

INEOS Silicas Limited

Annual report

for the year ended 31 December 2008

Registered Number 48745

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INEOS Silicas Limited

Annual report

for the year ended 31 December 2008

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INEOS Silicas Limited

Directors' report for the year ended 31 December 2008

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Business review and principal activities

The principal activity of the company up until 2 July 2008 was the manufacture of specialty inorganic chemicals based on silica and alumina.

On 2 July 2008, the company's immediate parent company, INEOS Silicas Holding Limited, completed the sale of the INEOS Silicas business to the PQ Corporation, the specialty chemical company owned by The Carlyle Group. The sale consisted of legal entity disposals in Brazil, Singapore, Indonesia and South Africa and asset disposals in the UK, US and Netherlands.

Following the completion of the sale to the PQ Corporation, the principal activity of the company changed to be that of a financial holding company.

Results and dividends

The profit for the year after taxation is £22,091,000 (2007: £249,000 loss). A dividend has not been declared (2007: £Nil).

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, exchange rate 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 and exchange rate 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 Limited.

Directors

The directors who held office during the year are given below:

Mr J Reece	(appointed 1 July 2008)
Mr G Leask	(appointed 1 July 2008)
Mr L Heemskerk	(appointed 1 July 2008)
Mr I Hogan	
Mrs J Trimble	(resigned 2 July 2008)
Mr M Hallam	(resigned 2 July 2008)
Mr S Quarmby	(resigned 2 July 2008)
Mr S Wilson	(resigned 2 July 2008)

INEOS Silicas Limited

Directors' report for the year ended 31 December 2008 (continued)

Directors' indemnities

The company maintains liability insurance for its directors and officers. The company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 1985.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Disclosure of information to auditors

The directors confirm that as far as they are aware, there is no relevant audit information of which the company's auditors are unaware and that they have taken all steps necessary as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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



M Stokes
Company Secretary
29 October 2009

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 2008 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

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2008 and of its profit for the year then ended;
- 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
Newcastle

30 October 2009

INEOS Silicas Limited

Profit and loss account for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover	1	33,461	60,228
Cost of sales		(20,331)	(43,571)
Gross profit		13,130	16,657
Distribution costs		(2,525)	(4,712)
Administrative expenses		(3,777)	(12,179)
Exceptional administrative expenses	7	(497)	(4,674)
Administrative expenses		(4,274)	(16,853)
Other operating income		-	4,334
Operating profit / (loss)		6,331	(574)
Profit on disposal of business	8	32,737	-
Profit on disposal of fixed assets		-	714
Interest receivable and similar income	3	2,980	2,346
Other finance income	4	464	450
Interest payable and similar charges	5	(2,573)	(5,440)
Profit / (loss) on ordinary activities before taxation	2	39,939	(2,504)
Tax on profit / (loss) on ordinary activities	6	(17,848)	2,255
Profit / (loss) for the financial year	21	22,091	(249)

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

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

INEOS Silicas Limited

Statement of total recognised gains and losses for the year ended 31 December 2008


	Note	2008 £'000	2007 £'000
Profit / (loss) for the financial year		22,091	(249)
Actuarial (loss) / gain recognised in the pension scheme	19	(18,701)	3,260
Deferred tax arising on (losses) / gains in the pension scheme	18	5,236	(913)
Total recognised gains		8,626	2,098

INEOS Silicas Limited

Balance sheet as at 31 December 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	11	-	1,188
Tangible assets	12	290	40,017
		290	41,205
Current assets			
Stock	13	-	9,297
Debtors: amounts falling due within one year	14	25,028	32,751
Debtors: amounts falling due after more than one year	14	15,817	14,965
Total debtors		40,845	47,716
Cash at bank and in hand		128	1,708
		40,973	58,721
Creditors: amounts falling due within one year	15	(14,194)	(51,532)
Net current assets		26,779	7,189
Total assets less current liabilities		27,069	48,394
Creditors: amounts falling due after more than one year	16	(218)	(30,972)
Provisions for liabilities and charges	17	-	(6,893)
Net assets excluding pension liability		26,851	10,529
Pension liability	19	(17,330)	(9,634)
Net assets		9,521	895
Capital and reserves			
Called up share capital	20	19,005	19,005
Share premium account	21	3,395	3,395
Profit and loss account	21	(12,879)	(21,505)
Equity shareholders' funds	22	9,521	895

The financial statements on pages 5 to 23 were approved by the board of directors on 29 October 2009 and were signed on its behalf by:


 G Leask
 Director

INEOS Silicas Limited

Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985. The financial statements have been prepared on a going concern basis.

