricity and gas prices Production levels are expected to improve in 2007

The key business risks and uncertainties affecting the company are primarily those associated with a deep mine operation, where difficult geological conditions may be encountered and production equipment is required to operate in harsh and corrosive environments

The company uses a number of financial and non financial Key Performance Indicators (KPI's) to measure performance and these are reported at monthly management meetings and quarterly board meetings These KPI's include Safety and Environmental indices, ore hoist, grade and conversion rates, sales tonnages and realisations by market and product grade, energy usage, labour statistics, cost comparisons against budget and cost per tonne statistics, monthly and quarterly profitability and cash figures

No dividends have been paid during the year nor are any proposed to be paid in respect of the year No dividends were paid in respect of 2005 The loss for the year deducted from reserves amounts to £6,621,000 (2005 - loss deducted from reserves of £3,568,000)

Directors

The directors who held office during the year were as follows

CP Langeveld (Chairman)
Y Ariav (resigned 15 July 2006)
G Clarke
CJ Gibson (resigned 31 January 2007)
R Marx
AMS van Schie

On 20 March 2007 P Baines, JA Borrowdale and HD Clarke were appointed directors of the company

There are no directors' interests required to be disclosed by the Companies Act 1985

CLEVELAND POTASH LIMITED
DIRECTORS' REPORT (CONTINUED)

Employees

The company is an equal opportunity employer and opposes all forms of discrimination It is company policy that no employee, trainee or job applicant is discriminated against on any grounds including sex, race, colour, religious beliefs, ethnic or national origin, sexual orientation, disability or age

Over many years the company has introduced, developed and maintained various methods of communication aimed at achieving greater employee involvement and awareness Regular consultative meetings are held on business and financial performance as well as general matters including safety and health, employment conditions and pensions

Creditor payment policy

It is the policy of the company to settle terms of payment with creditors when agreeing the terms of each transaction and to abide by the creditors' terms of payment There are no creditors subject to special arrangements outside of suppliers' terms and conditions Trade creditors at 31 December 2006 represents 22 days of purchases (2005 - 26 days)

Donations

During the year the company made donations to local charitable causes amounting to £3,748 (2005 - £7,918)

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 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

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office

By order of the board

J P Simpson
Secretary
20 March 2007

CLEVELAND POTASH LIMITED

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 judgements 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's web-site

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report to the members of Cleveland Potash Limited

We have audited the financial statements of Cleveland Potash Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

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

Opinion

In our opinion

* the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 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
Chartered Accountants and Registered Auditor
Newcastle upon Tyne
20 March 2007

CLEVELAND POTASH LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £'000	2005 £'000
TURNOVER	2	94,914	86,040
Net operating expenses	3	(103,121)	(89,178)
OPERATING LOSS		(8,207)	(3,138)
Interest receivable and similar income	6	156	399
Interest payable and similar charges	7	(1,206)	(899)
Other finance income	8	528	70
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(8,729)	(3,568)
TAXATION	9	2,108	-
LOSS FOR THE FINANCIAL YEAR	17	(6,621)	(3,568)

All activities derive from continuing operations

There is no difference between the loss on ordinary activities before taxation and the loss stated above and the historical cost equivalent

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £'000	2005 £'000
Loss for the financial year	(6,621)	(3,568)
Actuarial gain / (loss) recognised in the schemes (note 19)	3,157	(323)
Total recognised (losses) / gains for the year	(3,464)	(3,891)
Prior year adjustment - FRS 17	-	(17,300)
Total losses recognised since the last annual report	(3,464)	(21,191)

The notes on pages 7 to 17 form an integral part of these accounts

CLEVELAND POTASH LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 £'000	2005 £'000
TANGIBLE FIXED ASSETS	10	35,124	35,190
CURRENT ASSETS			
Stocks	11	9,716	12,298
Debtors	12	14,777	26,025
Cash at bank and in hand		130	635
		24,623	38,958
CREDITORS (amounts falling due within one year)	13	(26,244)	(27,863)
NET CURRENT (LIABILITIES) / ASSETS		(1,621)	11,095
TOTAL ASSETS LESS CURRENT LIABILITIES		33,503	46,285
CREDITORS (amounts falling due after more than one year)	13	(2,765)	(8,944)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(5,044)	(4,674)
NET ASSETS EXCLUDING PENSION LIABILITY		25,694	32,667
PENSION LIABILITY	19	(11,850)	(15,359)
NET ASSETS INCLUDING PENSION LIABILITY		13,844	17,308
CAPITAL AND RESERVES			
Called up share capital	16	54,500	54,500
Share premium account	17	2,123	2,123
Profit and loss account	17	(42,779)	(39,315)
TOTAL SHAREHOLDERS' FUNDS	17	13,844	17,308

