

Registered Number 1102042

Coal Products Limited
Annual Report
for the year ended 31 March 2006



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Coal Products Limited
Annual Report
for the year ended 31 March 2006
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Coal Products Limited

Directors and advisers for the year ended 31 March 2006

Directors

A G Hayes

D J Kerr

Secretary and Registered Office

S Armitage

Mill Lane

Wingerworth

Chesterfield

Derbyshire

S42 6NG

Registered Auditors

PricewaterhouseCoopers LLP

1 East Parade

Sheffield

S1 2ET

Solicitors

DLA Piper Rudnick Gray Cary UK LLP

1 St Paul's Place

Sheffield

S1 2JX

Bankers

The Royal Bank of Scotland plc

135 Bishopsgate

London

EC2M 3UR

Coal Products Limited

Directors' report for the year ended 31 March 2006

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

Principal activities

The principal activities of the company are the manufacture and sale of briquette and smokeless fuels. The company also provides ceramic welding services for operators of coke ovens.

Review of business and future developments

The profit and loss account for the year is set out on page 7.

Both the level of business and the year end financial position remain satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

The directors of CPL Industries Limited manage the group's risks at a group level and operations on a divisional basis, rather than at an individual business unit level. For this reason, the company's directors believe that discussion of the group's risks and analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company's business. The principal risks and uncertainties of the group, which include those of the company, and the development, performance and position of the company are discussed in the Chairman and Chief Executive's Review in the group's report and accounts which does not form part of this report.

Dividends

The directors do not recommend the payment of a final dividend (2005: £nil).

Research and development

The company currently maintains a central research and development facility, which is largely concerned with the enhancement of, and additions to, the company's largely coal based product range.

Directors and directors' interests

The directors of the company who served during the year, are listed below:

A G Hayes
D J Kerr

There is no requirement for directors to retire by rotation.

According to the register kept in accordance with the Companies Act 1985 the directors at 31 March 2006 had no interests in the shares of the company.

A G Hayes and D J Kerr are also directors of the ultimate parent company at 31 March 2006. Mr A G Hayes has an interest in the shares of the parent company, which is disclosed in the directors' report of that company.

Coal Products Limited

Charitable contributions

During the year the company made charitable donations of £100 (2005: £475) and no donations in either year for political purposes.

Employment policies

The policy of the directors is to encourage the involvement of all employees in the development and performance of the company.

All employees receive notification of important developments, acquisitions and other matters of interest.

The company pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others, having regard to the aptitudes and abilities of each applicant. Efforts are made to enable employees who become disabled during their employment to continue their careers with the company. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees who are not disabled.

The company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. The policies in this regard are regularly reviewed with the objective of ensuring these standards are maintained.

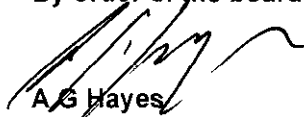
Payment record

It is the policy of the company to establish appropriate terms and conditions for transactions with suppliers which may range from standard terms and conditions to individually negotiated contracts. Payments in relation thereto should therefore be made in accordance with those terms and conditions, subject to reciprocal compliance fulfilling the same criteria. The number of creditor days in relation to trade creditors outstanding at the year end was 54 days (2005: 55 days).

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the next general meeting.

By order of the board



A.G. Hayes
Director

23 June 2006

Coal Products Limited

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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; 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 confirm that they have complied with the above requirements in preparing the financial statements.

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.

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as information needed by the company's auditors in connection with preparing their report. Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



A G Hayes

Director

23 June 2006

Coal Products Limited

Independent auditors' report to the members of Coal Products Limited

We have audited the financial statements of Coal Products Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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.

Coal Products Limited

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 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Sheffield

23 June 2006

Coal Products Limited

Profit and loss account for the year ended 31 March 2006

	Note	2006 £m	2005 As restated £m
Turnover	1	59.4	63.4
Net operating expenses	2	(52.1)	(54.7)
Exceptional operating expenses	2	(0.8)	(0.6)
Profit on ordinary activities before interest and		6.5	8.1
Interest receivable	5	-	0.1
Profit on ordinary activities before taxation		6.5	8.2
Tax on profit on ordinary activities	6	(2.1)	(0.9)
Profit retained for the financial year	16	4.4	7.3

All items dealt with in arriving at profit on ordinary activities before taxation relate to continuing operations.