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 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 when financial responsibility for the delivery of goods shipped passes to the customer.

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business acquisition are capitalised at their cost. Purchased intangible assets are amortised to nil by equal annual instalments over their useful economic lives of 5 years.

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 recognised to the extent that the transfer of economic benefits in the future is considered to be more likely than not. 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.

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

Statement of 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 increase in the present value of the liabilities of the pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme assets and the increase during the year in the present value of the scheme liabilities, arising from the passing of time, are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The pension scheme surplus, to the extent that it is considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

Royalties

Royalties receivable are accrued and recognised in the year in which the sale is made and are reported in other operating income.

INEOS Silicas Limited

Notes to the financial statements for the year ended 31 December 2008

1 Turnover

The company's entire 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:

	2008	2007
	£'000	£'000
United Kingdom	8,462	23,670
Rest of Europe	16,798	20,963
Rest of the World	8,201	15,595
	33,461	60,228

2 Profit / (loss) on ordinary activities before taxation

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

	2008	2007
	£'000	£'000
Auditors' remuneration:		
Audit	28	49
Non audit services - taxation	9	25
Depreciation of tangible fixed assets	2,646	4,363
Exchange (gains)/losses	(572)	(172)
Rentals payable under operating leases:		
Plant and machinery	493	746
Other assets	291	441
Research and development expenditure	1,052	2,207

INEOS Silicas Limited

3 Interest receivable and similar income

	2008	2007
	£'000	£'000
Interest receivable from group undertakings	2,905	1,973
Interest receivable from related parties	-	254
Interest receivable	75	119
	2,980	2,346

4 Other finance income

	2008	2007
	£'000	£'000
Expected return on pension scheme assets	4,351	3,940
Interest on pension scheme liabilities	(3,887)	(3,490)
	464	450

5 Interest payable and similar charges

	2008	2007
	£'000	£'000
Interest payable on loans with group undertakings	3,145	5,612
Exchange (gains)/losses on financing items	(572)	(172)
	2,573	5,440

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6 Tax on profit / (loss) on ordinary activities

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

	2008 £'000	2007 £'000
Current tax		
Group relief payable / (receivable) at 30%:		
Current year	15,377	1,661
Overseas withholding tax	-	16
Adjustment in respect of prior periods	1,978	-
Total current tax charge / (credit)	17,355	1,677
Deferred tax		
Origination and reversal of timing differences	493	(3,932)
Total deferred tax charge / (credit)	493	(3,932)
Total tax charge / (credit)	17,848	(2,255)

(b) Factors affecting tax charge / (credit) in the year

The current tax credit is higher (2007: higher) than the standard rate of corporation tax in the UK of 28% (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
Profit / (loss) on ordinary activities before taxation	39,939	(2,504)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2007: 30%)	11,183	(751)
Effects of:		
Income not subject to tax	-	-
Expenses not deductible for tax purposes	3,114	(75)
Accelerated capital allowances and other timing differences	1,080	2,487
Overseas tax	-	16
Adjustment in respect of prior periods	1,978	-
Current tax charge / (credit) for the year	17,355	1,677

(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 charge on actuarial gains on the pension liability of £5,236,000 (2007: £913,000 credit) has been charged to the statement of total recognised gains and losses.

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7 Exceptional administrative expenses

During the year the company continued operational restructuring plans and have charged £497,000 (2007: £4,674,000) to the profit and loss account.

8 Profit on disposal of business

On 2 July 2008, the Group completed the sale of the INEOS Silicas business to the PQ Corporation, the specialty chemical company owned by The Carlyle Group. The sale consisted of legal entity disposals in Brazil, Singapore, Indonesia and South Africa and asset disposals in the UK, US and Netherlands. The disposal gave rise to a profit on disposal of £32,737,000.

