

## **Hexion Stanlow Limited**

### **Annual Report and Financial Statements for the year ended 31 December 2017**



# Hexion Stanlow Limited

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# **Hexion Stanlow Limited**

## **Officers and professional advisers**

### **Directors**

N. Seymour  
A. Mertens

### **Secretary**

A. Mertens

### **Registered office**

Sully Moors Road  
Penarth  
South Glamorgan  
United Kingdom  
CF64 5YU

### **Registered number**

03731119

### **Bankers**

CITIBANK  
Canary Wharf  
Citigroup Centre  
Canada Square  
Canary Wharf  
London  
E14 5LB

### **Solicitors**

Squire Patton Boggs (UK) LLP  
Rutland House  
148 Edmund Street  
Birmingham  
B3 2JR

### **Independent Auditors**

PricewaterhouseCoopers LLP  
One Kingsway  
Cardiff  
CF10 3PW

# Hexion Stanlow Limited

## Strategic report for the year ended 31 December 2017

The directors present their Strategic Report on the Company for the year ended 31 December 2017.

### Review of business

Hexion Stanlow Limited ceased to operate as a tolling entity during June 2014. As previously announced, a provision was made for the costs associated with ceasing production, including site closure, clean-up costs and contract termination. The result for the year was a profit after taxation of £7,000 (2016: £6,000).

### General

In all of Hexion operations product safety, employee health and safety, and environmental care are important elements in the development of the Company strategy. It is the responsibility of each Hexion company to ensure that corporate environmental policy is put into practice. This includes protecting the environment by limiting the environmental impact of operations, meeting the requirements of legislation and training employees on environmental health and safety concerns.

### Principal risks and uncertainties

The financial risks the Company's operations are exposed to include liquidity and cash flow risks. The directors apply Hexion Group policies that seek to limit any adverse financial effects of these risks and these policies are implemented by the Hexion Europe Finance Department. Liquidity risk is managed through a Hexion Europe cash pooling arrangement, which is used to maintain the working capital requirements of the Company on a day to day basis.

### Financial key performance indicators

Given the situation that the business has ceased to operate since June 2014, the Company's Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the performance or position of the business.

### Non-financial key performance indicators

The directors believe that the use of non-financial KPIs is not necessary for an understanding of the results and operations of the business.



**A. Mertens**

**Director**

**Date: 26 March 2018**

# Hexion Stanlow Limited

## Directors' report for the year ended 31 December 2017

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2017. All amounts disclosed in the financial statements are rounded to the nearest £'000.

### Principal activities

The Company formerly manufactured epoxy resins. The Company had a manufacturing agreement whereby the Company agreed to exclusively manufacture products for Hexion B.V.

### Review

The results for the financial year are set out in the Income Statement on page 9. The retained profit for the financial year ended 31 December 2017 was £7,000 (2016: £6,000). The financial position of the Company at the year-end is set out in the Statement of Financial Position on page 10.

The directors expect the Company to perform satisfactorily during the forthcoming financial year, although note that from 30 June 2014 production had ceased.

### Closure of the plant

During June 2014, the Stanlow production facility ceased production. The directors estimated at the 2017 year-end that no provision is required in respect of the costs associated with ceasing production, including site closure, clean-up costs and contract termination as all activities have now been completed. The movement in the provision is disclosed in note 11.

### Future developments

The directors expect the Company to perform satisfactorily during the forthcoming financial year, although note that from 30 June 2014 production had ceased.

### Health and safety

In all of Hexion operations product safety, employee health and safety, and environmental care are important elements in the development of the Company strategy. It is the responsibility of each Hexion company to ensure that corporate environmental policy is put into practice. This includes protecting the environment by limiting the environmental impact of operations, meeting the requirements of legislation and training employees on environmental health and safety concerns.

### Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

N. Seymour  
A. Mertens

### Financial risk management

Details of the Company's financial risk management policies can be found within the 'Principal risks and uncertainties' section of the Strategic Report.

### Dividends

The directors recommended a payment of dividend of £1,284,000 for the year ended 31 December 2017 (2016: £nil).

### Qualifying third-party indemnity provisions

The directors do not have an insurance policy in place to provide them with indemnity cover.

### Political and charitable donations

The Company made no political or charitable donations in the year (2016: £nil).

# Hexion Stanlow Limited

## Directors' report for the year ended 31 December 2017 (continued)

### Going concern

After making enquiries, the directors confirm that the going concern basis has been adopted in preparing the Directors' Report and financial statements.

