

INEOS Silicas Limited

Annual report

for the year ended 31 December 2003

Registered Number 48745



INEOS Silicas Limited

Annual report

for the year ended 31 December 2003

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INEOS Silicas Limited

Directors and advisors for the year ended 31 December 2003

Directors

Mr B Foster
Mr M Maher
Mr R Whelan
Mr S Wilson

Secretary

Mr M Maher

Independent auditors

PricewaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne
NE99 1PL

Bankers

Barclays Bank Plc
51 Mosley Street
Manchester
M60 3DQ

Solicitors

Hammonds
Trinity Court
16 John Dalton Street
Manchester
M60 8HS

Registered Office

Bank Quay
4 Liverpool Road
Warrington
WA5 1AB

INEOS Silicas Limited

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activities and business review

There was no significant change in the principal activities of the company, which consisted of the manufacture, and sale of chemicals.

The directors consider that in the conditions prevailing during the year the development of the company's business and its financial position at the end of the year were satisfactory.

The Board has initiated the development of a set of comprehensive Global SHE Standards and Guidance to establish uniformly high standards across the business. During the year, the draft documents were issued and an extensive consultation process was carried out to ensure consistency with local legislative requirements. The final documents are due for issue in June 2004.

There has been increased focus on behaviour and culture which have been identified as a key factors in improving SHE performance.

Quarterly SHE reports were also introduced for distribution to the Board and all Site Managers.

Although the company invoices certain customers in euros, there are no plans at present to convert the accounting records into the euro.

Research and development

The company's research and development programme continued to investigate new materials and applications for existing and developing products, whilst at the same time seeking to improve the quality and performance of the existing range of products.

Profit and dividend

The profit after taxation for the year is £3,270,000 (2002 loss: £6,381,000). The directors do not recommend the payment of a dividend (2002: £Nil).

Market value of land and buildings

In view of the fact that the land and buildings are used for productive and distributive activities and are not held for resale, the directors consider that the difference between their market value and the value at which they are included in the balance sheet is not of such significance as to require that attention be drawn to it, as would be required by Schedule 7 (Part 1) of the Companies Act 1985.

Directors' interests

Mr B Foster, Mr M Maher, Mr R Whelan & Mr S J Wilson are also directors of INEOS Silicas Holdings Limited, and their beneficial interest in the share capital of the ultimate parent company, INEOS Group Limited are disclosed in the directors report of INEOS Silicas Holdings Limited.

Employees

It is the company's practice to give full and fair consideration to applications for employment received from disabled persons, subject to the company's requirements and to the qualifications ability and aptitude of the individual in each case.

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Any employee who becomes disabled is encouraged to remain in the company's employment, in the same job if this is practicable. If a change of job is necessary, such an employee is considered for any suitable alternative work, which is relevant, and any necessary training is arranged.

Disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

Employee involvement

Senior site management of the company met employee representatives quarterly in the Company Council. They discussed external and internal factors affecting the current state of the business, future marketing and investment plans and their implications for employment and HR policies.

Employees have the opportunity to meet with the Site General Manager twice per annum to discuss all factors affecting the business and employees. These consultations supplement normal line communications through team briefs.

The Site General Manager met employee representatives each quarter in the Site Safety Forum to monitor the work of departmental committees, to review the company's responsibilities under the Health and Safety at Work Act and to monitor progress on safety health and environment issues.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit of the company for that year. The directors are required to 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 suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INEOS Silicas Limited

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 11 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

By order of the board



Mr M Maher
Secretary

22 April 2004

INEOS Silicas Limited

Independent auditors' report to the members of INEOS Silicas Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, and the related notes which have been prepared under the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 of the state of the company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers Ltd

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
22 April 2004

INEOS Silicas Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	1	59,989	56,879
Cost of sales		(37,939)	(37,035)
Gross profit		22,050	19,844
Distribution costs		(4,549)	(4,373)
Administrative expenses		(11,250)	(12,541)
Exceptional administrative expenses	6	-	(7,776)
Total administrative expenses		(11,250)	(20,317)
Other operating income		1,062	355
Operating profit/(loss)		7,313	(4,491)
Interest receivable and similar income	3	106	89
Interest payable and similar charges	4	(3,247)	(4,988)
Profit/(loss) on ordinary activities before taxation	2	4,172	(9,390)
Taxation (charge)/credit on profit/(loss) on ordinary activities	5	(902)	3,009
Profit/(loss) for the financial year		3,270	(6,381)
Losses at 1 January 2003	17	(23,353)	(16,972)
Losses carried forward	17	(20,083)	(23,353)

All of the company's activities relate to continuing operations.

