

INEOS Silicas Limited

Annual report

for the year ended 31 December 2005

Registered Number 48745



INEOS Silicas Limited

Annual report

for the year ended 31 December 2005

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INEOS Silicas Limited

Directors and advisors for the year ended 31 December 2005

Directors

Mr S Wilson	
Mr B Foster	(resigned 30 March 2006)
Mr R Whelan	(resigned 30 March 2006)
Mr I Hogan	(appointed 13 February 2006)
Mrs J Trimble	(appointed 13 February 2006)
Mr M Hallam	(appointed 13 February 2006)
Mr S Quarmby	(appointed 13 February 2006)
Mr J Bush	(appointed 30 March 2006)

Secretary

Mr M Maher	(resigned 10 May 2005)
Mr R Bell	(appointed 10 May 2005, resigned 13 February 2006)
Mrs J Trimble	(appointed 13 February 2006)

Independent auditors

PricewaterhouseCoopers LLP
8 Princes Parade
St Nicholas Place
Liverpool
L3 1QJ

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 2005

The directors present their report and the audited financial statements for the year ended 31 December 2005.

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 light of 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.

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 £457,000 (2004: £3,441,000 loss restated). The directors do not recommend the payment of a dividend (2004: £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' and their interests

Details of directors are given on page 1. Mr B Foster, Mr R Whelan & Mr S J Wilson were directors of INEOS Silicas Holdings Limited at 31 December 2005, and their beneficial interests in the share capital of the ultimate parent company, INEOS Group Limited, are disclosed in the directors report of INEOS Silicas Holdings Limited.

Employees

The company has in place an Equal Opportunities and Diversity policy. 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.

Any employee who becomes disabled is encouraged to remain in the company's employment, in the same role if this is practicable. If a change of role is necessary, such an employee is considered for any suitable alternative role which, with training, the individual could carry out.

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

INEOS Silicas Limited

Directors' report for the year ended 31 December 2005 (continued)

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.

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.

Safety, Health and Environment (SHE)

There was continuing focus on behavioural safety and the Zero Harm programme with extensive training carried out for all employees. Safe and Unsafe Act Auditing (SUSA) has been extended to include FLMs (First Line Managers and Team Leaders) and 100% of the planned SUSAs were achieved in 2005.

Monthly and quarterly SHE reports to the Board have continued. These contain information about incidents, performance trends, award status and progress against agreed improvement activities.

The extensive 2005 SHE Improvement plan was reviewed at the end of the year and completion was estimated to be 85%.

Performance against safety targets was good with a significant improvement from previous years with just 3 Classified and 1 Reportable injuries at Warrington.

The Integrated Pollution Prevention and Control (IPPC) permit application was made to the Environment Agency in August. This is still being evaluated by the EA, with anticipated permit issue in Q2 2006.

BSI ISO 14001 Audits continued in 2005. Only minor non-conformances have been identified and these have been corrected to BSI satisfaction to enable continued certification. compliance and certification to the revised ISO 14001:2004 was also achieved.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company where appropriate. The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to such risk exceed any potential benefits. The company manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. The company is funded internally by the INEOS group and therefore has no direct exposure to liquidity or debt market risk. Interest rate exposures are managed on a group basis and are fully disclosed in the consolidated financial statements of INEOS Group Limited.

INEOS Silicas Limited

Directors' report for the year ended 31 December 2005 (continued)

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 2005 and that applicable accounting standards have been followed.

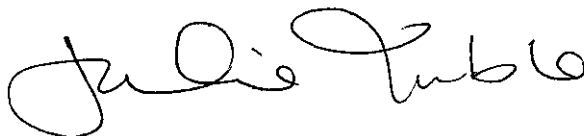
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. In accordance with Section 386 of the Companies Act 1985 the company has elected to dispense with the obligation to appoint auditors annually.

By order of the board

Secretary



28 April 2006

INEOS Silicas Limited

Independent auditors' report to the members of INEOS Silicas Limited

We have audited the financial statements of INEOS Silicas Limited for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, 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 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 other transactions is not disclosed.

We read the directors' report and consider the implication for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Liverpool
28 April 2006

INEOS Silicas Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000 (restated)
Turnover	1	59,137	56,070
Cost of sales		(41,587)	(37,928)
Gross profit		17,550	18,142
Distribution costs		(5,200)	(4,110)
Administrative expenses		(12,269)	(11,889)
Exceptional administrative (charge)/income	8	(1,559)	146
Total administrative expenses		(13,828)	(11,526)
Other operating income		1,145	1,065
Operating (loss)/profit		(333)	3,354
Interest receivable and similar income	3	449	179
Other finance income	4	2,860	2,550
Interest payable and similar charges	5	(4,233)	(3,773)
Other finance expense	6	(2,800)	(2,460)
Loss on ordinary activities before taxation	2	(4,057)	(150)
Taxation credit/(charge) on loss on ordinary activities	7	4,514	(3,291)
Profit/(loss) for the financial year transferred to/from reserves and the profit/(loss) for the year as reported	20	457	(3,441)

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

There is no difference between the loss on ordinary activities before taxation and the loss for the year as reported above and their historical cost equivalents.