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Disclosure of information to auditors

Each of the persons who are directors at the time this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information (i.e. information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- that director has taken all steps that they ought to have taken 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.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

# Hexion Stanlow Limited

## Directors' report for the year ended 31 December 2017 (continued)

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the board



**A. Mertens**  
Director

Date: 26 March 2018

# Hexion Stanlow Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEXION STANLOW LIMITED

### Report on the audit of the financial statements

#### Opinion

In our opinion, Hexion Stanlow Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements ("Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.



# Hexion Stanlow Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEXION STANLOW LIMITED (continued)

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# Hexion Stanlow Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEXION STANLOW LIMITED (continued)

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

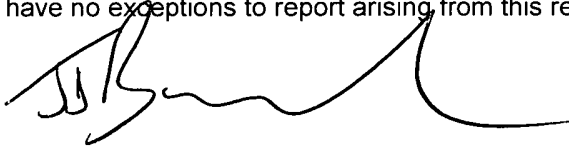
### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jonathan Bound (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff

26 March 2018

# Hexion Stanlow Limited

## Income Statement

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Administrative expenses		(100)	(150)
Closure provision	11	100	150
<b>Operating profit</b>	6	-	-
Interest receivable and similar income		0	6
<b>Net interest income</b>	7	0	6
<b>Profit on ordinary activities before taxation</b>		-	6
Tax on profit on ordinary activities	8	7	-
<b>Profit for the financial year</b>		7	6

## Statement of Comprehensive Income

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit for the financial year	7	6
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>7</b>	<b>6</b>

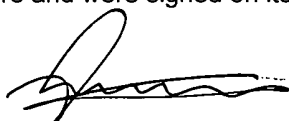
# Hexion Stanlow Limited

## Statement of Financial Position

	Note	As at 31 December 2017 £'000	As at 31 December 2016 £'000
<b>Current assets</b>			
Debtors	9	7	1,480
		7	1,480
<b>Creditors: amounts falling due within one year</b>	10	-	(96)
<b>Net current assets</b>		7	1,384
<b>Total assets less current liabilities</b>		7	1,384
<b>Provisions for other liabilities</b>	11	-	(100)
<b>Net assets</b>		7	1,284
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Retained earnings	14	7	1,284
<b>Total equity</b>		7	1,284

The notes on pages 12 to 20 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of directors on 26 March 2018 and were signed on its behalf by:



**A. Mertens**  
**Director**  
Hexion Stanlow Limited  
Registration No. 03731119

# Hexion Stanlow Limited

## Statement of Changes in Equity

	Called up share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2016	-	1,278	1,278
Profit for the financial year	-	6	6
Total other comprehensive expense for the year	-	6	6
<b>At 31 December 2016</b>	<b>-</b>	<b>1,284</b>	<b>1,284</b>
At 1 January 2017	-	1,284	1,284
Profit for the financial year	-	7	6
Total other comprehensive income for the year	-	7	6
Dividends paid		(1,284)	(1,284)
<b>At 31 December 2017</b>	<b>-</b>	<b>7</b>	<b>6</b>

# Hexion Stanlow Limited

## Notes to the financial statements

### 1 General information

Hexion Stanlow Limited ('the Company') manufactured epoxy resins in previous years. The Company has manufacturing plants in the UK and sold primarily to the UK and the rest of Europe. The Company is incorporated and domiciled in the UK and is part of Hexion Inc., a world leader in specialty chemicals. The address of its registered office is given on page 1. The Company ceased production on 30 June 2014.

### 2 Statement of compliance

The individual financial statements of Hexion Stanlow Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### (b) Going concern

The directors have considered the twelve month period from the date of approval of these financial statements and are satisfied that the Company remains a going concern, although note that production ceased on 30 June 2014. The parent Company has provided a letter of support to ensure the Company can meet its debts as they fall due.

#### (c) Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Hexion Inc. includes the company's cash flows in its own consolidated financial statements.

# Hexion Stanlow Limited

## Notes to the financial statements

### 3 Summary of significant accounting policies (continued)

#### (d) Foreign currency

##### (i) Functional and presentational currency

The Company's functional and presentational currency is the pound sterling.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance (expense)/income'. All other foreign exchange gains and losses are presented in the Income Statement within 'other operating (losses)/gains'.

#### (e) Interest income

Interest income is recognised using the effective interest rate method.