There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the year and their historical cost equivalents.

There are no recognised gains or losses for each financial year other than those disclosed above.

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Balance sheet as at 31 December 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Fixed assets					
Tangible assets	9		37,159		37,814
Current assets					
Stock	10	6,337		6,363	
Debtors	11	12,001		10,643	
Cash at bank and in hand		2,981		3,012	
		21,319		20,018	
Creditors: amounts falling due within one year	12	(20,303)		(18,255)	
Net current assets			1,016		1,763
Total assets less current liabilities			38,175		39,577
Creditors: amounts falling due after more than one year	13		(30,972)		(30,972)
Provisions for liabilities and charges	14		(4,886)		(9,558)
Net assets/(liabilities)			2,317		(953)
Capital and reserves					
Called up equity share capital	16		19,005		19,005
Share premium account	17		3,395		3,395
Profit and loss account	17		(20,083)		(23,353)
Equity shareholders' funds/(deficit)	18		2,317		(953)

The financial statements on pages 6 to 23 were approved by the board of directors on 22 April 2004 and were signed on its behalf by:



M Maher
Director

INEOS Silicas Limited

Accounting policies

These financial statements are prepared under the historical cost convention, the main accounting policies are set out below and in accordance with applicable accounting standards.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The financial statements have been prepared on a going concern basis. The going concern assumption is based on confirmation that the company will be supported by its parent company to finance its activities for twelve months following the date of approval of these financial statements.

Cash flow statement

The company is a wholly owned subsidiary of INEOS Silicas Holdings Limited and is ultimately consolidated within the financial statements of INEOS Group Limited. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

Turnover

Turnover represents products and services supplied to customers during the year net of attributable value added tax. Turnover is recognised upon the shipment of goods.

Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the cost of a fixed asset on a straight line basis over its estimated useful economic life taking into account expected residual values, using the following guidelines:

Freehold & leasehold buildings	20 - 40 years
Plant and machinery	2 - 15 years
Fixtures, fittings, tools and equipment	10 years

No depreciation is provided on freehold land.

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 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. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. 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 by the balance sheet date. Deferred tax assets and liabilities, which have been recognised, have not been discounted.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Leases

Operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

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Research and development

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

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction (or if hedged forward, at the rate of exchange under the related forward currency contract). Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Pensions

The company participates in a pension scheme providing benefits based on final pensionable pay for all employees. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company.

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Notes to the financial statements for the year ended 31 December 2003

1 Segmental analysis

The company's geographical analysis of turnover split by destination is as follows:

	2003 £'000	2002 £'000
United Kingdom	22,810	20,812
Europe	21,899	20,685
Rest of the World	15,280	15,382
	59,989	56,879

2 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	2003 £'000	2002 £'000
Auditors' remuneration:		
Audit	46	36
Non audit services	45	196
Depreciation of tangible fixed assets	4,043	4,055
Exchange losses	143	21
Rentals payable under operating leases:		
Plant and machinery	659	578
Other assets	448	398
Research and development expenditure	2,541	2,559
Profit on sale of fixed assets	(12)	(49)

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3 Interest receivable and similar income

	2003	2002
	£'000	£'000
Interest receivable from group undertakings	35	39
Interest receivable - external	71	50
	106	89

4 Interest payable and similar charges

	2003	2002
	£'000	£'000
Loans with group undertakings	3,203	4,943
Exchange losses	44	45
	3,247	4,988

5 Taxation

(a) Analysis of tax charge/(credit) in the year

	2003	2002
	£'000	£'000
Group relief at 30% (2002: 30%)	2,964	(1,341)
Deferred taxation credit	(2,062)	(1,668)
Tax charge/(credit) for the year	902	(3,009)

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	2003 £'000	2002 £'000
Group relief payable to group company at 30%		
Current year	1,563	(1,341)
Adjustment in respect of prior periods	1,401	-
Total current tax	2,964	(1,341)
Deferred tax		
Origination and reversal of timing differences	(2,062)	(1,377)
Adjustment in respect of prior periods	-	(291)
Total deferred tax (see note 14)	(2,062)	(1,668)

(b) Factors affecting tax charge in the year

	2003 £'000	2002 £'000
Profit/(loss) on ordinary activities before taxation	4,172	(9,390)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	1,252	(2,817)
Effects of:		
Expenses not deductible for tax purposes	125	99
Capital allowances in excess of depreciation	1,194	1,025
Other short term timing differences	(1,008)	1,114
Utilisation of tax losses	-	(762)
Adjustment in respect of prior periods	1,401	-
Current tax charge/(credit) for the year	2,964	(1,341)

(c) Factors affecting future tax charge

There are no factors expected to significantly affect the tax charge in future periods.