INEOS Silicas Limited

Statement of recognised gains and losses for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000 (restated)
Profit/(loss) for the financial year		457	(3,441)
Actuarial loss recognised in the pension scheme	18	(1,510)	(2,870)
Deferred tax arising on losses in the pension scheme	17	453	861
Total recognised loss relating to the financial year		(600)	(5,450)
Prior year adjustment (as explained on page 10)		(9,768)	
Total recognised losses since the last annual report		(10,368)	

INEOS Silicas Limited

Balance sheet as at 31 December 2005

	Note	2005 £'000	2004 £'000 (restated)
Fixed assets			
Tangible assets	11	43,705	37,789
Current assets			
Stock	12	9,511	7,402
Debtors: amounts falling due after more than one year	13	3,000	-
Debtors: amounts falling due within one year	13	20,347	11,366
Total debtors		23,347	11,366
Cash at bank and in hand		1,503	2,192
		34,361	20,960
Creditors: amounts falling due within one year	14	(39,672)	(20,049)
Net current (liabilities)/assets		(5,311)	911
Total assets less current liabilities		38,394	38,700
Creditors: amounts falling due after more than one year	15	(30,972)	(30,972)
Provisions for liabilities and charges	16	(7,487)	(8,835)
Net liabilities excluding pension liability		(65)	(1,107)
Pension liability	18	(11,410)	(9,768)
Net liabilities		(11,475)	(10,875)
Capital and reserves			
Called up equity share capital	19	19,005	19,005
Share premium account	20	3,395	3,395
Profit and loss account	20	(33,875)	(33,275)
Equity shareholders' deficit	21	(11,475)	(10,875)

The financial statements on pages 6 to 24 were approved by the board of directors on 28 April 2006 and were signed on its behalf by:

Director



INEOS Silicas Limited

Accounting policies

These financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, with the exception of the adoption of FRS 17 "Retirement Benefits".

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

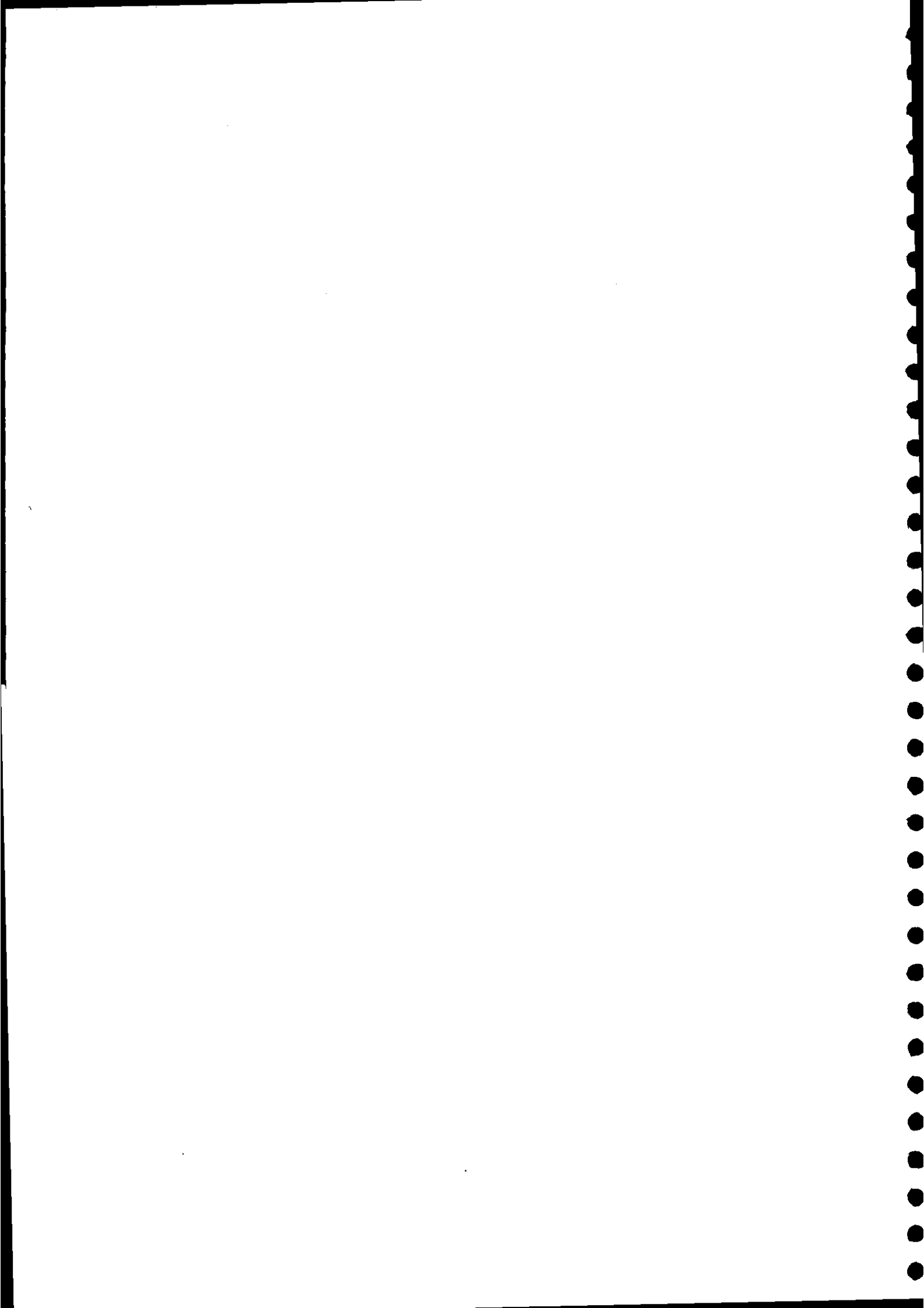
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. An asset is not 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 lease costs are charged to the profit and loss account on a straight-line basis over the period of the lease.



INEOS Silicas Limited

Accounting policies (continued)

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.

Post retirement benefits

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.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus / deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The company has adopted Financial Reporting Standard No. 17 'Retirement Benefits'. FRS 17 requires that financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding. The operating costs of providing retirement benefits are recognised in the period in which they are earned, together with any related finance costs and charges in the value of related assets and liabilities. This contrasts with Statement of Standard Accounting Practice No. 24 'Accounting for Pension Costs', which required the costs of providing pensions to be recognised on a systematic and rational basis over the period during which the employer benefited from the employee's services. The difference between the amount charged in the profit and loss account and the amount paid as contributions into the pension fund was shown as a prepayment or provision on the balance sheet.