The financial statements on pages 5 to 17 were approved by the Board of Directors on 20 March 2007 and are signed on its behalf by

Julie Borrowdale

JA Borrowdale

The notes on pages 7 to 17 form an integral part of these accounts

CLEVELAND POTASH LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2006

1 ACCOUNTING POLICIES

The following statements indicate the main accounting policies on which the annual accounts have been based

1 Accounting convention

These accounts are prepared on a going concern basis in accordance with applicable United Kingdom accounting standards under the historical cost convention

2 Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions Assets and liabilities denominated in foreign currency are translated at rates of exchange ruling at the balance sheet date except when forward exchange contracts have been entered into as a hedge, in which case the hedge rate has been used Gains and losses on settled transactions are recorded in the profit and loss account

3 Turnover

Turnover represents the invoiced value of sales to customers excluding value added tax and is recognised on despatch of the product to the customer

4 Other operating income

Other operating income represents rents and fees receivable

5 Depreciation

Assets with finite lives are depreciated on a straight line basis at a rate determined by their remaining estimated useful working lives, buildings and plant estimated to have lives equivalent to the life of the ore body are depreciated over the life of the mine based on the expected recoverable ore reserves Other plant and machinery is depreciated over periods of 5 to 15 years.

6 Government grants

In line with the charges for depreciation, grants in respect of capital expenditure have been credited to the profit and loss account over the estimated useful working lives of the related assets

7 Reclamation

A provision is made for the eventual reclamation of the company's Boulby site based on the estimated cost at the balance sheet date as discounted in recognition of the estimated future settlement of this obligation The profit and loss account charges build the provision to the estimated discounted future settlement obligation The estimated date of settlement is based on a geological estimate of reserves

8 Stock valuation

Stocks are valued at the lower of cost or net realisable value Cost includes materials, direct labour and production overheads where relevant Net realisable value is based on estimated selling price less all further costs to completion and all relevant selling and distribution costs

9 Leases

Assets acquired under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the estimated useful economic lives of the assets The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account

Operating lease rentals are charged to the profit and loss account over the period benefiting from the use of the related asset

1 ACCOUNTING POLICIES (CONTINUED)

10 Pensions

The company operates both defined benefit and defined contribution plans The pension cost charged to the profit and loss account in respect of the defined benefit plans is calculated by a qualified actuary Contributions under the defined contribution plan are charged to the profit and loss account as they become payable in accordance with the rules of the plan

11 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered

12 Classification of financial instruments issued by the company

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company 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

13 Securitization of trade receivables

The consideration in respect of trade receivables sold under the group securitization agreement is accounted for as a sale of the trade receivable and the related trade receivables are derecognised Amounts received from customers in respect of sold trade receivables is shown in creditors due within one year until such time as the monies are paid over to the provider of the securitization agreement

14 Emission rights

Carbon emission allowances are recorded at their acquisition cost Obligations to deliver allowances are recorded at the average carrying value of the allowances held to meet such obligations Where the obligation to deliver a number of allowances exceeds the number of allowances held then provision is made at the prevailing market rate Where surplus allowances are sold the difference between the sale proceeds and the carrying value is taken to the profit and loss account

15 Cash flow statement

A cash flow statement has not been provided as the company is a wholly owned subsidiary undertaking of a group that produces publicly available consolidated financial statements, in which the company's financial statements are included

2 TURNOVER

Substantially all of the turnover and operating loss arose from the principal activity of the company

Geographical analysis of turnover by destination

	2006	2005
	£'000	£'000
United Kingdom	48,343	49,295
European Union excluding UK	42,462	36,114
Rest of the World	4,109	631
	94,914	86,040