6 Exceptional administrative expenses

Exceptional costs of £Nil (2002: £7,776,000) in the year relate to the operational restructuring provision of £Nil (2002: £7,126,000) and £Nil (2002: £650,000) statutory and environmental obligations provision (note 14).

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7 Directors' emoluments

	2003	2002
	£'000	£'000
Aggregate emoluments	437	478

At the year end there are four directors (2002: four) who have benefits accruing under a defined benefit scheme.

Highest paid director	2003	2002
	£'000	£'000
Aggregate emoluments	130	135

8 Employee's information

The average number of employees employed by the company, including directors, during the year is analysed as follows:

	2003	2002
Production	221	225
Selling, distribution and administration	148	156
	369	381

The aggregate payroll costs of these persons was as follows:

	2003	2002
	£'000	£'000
Wages and salaries	11,478	12,526
Social security costs	991	877
Pension costs (see note 15)	1,318	1,502
	13,787	14,905

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9 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Payments on account and assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2003	16,209	67,220	907	4,534	88,870
Additions	-	-	-	3,395	3,395
Disposals	(69)	(1,802)	(363)	-	(2,234)
Reclassifications	190	5,226	65	(5,481)	-
At 31 December 2003	16,330	70,644	609	2,448	90,031
Depreciation					
At 1 January 2003	5,081	45,242	733	-	51,056
Charge for year	434	3,559	50	-	4,043
On disposals	(69)	(1,795)	(363)	-	(2,227)
At 31 December 2003	5,446	47,006	420	-	52,872
Net book value					
At 31 December 2003	10,884	23,638	189	2,448	37,159
At 31 December 2002	11,128	21,978	174	4,534	37,814

The net book value of land and buildings comprises;

	2003	2002
	£'000	£'000
Freehold	10,823	11,067
Long leasehold	61	61
	10,884	11,128

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10 Stocks

	2003	2002
	£'000	£'000
Raw materials and consumables	2,453	2,219
Work in progress	1,357	972
Finished goods and goods for resale	2,527	3,172
	6,337	6,363

11 Debtors

	2003	2002
	£'000	£'000
Trade debtors	7,714	7,225
Amounts owed by group undertakings	3,270	2,496
Loans owed by group undertakings	598	554
Other debtors	323	324
Prepayments and accrued income	96	44
	12,001	10,643

12 Creditors - amounts falling due within one year

	2003	2002
	£'000	£'000
Trade creditors	8,190	8,957
Taxation and social security	335	330
Amounts owed to group undertakings	11,778	8,968
	20,303	18,255

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13 Creditors - amounts falling due after more than one year

	2003	2002
	£'000	£'000
Amounts owed to group undertakings	30,972	30,972

The above balance mainly represents a fixed rate loan, repayable on 9th January 2006 .

14 Provision for liabilities and charges

	Statutory and environmental obligations	Deferred taxation	Operational restructuring obligations	Total
	£'000	£'000	£'000	£'000
At 1 January 2003	1,700	3,067	4,791	9,558
Credited to profit and loss account	-	(2,062)	-	(2,062)
Utilised in the year	(19)	-	(2,591)	(2,610)
At 31 December 2003	1,681	1,005	2,200	4,886

During the year the directors reviewed the operational restructuring obligations and decided the provision was adequate in respect of redundancy, early retirement and other termination costs. £Nil (2002: £7.12m), was charged to exceptional administration expenses. It is expected that the provision will be spent over the next 2-3 years as obligations fall due.

The directors also reviewed the provision for statutory and environmental obligations arising from the company's activities and decided the provision was adequate. The provision will be spent over the next 5-6 years as risk assessments are updated and obligations fall due.

Deferred taxation

The amounts provided for deferred taxation are set out below. All of the potential liability has been fully provided.

	2003	2002
	£'000	£'000
Difference between accumulated depreciation and capital allowances	4,330	5,582
Short term timing differences	(962)	(1,395)
Losses	(2,363)	(1,120)
	1,005	3,067

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15 Pension scheme

Company – Disclosures in respect of Statement of Standard Accounting Practice 24

As explained in the accounting policies set out on pages 8 and 9, the company operates a defined benefit pension scheme. The scheme is of a defined benefit type under which benefits are based on employees' years of service and average final remuneration. Contributions are charged to the profit and loss account so as to spread the costs of pensions over employees' working lives with the company. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method.