This change in accounting policy resulted in a prior period adjustment. The deficit in shareholders' funds at 1 January 2004 has been increased by £9,768,000 and the loss for the year ended 31 December 2004 increased by £17,000. The directors have not obtained an actuarial report on the pension scheme for the purposes of SSAP 24 in 2005, and therefore the effect of the change in accounting policy on the 2005 accounts is not known.

INEOS Silicas Limited

Notes to the financial statements for the year ended 31 December 2005

1 Turnover

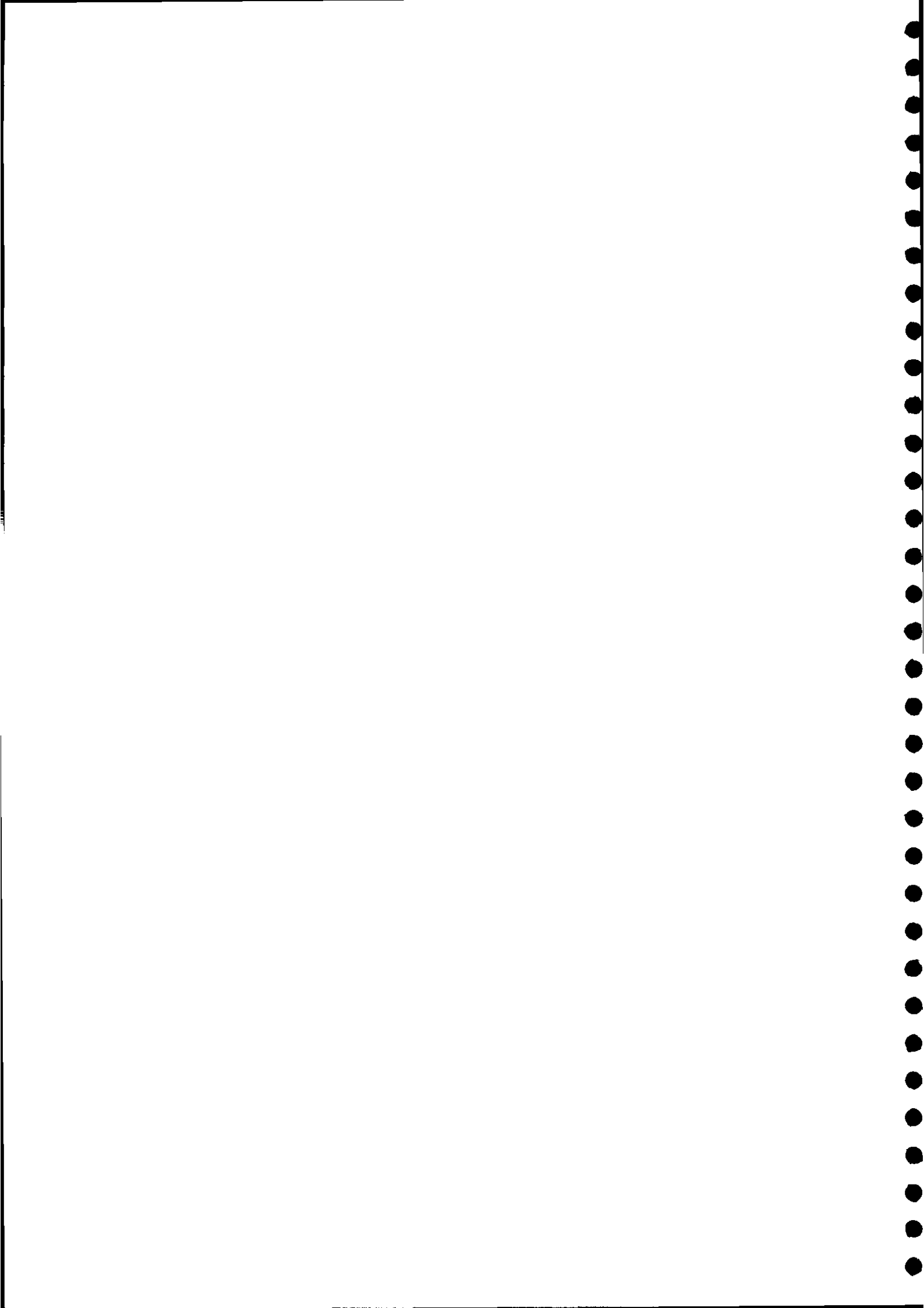
All of the company's turnover originates in the UK. The turnover derives from the principal activity of the company, the manufacture and sale of chemicals. The company's geographical analysis of turnover split by destination is as follows:

	2005 £'000	2004 £'000
United Kingdom	26,049	23,189
Rest of Europe	17,260	18,069
Rest of the World	15,828	14,812
	59,137	56,070

2 Loss on ordinary activities before taxation

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

	2005 £'000	2004 £'000
Auditors' remuneration:		
Audit	42	46
Non audit services	23	30
Depreciation of tangible fixed assets	3,696	4,010
Exchange (gains)/losses	(93)	344
Rentals payable under operating leases:		
Plant and machinery	1,407	680
Other assets	670	533
Research and development expenditure	2,546	2,806
Profit on sale of fixed assets	-	(2)



INEOS Silicas Limited

3 Interest receivable and similar income

	2005	2004
	£'000	£'000
Interest receivable from group undertakings	198	96
Interest receivable from related parties	173	-
Interest receivable - external	78	83
	449	179

4 Other finance income

	2005	2004
	£'000	£'000
		(restated)
Expected return on pension scheme assets	2,860	2,550

5 Interest payable and similar charges

	2005	2004
	£'000	£'000
Interest payable on loans with group undertakings	4,138	3,444
Exchange losses on financing items	95	326
Interest payable – external	-	3
	4,233	3,733

6 Other finance expense

	2005	2004
	£'000	£'000
		(restated)
Interest on pension scheme liabilities	2,800	2,460

