

**Rockwood Electronic Materials
Limited**

Directors' report and financial
statements

Registered number 1050948

31 December 2006

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Directors' report

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

Principal activities

The principal activities of the company are the manufacture of highly purified chemicals and the reclamation of silicon wafers. During the current year the company terminated the Wafer Reclaim operations (see note 3)

Results and business review

	2006 £	2005 £
Turnover	8,955,858	11,350,578
Loss on ordinary activities before taxation	(500,775)	(4,934,163)
Tax (charge)/credit on loss on ordinary activities	(414,283)	679,774
Loss on ordinary activities after taxation for the financial year	(915,058)	(4,254,389)

Turnover overall reduced during the year by £2,394,720 due to the termination of the Wafer Reclaim operations in March 2006 (see note 3). The increase in turnover of 6.8% relating to continuing operations was due to the buoyant market in the semi-conductor industry.

Similarly losses on ordinary activities fell by £4,433,388 mainly due to the termination of Wafer Reclaim operations and resultant exceptional losses on termination recognised in 2005 of £3,510,544.

Net assets fell during the current year by £915,058 due to the losses noted above after taxation.

Staff numbers fell during the current year from 116 to 77 as a result of the termination of Wafer Reclaim operations.

Adaptability to dealing with difficult market conditions, combined with a continued commitment to quality, ensures that the company will continue to fulfil the requirements and needs of its customers and the marketplace. The underlying reason for the reported losses is the increased depreciation charges resulting from the large investment from the insurance claim in 2003 in relation to the 2001 fire.

Future development in the business

The company will continue to develop existing product ranges and introduce new products and services in the future. Continued investments in plant and technical support will enhance the level of service and match the future market growth. The company follows a policy of supporting a level of research activities commensurate with the current and future requirements of the business. Costs incurred in the year totalled £119,185 (2005 £125,622).

Principal risks and uncertainties

The company is not dependent on one major customer, however the top ten customers comprise approximately 70% of total turnover with the top customer comprising approximately 15% of total turnover.

The company makes purchases in US Dollars and Euros and is therefore exposed to movements in exchange rates. No hedging activities take place and purchases in foreign currencies are made at the spot rate.

Dividend

The directors do not propose the payment of a dividend (2005 £nil). Interim dividends proposed in 2007 are detailed in note 20.

Directors' report *(continued)*

Directors' interests

None of the directors held any beneficial interests in the share capital of the company or of its ultimate United Kingdom parent, Rockwood Specialities Ltd, at any time during the year

Changes in directors

There were no changes in the directors during the year

The directors who served during the year were as follows

R W Stephenson

M R Miles

T J Riordan

Political and charitable donations

There were no donations made in the year (2005 £nil)

Auditors

In the case of the persons who are directors of the company at the date when the report is approved

- so far as each director is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors 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

This information is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

A resolution for the re-appointment of Deloitte & Touche LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

M R Miles

Director

18 September 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and of the profit or loss of the group for that year. 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 United Kingdom 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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCKWOOD ELECTRONIC MATERIALS LIMITED

We have audited the financial statements of Rockwood Electronic Materials Limited for the year ended 31 December 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 22. 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 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 if 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 and 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 United Kingdom 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.

Deloitte & Touche LLP

19 September 2007

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Liverpool
United Kingdom

Profit and loss account
for the year ended 31 December 2006

	Note	2006 £	2005 £
Turnover	2		
Continuing operations	3	8,614,204	8,064,821
Discontinued operations	3	341,654	3,285,757
		<hr/> 8,955,858	<hr/> 11,350,578
 Cost of sales	 3	 (7,615,675)	 (10,584,657)
		<hr/>	<hr/>
Gross profit	3	1,340,183	765,921
Distribution costs		(868,324)	(930,117)
Administrative expenses		(971,450)	(1,133,801)
Research and development		(119,184)	(125,622)
		<hr/>	<hr/>
Operating loss			
Continuing operations	3	(653,741)	(679,707)
Discontinued operations	3	34,966	(743,912)
		<hr/> (618,775)	<hr/> (1,423,619)
 Profit/(loss) on termination of operation	 4	 200,000	 (3,510,544)
		<hr/>	<hr/>
Loss on ordinary activities before finance charges		(418,775)	(4,934,163)
Other interest costs – unwinding of discount on onerous lease provision	14	(82,000)	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation	7	(500,775)	(4,934,163)
Tax (charge)/credit on loss on ordinary activities	8	(414,283)	679,774
		<hr/>	<hr/>
Retained loss for the year	16	(915,058)	(4,254,389)
		<hr/>	<hr/>