The first actuarial valuation of the fund was made with an effective date of 31 December 2001. The results were made available to the trustees and the sponsoring company in December 2002. The assumptions which have the most significant effect on the results of the valuation are:

	31 December 2001
Long term investment return – existing assets	6.4% pa
Long term investment return – future contributions	6.6% pa
General salary increases	4.0% pa
Price inflation	2.5% pa
Post retirement pension increases	2.5% pa

The pension cost for the year in relation to this scheme represents the contributions payable by the company and amounted to £1,318,000 (2002: £1,502,000). There were no outstanding contributions at the end of the year.

The most recent actuarial valuation showed that the market value of the scheme's assets was £26,546,000 and that the value of those assets represented approximately 98% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

In some circumstances, the company pays the capital cost of enhancing early retirement for employees retiring before normal retirement age to the INEOS Silicas pension fund. These costs are charged against the operational restructuring obligation provision, in the year in which the decision to retire an employee before normal retirement age, is made.

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FRS 17

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

Major assumptions	2003	2002	2001
Discount rate	5.60%	5.60%	5.80%
Inflation rate	2.60%	2.25%	2.50%
Rate of pension increases in payment	2.60%	2.25%	2.50%
Rate of pension increases in deferment	2.60%	2.25%	2.50%
Expected return on assets	7.53%	7.15%	6.80%
Expected rate of salary increases	4.10%	3.75%	3.90%

The expected long term rate of returns and market value of assets of the company's defined benefit plan were as follows:

	Long-term rate of return expected at 31 December 2003 %	Value at 31 December 2003 £'000	Long-term rate of return expected at 31 December 2002 %	Value at 31 December 2002 £'000	Long-term rate of return expected at 31 December 2001 %	Value at 31 December 2001 £'000
Equities	8.0%	28,400	8.0%	16,740	7.3%	27,200
Bonds	5.0%	3,860	5.0%	3,530	5.0%	6,800
Other	3.5%	880	5.0%	3,060	-	-
Total market value of assets		33,140		23,330		34,000
Present value of scheme liabilities		(44,200)		(35,284)		(39,800)
Deficit in the scheme		(11,060)		(11,954)		(5,800)
Related deferred tax asset		3,318		3,586		1,740
Net pension liability		(7,742)		(8,368)		(4,060)

If the above amounts had been recognised in the financial statements, the company's net assets/(liabilities) and profit and loss reserve at 31 December would be as follows:

	2003 £'000	2002 £'000	2001 £'000
Net assets/(liabilities)			
Net assets/(liabilities) excluding pension liability	2,317	(953)	5,428
Pension liability	(7,742)	(8,368)	(4,060)
Net liabilities including pension liability	(5,425)	(9,321)	1,368

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	2003 £'000	2002 £'000	2001 £'000
Reserves			
Profit and loss reserve excluding pension liability	(20,083)	(23,353)	(16,972)
Pension liability	(7,742)	(8,368)	(4,060)
Profit and loss reserve including pension liability	(27,825)	(31,721)	(21,032)

The costs of the company schemes for the year ended 31 December 2002 on an FRS17 basis would have been:

Analysis of amount charged to operating profit

	2003 £'000	2002 £'000
Current service cost	1,720	1,702
Past service cost	2,850	993
Total operating charge	4,570	2,695

Analysis of amount charged/(credited) to other finance income

	2003 £'000	2002 £'000
Interest on pension scheme liabilities	2,070	2,332
Expected return on pension scheme assets	(1,880)	(2,405)
Net charge/(return)	190	(73)

Other gains and losses of the company scheme for the year ended 31 December 2003 are:

Actuarial loss

	2003 £'000	2002 £'000
Difference between expected and actual return on assets	(3,530)	(15,474)
Experience gains and losses arising on the scheme liabilities	(1,064)	9,285
Effect of changing financial assumptions	3,120	47
Total other gains and losses	(1,474)	(6,142)

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Actuarial loss as a percentage of scheme assets and liabilities at 31 December

	2003	2002
Difference between expected and actual return on assets as a percentage of scheme assets	11.1%	(66.3%)
Experience gains and losses arising on the scheme liabilities as a percentage of the present value of scheme liabilities	(2.5%)	26.3%
Total actual loss recognised in statement of total recognised gains and losses as a percentage of the present value of scheme liabilities	(3.5%)	(17.4%)