In both the current and preceding years, there were no material differences between the profit reported in the profit and loss account and the profit on an unmodified historical cost basis.

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

	2006 £m	2005 As restated £m
Profit for the financial year	4.4	7.3
Actuarial gain on pension scheme	0.2	-
Movement on deferred tax relating to pension liability	(0.1)	-
Total recognised gains and losses relating to the year	4.5	7.3
Prior year adjustments for FRS 17	(1.3)	-
Total gains and losses recognised since last annual report	3.2	7.3

Coal Products Limited

Reconciliation of movements in shareholders' funds

	2006	2005
		As restated
	£m	£m
Profit for the financial year	4.4	7.3
Actuarial gain on pension scheme net of deferred tax	0.1	-
Net addition to shareholders' funds	4.5	7.3
Opening shareholders' funds	50.1	42.8
Closing shareholders' funds	54.6	50.1

Coal Products Limited

Balance sheet as at 31 March 2006

	Note	2006 £m	2005 As restated £m
Fixed assets			
Intangible assets	7	0.4	0.4
Tangible assets	8	7.7	8.6
Investments	9	70.4	70.4
		78.5	79.4
Current assets			
Stock	10	4.4	5.1
Debtors	11	55.3	44.4
Cash at bank and in hand		6.4	5.9
		66.1	55.4
Creditors: amounts falling due within one year	12	(18.1)	(12.5)
Net current assets		48.0	42.9
Total assets less current liabilities		126.5	122.3
Creditors: amounts falling due after more than one year	12	(71.2)	(71.6)
Provisions for liabilities and charges	13	(0.7)	(0.6)
		(71.9)	(72.2)
Net assets		54.6	50.1
Capital and reserves			
Called up share capital	15	42.1	42.1
Revaluation reserve	16	0.6	0.6
Profit and loss account	16	11.9	7.4
Equity shareholders' funds		54.6	50.1

The financial statements on pages 7 to 27 were approved by the board of directors on 23 June 2006 and were signed on its behalf by:


A G Hayes
Director

Coal Products Limited

Statement of accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Changes in accounting policy

The company has adopted FRS 21, "Events after the balance sheet date" and the presentation requirements of FRS25, "Financial instruments: disclosure and presentation", in these financial statements. The adoption of these standards represents a change in accounting policy but did not result in any adjustment to the current or prior year figures. The company has also adopted FRS 17 "Retirement Benefits". The effect of this change in accounting policy was to decrease staff costs and other financial costs by £290,000 (2005: £185,000) and £34,000 (2005: £39,000) respectively, to increase profit for the year by £256,000 (2005: £146,000), to increase the total recognised gains and losses by £287,000 (2005: £28,000 reduction) and to reduce the value of the profit and loss account reserve at 1 April 2005 by £1.3m (2004: £1.5m).

	As stated in accounts year ended 31 March 2005	FRS 17	Total
	£m	£m	£m
Adjustment to opening shareholders' funds at 1 April 2004	44.3	(1.5)	42.8
Adjustment to profit and loss account for year ended 31 March 2005	7.1	0.2	7.3
Adjustment to opening shareholders' funds at 1 April 2005	51.4	(1.3)	50.1

Exemption from preparing consolidated financial statements

The financial statements contain information about Coal Products Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, CPL Industries Limited, a company registered in England and Wales.

Intangible fixed assets

Goodwill arising on the acquisition of businesses represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is capitalised and is eliminated by amortisation through the profit and loss account over 20 years, being the directors' estimate of its useful economic life.

Coal Products Limited

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. The company has taken advantage of the transitional provisions of FRS 15 and has retained assets shown at valuation at their book amounts and the valuation has not been updated.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal useful lives used for this purpose are:

Freehold buildings and leasehold properties	50 years or over period of lease if less than 50 years
Industrial buildings	40 years or over period of lease if less than 40 years
Plant, machinery and equipment	3 - 20 years

Freehold land is not depreciated.

Fixed asset investments

Fixed asset investments are held at cost less provision for permanent diminution in value.

Research and development

Expenditure on research and development is charged to revenue in the year in which it is incurred. Capital expenditure on research establishment buildings, facilities and equipment is written off over their expected working lives.

Finance and operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. In the case of major spares, items are held at cost and reviewed annually for impairment. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currencies

Transactions in overseas currencies are translated at the spot rate on the date of the transaction, with gains or losses arising on settlement of the transaction being taken to the profit and loss account. Assets and liabilities are translated at the rates ruling at the balance sheet date or at a contracted rate if applicable.