INEOS Silicas Limited

7 Taxation

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

	2005 £'000	2004 £'000 (restated)
Group relief payable at 30%:		
Current year	(2,075)	(81)
Adjustment in respect of prior periods	(1,046)	(1,543)
Total current tax credit	(3,121)	(1,624)
Deferred tax		
Origination and reversal of timing differences	1,310	229
Deferred tax credit on pension liability	(251)	(7)
Adjustment in respect of prior periods	(2,452)	4,693
Total deferred tax (credit)/charge	(1,393)	4,915
Total tax (credit)/charge	(4,514)	3,291

(b) Factors affecting tax charge in the year

	2005 £'000	2004 (restated)
Loss on ordinary activities before taxation	(4,057)	(150)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(1,217)	(45)
Effects of:		
Expenses not deductible for tax purposes	201	52
Group relief surrendered not paid	-	134
Accelerated capital allowances and other timing differences	(1,059)	(222)
Adjustment in respect of prior periods	(1,046)	(1,543)
Current tax credit for the year	(3,121)	(1,624)

(c) Factors affecting future tax charge

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

(d) Amounts credited through statement of total recognised gains and losses

The deferred tax credit on actuarial gains and losses on the pension liability of £453,000 (2004: £861,000 as restated) has been credited to the statement of total recognised gains and losses.

INEOS Silicas Limited

8 Exceptional administrative expense

Exceptional administrative expenses represent additional operational restructuring charges of £1,559,000 (note 16) (2004: release of £146,000).

9 Directors' emoluments

	2005	2004
	£'000	£'000
Aggregate emoluments	467	461

At the year-end there were three directors (2004: four) who have benefits accruing under a defined benefit scheme.

Highest paid director	2005	2004
	£'000	£'000
Aggregate emoluments	153	146

The benefit accruing to the highest paid director under the defined benefit pension scheme at 31 December 2005 was £8,213 (2004: £6,233).

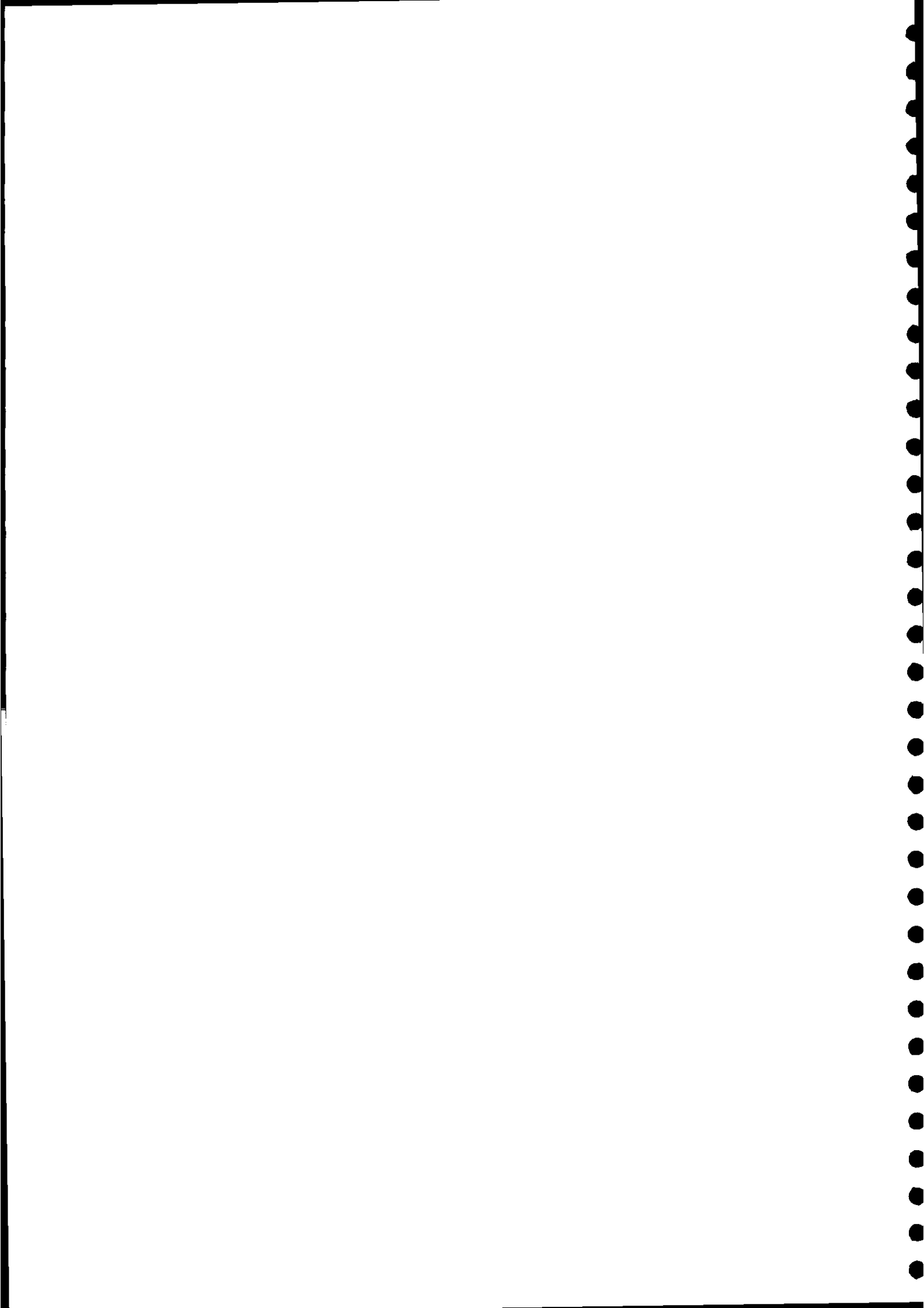
10 Employee information

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

	2005	2004
Production	220	217
Selling, distribution and administration	152	149
	372	366

The aggregate payroll costs of these persons was as follows:

	2005	2004
	£'000	£'000
		(restated)
Wages and salaries	10,660	9,978
Social security costs	1,018	1,022
Pension cost	2,290	2,390
	13,968	13,390