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

	<i>Note</i>	2006	2005
		£	£
Loss for the financial year	<i>16</i>	<u>(915,058)</u>	<u>(4,254,389)</u>
Total recognised gains and losses in the year		<u><u>(915,058)</u></u>	<u><u>(4,254,389)</u></u>

Balance sheet
at 31 December 2006

	<i>Note</i>	2006	2005
		£	£
Fixed assets			
Tangible assets	9	4,477,397	5,279,469
Investments	10	1,094,264	1,094,264
		<u>5,571,661</u>	<u>6,373,733</u>
Current assets			
Stocks	11	999,123	957,877
Debtors	12	1,952,772	2,501,486
Cash at bank and in hand		1,877,881	1,661,542
		<u>4,829,776</u>	<u>5,120,905</u>
Creditors: amounts falling due within one year	13	<u>(2,287,317)</u>	<u>(2,417,460)</u>
Net current assets		<u>2,542,459</u>	<u>2,703,445</u>
Total assets less current liabilities		<u>8,114,120</u>	<u>9,077,178</u>
Provisions for liabilities and charges	14	<u>(776,000)</u>	<u>(824,000)</u>
Net assets		<u><u>7,338,120</u></u>	<u><u>8,253,178</u></u>
Capital and reserves			
Called up share capital	15	868,800	868,800
Profit and loss account	16	6,469,320	7,384,378
Equity shareholders' funds	16	<u><u>7,338,120</u></u>	<u><u>8,253,178</u></u>

These financial statements were approved by the board of directors on 18th September 2007 and were signed on their behalf by

MR Miles

Director

Notes to the financial statements

1 Principal 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 accounting

The company financial statements have been prepared under the historical cost convention, in accordance with applicable law and UK Accounting Standards

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent company includes the company in its own published consolidated financial statements

Depreciation and amortisation

Fixed assets are depreciated on a straight line basis having regard to their estimated useful lives, which are subject to review each year as follows

Short leasehold	Over the remaining life of the lease
Plant and machinery	4 to 25 years
Fixtures, fittings, tools and equipment	5 to 18 years

Stocks and work in progress

Stocks are valued at cost or net realisable value, whichever is the lower Cost includes materials, labour, works overheads and depreciation

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction Exchange losses and profits resulting from the period's trading are brought into the results for the year Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date

Pensions

The company participates in the Rockwood UK Retirement Plan, which all permanent employees of Rockwood companies in the UK are eligible to join

The Rockwood UK Retirement Plan is a multi-employer scheme covering all Rockwood companies in the UK The company is unable to identify its share of the underlying assets (and liabilities) of the plan because the assets are not separately assigned to the individual members

As a result the company has taken advantage of the exemption permitted by FRS17 not to bring the assets and liabilities of the plan onto the company balance sheet

As a result the company has continued to account for the plan on a defined contributions basis The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Foreign currencies

Transactions in foreign currencies are recorded in sterling using the rate of exchange ruling at the date of the transaction or the forward cover rate Monetary assets and liabilities denominated in foreign currencies are translated into sterling 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

Notes to the financial statements *(continued)*

1 Principal accounting policies *(continued)*

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

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 group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Research and development

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

Operating leases

For assets held under operating leases the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease

Onerous lease provision

Provision is made for the present obligations under lease contracts where the unavoidable cost of meeting the obligations under the lease contract exceed the economic benefits expected to be received under it

Notes to the financial statements (continued)

2 Turnover

Turnover represents sales of goods and services at invoiced value exclusive of value added tax and discounts. The point of sale is the point of despatch, except for goods sold on a consignment basis where the point of sale is when the customer notifies the business of usage.