Coal Products Limited

Turnover

Turnover represents the amount, exclusive of VAT, arising from sales of goods and services including rents and royalties falling within the company's ordinary activities. Revenue of product sales is recognised upon despatch to the customer or, in the case of goods supplied ex-works, upon collection by the customer or agent.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. Deferred tax on post-retirement benefits is recognised in full.

Pension costs

The company formerly made contributions to the British Coal Corporation Staff Superannuation Scheme and The Pension Scheme. As a result of the privatisation of the coal industry these schemes have been declared closed. The schemes are backed by government guarantee and no future liability will fall upon the company.

Employees who were members of the above schemes on 3 February 1995 were eligible to join either the Industry Wide Coal Staff Superannuation Scheme or the Industry Wide Mineworkers' Pension Scheme. The company will make contributions as agreed with the Schemes, having regard to the actuary's recommendations.

The company also contributes to a defined benefit pension scheme operated by CPL Industries Limited. Contributions and pension costs are based on pension costs across the group as a whole.

Contributions to pension schemes in respect of current and past services, ex gratia pensions, and cost of living adjustments to existing pensions are based on the advice of actuaries.

FRS 17 "Retirement Benefits" has been adopted fully in the year and the effect of such mentioned in the "Changes in accounting policy" section above.

The company also contributes to a defined contribution money purchase scheme operated by CPL Industries Limited. Contributions to this scheme are charged to the profit and loss account as incurred.

The company provides other post retirement benefits to its employees in the form of concessionary fuels. The provision is calculated as the future cost of providing concessionary fuels on retirement to all eligible current and former employees net of taxation amounts recoverable. The provision is discounted over the average expected period of providing the benefit.

Cash flow statement

The company is a wholly owned subsidiary of CPL Industries Limited and the cash flows of the company are included in the consolidated group cash flow statement of CPL Industries Limited. Consequently the company is exempt under the terms of FRS 1 "Cash Flow Statements" from publishing a cash flow statement.

Coal Products Limited

Related party transactions

In accordance with the exemption allowed by FRS 8 "Related Party Transactions" transactions with CPL Industries Limited and fellow subsidiary undertakings are not disclosed.

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Notes to the financial statements for the year ended 31 March 2006

1 Turnover

Geographical analysis by destination:	2006 £m	2005 £m
United Kingdom	57.1	61.2
Europe	1.8	1.8
Rest of world	0.5	0.4
	59.4	63.4

Turnover represents the amounts arising from the sales of goods and services, including briquetting and by-products, which fall within the company's ordinary activities, stated net of value added tax.

2 Net operating expenses

	2006 £m	2005 As restated £m
Raw materials and consumables	35.8	38.3
Other operating charges (see below)	9.4	8.4
Employee costs (note 4)	4.9	5.3
Depreciation (note 8)	1.0	1.7
Impairment of fixed assets (note 8)	0.3	-
Exceptional operating expenses (see below)	0.8	0.6
	52.2	54.3
Decrease in stocks of finished goods	0.7	1.0
	52.9	55.3

Coal Products Limited

Other operating charges includes the following:	2006 £'000	2005 £'000
Operating lease payments		
- land and buildings	616	638
- plant and machinery	476	493
Depreciation on owned fixed assets	1,023	1,737
Impairment on owned fixed assets	301	
Depreciation on assets held under finance lease	-	21
Auditors' remuneration		
- audit	31	29
Research and development expenditure	67	64

Exceptional operating expenses	2006 £m	2005 £m
Other operating charges		
Environmental and site remediation costs	0.8	0.6

3 Directors' emoluments

Only one of the directors received any emoluments in respect of his directorship of Coal Products Limited during the year (2005: one). His aggregate emoluments amounted to £223,421 (2005: £168,475). Contributions of £18,888 were made to a final salary pension scheme on behalf of this director.

Retirement benefits are no longer accruing to any directors (2005: one) under the company's defined benefit scheme.

D J Kerr received no emoluments for provision of his services to Coal Products Limited. His total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the ultimate parent company.