INEOS Silicas Limited

11 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 2005	16,156	70,865	501	4,579	92,101
Additions	-	-	-	9,612	9,612
Disposals	(1)	(3,442)	(26)	-	(3,469)
Reclassifications	1,159	4,190	7	(5,356)	-
At 31 December 2005	17,314	71,613	482	8,835	98,244
Depreciation					
At 1 January 2005	5,841	48,111	360	-	54,312
Charge for year	430	3,211	55	-	3,696
On disposals	(1)	(3,442)	(26)	-	(3,469)
At 31 December 2005	6,270	47,880	389	-	54,539
Net book value					
At 31 December 2005	11,044	23,733	93	8,835	43,705
At 31 December 2004	10,315	22,754	141	4,579	37,789

The net book value of land and buildings comprises:

	2005	2004
	£'000	£'000
Freehold	10,692	10,254
Long leasehold	352	61
	11,044	10,315

INEOS Silicas Limited

12 Stocks

	2005	2004
	£'000	£'000
Raw materials and consumables	2,927	2,505
Work in progress	1,689	1,306
Finished goods and goods for resale	4,895	3,591
	9,511	7,402

13 Debtors

	2005	2004
	£'000	£'000
Amounts due within one year:		
Trade debtors	8,991	7,272
Amounts owed by group undertakings	10,208	2,795
Amounts owed by related parties	178	21
Other debtors	627	448
Prepayments and accrued income	343	830
	20,347	11,366
Amounts due after more than one year:		
Amounts owed by related parties	3,000	-
	3,000	-
Total debtors	23,347	11,366

During 2005 INEOS Silicas Limited advanced funds totalling £3m to INEOS Chlor Limited, which is outstanding at 31 December 2005. The funds were advanced to allow INEOS Chlor Limited (a related party) to commence with the regeneration project at their Runcorn site. The Loan accrues interest at a 1.5% above a 3 monthly Libor rate monthly. Interest accruals of £173,000 are shown in amounts owed from related parties due within one year.

INEOS Silicas Limited

14 Creditors - amounts falling due within one year

	2005	2004
	£'000	£'000
Trade creditors	9,918	7,600
Amounts owed to group undertakings	27,394	10,963
Amounts owed to related parties	347	343
Taxation and social security	369	336
Accruals and deferred income	1,644	807
	39,672	20,049

15 Creditors - amounts falling due after more than one year

	2005	2004
	£'000	£'000
Amounts owed to group undertakings	30,972	30,972

The above balance mainly represents a fixed rate loan, which, at 31 December 2005, was repayable on 21 May 2006. Subsequent to the year end the term of the loan has been extended for a further 5 years.

16 Provision for liabilities and charges

	Statutory and environmental obligations	Deferred taxation	Operational restructuring obligations	Total
	£'000	£'000	£'000	£'000
At 1 January 2005	1,654	5,927	1,254	8,835
Charged/(credited) to profit and loss	-	(1,142)	1,559	417
Utilised in the year	(557)	-	(1,208)	(1,765)
At 31 December 2005	1,097	4,785	1,605	7,487

During the year the directors reviewed the operational restructuring obligations of the company and decided to further restructure parts of the business, increasing the provision for redundancy, early retirement and other termination costs by £1,559,000, which was charged to exceptional administration expenses. An amount of £1,208,000 was utilised. It is expected that the provision will be spent over the next 2-3 years as obligations fall due.

INEOS Silicas Limited

16 Provisions for liabilities and charges (continued)

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 3-4 years as risk assessments are updated and obligations fall due.

17 Deferred taxation

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

	2005 £'000	2004 (restated) £'000
Difference between accumulated depreciation and capital allowances	5,887	6,819
Short term timing differences	(1,102)	(890)
Losses	-	(2)
Deferred tax liability excluding pension scheme liability (note 16)	4,785	5,927
Deferred tax asset on pension scheme liability (note 18)	(4,890)	(4,186)
Net deferred tax (asset)/liability	(105)	1,741

(b) Analysis of movement in the period

	£'000
At 1 January as previously reported	5,927
Prior year adjustment	(4,186)
At 1 January 2005 as restated	1,741
Credit to the profit and loss account	(1,393)
Credit to the statement of total recognised gains and losses	(453)
At 31 December 2005	(105)

INEOS Silicas Limited

18 Pension scheme

In 2005, in accordance with UK GAAP, pension charges have been accounted for under FRS17 "Retirement benefits" for the first time, in these financial statements. 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.

The most recent actuarial valuation was at 31 December 2004, and was updated for FRS17 purposes to 31 December 2005.