#### (f) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Income Statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case tax is also recognized in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### (i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

# Hexion Stanlow Limited

## Notes to the financial statements

### 3 Summary of significant accounting policies (continued)

#### (f) Taxation (continued)

##### (ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognized on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognized when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

#### (g) Group relief

Group relief is surrendered to/received from other group companies for no consideration.

In specific circumstances, individual group companies may reach agreement between themselves to surrender and/or receive group relief for consideration within the tax on profit on ordinary activities with the Income Statement.

Should group relief be surrendered to/received from other group companies for consideration, the consideration paid will reflect, at a minimum, the corporation tax amounts surrendered and/or received. These amounts are reported as expenses or benefits within the tax on profit/(loss) on ordinary activities within 'Retained earnings'.

On a discretionary basis, group companies, may agree to compensate for amounts in excess of the corporation tax amounts surrendered and/or received. In this instance, the excess over the corporation tax amount is shown as a separate movement within the 'Retained earnings' reserve on the Statement of Financial Position.

#### (h) Provisions and contingencies

##### (i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

(a) The closure provision is recognised when the Company has a detailed, formal plan for the site closure. The directors have estimated the provision based upon an internal assessment of the costs associated with ceasing production, including site closure, clean-up costs and contract termination; and



# Hexion Stanlow Limited

## Notes to the financial statements

### 3 Summary of significant accounting policies (continued)

#### (h) Provisions and contingencies (continued)

(b) Provision is not made for future operating losses.

All provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a finance cost.

#### (ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (a) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (b) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

#### (i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (j) Distributions to equity holders

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognized in the Statement of Changes in Equity.

#### (k) Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

#### (l) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

##### (i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### (ii) Defined contribution pension plans

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The amount charged to the income statement in respect of pension costs is the contribution payable in the year. Differences between contributions payable and actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

# Hexion Stanlow Limited

## Notes to the financial statements

### 3 Summary of significant accounting policies (continued)

#### (m) Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *Financial assets*

The Company only enters into basic financial assets, including trade and other debtors and cash and bank balances. These are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortized cost using the effective interest method.

At the end of each reporting period financial assets measured at amortized cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognized in the Income Statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognized the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognized. The impairment reversal is recognized in profit or loss.

##### *Financial liabilities*

Basic financial liabilities, including trade and other creditors, bank loans and balances due to from fellow group companies, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

### 4 Critical accounting judgments and estimation uncertainty

In applying the accounting policies detailed above, decisions sometimes have to be made as to the likely outcome of future events. Those judgements and estimates made in preparing the financial statements are based on historical experience and assumptions that the directors believed were reasonable in the circumstances.

#### (i) Closure provision

The Company currently is in the process of site closure and clean-up costs, following the decision to cease production. Management has made an estimate of the costs associated with ceasing production and reassesses this periodically using internal expertise from within the wider Hexion group to arrive at a provision. Management review the provision based upon the latest information and ongoing costs and review the provision accordingly.

### 5 Employees and directors

The monthly number of persons (excluding executive directors) employed by the Company during the year was nil (2016: nil).

No remuneration has been paid to the directors for their services to the Company as directors during the year (2016: £nil). The directors were remunerated by other group companies for their services to the group as a whole during both years and are not recharged to the Company as their services are considered incidental to their services of the Group as a whole.

# Hexion Stanlow Limited

## Notes to the financial statements

### 6 Operating profit

Operating profit is stated after charging/(crediting):	2017 £'000	2016 £'000
Foreign exchange (gain)	(9)	(9)
Audit fees payable to the Company's auditor	4	4

In accordance with SI 2008/489 the Company has not disclosed the fees payable to the Company's auditor for "Other services" as this information is included in the consolidated financial statements of Hexion B.V.

There are no staff costs.