	2008 £'000
Intangible fixed assets	1,026
Tangible fixed assets	38,490
Stocks	8,852
Cash	5,603
Debtors	9,836
Creditors	(10,254)
Provisions	(4,965)
Net assets disposed	48,588
Sale proceeds	81,325
Profit on disposal of business	32,737

9 Directors' remuneration

	2008 £'000	2007 £'000
Aggregate emoluments	361	818
Compensation for loss of office	-	-
Total	361	818

At the year-end there were six directors (2007: six) who have benefits accruing under the defined benefit scheme.

	2008 £'000	2007 £'000
Highest paid director		
Aggregate emoluments	81	185

The benefit accruing to the highest paid director under the defined benefit pension scheme at 31 December 2008 was £73,866 (2007: £70,000).

INEOS Silicas Limited

10 Employee information

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

	6 months to 31/12/2008	6 months to 30/06/2008	Year ended 31/12/2007
Production	-	230	209
Selling, distribution and administration	4	115	133
	4	345	342

The aggregate payroll costs in respect of these persons was as follows:

	2008 £'000	2007 £'000
Wages and salaries	6,373	11,955
Social security costs	592	1,248
Pension cost (Note 19)	1,799	2,414
	8,764	15,617

11 Intangible fixed assets

	Other intangible assets £'000
Cost	
At 1 January 2008	1,345
Additions	42
Reclassifications	(70)
Disposals	(1,317)
At 31 December 2008	-
Amortisation	
At 1 January 2008	157
Amortisation in year	134
Eliminated upon disposal	(291)
At 31 December 2008	-
Net book value	
At 31 December 2008	-
At 31 December 2007	1,188

All intangible assets were disposed of as part of the sale to the PQ Corporation on 2 July 2008.

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12 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 2008	19,461	75,154	440	2,539	97,594
Additions	-	-	-	1,409	1,409
Reclassifications	139	1,347	-	(1,486)	-
Disposals	(19,310)	(76,501)	(440)	(2,462)	(98,713)
At 31 December 2008	290	-	-	-	290
Depreciation					
At 1 January 2007	7,203	49,965	409	-	57,577
Charge for year	249	2,390	7	-	2,646
Disposals	(7,452)	(52,355)	(416)	-	(60,223)
At 31 December 2008	-	-	-	-	-
Net book value					
At 31 December 2008	290	-	-	-	290
At 31 December 2007	12,258	25,189	31	2,539	40,017

The net book value of land and buildings comprises:

	2008	2007
	£'000	£'000
Freehold	-	11,907
Long leasehold	290	351
	290	12,258

13 Stocks

	2008	2007
	£'000	£'000
Raw materials and consumables	-	2,877
Work in progress	-	1,461
Finished goods and goods for resale	-	4,959
	-	9,297

INEOS Silicas Limited

14 Debtors

	2008 £'000	2007 £'000
Amounts due within one year:		
Trade debtors	-	6,244
Amounts owed by group undertakings	24,962	25,872
Other debtors	-	573
Prepayments and accrued income	66	62
	25,028	32,751
Amounts due after more than one year:		
Amounts owed by group undertakings	15,817	14,965
Total debtors	40,845	47,716

15 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	-	5,965
Amounts owed to group undertakings	12,892	42,503
Amounts owed to related parties	-	97
Taxation and social security	72	543
Other creditors	1,230	2,424
	14,194	51,532

16 Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Amounts owed to group undertakings	218	30,972

INEOS Silicas Limited

17 Provision for liabilities and charges

	Statutory and Environmental obligations £'000	Deferred taxation (excluding pension) £'000	Operational restructuring obligations £'000	Total £'000
At 1 January 2008	627	1,750	4,516	6,893
Disposals	(627)	-	(4,338)	(4,965)
Charged/(credited) to profit and loss account (Note 18)	-	(1,750)	498	(6,893)
Utilised in the year	-	-	(676)	(676)
At 31 December 2008	-	-	-	-

In 2007 the directors created a provision to cover operational restructuring obligations.

The provision was released to the profit and loss account as part of the sale of the Silicas business to the PQ Corporation. The directors deem that there are no further restructuring obligations on which a provision should be made.

Further details of the provision for deferred taxation are given in note 19 below.