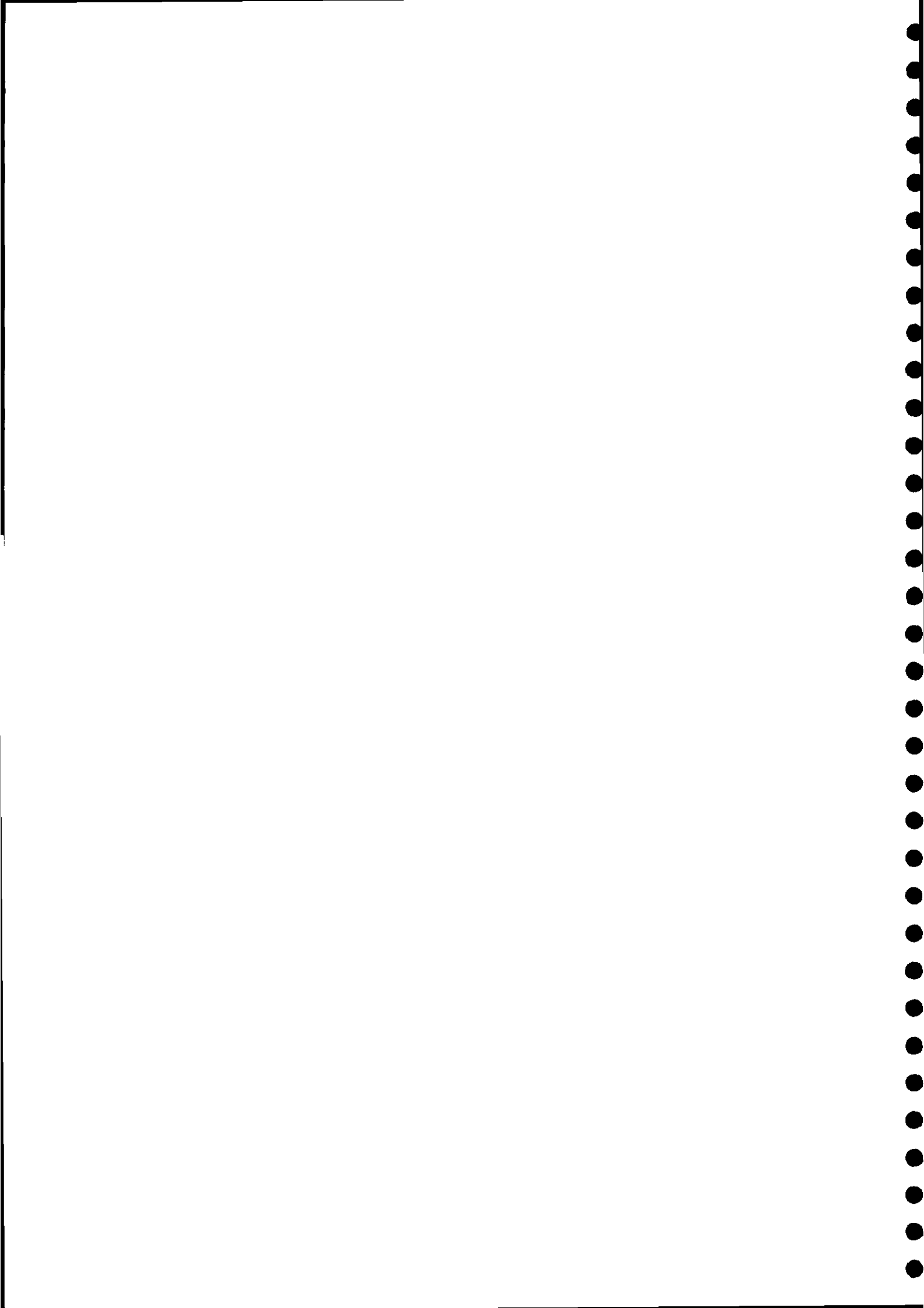
The INEOS Silicas Pension Fund is managed by Trustees, who are directors of INEOS Silicas Trustees Limited, a wholly owned subsidiary of INEOS Silicas Limited.

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

	2005	2004	2003
Inflation rate	2.70%	2.70%	2.60%
Discount rate	4.85%	5.40%	5.60%
Expected return on assets	7.40%	7.45%	7.53%
Expected rate of salary increases	4.20%	4.20%	4.10%
Rate of pension increases in payment	2.70%	2.70%	2.60%
Rate of pension increases in deferment	2.70%	2.70%	2.60%

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 2005	Value at 31 December 2005 £'000	Long-term rate of return expected at 31 December 2004	Value at 31 December 2004 £'000	Long-term rate of return expected at 31 December 2003	Value at 31 December 2003 £'000
Equities	7.8%	42,610	8.0%	32,100	8.0%	28,400
Bonds	4.4%	2,850	5.0%	2,870	5.0%	3,860
Other	4.0%	2,450	3.5%	2,780	3.5%	880
Total market value of assets		47,910		37,750		33,140
Present value of scheme liabilities		(64,210)		(51,704)		(44,200)
Deficit in the scheme		(16,300)		(13,954)		(11,060)
Related deferred tax asset (note 17)		4,890		4,186		3,318
Net pension liability		(11,410)		(9,768)		(7,742)



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18 Pension scheme (continued)

The pension costs charged to the profit and loss account are:

Charged to operating profit:

	2005 £'000	2004 £'000
Current service cost	1,910	1,840
Past service cost	380	550
Total operating charge	2,290	2,390

Analysis of amounts included in other finance income/(costs):

	2005 £'000	2004 £'000
Interest on pension scheme liabilities	(2,800)	(2,460)
Expected return on pension scheme assets	2,860	2,550
Net credit to interest	60	90

Analysis of amounts recognised in statement of total recognised gains and losses:

	2005 £'000	2004 £'000
Gain on pension scheme assets	(6,010)	(680)
Experience gain on scheme liabilities	(2,340)	-
Loss on change of assumptions underlying the present value of the scheme liabilities	9,860	3,550
Total loss recognised in statement of total recognised gains and losses	1,510	2,870