3 OTHER OPERATING EXPENSES

	2006	2005
	£'000	£'000
Change in stocks of finished goods	(2,060)	3,694
Other operating income	1,804	1,424
Raw materials and consumables	(10,603)	(9,979)
Other external charges	(55,065)	(49,910)
Staff costs (note 4)	(34,051)	(32,040)
Depreciation	(3,329)	(2,550)
Government grant release	183	183
	(103,121)	(89,178)

4 STAFF COSTS

	2006	2005
	£'000	£'000
Salaries	27,889	26,447
Social security costs	2,443	2,222
Pension costs		
Defined benefit (note 19)	3,521	3,197
Defined contribution	198	174
	34,051	32,040

Average number of employees	Number	Number
Production	713	704
Administration, Sales and Distribution	96	96
	809	800

Directors' emoluments	£'000	£'000
Remuneration (excluding pension contributions)	228	191
Remuneration of the highest paid director	120	113

	Number	Number
Number of directors who are members of the company's defined benefit plan	2	2

The accrued pension of the highest paid director during the year is £34,984 (2005 - £27,391)

5 NOTES TO THE PROFIT AND LOSS ACCOUNT

Loss on ordinary activities before taxation is stated after the following amounts have been charged to the profit and loss account

	2006	2005
	£'000	£'000
Operating leases		
Plant and machinery	2,162	1,027
Other	817	811
Commissions payable	261	163
Hire of plant and machinery	429	422
Profit on disposal of fixed assets	(4)	(3)
Auditors' remuneration		
Audit	31	32
Non audit services	-	4

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006	2005
	£'000	£'000
Bank interest	-	17
Group interest	149	377
Other interest	7	5
	156	399

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£'000	£'000
Finance leases	109	449
Group interest	329	-
Securitization	768	450
	1,206	899

8 OTHER FINANCE INCOME / (COSTS)

	2006	2005
	£'000	£'000
Net return on pension scheme assets (note 19)	898	411
Reclamation provision discount unwind (note 14)	(370)	(341)
	528	70

9 TAXATION

(i) Analysis of tax charge on ordinary activities

	2006	2005
	£'000	£'000
United Kingdom corporation tax at 30% (2005 - 30%) based on the loss for the year	-	-
Group relief - current year	(562)	-
Group relief - adjustment re prior year	(1,546)	-
Total current tax	(2,108)	-
Deferred taxation	-	-
	(2,108)	-

(ii) Factors affecting tax charge for the current year

The tax assessed for the year and previous year is higher than that resulting from applying the standard rate of corporation tax in the UK - 30% (2005 - 30%) The differences are explained below

	2006	2005
	£'000	£'000
Loss on ordinary activities before tax	(8,729)	(3,568)
Tax @ 30% thereon	(2,619)	(1,070)
Expenses not deductible for tax purposes	14	15
Depreciation in excess of capital allowances	924	532
Other timing differences	50	(439)
Losses for which no relief available	1,069	962
Adjustments re prior year	(1,546)	-
	(2,108)	-

(iii) Factors that may effect future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to tax losses, accelerated capital allowances and other timing differences carried forward as there is insufficient evidence that the asset will be recovered The amount of the asset not recognised is £25 million (2005 - £18 million) The asset would be recovered if the company's profits in future years are sufficient to utilise tax losses and allowances carried forward The company has tax losses, subject to the agreement of the Inland Revenue, of £51 million (2005 - £50 million) to set against future profits from the same trade

10 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Mining works £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2006	12,334	101,441	18,018	5,210	137,003
Additions	-	-	-	3,263	3,263
Reclassifications	-	6,576	-	(6,576)	-
Disposals	-	(699)	-	-	(699)
At 31 December 2006	12,334	107,318	18,018	1,897	139,567
Accumulated depreciation					
At 1 January 2006	11,506	72,833	17,474	-	101,813
Charge for year	57	3,137	135	-	3,329
Disposals	-	(699)	-	-	(699)
At 31 December 2006	11,563	75,271	17,609	-	104,443
Net book value					
At 31 December 2006	771	32,047	409	1,897	35,124
At 31 December 2005	828	28,608	544	5,210	35,190