Coal Products Limited

4 Employee information

The average monthly number of persons (including executive directors) employed by the company during the period was:

By activity	2006 Number	2005 Number
Production	74	82
Selling and distribution	13	13
Administration	74	80
	161	175
Staff costs (for the above persons)	2006	2005
		As restated
	£m	£m
Wages and salaries	4.3	4.6
Social security costs	0.4	0.4
Other pension costs	0.2	0.3
	4.9	5.3

5 Interest receivable

	2006 £m	2005 £m
Bank interest receivable	-	0.1

6 Tax on profit on ordinary activities

	2006 £m	2005 £m
UK corporation tax at 30% (2005: 30%)		
Current	2.1	0.9

Coal Products Limited

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006	2005
		As restated
	£m	£m
Profit on ordinary activities before tax	6.5	8.2
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	2.0	2.5
Expenses not deductible for tax purposes	0.1	0.1
Utilisation of brought forward losses and other timing differences	-	(1.7)
Current tax charge for the year	2.1	0.9

Deferred taxation

The company has an unrecognised deferred tax asset of £2.5m (2005: £2.0m) relating predominantly to corporation tax losses carried forward. This has not been recognised as it is not expected to reverse in the foreseeable future.

7 Intangible fixed assets

	Goodwill
	£m
Cost	
At 1 April 2005	0.5
Additions	-
At 31 March 2006	0.5
Amortisation	
At 1 April 2005	0.1
Charge for year	-
At 31 March 2006	0.1
Net book value	
At 31 March 2006	0.4
At 31 March 2005	0.4

Coal Products Limited

8 Tangible fixed assets

	Freehold land and buildings	Short leasehold land and buildings	Plant and machinery	Industrial buildings	Assets held for resale	Total
	£m	£m	£m	£m	£m	£m
Cost or valuation						
At 1 April 2005	4.6	0.3	25.5	1.8	23.6	55.8
Additions	-	-	0.4	-	-	0.4
At 31 March 2006	4.6	0.3	25.9	1.8	23.6	56.2
Depreciation						
At 1 April 2005	1.9	0.3	21.6	1.3	22.1	47.2
Charge for year	0.1	-	0.9	-	-	1.0
Impairment	-	-	0.3	-	-	0.3
At 31 March 2006	2.0	0.3	22.8	1.3	22.1	48.5
Net book amount						
At 31 March 2006	2.6	-	3.1	0.5	1.5	7.7
At 31 March 2005	2.7	-	3.9	0.5	1.5	8.6

Net book amounts of tangible fixed assets include £nil (2005: £5,000) relating to assets held under finance leases.

Valuations of the company's land and buildings were carried out during 1991 by chartered surveyors. These valuations, which were incorporated in the accounts at that date, were made at open market value for existing use. If they had not been revalued, the cost of the company's freehold land and buildings would be carried in the accounts at £2.8m (2005: £2.8m).

Following the implementation of FRS 15 'Tangible Fixed Assets', the tangible fixed assets previously revalued have been retained at their book amounts, as permitted by the transitional provisions of FRS 15.

Following the termination of operations at the Cwm site, the assets are deemed to be held for resale. The company would anticipate realising in excess of current net book value for this site.

Coal Products Limited

9 Fixed asset investments

	Shares in subsidiary undertakings £m
Cost	
At 1 April 2005 and 31 March 2006	70.5
Amounts written off	
At 1 April 2005 and 31 March 2006	0.1
Net book value	
At 31 March 2005 and at 31 March 2006	70.4

Fixed asset investments in subsidiary undertakings includes a £70m investment in National Smokeless Fuels Ltd, which is a non-trading company. There is a corresponding creditor with this investment disclosed under amounts falling due after more than one year (see note 12).

Subsidiary undertakings

Subsidiary undertakings and the nature of their business are as follows:

Subsidiary	Nature of business	Class of capital	% held
CPL Environmental Engineering Limited	Non trading	Ordinary shares	100
National Smokeless Fuels Limited	Non trading	Ordinary shares	100
British Fuels Limited	Non trading	Ordinary shares	100
CPL Carbons Limited	Non trading	Ordinary shares	100
Palco Shipping & Trading Limited	Port handling	Ordinary shares	100
CPL Filters Limited	Non trading	Ordinary Shares	100

All subsidiaries are incorporated in Great Britain.

