

Hawkslease Finance Company Limited  
Annual report  
for the year ended 31 December 2006

**Registered Number 4359903**

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# Hawkslease Finance Company Limited

## Annual report

for the year ended 31 December 2006

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# **Hawkslease Finance Company Limited**

## **Directors' report for the year ended 31 December 2006**

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

### **Principal activities and review of the business**

The Company's principal activity is to act as a holding company and to provide finance to its subsidiaries

On 26 July, a non-returnable capital contribution of £6.9m was paid to Vinyls Italia Limited, a related party. On the same date, INEOS Group Limited acquired INEOS Vinyls Group Limited and became the Company's ultimate parent company.

On 23 October 2006, EVC International NV was liquidated and €4.43 per EVC International NV ordinary share was distributed to its shareholders. As a result of this liquidation, the Company realised an exceptional profit on disposal of its shareholding of £12.1m.

The profit on ordinary activities before taxation was £4.3m (2005: loss of £0.6m). The Directors do not recommend the payment of a dividend.

### **Future outlook**

At the end of the year there were no immediate plans for a change in the Company's operations.

### **Financial risk management**

The Company's operations expose it to a variety of financial risks including the effects of credit risk and liquidity risk. As most of the Company's operations involve related parties, none of these risks are considered significant.

### **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### **Directors and their interests**

The Directors who held office during the year were as follows:

JA Ratcliffe (resigned 3 February 2006)  
J Reece (resigned 3 February 2006)  
CE Tane (appointed 3 February 2006)  
MJ Maher (appointed 3 February 2006)  
A Traynor (appointed 3 February 2006, resigned 28 February 2007)  
AJ Reed (appointed 3 February 2006)

None of the Directors who were serving at 31 December 2006 had a beneficial interest in the shares of any company in the INEOS Vinyls Group Limited group during the year.

On 26 July 2006, the Company's ultimate parent company became INEOS Group Limited. The beneficial interests of the Directors in the shares of INEOS Group Limited group companies at that date are shown below.

On 4 December 2006 the C ChlorVinyls Regional Tracker Shares were converted into a single class of Business Tracker Shares.

The disclosable beneficial interests in shares of Directors are summarised below.

# Hawkslease Finance Company Limited

## Directors' report for the year ended 31 December 2006 (continued)

Number of Tracker shares of 0.001p each in INEOS Group Limited	At 26 July 2006	At 31 December 2006	
	C ChlorVinyls Regional	Business	Executive Group
CE Tane	2,400	2,400	1,000
MJ Maher	-	-	500
A Traynor	2,400	2,400	500
AJ Reed	-	-	500

The Executive Group Tracker shares were all acquired on 29 December 2006

### Political and charitable contributions

The Company made no political or charitable contributions during the year (2005 £ nil)

### Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period that 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. 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 2006 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.

### Disclosure of information to Auditors

For each person who is a Director at the time of approval of this report:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

### Auditors

The Auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office. As a result of the Company passing a written resolution, there is no longer a requirement for the Auditors to be appointed on an annual basis.

By order of the Board



PF Nichols  
Secretary

29 October 2007

# Hawkslease Finance Company Limited

## Independent Auditors' report to the members of Hawkslease Finance Company Limited

We have audited the financial statements of Hawkslease Finance Company Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in equity shareholders' funds/(deficit) 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 Annual Report and 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Liverpool  
30 October 2007

# Hawkslease Finance Company Limited

## Profit and loss account for the year ended 31 December 2006

	Note	2006 £m	2005 £m
Operating loss before exceptional item	1	-	-
Exceptional item	2	(6 9)	-
Operating loss after exceptional item		(6 9)	-
Profit on disposal of investment	7	12 1	-
Net interest payable	5	(0 9)	(0 6)
Profit/(Loss) on ordinary activities before taxation		4 3	(0 6)
Tax on profit/(loss) on ordinary activities	6	0 3	-
Profit/(Loss) on ordinary activities after taxation for the financial year	13	4 6	(0 6)

All profits/losses for the financial years arose from continuing operations

There is no difference between the profit/(loss) on ordinary activities before and after taxation for the years stated above and their historical cost equivalents

There were no other gains or losses during the year or the previous year

## Reconciliation of movements in equity shareholders' funds/(deficit) for the year ended 31 December 2006

	2006 £m	2005 £m
Profit/(loss) for the year	4 6	(0 6)
Opening equity shareholders' deficit	(0 6)	-
Equity shareholders' funds/(deficit) at end of year	4 0	(0 6)