	2006 £	2005 £
<i>The analysis of geographical area is as follows</i>		
United Kingdom	7,834,387	8,686,669
Europe	356,457	1,640,505
Other	765,014	1,023,404
	<u>8,955,858</u>	<u>11,350,578</u>
<i>The analysis of turnover by class of business is as follows</i>		
Chemicals	8,614,204	8,064,821
Wafer Reclaim	341,654	3,285,757
	<u>8,955,858</u>	<u>11,350,578</u>

3 Analysis of continuing and discontinued operations

	2006			2005		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£	£	£	£	£	£
Turnover	8,614,204	341,654	8,955,858	8,064,821	3,285,757	11,350,578
Cost of sales	(7,369,929)	(245,746)	(7,615,675)	(6,939,343)	(3,645,314)	(10,584,657)
Gross profit/(loss)	<u>1,244,275</u>	<u>95,908</u>	<u>1,340,183</u>	<u>1,125,478</u>	<u>(359,557)</u>	<u>765,921</u>
Other operating expenses	<u>(1,898,016)</u>	<u>(60,942)</u>	<u>(1,958,958)</u>	<u>(1,805,185)</u>	<u>(384,355)</u>	<u>(2,189,540)</u>
Operating (loss)/profit	<u>(653,741)</u>	<u>34,966</u>	<u>(618,775)</u>	<u>(679,707)</u>	<u>(743,912)</u>	<u>(1,423,619)</u>

The principal activity of the company is the manufacture of highly purified chemicals and the reclamation of silicon wafers. During the prior year the directors made the decision to terminate the Wafer Reclaim operations and all activities ceased in March 2006. Accordingly revenues and costs relating to the Wafer Reclaim operations are classified as discontinued in the accounts.

Notes to the financial statements (continued)

4 Exceptional (income)/costs

Exceptional costs of £3,510,544 in 2005 related to provisions for closure costs arising from the termination of the wafer business. Following the current year end, assets that were previously impaired to £nil were sold to Rockwood Holdings Inc group companies for £200,000. In accordance with FRS21 "Events after the balance sheet" and FRS11 "Impairment of Fixed Assets and Goodwill" the impairment has been reversed in the profit and loss account by this amount. Exceptional items can be analysed as follows:

	2006 £	2005 £
Direct termination costs	-	943,843
Provision for onerous lease (note 14)	-	824,000
Fixed asset impairment	-	1,742,701
Reversal of past impairment (note 9)	(200,000)	-
	<u>(200,000)</u>	<u>3,510,544</u>

5 Emoluments of directors

	2006 £	2005 £
Remuneration	337,690	265,908
Pension contributions	26,103	24,476
	<u>363,793</u>	<u>290,384</u>

Of the total emoluments £363,793 (2005 £290,384), £181,611 (2005 £155,557) related to the highest paid director.

The number of directors to whom retirement benefits are accruing in the Rockwood UK Retirement Plan is two (2005 two).

6 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	2006 No.	2005 No.
Management and administration	21	21
Production and sales staff	56	95
	<u>77</u>	<u>116</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	2,292,445	2,930,936
Social security costs	208,017	311,295
Payments to employees' pension scheme	173,257	219,105
	<u>2,673,719</u>	<u>3,461,336</u>

Notes to the financial statements *(continued)*

7 Loss on ordinary activities before taxation

	2006 £	2005 £
<i>Loss on ordinary activities before taxation is stated after (crediting)/charging the following</i>		
Depreciation of tangible fixed assets	1,366,976	1,997,765
Impairment of tangible fixed assets (note 4)	-	1,742,701
Reversal of past impairment (note 4)	(200,000)	-
Research and development expenditure	119,185	125,622
Exchange gains	(9,145)	(10,007)
Payments under operating leases	243,296	239,590
Hire of plant and machinery	386,495	373,021
Other	20,000	24,000
Auditors' remuneration and expenses for audit of the company's financial statements	<u>20,000</u>	<u>24,000</u>

8 Tax (charge)/credit on loss on ordinary activities

(i) Analysis of tax (charge)/credit on ordinary activities

	2006 £	2005 £
<i>Taxation based on the loss for the year of the company</i>		
UK corporation tax at 30% (2005 30%)	(189,816)	621,917
Adjustment in respect of prior years	(224,467)	57,857
	<u>(414,283)</u>	<u>679,774</u>
Deferred tax	-	-
	<u>(414,283)</u>	<u>679,774</u>

(ii) Factors affecting tax charge for the current year

	£	£
The tax (charge)/credit assessed for the year is higher (2005 lower) than that resulting from applying the standard rate of corporation tax in the UK 30% (2005 30%)		
The differences are explained below		
Loss on ordinary activities before tax	(500,775)	(4,934,163)
Tax credit at 30% thereon	150,233	1,480,249
Effects of		
Expenses not deductible for tax purposes	(4,856)	(134,485)
Capital allowances in excess of depreciation	(335,193)	(723,847)
Prior period adjustments	(224,467)	57,857
Current tax (charge)/credit for year	<u>(414,283)</u>	<u>679,774</u>

(iii) Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to depreciation in excess of capital allowances as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £1,405,000 (2005 £715,000). The asset would be recovered if there were sufficient future taxable profits arising in the Rockwood Specialties Limited UK Group.