10 Stocks

	2006 £m	2005 £m
Raw materials and consumables	1.7	2.0
Finished goods	2.7	3.1
	4.4	5.1

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11 Debtors

Amounts falling due within one year	2006 £m	2005 £m
Trade debtors	7.3	7.0
Amounts owed by group undertakings	47.7	37.0
Prepayments and accrued income	0.3	0.4
	55.3	44.4

12 Creditors

	2006 £m	2005 As restated £m
Amounts falling due within one year		
Trade creditors	7.7	7.6
Amounts owed to group undertakings	6.7	2.4
Group relief payable	2.1	0.9
Other taxation and social security	0.5	0.7
Accruals and deferred income	1.1	0.8
Obligations under finance leases and hire purchase contracts	-	0.1
	18.1	12.5
Amounts falling due after more than one year		
Amounts owed to group undertakings	70.3	70.3
Pension deficit (note 14)	0.9	1.3
	71.2	71.6

Finance leases

The net finance lease obligations to which the company are committed are:

	2006 £m	2005 £m
Within one year	-	0.1
In more than one year, but not more than five years	-	-
	-	0.1

Coal Products Limited

13 Provisions for liabilities and charges

	Concessionary fuel obligations	Other	Total
	£m	£m	£m
At 1 April 2005	0.5	0.1	0.6
Charged to the profit & loss account	0.1	-	0.1
At 31 March 2006	0.6	0.1	0.7

Other provisions relate mainly to a dilapidation provision in respect of the CPL Charcoal warehouses.

Pensions and similar obligations

Pensions and similar obligations relate to the cost of concessionary fuel in retirement. The principal assumptions made, concerning the amounts that may be required to settle the obligations are as follows:

- (a) discount rates used are based on the upon the UK 10 yr 5% redemption yield divided by real increase in the headline RPI;
- (b) the expected life of employees post retirement is 17.44 years for men and 20.59 years for women.

14 Pension costs and other retirement benefits

Defined contribution scheme

The company contributes to a defined contribution scheme which is operated by CPL Industries Limited.

Pension costs for defined contribution schemes are as follows:

	2006	2005
	£m	£m
Defined contribution schemes	0.1	0.1

Coal Products Limited

Defined benefit plans

The assets of all schemes are held separately to those of the company in independently-administered funds. Pension costs are assessed in accordance with the advice of professionally qualified independent actuaries.

Three of the major schemes are defined benefit schemes which have been closed to new entrants since 1999. They are all funded schemes based on final salary. The results of the most recent triennial valuation of the schemes were:

	CPL Industries Pension Plan	IWCSS Scheme	IWMP Scheme
Date of last actuarial valuation	31 March 2005	31 December 2003	31 December 2003
Method used	Projected unit	Projected unit	Projected unit
Market value of investments £m	76.7	13.1	5.8
Deficit £m	(8.2)	(2.8)	(1.3)
Level of funding	90%	82%	82%
Main assumptions			
Rate of price inflation	2.8%	2.8%	2.8%
Return on investments	4.5% - 7.4%	4.4% - 7.4%	4.4% - 7.4%
Increase in earnings	N/A	2.8%	2.8%

The company has agreed increased contributions designed to eliminate the deficiencies. The company paid contributions to the defined benefit schemes of £0.5m in the year to 31 March 2006 (2005: £0.3m). As the IWCSS and IWMP schemes are closed to new entrants the cost of providing benefits (as a percentage of salaries) is expected to rise in the future. However the number of remaining active members will decrease.

The final salary section of the CPL Industries Pension Plan has been closed to future accruals of benefit with effect from 30 April 2004. This does not affect pension benefits earned to that date and all members of this scheme have been invited to join the money purchase section of the CPL Industries Pension Plan.

FRS17 "Retirement Benefits"

The company has adopted FRS 17 in the year and the IWMP Scheme will therefore be accounted for as a defined benefit scheme. The CPL Industries Pension Plan and the IWCSS Scheme will be accounted for as defined contribution schemes under FRS 17 as the company is unable to identify its share of the underlying assets and liabilities of these schemes.