# Hawkslease Finance Company Limited

## Balance sheet as at 31 December 2006

	Note	2006 £m	2005 £m
Fixed asset investments	7	39.3	13.8
<b>Current assets</b>			
Debtors – amounts falling due within one year	8	35.3	7.3
Cash at bank and in hand		-	0.1
		35.3	7.4
<b>Creditors – amounts falling due within one year</b>	9	(4.7)	(4.7)
<b>Net current assets</b>		30.6	2.7
<b>Total assets less current liabilities</b>		69.9	16.5
<b>Creditors – amounts falling due after more than one year</b>	10	(65.9)	(17.1)
		4.0	(0.6)
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	4.0	(0.6)
<b>Equity shareholders' funds/(deficit)</b>		4.0	(0.6)

The Financial statements on pages 4 to 11 were approved by the Board of Directors on 29 October 2007 and are signed on its behalf by



MJ Maher

# Hawkslease Finance Company Limited

## Accounting policies

These financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards, the Companies Act 1985 and the accounting policies set out below

### Group consolidation, cash flow statement and related party disclosures

The Company is a subsidiary of INEOS Group Limited and its results are included in the consolidated financial statements of INEOS Group Limited, which are available to the public. Consequently, the Company has taken advantage of various exemptions from reporting requirements

- Under the terms of Financial Reporting Standard 2 the Company is exempt from preparing Group accounts. The financial statements present information about the Company as an individual undertaking
- Under the terms of Financial Reporting Standard 1 (revised 1996) the Company is exempt from preparing a cash flow statement
- Under the terms of Financial Reporting Standard 8 the Company is exempt from disclosing related party transactions with entities that form part of the INEOS Group Limited group

### Investments

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value. Where the cost of investments includes long-term loans, these are included within fixed asset investments

### Foreign currencies

Results and assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Exchange differences on foreign currency loans are also taken directly to reserves where there is an appropriate offset

### Deferred taxation

Deferred tax is recognised as a liability or asset in respect of all timing differences which have originated but not reversed at the balance sheet date if transactions have occurred at the balance sheet date which give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured at the average tax rates which are expected to apply in the periods during which the timing differences are expected to reverse, based on the tax rates and laws which are in place at the balance sheet date. Deferred tax assets and liabilities are not discounted



# Hawkslease Finance Company Limited

## Notes to the accounts

### 1 Operating Loss

Operating loss before exceptional operating items is stated after charging:

	2006 £'000	2005 £'000
Auditors' remuneration – fees payable for the audit	-	-

Auditors' remuneration was borne by INEOS Vinyls Group Limited, a fellow group company

### 2 Exceptional item

	2006 £m	2005 £m
Capital contribution to related party	6.9	-

On 26 July 2006, a non-returnable capital contribution of £6.9m was paid to Vinyls Italia Limited

### 3 Directors' emoluments

None of the Directors received any emoluments in respect of services to the Company during the year or the previous year

### 4 Employee information

The Company had no employees during the year or the previous year

### 5 Net interest payable

	2006 £m	2005 £m
Interest payable on bank loans	-	(0.4)
Interest payable on loans from related parties	(1.1)	(0.6)
Interest payable on loans from fellow group undertakings	(1.9)	-
Interest payable and similar charges	(3.0)	(1.0)
Interest receivable on loans to subsidiary undertakings	2.1	0.4
Net interest payable	(0.9)	(0.6)

# Hawkslease Finance Company Limited

## Notes to the accounts (continued)

### 6 Tax on profit/(loss) on ordinary activities

a) Analysis of credit for the year	2006 £m	2005 £m
Tax losses surrendered for group relief	0.3	-

#### (b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2006 £m	2005 £m
Profit/(Loss) on ordinary activities before taxation	4.3	(0.6)
Profit/(Loss) on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	1.3	(0.2)
Effects of:		
Non-taxable credits	(3.7)	-
Expenses not deductible for tax purposes	2.1	-
Losses carried forward	-	0.2
Current tax credit for year	(0.3)	-

There are no factors which are likely to have a significant effect on future tax charges.

#### (c) Deferred Taxation

The amounts unprovided in respect of the deferred tax asset are as follows:

	2006 £m	2005 £m
Tax losses and other credits available	0.2	0.2

# Hawkslease Finance Company Limited

## Notes to the accounts (continued)

### 7 Fixed asset investments

Subsidiary undertakings	Shares £m	Loans £m	Total £m
At 1 January 2006	13.8	-	13.8
Liquidation of EVC International NV	(13.8)	-	(13.8)
Additions	-	39.3	39.3
<b>At 31 December 2006</b>	<b>-</b>	<b>39.3</b>	<b>39.3</b>

On 23 October 2006, EVC International NV was liquidated and €4.43 per EVC International NV ordinary share was distributed to its shareholders. Prior to the liquidation the Company had a direct shareholding of 23.778%. The profit arising on the liquidation amounted to £12.1m.