### 7 Net interest income

#### Interest receivable and similar income

	2017 £'000	2016 £'000
Interest receivable on inter-company loans	0	6
<b>Total interest receivable and similar income</b>	<b>0</b>	<b>6</b>

### 8 Tax on profit on ordinary activities

#### a) Tax (income)/expense included in the Income Statement

	2017 £'000	2016 £'000
Current tax:		
- UK Corporation tax on profit for the year	-	-
- Adjustment in respect of prior years	(7)	-
<b>Total current tax</b>	<b>(7)</b>	<b>-</b>
Deferred tax:		
- Origination and reversal of timing differences	-	-
- Impact of changes in tax rate	-	-
<b>Total deferred tax</b>	<b>-</b>	<b>-</b>
<b>Tax on profit on ordinary activities</b>	<b>(7)</b>	<b>-</b>

# Hexion Stanlow Limited

## Notes to the financial statements

### 8 Tax on profit on ordinary activities (continued)

#### b) Reconciliation of tax (credit)

Tax assessed for the period is lower (2016: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	-	6
Profit on ordinary activities multiplied by the standard rate in the UK of 19.25% (2016: 20%)	-	1
Effect of:		
- Group relief not paid for	1	1
- Adjustment from previous periods	(7)	
- Post cessation expenses	(1)	(2)
<b>Tax (credit) for the year</b>	<b>(7)</b>	<b>-</b>

The UK standard rate of corporation tax is 19.25% for the year ended 31 December 2017 (2016: 20%). A reduction in the rate of corporation tax from 20% to 19% became effective from April 2017. A further reduction to 17% from April 2020 was substantially enacted on 15 September 2016.

### 9 Debtors

	2017 £'000	2016 £'000
Amounts owed by group undertakings		
- parent company	7	1,478
Other debtors	-	2
	<b>7</b>	<b>1,480</b>

The intercompany loan receivable from Hexion Holding B.V. of £7,000 as at 31 December 2017 is part of the Zero Balancing Agreement between Hexion Holding B.V. (as Cash Pool Leader) and the Company. This loan is interest bearing against the deposit interest rate. This deposit interest rate is determined on the 3 months EURIBOR, minus 95 basis points. In the event the fixed percentage amount cannot be applied, since it will result in a negative interest percentage, the cash pool participants shall be ensured with a minimum interest rate, based upon market conditions, as determined by Hexion's Treasury Department.

# Hexion Stanlow Limited

## Notes to the financial statements

### 10 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	-	78
Accruals and deferred income	-	18
	-	96

Amounts owed to group undertakings are interest free, unsecured and are repayable on demand.

### 11 Provisions for other liabilities

	Closure provision £'000
Balance brought forward at 1 January 2017	100
Released in the year	(100)
<b>Balance carried forward at 31 December 2017</b>	<b>-</b>

It was announced in 2013 that the Stanlow production facility would close when production ceased on 30 June 2014. Provisions were made in respect of the costs associated with ceasing production, including site closure, clean-up costs and contract termination. As the plant closure is finalised in 2017, the directors have concluded that no provision was required at 31 December 2017 (2016: £100,000).

### 12 Financial instruments

The Company has the following financial instruments

	2017 £'000	2016 £'000
Financial assets that are debt instruments measured at amortised cost		
- Amounts owed by group undertakings	7	1,478
- Other debtors	-	2
	7	1,480
Financial liabilities measured at amortised cost		
- Trade creditors	-	78
	-	78

The Company has no derivative financial instruments (2016: £nil).

# Hexion Stanlow Limited

## Notes to the financial statements

### 13 Called up share capital

	2017 £'000	2016 £'000
<b>Called up, allotted and fully paid</b>		
2 (2016: 2) ordinary shares of £1 each	-	-

There is a single class of ordinary shares. There are no restrictions on distributions of dividends and the repayment of capital.

### 14 Reserves

#### Retained earnings

The retained earnings represent the accumulated profits, losses and distributions of the Company.

### 15 Dividends

The directors recommended a payment of a dividend of £1,284,000 for the year ended 31 December 2017 (2016: £nil).

### 16 Post-employment benefits

The Company participated in a defined contribution pension scheme. There have been no costs incurred during this year (2016: £nil) under this scheme. There are no prepaid or outstanding amounts at the year-end (2016: £nil).

### 17 Contingent liabilities

In the opinion of the directors, there were no material contingent liabilities or commitments requiring disclosure.

### 18 Capital and other commitments

At 31 December 2017, the Company had no contracted capital commitments (2016: £nil).

### 19 Related party disclosures

The Company is exempt from disclosing transactions with members of the group headed by Hexion Inc. that are wholly owned within the group.

### 20 Controlling parties

The immediate parent undertaking is Hexion Holding B.V.

The smallest and largest group which consolidates the results of the Company is that headed by Hexion Inc. The consolidated financial statements of Hexion Inc. are available from 180 East Broad Street, Columbus, Ohio 43215.

The ultimate controlling entity is Apollo Management, LP, a private investment firm based in the USA.