The cost of fully depreciated assets included above under plant and machinery is £34 8 million (2005 - £34 8 million)

Depreciation is charged when assets come into use

The net book value of plant and machinery includes £Nil (2005 £8 8 million) in respect of assets held under finance leases and hire purchase contracts The depreciation charge on these assets during the year was £0 045 million (2005 - £0 6 million) The lease was settled during the year

Capital expenditure amounting to £406,000 (2005 - £513,000) has been contracted for but is not provided for in these accounts

11 STOCKS

	2006 £'000	2005 £'000
Raw materials and consumables	4,212	4,734
Finished goods	5,504	7,564
	9,716	12,298

12 DEBTORS (amounts falling due within one year)

	2006 £'000	2005 £'000
Trade debtors	5,003	5,768
Amounts owed by fellow subsidiary undertakings	7,605	18,280
Other debtors	739	530
Prepayments and accrued income	1,430	1,447
	14,777	26,025

Amounts owed by fellow subsidiary undertakings includes short-term deposits placed with the group treasury function and trade receivables under normal commercial terms

13 CREDITORS

	2006	2005
	£000	£000
Amounts falling due within one year:		
Bank overdraft	3,428	3,650
Securitization proceeds	5,137	7,723
Obligations under finance leases	-	1,140
Trade creditors	4,294	4,552
Amounts owed to fellow subsidiary undertakings	7,452	5,507
Tax and social security payable	858	788
Other creditors	121	74
Accruals and deferred income	4,850	4,325
Government grants	104	104
	26,244	27,863

The company, along with several fellow subsidiary undertakings, has entered into an agreement involving the sale of trade debtors, on a non recourse basis, under a securitization transaction The agreement allows the company to receive cash on a revolving basis from the sale of eligible receivables to a bankruptcy remote special purpose entity ("SPE"), whilst still servicing the sold receivables The consideration for the sold receivables allows for the discount to receipt from the customer

	2006	2005
	£000	£000
Amounts falling due after more than one year:		
Obligations under finance leases	-	5,996
Government grants	2,765	2,948
	2,765	8,944

Finance leases
On 31 January 2006 the company terminated the finance lease by paying the lessor an amount for full and final settlement

Government grants		
At 1 January	3,052	3,235
Received during the year		-
Released during the year	(183)	(183)
At 31 December	2,869	3,052

14 PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
Reclamation	
At 1 January 2006	4,674
Unwinding of discount (note 8)	370
Paid in the year	-
At 31 December 2006	5,044

15 OBLIGATIONS UNDER OPERATING LEASES

At 31 December 2006 the company was committed to making the following payments during the next year in respect of operating leases

	Land and buildings £'000	Other £'000
Leases which expire		
Within two to five years	-	533
After five years	613	568
	613	1,101

The operating lease rentals in respect of land and buildings which expire after five years are subject to review every five years The next such review is due with effect from 1 April 2009

16 CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised, issued, allotted and fully paid		
Ordinary shares of £1 each	7,000	7,000
10% redeemable participating preference shares of £1 each	47,500	47,500
	54,500	54,500

The Preference shares have the right to a non-cumulative preference dividend of 10%, the right to preferential return of capital and thereafter to participate on a winding-up rateably with the Ordinary shares in any surplus, and to attend and vote on resolutions at General Meetings only if proposed resolutions would vary or abrogate the rights of Preferential shareholders

The Preference shares are redeemable in whole or part at the company's option with the consent in writing of the holders of three-fourths of the Preference shares in issue or with the sanction of an Extraordinary Resolution of Preference shareholders

CLEVELAND POTASH LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2006 (CONTINUED)

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called up Share capital £'000	Share premium £'000	Profit and loss account £'000	Total 2006 £'000	Total 2005 £'000
At 1 January	54,500	2,123	(39,315)	17,308	21,199
Loss for the year	-	-	(6,621)	(6,621)	(3,568)
Actuarial gain / (loss) recognised in the pension scheme			3,157	3,157	(323)
At 31 December	54,500	2,123	(42,779)	13,844	17,308

	£'000
Profit and loss account as stated above	(42,779)
Pension liability	11,850
Profit and loss account excluding pension liability	(30,929)