The calculations for inclusion of amounts in the accounts in respect of the IWMP Scheme have been based on a valuation at 31 December 2003 updated to 31 March 2006 by professionally qualified independent actuaries:

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Industry Wide Mineworkers Pension (IWMP) Scheme

The major assumptions used by the actuaries were:

	31 March 2006	31 March 2005
Discount rate	5.00%	5.50%
Rate of increase in salaries	2.80%	2.90%
Rate of increases of inflation linked pensions in payment	2.80%	2.90%
Inflation assumption	2.80%	2.90%

The assets of the scheme are invested in investment funds managed by a number of independent fund managers. The market value of the assets of the scheme were:

	Market value £m	Long-term expected rate of return	Market value £m	Long-term expected rate of return
	31 March 2006	31 March 2006	31 March 2005	31 March 2005
Equities	4.3	7.40%	3.1	7.70%
Bonds	1.5	4.40%	1.3	4.70%
	5.8		4.4	

Pensions and post-retirement obligations

The amounts recognised in the balance sheet are determined as follows:

	31 March 2006	31 March 2005
	£m	£m
Total market value of assets	5.8	4.4
Present value of scheme liabilities	(7.1)	(6.3)
Deficit in the scheme	(1.3)	(1.9)
Related deferred tax asset	0.4	0.6
Net pension deficit	0.9	1.3

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Operating profit

	31 March 2006	31 March 2005
	£m	£m
Current service cost	0.2	0.2
Curtailment gain	-	-
Total operating charge (see note 4)	0.2	0.2

Other finance income

	31 March 2006	31 March 2005
	£m	£m
Expected return on pension scheme assets	0.3	0.3
Interest on pension scheme liabilities	(0.3)	(0.3)
Actuarial gain recognised in STRGL	-	-

Statement of total recognised gains and losses (STRGL)

	31 March 2006	31 March 2005
	£m	£m
Expected return on pension scheme's assets	0.8	0.2
Change in assumptions underlying the present value of the scheme's liabilities	(0.5)	(0.2)
Actuarial gain recognised in STRGL	0.3	-

Movements in surplus for the year

	31 March 2006	31 March 2005
	£m	£m
Deficit in scheme at beginning of the year	(1.9)	(2.0)
Movement in year		
Current service cost	(0.2)	(0.2)
Contributions	0.5	0.3
Actuarial gain	0.3	-
Deficit in scheme at end of the year	(1.3)	(1.9)

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Details of experience gains and losses for the year

	31 March 2006 £m	31 March 2005 £m	31 March 2004 £m	31 March 2003 £m
Difference between expected and actual return on the scheme's assets:				
Amount	0.8	0.2	0.6	(1.5)
Percentage of scheme's assets	14%	4%	17%	52%
Experience gains and losses on scheme's liabilities				
Amount	-	-	-	0.4
Percentage of present value of scheme's liabilities	-	-	-	7%
Total amount recognised in statement of total recognised gains and losses				
Amount	0.3	-	0.5	(1.4)
Percentage of present value of the scheme's liabilities	4%	-	8%	25%

15 Called up share capital

	2006 £m	2005 £m
Authorised		
47,134,217 Ordinary shares of £1 each	47.1	47.1
Allotted, called up and fully paid		
42,134,217 Ordinary shares of £1 each	42.1	42.1

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16 Movement on reserves

	Profit and loss account £m	Revaluation reserve £m
At 31 March 2005 as previously stated	8.7	0.6
Prior year adjustment FRS 17	(1.3)	-
At 31 March 2006 as restated	7.4	0.6
Actuarial gain on the pension scheme net of deferred tax	0.1	-
Profit for the year	4.4	-
At 31 March 2006	11.9	0.6

17 Contingent liabilities

	2006 £m	2005 £m
Amount of guarantee in respect of cross-guarantee on bank overdraft of companies within the group	7.1	12.0

The assets of the company are secured by the company's bankers by a fixed and floating charge.

In the opinion of the directors no loss is expected to arise from these items.

18 Financial commitments

At 31 March 2006, the company had annual commitments under non-cancellable operating leases as follows:

	2006			2005		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
Expiring with one year	-	0.1	0.1	0.1	-	0.1
Within two to five years	0.1	0.1	0.2	0.1	0.2	0.3
After five years	0.5	-	0.5	0.5	-	0.5
	0.6	0.2	0.8	0.7	0.2	0.9

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19 Ultimate parent company

The directors regard CPL Industries Limited as the ultimate parent company and controlling party. According to the register kept by the company CPL Industries Limited has a 100% interest in the equity capital of Coal Products Limited at 31 March 2006.

The largest and smallest group in which the results of the company are consolidated is CPL Industries Limited's consolidated financial statements, copies of which may be obtained from the Secretary, CPL Industries Limited, Mill Lane, Wingerworth, Chesterfield, Derbyshire, S42 6NG.