18 Deferred taxation

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

	2008 £'000	2007 £'000
Difference between accumulated depreciation and capital allowances	-	3,206
Short term timing differences	-	(1,456)
Losses	-	-
Deferred tax liability excluding pension scheme liability (note 18)	-	1,750
Deferred tax asset on pension scheme liability (note 19)	(6,739)	(3,746)
Net deferred tax asset	(6,739)	(1,996)

Analysis of movement in the period

	£'000
At 1 January 2008	(1,996)
Credit to the profit and loss account	(1,750)
Charge to the profit and loss account - pension	2,243
Charge to the statement of total recognised gains and losses	(5,236)
At 31 December 2008	(6,739)

INEOS Silicas Limited

19 Pension commitments

In accordance with UK GAAP, pension charges have been accounted for under FRS17 "Retirement benefits". As explained in the accounting policies set out on page 8, the company operates a defined benefit pension scheme, under which benefits are based on employees' years of service and average final remuneration.

The most recent actuarial valuation was at 31 December 2004. This has been updated for FRS17 purposes to 31 December 2008.

The INEOS Silicas Pension Fund is managed by trustee directors of INEOS Silicas Trustees Limited, which is the sole wholly owned subsidiary of INEOS Silicas Limited.

The major assumptions used in this valuation were:

	2008	2007
	%	%
Inflation rate	3.10	3.30
Discount rate	6.10	5.80
Expected return on assets	7.50	7.60
Expected rate of salary increases	4.60	4.80
Rate of pension increases in payment	3.10	3.30

The mortality assumptions used in the valuation of the defined benefit pension liabilities of the group's plans are summarised in the table below and have been selected to reflect the characteristics and experience of the membership of those plans. This has been done by adjusting standard mortality tables which reflect recent research into mortality experience in the United Kingdom

	2008 years	2007 years
Longevity at age 65 for current pensioners	20.8	18.8

INEOS Silicas Limited

19 Pension commitments (continued)

The amounts recognised in the balance sheet are as follows:

	2008		2007	
	Expected long term rate of return %	Market value £'000	Expected long term rate of return %	Market value £'000
Market value of assets				
Equities	8.2%	34,283	8.0%	49,140
Bonds	5.2%	8,315	5.1%	7,860
Other	-	-	4.5%	70
		42,598		57,070
Present value of funded obligations		(66,667)		(70,450)
Present value of unfunded obligations		-		-
Deficit in the plan		(24,069)		(13,380)
Related deferred tax asset		6,739		3,746
Net liability		(17,330)		(9,634)

Deferred tax assets and liabilities in relation to pension liabilities have only been recognised where it is more likely than not that they will be recoverable in the foreseeable future.

	2008 £'000	2007 £'000
Reconciliation of present value of scheme liabilities		
1 January	70,450	68,930
Interest cost	3,887	3,490
Current service cost	1,799	2,520
Past service cost	-	120
Member contributions	412	620
Settlements	(6,100)	-
Benefits paid	(106)	(1,000)
Acquisitions	(1,300)	-
(Gain) or loss on change of assumptions	(5,635)	(4,230)
Experience (gain) or loss	3,260	-
31 December	66,667	70,450

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19 Pension commitments (continued)

	2008	2007
Reconciliation of fair value of scheme assets	£'000	£'000
1 January	57,070	52,580
Benefit payments	(106)	(1,000)
Company contributions	3,047	1,900
Member contributions	412	620
Expected return on plan assets	4,351	3,940
Actuarial gain or (loss)	(21,076)	(970)
Acquisitions	(1,100)	-
31 December	42,598	57,070

Scheme assets do not include any of INEOS Silicas Limited's own financial instruments, or any property occupied by INEOS Silicas Limited.

The company expects to contribute £5,330,000 to its defined benefit pension plan in 2009.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experiences in the respective markets.

The actual return on scheme assets was a loss of £16,725,000 in the year ended 31 December 2008 and a gain of £2,970,000 in the year ended 31 December 2007.