18 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption in FRS 8 (Related Party Transactions) which allows it not to disclose transactions with group entities or investees of the group qualifying as related parties

19 PENSIONS

The company operates two defined benefit pension schemes in the UK Both schemes are closed to new members, who are instead eligible for a defined contribution arrangement to which the company contributes A full actuarial valuation of the defined benefit schemes was carried out at 30 June 2005 and updated to 31 December 2006 by a qualified independent actuary The major assumptions used by the actuary were (in nominal terms)

	At 31 December			
	2006	2005	2004	2003
Rate of increase in salaries	4 00%	3 85%	3 80%	3 70%
Rate of increase of pensions in payment				
- service pre 1 September 2005	3 00%	2 85%	2 80%	2 70%
- service post 1 September 2005	2 50%	2 35%	2 30%	n/a
Rate of increase of pensions in deferment	3 00%	2 85%	2 80%	2 70%
Discount rate	5 00%	4 75%	5 30%	5 40%
Inflation assumption	3 00%	2 85%	2 80%	2 70%

The assets in the defined benefit pension schemes and the expected rates of return were

	At 31 December							
	2006		2005		2004		2003	
		£'000		£'000		£'000		£'000
Equities and property	6 9%	101,093	6 7%	95,596	7 2%	78,529	7 5%	87,613
Bonds and other	4 6%	49,057	4 4%	43,045	4 7%	37,807	5 0%	16,092
Total market value of assets		150,150		138,641		116,336		103,705
Actuarial value of liability		162,000		154,000		133,100		124,201
Deficit in the schemes		(11,850)		(15,359)		(16,764)		(20,496)
Related deferred tax asset		-		-		-		-
Net pension liability		(11,850)		(15,359)		(16,764)		(20,496)

	2006	2005	2004
	£'000	£'000	£'000
Analysis of the amount charged to operating profit			
Service cost	3,812	3,197	3,368
Past service cost	-	-	-
Total operating charge	3,812	3,197	3,368
Amounts included as other finance costs			
Expected return on scheme assets	8,199	7,472	7,398
Interest on pension liabilities	(7,301)	(7,061)	(6,719)
Net return	898	411	679

19 PENSIONS (continued)

	2006 £'000	2005 £'000	2004 £'000
Analysis of amount recognised in statement of total recognised gains			
Actual return less expected return on assets	4,312	13,551	4,915
Experience gains and losses on liabilities	(903)	3,236	998
Changes in assumptions	(252)	(17,110)	(3,254)
Actuarial gain / (loss) recognised in STRGL	3,157	(323)	2,659
Adjustment due to surplus cap	-	-	-
Net gain recognised	3,157	(323)	2,659
Movement in the deficit during the year			
Deficit in schemes at beginning of year	(15,359)	(16,764)	(20,496)
Current service cost	(3,812)	(3,197)	(3,368)
Contributions	3,266	4,514	3,762
Other finance income	898	411	679
Actuarial gain / (loss)	3,157	(323)	2,659
Deficit in schemes at end of year	(11,850)	(15,359)	(16,764)

History of experience gains and losses in the financial year

	2006 £'000	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Difference between expected and actual return on scheme assets	4,312	13,551	4,915	9,668	(29,052)
percentage of scheme assets	3%	10%	4%	9%	-34%
Experience gains and losses on scheme liabilities	(903)	3,236	998	(992)	(17)
percentage of scheme liabilities	-1%	2%	1%	-1%	0%
Total amount recognised in statement of total recognised gains and losses	3,157	(323)	2,659	2,111	(35,680)
percentage of scheme liabilities	2%	0%	2%	2%	33%

20 FINANCIAL COMMITMENTS

At the balance sheet date the sterling value of forward foreign exchange contracts, all in respect of hedging debtor receivables, amounted to £6,693,000 (2005 - £2,859,000) The latest maturity date of the contracts is 24 February 2006

21 ULTIMATE PARENT UNDERTAKING

Israel Chemicals Limited, a company incorporated in Israel whose registered office is Millennium Tower, 23 Aranha St, Tel-Aviv 61202, Israel, is the ultimate parent undertaking The immediate parent company is Dead Sea Works Limited, a company incorporated in Israel