Analysis of movement in deficit in the scheme for the year ended 31 December

	2003 £'000	2002 £'000
Deficit in scheme at beginning of the year	(11,954)	(5,800)
Current service cost	(1,720)	(1,702)
Past service cost	(2,850)	(993)
Contributions	4,180	2,610
Other finance (charge)/ income	(190)	73
Actuarial gain/(loss)	1,474	(6,142)
Deficit in scheme at end of the year	(11,060)	(11,954)

16 Called up equity share capital

Ordinary shares of £1 each	Authorised		Issued and fully paid	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
At 1 January and 31 December 2003	19,005	19,005	19,005	19,005

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17 Movement on reserves

	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000
At 1 January 2003	3,395	(23,353)	(19,958)
Profit for the financial year	-	3,270	3,270
At 31 December 2003	3,395	(20,083)	16,688

18 Reconciliation of movements in equity shareholders' funds/(deficit)

	2003 £'000	2002 £'000
Profit/(loss) for the financial year	3,270	(6,381)
Net increase/(decrease) in shareholders' funds	3,270	(6,381)
Opening equity shareholders' (deficit)/funds	(953)	5,428
Closing equity shareholders' funds/(deficit)	2,317	(953)

19 Commitments

(a) Capital commitments

Capital commitments entered into at the end of the financial year for which no provision has been made totalled £311,000 (2002: £282,000).

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(b) Operating lease commitments

The company's annual commitments under non-cancellable operating leases are shown on the following page:

	2003	2002	2003	2002
	Land and buildings	Land and buildings	Plant and machinery	Plant and machinery
	£'000	£'000	£'000	£'000
Expiring within one year	368	449	484	296
Expiring between two and five years	-	-	154	194
Expiring after five years	-	-	8	7
Total	368	449	646	497

(c) Unconditional purchase obligations

At the year end the company had a take or pay gas contract which expires at the end of September 2004. The outstanding value of the unconditional level of purchases by the company is £1,735,000 (2002 £1,500,000, expiring September 2003).

20 Contingent liabilities

No provision has been made against claims and legal action arising in the ordinary course of business where their outcome cannot be predicted with reasonable certainty.

The company has entered into various guarantees with third parties in the ordinary course of business. As at 31 December 2003 guarantees entered into amounted to £269,000 (2002: £260,000).

The company has a credit facility with Barclays Bank PLC in respect of unpaid company credit cards to a maximum value of £200,000 if all company employees default on payment.

The company is party to a credit agreement (the "Senior Credit Agreement") dated 23 May 2001. The Senior Credit Agreement comprises of Term Loans ("Term Loan A", Term Loan B" and Term Loan C") and a revolving credit facility ("the Revolving Credit Facility). The total outstanding indebtedness under the Senior Credit Agreement at 31 December 2003 was €515.6 million (2002: €623.3m). The company is a guarantor under the Senior Credit Agreement. These obligations are secured by fixed and floating charges over the assets of the company.

21 Related party transactions

The ultimate parent company and controlling party is INEOS Group Ltd and the intermediate holding company is INEOS Silicas Holdings Ltd. As 100% of the company's voting rights are controlled within the group headed by INEOS Group Ltd, the company has not disclosed transactions with fellow subsidiaries in accordance with the exemption under the terms of Financial Reporting Standard No 8.

INEOS Silicas Limited

During the year INEOS Silicas Limited purchased & sold goods & services as shown below:

Related Party	Value of purchase/(sale) 2003 £'000	Value of purchase/(sale) 2002 £'000	At end of period amount owed to /(from) 2003 £'000	At end of period amount owed to /(from) 2002 £'000
INEOS Chlor Limited	1,966/(535)	2,008/ (36)	314/-	209/-
European Vinyls Corporation (UK) Limited	115/(73)	(48)/-	-(14)	(15)/-
INEOS Capital Limited	85/-	69/-	9/-	2/-

The entities above are considered related parties because the owners of INEOS Capital own a controlling shareholding in INEOS Group Limited (the ultimate parent undertaking) and a controlling interest in INEOS Chlor Limited.

22 Parent undertaking and controlling party

The directors regard INEOS Silicas Holdings Limited, a company incorporated in the United Kingdom to be the immediate parent undertaking of the company. The directors regard INEOS Group Limited, a company incorporated in the United Kingdom to be the ultimate parent undertaking of the company. Copies of INEOS Group Limited consolidated financial statements can be obtained from the Company Secretary, INEOS Group Limited, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

The directors regard Mr J Ratcliffe to be the ultimate controlling party by virtue of his majority shareholding in INEOS Group Limited.