The Company's principal subsidiary undertakings are as follows:

Subsidiary undertaking	Country of registration or incorporation	Principal activity	Class/percentage of shares held
INEOS Vinyls Holdings Limited *	England and Wales	Holding company	Ordinary 100%
INEOS NoteCo Limited *	England and Wales	Dormant	Ordinary 100%
INEOS Vinyls Investments Limited	England and Wales	Holding Company	Ordinary 100%
INEOS Vinyls Limited	England and Wales	Holding Company	Ordinary 100%
INEOS Vinyls (II) Limited	England and Wales	Holding Company	Ordinary 100%
INEOS Films SpA	Italy	Manufacturing	Ordinary 100%

\* Held directly by the Company

### 8 Debtors

	2006 £m	2005 £m
Amounts owed by subsidiary undertakings	35.0	7.3
Corporation tax – group relief surrendered	0.3	-
	<b>35.3</b>	<b>7.3</b>

### 9 Creditors – amounts falling due within one year

	2006 £m	2005 £m
Amounts owed to related parties	1.7	1.7
Amounts owed to fellow Group undertakings	3.0	3.0
	<b>4.7</b>	<b>4.7</b>

# Hawkslease Finance Company Limited

## Notes to the accounts (continued)

### 10 Creditors – amounts falling due after more than one year

	2006 £m	2005 £m
Amounts owed to related parties	1 9	17 1
Amounts owed to fellow Group undertakings	64 0	-
	65 9	17 1

### 11 Borrowings

	2006 £m	2005 £m
Loans from related parties due within one year or on demand	1 7	1 7
Loans from fellow group undertakings due within one year or on demand	3 0	3 0
Total loans due within one year or on demand	4 7	4 7
Loans from related parties due after more than five years	1 9	17 1
Loans from fellow group undertakings due after more than five years	64 0	-
Total loans due after more than five years	65 9	17 1
<b>Total borrowings</b>	<b>70 6</b>	<b>21 8</b>

None of the loans outstanding as at 31 December 2006 are secured or repayable in instalments. Loans due within one year totalling £4.7m and loans from related parties due after more than five years totalling £1.9m are interest free. None of the loans have a fixed maturity date.

### 12 Called up share capital

Authorised, allotted and fully paid	2006		2005	
	Number	£	Number	£
Ordinary shares of 1p each	100 000	1,000	100,000	1,000

### 13 Reserves

Profit and loss account	£m
At 1 January 2006	(0.6)
Profit for the year	4.6
<b>At 31 December 2006</b>	<b>4.0</b>

# Hawkslease Finance Company Limited

## Notes to the accounts (continued)

### 14 Related party transactions

The Company is related to INEOS Capital Limited and Vinyls Italia Limited by virtue of common control

INEOS Vinyls Group Limited and INEOS Vinyls Holdings Limited were fellow group undertakings throughout 2005 and 2006. Transactions with these companies arising in 2005 have been included in the table below because in the Annual Report for the year ended 31 December 2005, the exemption from disclosing these transactions contained in Financial Reporting Standard 8 was not available to the Company.

In 2005 and 2006, INEOS Holdings (F&S) Limited was a related party by virtue of common control. Following the acquisition of INEOS Vinyls Group Limited by INEOS Group Limited during the year, the Company has taken advantage of the exemption not to disclose transactions and balances with these entities for 2006.

Material transactions with related parties during the year were as follows:

Related party	Transactions	Balance owed to/(by) the Company at 31 December £m
INEOS Vinyls Group Limited, and its subsidiaries	2005 Loans provided by the Company, including capitalised interest - £0.2m	2005 4.3
INEOS Holdings (F&S) Limited	2005 Loans received by the Company, including capitalised interest - £15.2m	2005 (15.2)
INEOS Capital Limited	2006 Loans received by the Company, including capitalised interest - £nil (2005 £0.4m)	2006 (3.6) 2005 (3.6)
Vinyls Italia Limited	2006 Payment of non-returnable cash contribution - £6.9m (2005 £nil)	2006 nil 2005 nil

### 15 Ultimate Parent Company and Ultimate Controlling Party

At 31 December 2006, the Company was a subsidiary undertaking of INEOS Vinyls Group Limited, a company registered in England and Wales. The Company's ultimate Parent Company was INEOS Group Limited, a company registered in England and Wales.

The consolidated Group accounts of INEOS Group Limited are available to the public and may be obtained from the Company Secretary at Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

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