Notes to the financial statements *(continued)*

9 Tangible fixed assets

	Short Leasehold Buildings £	Plant and Machinery £	Fixtures, fittings, Tools and Equipment £	Total £
Cost				
At 1 January 2006	1,642,782	19,247,237	403,735	21,293,754
Additions	-	295,736	69,168	364,904
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	1,642,782	19,542,973	472,903	21,658,658
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2006	559,640	15,174,155	280,490	16,014,285
Charged in the year	88,949	1,237,563	40,464	1,366,976
Reversal of past impairment (note 4)	-	(200,000)	-	(200,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	648,589	16,211,718	320,954	17,181,261
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2006	994,193	3,331,255	151,949	4,477,397
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	1,083,142	4,073,082	123,245	5,279,469
	<hr/>	<hr/>	<hr/>	<hr/>

10 Investments

	Shares in subsidiary undertaking £
At 1 January 2006 and 31 December 2006	1,094,264
	<hr/>

Investments in subsidiary undertakings held at 31 December 2006 were as follows

Company name	Country of registration	Properties of voting rights and shares held	Activities
Rockwood Electrochemicals (Suzhou) Co Ltd	China	100%	Manufacturing and technical service centre

Notes to the financial statements *(continued)*

11 Stocks

	2006 £	2005 £
Raw materials and consumables	428,794	315,990
Work in progress	33,608	34,664
Finished goods and goods for resale	522,721	586,223
Engineering stock	14,000	21,000
	<u>999,123</u>	<u>957,877</u>

Included in finished goods is consignment stock of £164,363 (2005 £181,483) The stock remains the property of Rockwood Electronic Materials Limited until used by the customer

12 Debtors

	2006 £	2005 £
Trade debtors	1,077,609	1,473,673
Amounts owed by group undertakings	441,101	459,896
Group relief debtor	207,634	327,473
Prepayments and other debtors	226,428	240,444
	<u>1,952,772</u>	<u>2,501,486</u>

All debtors are due within one year

13 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	943,137	788,237
Amounts owed to group undertakings	276,027	276,440
Accruals and deferred income	767,655	1,078,968
Other taxation and social security	289,295	242,083
Other creditors	11,203	31,732
	<u>2,287,317</u>	<u>2,417,460</u>

Notes to the financial statements *(continued)*

14 Provisions for liabilities and charges

	2006 £
Onerous lease liabilities	
At 1 January 2006	824,000
Utilised in the year	(130,000)
Unwinding of discount	82,000
	<u>776,000</u>
At 31 December 2006	<u>776,000</u>

The company entered into a lease with The Second Industrial Partnership Limited on 9 August 2000 in respect of land and buildings at Unit 16/12 Amber Business Centre, Riddings, Derbyshire. The unavoidable payments due under the lease currently exceed the confirmed economic benefits expected to be received under it and as such the lease is classified as an onerous contract under FRS 12.

The onerous lease liabilities provided for at the balance sheet date relate to future unavoidable lease payments of £1,642,000 due up to the first break date at 9 August 2018. The unavoidable lease payments have been discounted at 12% which is deemed by the directors to be the cost of borrowing to the company.

15 Called up share capital

	2006 £	2005 £
<i>Authorised, allotted, called up and fully paid</i>		
868,800 ordinary shares of £1 each	<u>868,800</u>	<u>868,800</u>

16 Reconciliation of movement in shareholders' funds

	2006 £	2005 £
Loss on ordinary activities after taxation	<u>(915,058)</u>	<u>(4,254,389)</u>
Net reduction in shareholders' funds	(915,058)	(4,254,389)
Opening shareholders' funds	<u>8,253,178</u>	<u>12,507,567</u>
Closing shareholders' funds	<u>7,338,120</u>	<u>8,253,178</u>

The loss on ordinary activities after taxation represents the only movement in the profit and loss account reserve during the year.