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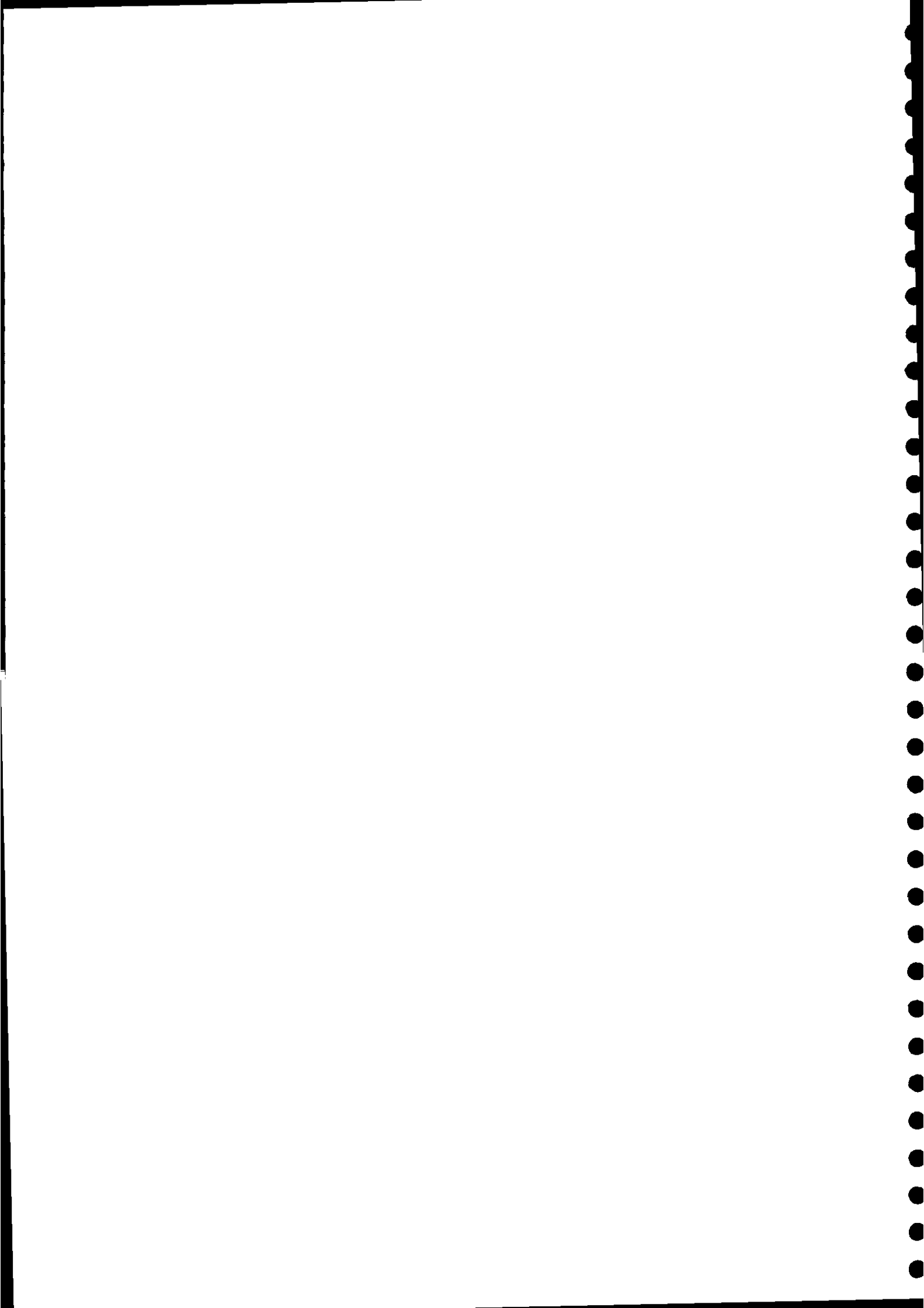
18 Pension scheme (continued)

History of experience gains and losses

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Difference between the expected and actual return on scheme assets:				
Amount	(6,010)	(680)	(3,530)	(15,474)
Percentage of scheme assets	(12.5%)	(1.8%)	(10.7%)	(66.3%)
Experience gains and losses on scheme liabilities:				
Amount	(2,340)	-	(1,064)	9,285
Percentage of present value of scheme liabilities	(3.6%)	-	(2.4%)	26.3%
Effect of changing financial assumptions				
Amount	9,860	3,550	3,120	47
Percentage of present value of scheme liabilities	15.4%	6.8%	7.1%	0.1%
Total amount recognised in the statement of total recognised gains and losses:				
Amount	1,510	2,870	(1,474)	(6,142)
Percentage of present value of scheme liabilities	2.4%	5.5%	(3.3%)	(17.4%)

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

	2005 £'000	2004 £'000
Deficit in scheme at beginning of the year	(13,954)	(10,674)
Current service cost	(1,910)	(1,840)
Past service cost	(380)	(550)
Contributions	1,394	1,890
Other finance income	60	90
Actuarial loss	(1,510)	(2,870)
Deficit in scheme at end of the year	(16,300)	(13,954)
	2005 £'000	2004 £'000 (restated)
Reserves		
Profit and loss reserve excluding pension liability	(22,465)	(23,507)
Pension liability under FRS17	(11,410)	(9,768)
Profit and loss reserve including net pension liability under FRS17	(33,875)	(33,275)



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19 Called up equity share capital

Authorised, issued and fully paid	2005	2004
	£'000	£'000
19,005,000 ordinary shares of £1 each	19,005	19,005

20 Movement on reserves

	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000
At 1 January 2005 as previously reported	3,395	(23,507)	(20,112)
FRS17 prior year restatement	-	(9,768)	(9,768)
At 1 January 2005 as restated	3,395	(33,275)	(29,880)
Profit for the year	-	457	457
Actuarial loss recognised in the pension scheme	-	(1,510)	(1,510)
Deferred tax asset arising on actuarial loss	-	453	453
At 31 December 2005	3,395	(33,875)	(30,480)

21 Reconciliation of movements in equity shareholders deficit

	2005	2004
	£'000	£'000
		(restated)
Profit/(loss) for the financial year	457	(3,441)
Other recognised losses related to the year	(1,057)	(2,009)
Net decrease in shareholders' deficit	(600)	(5,450)
Opening equity shareholders' deficit (originally £2,317,000 restated for prior year adjustments of £7,742,000)	(10,875)	(5,425)
Closing equity shareholders' deficit	(11,475)	(10,875)

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22 Commitments

(a) Capital commitments

Capital commitments entered into at the end of the financial year for which no provision has been made totalled £117,000 (2004: £1,739,000).

(b) Operating lease commitments

The company's annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Plant and machinery	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Expiring within one year	523	400	448	529
Expiring between two and five years	-	-	1,007	69
Expiring after five years	8	8	9	-
Total	531	408	1,464	598

(c) Unconditional purchase obligations

At the year-end the company had a take or pay gas contract which expires at the end of September 2006. The outstanding value of the unconditional level of purchases by the company is £2,710,000 (2004: £1,725,000, expiring September 2005).