INEOS Silicas Limited

19 Pension commitments (continued)

	2008 £'000	2007 £'000
The amounts recognised in the profit or loss are as follows:		
Current service cost	1,799	2,520
Past service cost	-	120
Loss / (gain) on curtailments and settlements	(6,100)	-
Interest on obligation	3,887	3,490
Expected return on plan assets	(4,351)	(3,940)
Total	(4,765)	2,190

Of the total current and past service cost, £1,017,000 (2007: £1,534,000) is included within cost of sales, £37,000 (2007: £58,000) is included within distribution costs and £745,000 (2007: £1,048,000) is included within administrative expenses.

Of the gain on curtailments and settlements, £3,447,000 (2007: £nil) is included within cost of sales, £127,000 (2007: £nil) is included within distribution costs and £2,526,000 (2007: £nil) is included within administrative expenses.

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Amounts in the current and previous four periods					
Plan assets	42,598	57,070	52,580	47,910	37,750
Scheme liabilities	(66,667)	(70,450)	(68,930)	(64,210)	(52,090)
Deficit	(24,069)	(13,380)	(16,350)	(16,300)	(14,340)
Experience adjustments on plan assets	(21,076)	(970)	(345)	6,010	680
Experience adjustments on scheme liabilities	3,260	-	-	(2,340)	-
Total actuarial gains / (losses) recognised in the statement of total recognised gains and losses	(18,701)	3,260	310	(1,510)	(2,870)

INEOS Silicas Limited

20 Called up share capital

Authorised, issued and fully paid	2008	2007
	£'000	£'000
19,005,000 ordinary shares of £1 each	19,005	19,005

21 Reserves

	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000
At 1 January 2008	3,395	(21,505)	(18,110)
Profit for the year	-	22,091	22,091
Actuarial loss recognised in the pension scheme	-	(18,701)	(18,701)
Deferred tax liability arising on actuarial gain	-	5,236	5,236
At 31 December 2008	3,395	(12,879)	(9,484)

22 Reconciliation of movements in shareholders' funds / (deficit)

	2008	2007
	£'000	£'000
Profit / (loss) for the financial year	22,091	(249)
Other recognised gains / (losses) related to the year	(13,465)	2,347
Net increase in shareholders' funds	8,626	2,098
Opening shareholders' funds / (deficit)	895	(1,203)
Closing shareholders' funds	9,521	895

INEOS Silicas Limited

23 Commitments

(a) Capital commitments

Capital commitments entered into at the end of the financial year for which no provision has been made totalled £Nil (2007: £137,000).

(b) Operating lease commitments

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

	Land and buildings		Plant and machinery	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Expiring within one year	-	67	-	98
Expiring between two and five years	-	364	-	452
Expiring after five years	-	10	-	-
Total	-	441	-	550

(c) Unconditional purchase obligations

At the year-end the company had no take or pay gas contract commitments (2007: £313,000).

24 Contingent liabilities

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), and a Revolving Credit Facility. The total outstanding indebtedness under the Senior Facilities Agreement at 31 December 2008 was €5,079.8 million (31 December 2007: €5,020.2 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.

The company is party to the Senior Notes Indenture dated 7 February 2006 (as amended). The Senior Notes comprise the €1,630 million 7.875% Senior Notes Due 2016 and the \$700 million 8.5% Senior Notes Due 2016. The total outstanding indebtedness under the Senior Notes at 31 December 2008 was €2,124.9 million (31 December 2007: €2,110.6 million). The company is a guarantor under the Senior Notes Indenture. These guarantees are on an unsecured senior subordinated basis.

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25 Related party transactions

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

On 2 July 2008, the group completed the sale of the INEOS Silicas business to the PQ Corporation. The sale consisted of legal entity disposals in Brazil, Singapore, Indonesia and South Africa and asset disposals in the UK, US and Netherlands. The disposal gave rise to a profit on disposal of £32,737,000 disclosed as an exceptional item.

26 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.

INEOS Limited is the ultimate parent undertaking and parent undertaking of the largest group of undertakings to consolidate these financial statements. INEOS Group Holdings plc is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. Copies of the accounts of both INEOS Limited and INEOS Group Holdings Plc can be obtained from the Company Secretary, INEOS Limited, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

The ultimate controlling party is Mr J A Ratcliffe, director and majority shareholder in the ultimate parent undertakings INEOS Limited.