Notes to the financial statements (continued)

17 Commitments

At 31 December 2006 there were capital commitments of £nil (2005 £nil)

At 31 December 2006 and 2005 the Company had annual commitments under non cancellable operating leases as set out below

	2006		2005	
	Land and Buildings £	Other £	Land and Buildings £	Other £
<i>Amounts due relating to operating leases expiring</i>				
Within one year	-	13,822	-	14,961
In two to five years	-	203,270	-	210,016
After more than five years	376,000	7,722	376,000	-
	<u>376,000</u>	<u>224,814</u>	<u>376,000</u>	<u>224,977</u>

18 Contingent liability

Barclays Bank plc holds a guarantee of £100,000 (2005 £100,000) in respect of HM Revenue & Customs duty deferment scheme

19 Pension commitments

The company participates in the Rockwood UK Retirement Plan ("the Plan"), which all permanent employees of Rockwood companies in the UK are eligible to join. This is a funded pension plan, which provides pensions on a defined benefit basis for services until 20 May 2001 and a defined contribution basis for service after 20 May 2001.

The charge to the profit and loss account in respect of the pension plan was £173,257 (2005 £219,105)

The Rockwood UK Retirement Plan is a multi-employer scheme covering all Rockwood companies in the UK. Rockwood Electronic Materials Limited is unable to identify its share of the underlying assets (and liabilities) of the plan because the assets are not separately assigned to the individual members. The assets of the Plan are invested on an aggregated basis with no identification of assets relating to an individual employer. A proportion of the liability within the Plan for deferred and pensioner members relates to employers who no longer participate in the Plan. Contributions are set for the Plan as a whole rather than reflecting the actuarial characteristics of the employees of the individual employer. Splitting the Plan in these circumstances would have to be done in an arbitrary manner and would therefore not reflect a realistic value. As a result the company has taken advantage of the exemption permitted by FRS 17 not to bring the assets and liabilities of the Plan onto the company balance sheet.

FRS 17, under the multi-employer accounting, requires the company to account for its defined benefit plan as a defined contribution plan. The future contributions of the company will be affected by the deficit on the Plan, details of which are disclosed below.

Notes to the financial statements (continued)

19 Pension commitments (continued)

The assets in the Plan and the expected rates of return at 31 December 2006 were

	2006 long term rate of return expected	2006 value £'000	2005 long term rate of return expected	2005 value £'000	2004 long term rate of return expected	2004 value £'000
Equities	8.10%	6,738	7.95%	6,425	7.50%	6,568
Bonds	5.10%	4,195	4.75%	2,083	5.40%	2,106
Cash	4.60%	5	4.10%	355		56
Total market value of asset		10,938		8,863		8,730
Present value of scheme liabilities		(15,600)		(21,362)		(16,000)
Deficit in scheme		(4,662)		(12,499)		(7,270)
Related deferred tax asset		-		-		2,181
Net pension liability		(4,662)		(12,499)		(5,089)

The figures shown above were calculated on the basis of the following assumptions

Assumptions	As at 31 December 2006	As at 31 December 2005	As at 31 December 2004
Discount rate	5.10% pa	4.75% pa	5.40% pa
Price inflation	3.20% pa	3.00% pa	2.75% pa
Salary increases	4.70% pa	4.50% pa	3.25% pa
Deferred pensions	3.00% pa	3.00% pa	2.75% pa
Pension increases in payment	3.00% pa	3.00% pa	2.75% pa

20 Post balance sheet events

On 10 May 2007 the directors approved an interim dividend of £1,900,000 at 218.69p per ordinary share

21 Related Parties

Advantage has been taken of the exemption under Financial Reporting Standard No. 8 not to disclose transactions between entities, 90% or more of whose voting rights are controlled within the Group

22 Ultimate parent undertaking and controlling party

The entire share capital of the company is owned by Mustardgrange Limited, a company registered in the United Kingdom and incorporated in England and Wales. The ultimate holding company and controlling party is Rockwood Holdings Inc, a company registered in the United States of America. Rockwood Holdings Inc is the parent undertaking of the smallest and largest group to consolidate the accounts of this company. Copies of group accounts may be obtained from 22 Chambers Street, Princeton, New Jersey, USA.