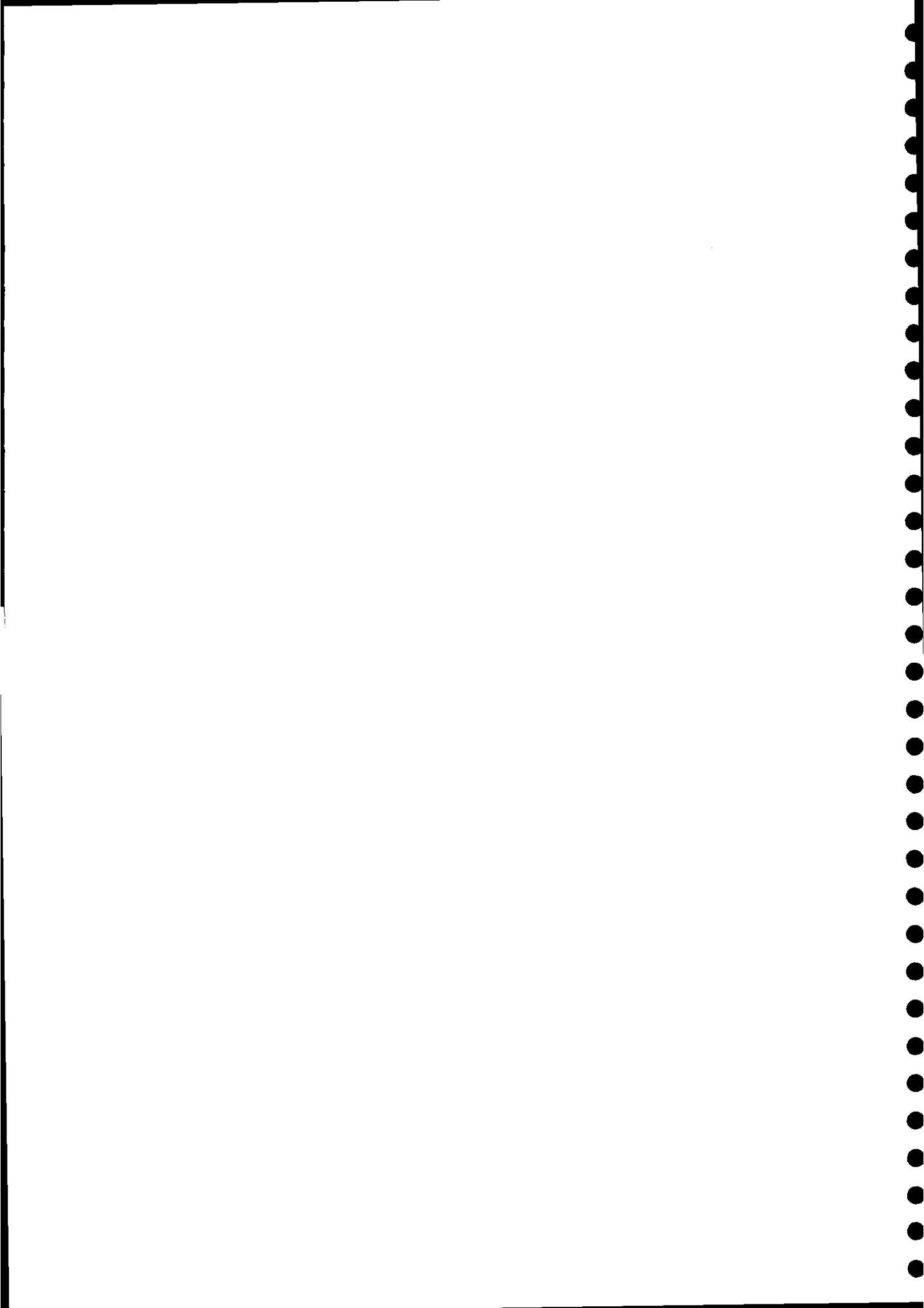
23 Contingent liabilities

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 2005 guarantees entered into amounted to £50,000 (2004: £49,000).

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 Senior Facilities Agreement dated 14 December 2005 (as amended). The Senior Facilities Agreement comprises of term loans (Term Loan A, Term Loan B, Term Loan C and Term Loan D), a bridge loan (the BBF facility) and a Revolving Credit Facility. The total outstanding indebtedness under the Senior Facilities Agreement at 31 December 2005 was €5,860.9 million. The company is a guarantor under the Senior Facilities Agreement. These obligations are secured by fixed and floating charges over the assets of the company.



INEOS Silicas Limited

23 Contingent liabilities (continued)

The company was also party to a Bridge Credit Agreement dated 14 December 2005. The total outstanding indebtedness under the Bridge Credit Agreement at 31 December 2005 was €3,129.4 million. The company was a guarantor under the Bridge Credit Agreement. The Bridge Credit Agreement was fully repaid in February 2006 with the proceeds of a high yield bond offering (the 'Senior Notes'). The company is now a party to the Senior Notes Indenture dated 7 February 2006 and is a guarantor under the Indenture.

In the prior year, the company was party to a credit agreement (the 'Senior Credit Agreement') dated 23 May 2001. The Senior Credit Agreement comprised of term loans and a revolving credit facility. The total outstanding indebtedness under the Senior Credit Agreement at 31 December 2004 was €429.1 million. The company was a guarantor under the Senior Credit Agreement. The Senior Credit Agreement was fully repaid in December 2005 as part of the overall refinancing of the INEOS group.

24 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.

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

Related party	Purchases		Sales		Year end balance receivable/(payable)	
	2005	2004	2005	2004	2005	2004
INEOS Chlor Limited	2,500	1,728	41	64	(273)	(278)
INEOS Enterprises Limited	530	383	-	-	(59)	(53)
INEOS Compounds UK Limited	-	-	29	-	5	21
INEOS Vinyls UK Limited	29	-	1	-	(11)	-
INEOS Capital Limited	47	48	38	1	(4)	(12)

The entities above are considered related parties because the owners of INEOS Capital own a controlling interest in all the above listed companies.

25 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.